

**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

**Docket No. DE 13-063**

**GRANITE STATE ELECTRIC COMPANY d/b/a LIBERTY UTILITIES**

**Notice of Intent to File Rate Schedules**

**DIRECT TESTIMONY OF GAIL A. DAHLSTROM  
ON BEHALF OF INTERVENOR DARTMOUTH-HITCHCOCK**

**November 15, 2013**

**Q: Please state your name and business address.**

**A:** Gail Dahlstrom, Dartmouth-Hitchcock, Vice President Facilities Management and Supply Chain, One Medical Center Drive, Lebanon, New Hampshire.

**Q: How are you employed?**

**A:** I am an employee of Mary Hitchcock Memorial Hospital, and I have been working at Dartmouth-Hitchcock for over 28 years. I am responsible for ensuring Dartmouth-Hitchcock can provide health care services to our patients by virtue of providing the physical and technical infrastructure within which our providers, educators, and researchers perform their duties. I oversee all the facilities management and engineering expertise necessary to “keep the lights on” and to ensure the operation of all the intricate surgical and diagnostic services, both inpatient and outpatient, provided by Dartmouth-Hitchcock’s facilities.

This testimony has been prepared for the Commission’s consideration relying upon information from a number of internal Dartmouth-Hitchcock resources, including but not limited to, its finance, human resources, legal, facilities management and engineering departments.

**Q: For whom are you testifying in this proceeding?**

**A:** I am testifying on behalf of Dartmouth-Hitchcock, a consumer of electricity from Liberty Utilities, and an intervenor in this proceeding.

**Q: Please describe Dartmouth-Hitchcock, how it is organized, and the services it provides.**

**A:** Dartmouth-Hitchcock is comprised of Mary Hitchcock Memorial Hospital (the “Hospital”) and the Dartmouth-Hitchcock Clinic (the “Clinic”). Both are New Hampshire not-for-profit organizations.

Dartmouth-Hitchcock employs nearly 9,000 employees, approximately 6,500 of which work in the Lebanon area. Dartmouth-Hitchcock is the single largest employer in the Upper Connecticut River Valley, and is one of the largest employers in New Hampshire. Between the Hospital and the Clinic, Dartmouth-Hitchcock’s goal is to serve and improve the health of over one million patients each year.

The Hospital has 381 inpatient beds and is located in Lebanon, New Hampshire. It is the only Level 1 tertiary care trauma center in New Hampshire. It was first incorporated in 1889, and has since then served most of northern New England, as well as serving patients from around the country who appreciate the high level of care the Hospital offers. The Hospital also provides unique specialty services, including a statewide air-ambulance helicopter (DHART), which is the only fast-response helicopter program in the New Hampshire/Vermont/Maine area, and children’s care through the nationally-recognized Children’s Hospital at Dartmouth-Hitchcock (CHaD).

The Clinic provides both primary care and specialty medical services to patients throughout northern New England, with offices in Lebanon, Concord, Keene, Manchester and Nashua, New Hampshire, as well as Bennington, Vermont.

Were it not for our provision of these services to our patients, especially in the Upper Connecticut River Valley, they would be forced to travel much greater distances – Burlington, VT or Boston, MA – in order to receive much needed and often life-saving medical services and treatments.

Because of its close connection with the Theodore Geisel School of Medicine at Dartmouth College, Dartmouth-Hitchcock has been able to create a premier academic medical center. Dartmouth-Hitchcock serves as the clinical training grounds for nursing schools, such as Colby Sawyer, and also provides clinical training for Physician Assistants in conjunction with the University of New Hampshire.

Through its office of Community Health Improvement & Benefits (CHIB), Dartmouth-Hitchcock uses its resources to promote good health community-wide, viewing all the people in our service area as “one patient.” Through these initiatives we have joined with United Way and other partners to help set goals and assess health needs. We also support local projects that share these goals. Overall, Dartmouth-Hitchcock invests over \$124 million in unreimbursed expenses to support programs identified through CHIB.

**Q: Please detail Dartmouth-Hitchcock’s physical plant.**

**A:** Dartmouth-Hitchcock’s Lebanon operations consist of over eight separate buildings and an estimated 2,097,959 square feet including its main campus, known as DHMC, as well as a number of other buildings either owned or utilized by Dartmouth-Hitchcock. The Lebanon facility also supports Dartmouth-Hitchcock’s operations throughout all of its locations in NH and VT.

The square footage, and energy consumption associated with our physical layout, will increase within the next year by the opening of a new building within the DHMC campus, which will add an additional 160,000 square feet of space.

**Q: Please describe Dartmouth-Hitchcock's present electric consumption.**

**A:** Over the past 12 months, Dartmouth-Hitchcock's Lebanon operations consumed approximately 59,506 MWh of electricity. Much of this consumption is driven by a wide array of sophisticated diagnostic and treatment equipment necessary to operate our state-of-the-art medical facilities and necessary to deliver top-notch medical treatment. That equipment includes some of the most advanced surgical imaging devices available in the United States. It also includes other surgical and non-surgical imaging equipment such as MRI, CT Scan and x-ray equipment, linear accelerators (used in Oncologic treatment) and advanced life saving equipment, all of which require substantial electric supply.

**Q: What will the proposed rate increase cost Dartmouth-Hitchcock?**

**A:** We estimate that the proposed rate increase will result in an increase of \$576,275 annually in Dartmouth-Hitchcock's electric costs based on our current consumption of 59,506 MWh. (Dartmouth-Hitchcock notes that, in its response to our Data Requests, Liberty Utilities estimated that Dartmouth-Hitchcock's electric costs would increase by \$531,689 per year, based on Liberty Utilities assessment that it delivered 54,902 MWh to Dartmouth-Hitchcock. However, it appears that Liberty Utilities did not take into account all property owned or utilized by Dartmouth-Hitchcock in its calculations.)

Furthermore, it is expected that the expansion referenced above will increase annual electric consumption by approximately 3,200 MWh. Thus, under the proposed rate increase, the impact on Dartmouth-Hitchcock will be approximately \$605,000 each year.

**Q: Are you able to recover the additional electric costs that would be imposed by a rate increase through adjustments to your fees, as in other businesses?**

**A:** No. As a highly regulated entity, Dartmouth-Hitchcock lacks much of the flexibility that most businesses enjoy in providing services, setting fees and collecting revenue.

Dartmouth-Hitchcock also prides itself in being a health care provider which will treat a patient regardless of that patient's ability to pay. Dartmouth-Hitchcock generally receives payment under one of three methods: (1) government funded programs, such as Medicaid and Medicare; (2) private insurance plans; and (3) patient self-pay.

The largest current source for reimbursement is Medicaid and Medicare, which collectively represent roughly 54% of our revenue. The rates of reimbursement for these government sponsored programs are set by the Centers for Medicare and Medicaid Services (CMS). They do not take into account actual costs of delivery of services to patients, and are not subject to negotiation. Thus, when utility rates, and the cost to provide medical services, increase there is no corresponding increase in reimbursement rates. Consequently, Dartmouth-Hitchcock is forced to absorb those additional costs.

Approximately 42% of our revenue comes from private insurance. Private insurance companies generally negotiate fixed prices on a contractual basis with providers. We have no ability to unilaterally increase the reimbursement rates private insurance

companies will pay to account for a drastic increase in our utility costs. And, given that private insurance makes up less than half of our revenue, any adjustment to such reimbursement rates would have to be substantial to make up for the increased costs.

The remaining 4% of our revenue comes from self-pay patients. Self-pay patients tend to be those patients who are uninsured or underinsured, generally because they are unable to afford insurance. Consequently, the recovery rate from self-pay patients is even less than the reimbursement rates we receive from government-sponsored programs. This is even so if the rates charged to those patients were increased, those fees would be largely unrecoverable.

These reimbursement methods prevent us from simply passing on increased costs to our consumers.

**Q: Does Dartmouth-Hitchcock have the ability to switch from Liberty Utilities to a different power distributor in order to minimize or mitigate the rate increases.**

A: No. In order to further its charitable mission, Dartmouth-Hitchcock has mitigated the cost associated with the delivery of fuel and/or power to its facilities through various competitive marketplace solutions. For example, with an eye towards reducing costs, Dartmouth-Hitchcock has looked at how it uses power and how to increase efficiencies or switch to lower cost alternatives. As a result, we are on line to switch from oil burning furnaces over to natural gas. While this switch should represent future savings, they require up-front Dartmouth-Hitchcock investment.

However, there is no marketplace where we could shift from electricity distributor to distributor depending on factors such as price, reliability or service. Dartmouth-Hitchcock is bound to Liberty Utilities and does not have the ability to “shop around” for another provider.

**Q: What impact would the proposed increased costs have on Dartmouth-Hitchcock?**

**A:** As explained above, the proposed rate increase would drastically increase Dartmouth-Hitchcock’s operational costs. Given the nature of the medical equipment to provide necessary treatment, it is not practicable to meaningfully reduce electric consumption. Given that there is no marketplace to change energy suppliers, Dartmouth-Hitchcock cannot seek to find a lower rate from a competitor of Liberty Utilities. Given the reimbursement models to which Dartmouth-Hitchcock is bound, it is impossible to recover such additional costs from patients in conjunction with the drastic rate increase. For these reasons, Dartmouth-Hitchcock would be forced to directly absorb most if not all of the increased costs imposed by the rate increase.

**Q: Has Dartmouth-Hitchcock taken any business measures to address increasing costs considering the current economy and the challenging payment models you describe?**

**A:** Yes, like all businesses, Dartmouth-Hitchcock has taken several steps to increase efficiency while maintaining excellent services. For example, Dartmouth-Hitchcock has diligently worked to decrease the “Cost per Adjusted Discharge,” a common metric utilized to determine hospital efficiency. Dartmouth-Hitchcock has also instituted a voluntary retirement program to reduce labor costs, adjusted its approach to employee

compensation and benefits programs, reduced its work-force through layoffs and taken numerous steps to increase its efficiency (including energy-efficiency) wherever and whenever possible.

**Q: Are you opposed to any adjustment in Liberty Utilities' electric rates?**

**A:** No. Dartmouth-Hitchcock understands that costs must increase over time. However, we feel that increases must be reasonable and gradual so as to not impose an undue hardship on consumers such as Dartmouth-Hitchcock as well as its employees and its patients. During a time where healthcare providers are being paid less for services and being forced to revise their business models to operate profitably with less reimbursement, it is reasonable to expect Liberty to undertake similar measures and improve its business model so to be able to operate profitably without causing "rate shock" to its captive consumers.

**Q: Does this conclude your testimony?**

**A:** Yes, it does.