

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LAURENCE M. BROCK**

New Hampshire Public Utilities Commission

Docket No. DE 13-___

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LIST OF SCHEDULES

Schedule LMB-1: Costs – Hurricane Sandy

1 **I. INTRODUCTION**

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

3 A. My name is Laurence M. Brock. My business address is 6 Liberty Lane West,
4 Hampton, New Hampshire 03842.

5

6 **Q. For whom do you work and in what capacity?**

7 A. I am Controller and Chief Accounting Officer of Unitil Corporation, Inc.
8 (“Unitil”). I am also the Controller of Unitil’s utility operating subsidiaries,
9 including Unitil Energy Systems, Inc. (“UES” or the “Company”), Northern
10 Utilities, Inc. (“Northern”), Granite State Gas Transmission, Inc. (“Granite”),
11 and Fitchburg Gas and Electric Light Company (“FG&E”). In addition, I am
12 the Vice President and Controller of Unitil Service Corp. (“USC”), which
13 provides centralized management and administrative services to all of Unitil’s
14 affiliates, including UES, Northern, Granite and FG&E.

15

16 **Q. Please describe your business and educational background.**

17 A. I am a Certified Public Accountant in the State of New Hampshire. I graduated
18 from the University of New Hampshire with a Master’s Degree in Business
19 Administration. I completed my Public Accounting work experience requirement
20 at Coopers & Lybrand, in Boston, MA. I have been employed with Unitil since
21 June, 1995.

22

1 **Q. Have you previously testified before the New Hampshire Public Utilities**
2 **Commission ("Commission")?**

3 A. Yes. I have testified before the Commission in various matters on behalf of UES
4 and Northern. In addition, I have also testified before the Maine Public Utilities
5 Commission ("MPUC") and the Massachusetts Department of Public Utilities
6 ("MDPU") in various matters on behalf of Northern and FG&E, respectively, and
7 before the Federal Energy Regulatory Commission ("FERC") on behalf of Granite.

8

9 **II. PURPOSE OF TESTIMONY**

10 **Q. What is the purpose of your testimony in this proceeding?**

11 A. The purpose of my testimony is to support the costs and accounting treatment
12 associated with Hurricane Sandy, which occurred in October 2012.

13

14 **Q. Is UES presenting any other witnesses in this filing?**

15 A. Yes. UES is presenting Ms. Karen M. Asbury, Director of Regulatory Services for
16 USC and Mr. Richard L. Francazio, Director of Emergency Management and
17 Compliance for USC. Ms. Asbury will describe UES' proposal to increase its
18 Storm Recovery Adjustment Factor ("SRAF") effective May 1, 2013 to recover
19 the costs associated with Hurricane Sandy. Mr. Francazio will describe: the
20 storm, the damage the storm caused to the distribution infrastructure of UES, and
21 UES' planning, restoration and recovery efforts.

22

1 **III. HURRICANE SANDY: STORM RESTORATION EXPENDITURES**

2 **Q. Why and how did UES incur emergency storm restoration costs as a result of**
3 **Hurricane Sandy?**

4 A. As discussed in the testimony of Mr. Francazio, during Hurricane Sandy, 31,000
5 of UES' customers were without service at the storm's peak and over the course of
6 the 36 hour restoration period. During this storm event, UES incurred significant
7 incremental storm restoration expenditures for outside contractor crews,
8 incremental payroll, and material & supplies costs and transportation costs to
9 restore electric utility service to UES customers who were interrupted during the
10 storm event.

11

12 **Q. What are the total costs which UES incurred attributable to Hurricane Sandy**
13 **for the emergency storm restoration expenditures.**

14 A. As shown on Schedule LMB-1 attached hereto, the total costs which UES incurred
15 for the emergency storm restoration expenditures attributable to Hurricane Sandy
16 are \$2,659,587, of which \$349,498 was capitalized to utility plant assets and
17 \$2,310,089 was recorded as deferred storm costs.

18

19 **Q. Please identify the specific cost categories and amounts attributable to**
20 **Hurricane Sandy for the emergency storm restoration expenditures.**

21 A. The specific cost categories of emergency storm restoration expenditures include
22 1) Contractor & Related Services, 2) Incremental Payroll & Expenses, 3) Materials

1 & Supplies and 4) Transportation. A summary of UES' emergency storm
2 restoration expenditures in the specific cost categories listed above and attributable
3 to Hurricane Sandy are presented on Schedule LMB-1, attached hereto. Unitil's
4 Internal Audit staff has completed its review of Unitil's Hurricane Sandy costs.

5

6 **Q. Please describe the amount and nature of Contractor & Related Services**
7 **costs incurred by UES during the emergency storm restoration efforts for**
8 **Hurricane Sandy.**

9 A. As shown on Schedule LMB-1, the amounts of Contractor & Related Services
10 costs incurred by UES during the emergency storm restoration efforts are
11 \$2,340,450 for Hurricane Sandy. The costs principally represent amounts
12 expended by UES during the emergency storm restoration efforts to acquire and
13 compensate local and non-local utility line crews, trees crews and damage
14 assessment and wires down personnel to complete the restoration. The Contractor
15 & Related Services costs also include \$2,981 of tree trimming charges for jointly
16 owned poles that have been billed but not yet paid. If this payment is received in
17 the future, UES will reduce the amount of its recoverable storm costs by \$2,981.

18

19 **Q. Please describe the amount and nature of Incremental Payroll & Expenses**
20 **incurred by UES during the emergency storm restoration efforts for**
21 **Hurricane Sandy.**

1 A. As shown on Schedule LMB-1, the amounts of Incremental Payroll & Expenses
2 incurred by UES during the emergency storm restoration efforts are \$252,867 for
3 Hurricane Sandy. The costs principally represent amounts expended by UES for
4 regular pay and overtime paid to UES crews, overtime paid to exempt employees
5 at UES and USC and overtime paid to non-exempt employees at UES and USC (in
6 accordance with the Company's Storm Pay Policy) to complete the restoration.

7

8 **Q. Please describe the amount and nature of Materials & Supplies costs**
9 **incurred by UES during the emergency storm restoration efforts for**
10 **Hurricane Sandy.**

11 A. As shown on Schedule LMB-1, the amounts of Materials & Supplies costs
12 incurred by UES during the emergency storm restoration efforts are \$41,524 for
13 Hurricane Sandy. The costs principally represent materials and supplies issued
14 from inventory and charged to the respective Construction Work Orders ("CWO")
15 by UES during the emergency storm restoration efforts to complete the restoration.

16

17 **Q. Please describe the amount and nature of Transportation costs incurred**
18 **by UES during the emergency storm restoration efforts for Hurricane**
19 **Sandy.**

20 A. As shown on Schedule LMB-1, the amounts of Transportation costs incurred by
21 UES during the emergency storm restoration efforts are \$24,746 for Hurricane
22 Sandy. The costs principally represent the incremental cost of Company-owned

1 vehicles and equipment used by UES during the emergency storm restoration
2 efforts to complete the restoration.

3

4 **IV. HURRICANE SANDY: UES ACCOUNTING FOR STORM**
5 **RESTORATION COSTS**

6 **Q. How did the Company track and compile the emergency storm restoration**
7 **costs associated Hurricane Sandy?**

8 A. The emergency storm restoration costs Hurricane Sandy are initially recorded
9 under CWO's in the Unitil Plant Accounting System. When the CWO's are
10 closed, all final expenditures are categorized as: capitalized utility plant additions
11 for assets that were replaced during the storm events, or as deferred storm costs for
12 repairs that were performed during the storm events to be recovered through the
13 SRAF.

14

15 **Q. Have all of the costs attributable to Hurricane Sandy been accumulated in**
16 **the CWOs and paid by the Company?**

17 A. As of February 28, 2013, the Company has paid all invoices received for
18 Hurricane Sandy.

19

20

1 **Q. For accounting purposes, has the Company calculated the emergency**
2 **storm restoration costs attributable to Hurricane Sandy? If so, please**
3 **explain how the Company calculated those costs and how they are**
4 **classified for accounting purposes.**

5 A. The total emergency storm restoration costs associated with Hurricane Sandy
6 are \$2,659,587, which includes \$349,498 of costs capitalized as utility plant
7 additions for plant units replaced during the storm event and \$2,310,089 of
8 deferred storm costs for repairs that were performed during the storm event.
9 The deferred storm costs have been recorded as a Regulatory Asset in account
10 #10-20-00-00-182-10-00 to be transferred to #10-20-00-47-182-86-00 and
11 recovered through the UES SRAF upon approval.

12

13 **Q. How did the Company identify and calculate the amount of emergency storm**
14 **restoration costs to be capitalized as utility plant additions for plant units**
15 **replaced during the storm event?**

16 A. The Company's method to identify the amount of storm costs to be capitalized was
17 to use the average install cost of similar plant units from the prior year, to calculate
18 the amount to be capitalized for all individual plant units installed during the storm
19 event. This method normalizes the impact of higher emergency storm restoration
20 costs, including labor and contractor rates, during the events.

21

1 **Q. How did the Company identify and calculate the amount of emergency storm**
2 **restoration costs for repairs performed during the storm that are recognized**
3 **as deferred storm costs to be recorded as a Regulatory Asset in account #10-**
4 **20-00-47-182-86-00, and which are proposed to be recovered through the UES**
5 **SRAF?**

6 A. All emergency storm restoration costs remaining in the CWO after the
7 capitalization of utility plant additions for plant units replaced during the storm
8 event were recognized as deferred storm costs, would be recorded as a Regulatory
9 Asset in account #10-20-00-47-182-86-00, and are proposed by the Company to be
10 recovered through the UES SRAF.

11

12 **V. CONCLUSION**

13 **Q. Does that conclude your testimony?**

14 A. Yes, it does.