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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 16, 2009 - 10:21 a.m.
Concord, New Hampshire

NHPUC JUL24'09 PM 3:42

RE: DE 09-115
UNITIL SERVICE CORPORATION:
Stranded Cost Recovery and Delivery
Charge Reconciliation.

PRESENT: Commissioner Clifton C. Below, Presiding
F. Anne Ross, General Counsel

Sandy Deno, Clerk

APPEARANCES: Reptg. Unitil Service Corporation:
Gary M. Epler, Esq.

Reptg. PUC Staff:
Lynn Fabrizio, Esq.

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

P R O C E E D I N G S

1
2 COMMISSIONER BELOW: Good morning. I'm
3 here to open the hearing in DE 09-15. Unfortunately,
4 Chairman Getz injured his back this morning, is unable to
5 be in. So, an order of notice was issued on June 26 in
6 this docket. On June 17th, 2009, Unitil Energy Systems,
7 Inc. filed its annual reconciliation of adjustable rate
8 mechanisms, including UES's Stranded Cost Charge and
9 External Delivery Charge. UES proposed the tariff changes
10 for effect with service rendered on and after August 1,
11 2009. And, a hearing was scheduled for this morning,
12 June 16th, 2009, at 10:00 a.m.

13 MS. ROSS: July.

14 COMMISSIONER BELOW: I'm sorry, July.
15 Thank you. I've also asked PUC General Counsel, Anne
16 Ross, to join me here, in case there's any questions with
17 me chairing.

18 We'll take appearances.

19 MR. EPLER: Good morning, Commissioner
20 and General Counsel. My name is Gary Epler. I'm the
21 Chief Regulatory Counsel for Unitil Energy Systems, Inc.
22 Thank you.

23 COMMISSIONER BELOW: Okay.

24 MR. TRAUM: Good morning. I'm sitting

1 back here because the OCA is not participating, and I'm
2 here as an observer. My name is Kenneth Traum.

3 COMMISSIONER BELOW: Okay. Good
4 morning.

5 MS. FABRIZIO: Good morning. Lynn
6 Fabrizio, on behalf of Staff, and with me today at the
7 table is Henry Bergeron, from the Electric Division.

8 COMMISSIONER BELOW: Good morning. Any
9 procedural issues before we go to witnesses and hear
10 testimony?

11 MR. EPLER: Yes, Commissioner. I
12 believe Unitil submitted by mail its proof of publication.
13 But, just in case -- I was not able to find a copy of that
14 this morning, but I do have a copy of the notice, if you
15 don't have that in the file.

16 COMMISSIONER BELOW: We have it in our
17 docketbook on 7/06, we have affidavit of publication
18 received. So, we that.

19 MR. EPLER: Okay. The second thing is,
20 I would just like to premark two exhibits. One is the
21 blue bound copy of the originally submitted tariffs,
22 testimony and exhibits that was submitted. And, the
23 second is some revisions to that filing that was filed on
24 July 14th, that also has a cover letter, revised tariffs,

[WITNESS PANEL: Wells|McNamara]

1 testimony, and exhibits.

2 COMMISSIONER BELOW: Okay. We'll mark
3 those as "Exhibits 1" and "2", respectively.

4 (The documents, as described, were
5 herewith marked as **Exhibit 1** and
6 **Exhibit 2**, respectively, for
7 identification.)

8 MR. EPLER: I do have an extra copy if
9 you need either one of those?

10 COMMISSIONER BELOW: I think we could
11 use an extra copy of Exhibit 2. Thank you.

12 (Atty. Epler handing document to
13 Commissioner Below.)

14 COMMISSIONER BELOW: All right. The
15 exhibits are marked for identification purposes. And, do
16 you have witnesses to call, Mr. Epler?

17 MR. EPLER: Yes.

18 (Whereupon *Francis X. Wells* and
19 *Linda S. McNamara* was duly sworn and
20 cautioned by the Court Reporter.)

21 **FRANCIS X. WELLS, SWORN**

22 **LINDA S. McNAMARA, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. EPLER:

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[WITNESS PANEL: Wells|McNamara]

1 Q. Mr. Wells, I would like to start with you please. Can
2 you state your full name and business title and address
3 for the record please?

4 A. (Wells) Yes. My name is Francis X. Wells. I am Senior
5 Energy Trader for Unitil Service Corp. My business
6 address is 6 Liberty Lane West, Hampton, New Hampshire.

7 Q. And, have you testified previously before this
8 Commission?

9 A. (Wells) Yes.

10 Q. Mr. Wells, could I have you turn to what has been
11 premarked as "Exhibit Number 1". And, can you turn to
12 the tabs in that exhibit that are marked "Exhibit
13 FXW-1" and "Schedules FXW-2" through "5"? Do you have
14 those?

15 A. (Wells) Yes, I do.

16 Q. And, were those prepared by you or under your
17 direction?

18 A. (Wells) Yes, they were.

19 Q. And, could you also turn to what has been premarked as
20 "Exhibit 2". And, towards the back of that, there are
21 three sections. First, could you turn to the pages
22 that have been Bates stamped -- that are revised,
23 excuse me, that are Bates stamped "060" through "062".
24 Are these revised pages to your testimony?

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[WITNESS PANEL: Wells|McNamara]

1 A. (Wells) They are.

2 Q. Okay. And, then, next after that there is three
3 additional pages. Is this the redline of that
4 testimony, showing the changes?

5 A. (Wells) Yes.

6 Q. And, then, following that, the last page, is that a
7 revised Pages 3 and 4 of your Schedule FXW-2?

8 A. (Wells) Yes.

9 Q. Could you briefly explain the nature of the changes
10 that appear on these revised pages and schedules. Why
11 were the revisions necessary?

12 A. (Wells) In preparation of the original filing, the
13 Company relied upon estimated revenue requirement for
14 2009, June 1st, 2009, through July 2010. We estimated
15 that there would be no increase -- no change, rather,
16 in the Northeast Utilities revenue requirement that is
17 recovered as third party transmission providers. After
18 having filed the original filing, Northeast Utilities
19 informed the Company of the actual estimated revenue
20 requirement that it would be using to bill the Company
21 on for that period. And, it was dramatically lower,
22 approximately \$2 million lower in total cost over the
23 period. So, the Company revised its estimate and
24 thereby revised its proposed rate for the EDC.

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[WITNESS PANEL: Wells|McNamara]

1 Q. And, so, you reflect those changes in the lower rate in
2 your testimony and in your Schedule FXW-2, is that
3 correct?

4 A. (Wells) That's correct.

5 Q. Ms. McNamara, turning to you please, could you state
6 your full name and business title and address please.

7 A. (McNamara) My name is Linda McNamara. I am a Senior
8 Regulatory Analyst for Unitil Service Corp. The
9 address is 6 Liberty Lane West, in Hampton, New
10 Hampshire.

11 Q. And, have you testified before this Commission
12 previously?

13 A. (McNamara) I have.

14 Q. Could you please turn to what has been marked as
15 "Exhibit 1". And, turn to the tabs marked "Exhibit
16 LSM-1" and "Schedules LSM-1" through "LSM-4". And,
17 were these prepared by you or under your direction?

18 A. (McNamara) They were.

19 Q. And, can you please turn to what has been marked as
20 "Exhibit Number 2"? And, we could start with, after
21 the -- turning to that exhibit, after the cover letter,
22 there are tariff sheets. Are these revised tariff
23 sheets from what was filed originally?

24 A. (McNamara) Yes.

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[WITNESS PANEL: Wells|McNamara]

1 Q. And, do these take into account the change in the
2 exhibits and testimony of Mr. Wells?

3 A. (McNamara) They do.

4 Q. And, after those revised tariff sheets, there is
5 revised Testimony of Linda S. McNamara in two forms, a
6 clean and a redline version, is that correct?

7 A. (McNamara) Yes.

8 Q. And, in this testimony, do you -- well, what occurs in
9 this testimony that you needed to revise?

10 A. (McNamara) The update to my testimony incorporates the
11 change to the External Delivery Charge.

12 Q. And, is that then flowed through in the replacement
13 schedules that follow your revised testimony?

14 A. (McNamara) It does.

15 Q. And, overall, what is the effect of that change in what
16 the Company is requesting in this proceeding?

17 A. (McNamara) Overall, on a bill impact? On a --

18 Q. Yes.

19 A. (McNamara) In comparison to what was originally filed
20 on June 17th, the revised filing changes bill impacts
21 by an additional decrease of approximately 1.2 percent,
22 by class, depending on class and depending on usage.

23 Q. And, were these revisions prepared by you or under your
24 direction?

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[WITNESS PANEL: Wells|McNamara]

1 A. (McNamara) They were.

2 Q. Do you have anything else to add at this time?

3 A. (McNamara) No.

4 Q. Mr. Wells, do you have anything else to add at this
5 time?

6 A. (Wells) No.

7 MR. EPLER: Commissioner, I tender the
8 witnesses for cross.

9 COMMISSIONER BELOW: Okay.

10 Ms. Fabrizio.

11 MS. FABRIZIO: Thank you. And, good
12 morning.

13 CROSS-EXAMINATION

14 BY MS. FABRIZIO:

15 Q. Ms. McNamara, the first question is for you, on Page 4
16 of your testimony, you discuss a change in the
17 calculation method that Unitil uses to apply the
18 Stranded Cost Charge to G1 and G2 customers. And, in
19 that discussion you referred to "negative energy
20 charges". Could you explain a little bit why you made
21 this change in the calculation methodology?

22 A. (McNamara) Yes. If you could turn to Schedule LSM-1,
23 which is Bates stamped Page 013, this is from the
24 original June 17th filing, the Stranded Cost Charge is

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[WITNESS PANEL: Wells|McNamara]

1 calculated first as a uniform rate, a per kilowatt-hour
2 uniform rate applicable to all classes. The G2 class
3 and the G1 class also have a demand component to their
4 Strande Cost Charge. Therefore, when calculating their
5 rates, we need to decide how much is going to be
6 related to kilowatt-hour usage and how much is going to
7 be related to demand usage. When I performed that
8 calculation, based on the proposed uniform rate of
9 0.00495, the results of multiplying that by the
10 estimated kilowatt-hour usage, for example, the G2
11 class, which was 1,331,020 kilowatt-hours -- do I have
12 that -- I'm sorry. I'm sorry, I misspoke. When you
13 take that result and multiply it by the kW, that was
14 the number I just referenced, 1,331,020 kW, the result
15 is just a little over \$2 million.

16 Shown on the bottom right of Page 13,
17 under the section for the G2 class, the proposed
18 revenue to be collected from the G2 class is only
19 \$1.7 million. Therefore, the demand component alone,
20 at the current stranded cost demand rate, would result
21 in too much revenue. Therefore, an adjustment needed
22 to be made to the demand rate.

23 Q. And, this is a change in the ratio that's been applied
24 from previous years?

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[WITNESS PANEL: Wells|McNamara]

1 A. (McNamara) It's not a change in the ratio. If, again,
2 you reference the bottom of Page 13, you'll see that
3 the ratios were maintained from current rates. So, the
4 ratio has been maintained. It's the figures themselves
5 have been lowered.

6 Q. Okay. And, as the Stranded Cost Charge continues to
7 decline in future years, do you expect more similar
8 changes in future filings?

9 A. (McNamara) If it's necessary.

10 Q. Uh-huh. Okay.

11 A. (Witness McNamara nodding affirmatively).

12 Q. And, Unitil is asking the Commission to approve this
13 change in method, calculation method, as part of this
14 filing, is that correct?

15 A. (McNamara) Yes.

16 Q. Okay. Thanks. Now, Mr. Wells, turning to your
17 testimony, on Page 7, you discuss "revenues from the
18 sale of the Hydro-Quebec transmission and capacity
19 rights" as "having increased substantially". Could you
20 quantify what you mean by "substantial increase" here?

21 A. (Wells) Yes. Turning to Schedule FXW-5, Page 1 of 1,
22 looking to actual data for May 2007 through April 2008,
23 the total, on Line 2, labeled "Resale of Transmission
24 Rights and Capacity Credits", the total for the May

1 2007 through April 2008 period was a credit of
2 \$425,651. For the period May 2008 through April 2009,
3 the same figure was \$513,871. So, the increase in
4 capacity -- offset due to revenue was just under
5 100,000, I'd call it approximately \$90,000.

6 Q. And, what is behind that increase in revenue?

7 A. (Wells) That reflects higher capacity credits or,
8 rather, higher rate for capacity credits through the
9 ICAP settlement process. Also, higher transmission
10 revenues, just higher utilization of the ties.

11 Q. I'm sorry, something about "the ties"?

12 A. (Wells) Of the transmission rights.

13 Q. Uh-huh. Okay. Okay. Good. Thanks. Let's see. On
14 Page 8 of your testimony, you were discussing some of
15 the elements of the Stranded Cost Charge. And, you
16 state that the Great Bay contract was terminated early,
17 effective April 1st. Why was that terminated?

18 A. (Wells) The termination of the Great Bay agreement was
19 a negotiation that was primarily driven by Mirant and
20 Great Bay. The financial implications of that contract
21 didn't affect Unutil Power Corp., because the rights
22 were transferred to Mirant, through the Mirant
23 agreement. So, our only request, in any termination or
24 modification of these agreements, is that they do not

[WITNESS PANEL: Wells|McNamara]

1 increase any potential for costs back to Unitil Power
2 Corp. And, since this was a termination of the Great
3 Bay agreement, the result would be that there was no
4 costs -- there would be no further potential liability,
5 rather, to Unitil Power Corp., because the agreement no
6 longer -- would cease to exist.

7 Q. Okay. Thank you. So, after this termination, the
8 termination of the Great Bay contract, is there
9 anything left in the contract portfolio owned by
10 Mirant?

11 A. (Wells) There are no further contracts in the
12 portfolio. All the contracts have either been
13 terminated early or have gone through their final
14 payment.

15 Q. Uh-huh.

16 A. (Wells) So, barring any unforeseen circumstance, I
17 believe I stated in my testimony that Mirant has
18 fulfilled its obligations under the Mirant Agreement.

19 Q. But the \$4,000 a month payment to Mirant will continue
20 through 2010, August -- October, October 2010?

21 A. That's correct. Unitil Power Corp.'s obligation to
22 make the payments under the Mirant Agreement has not
23 been changed by the fact that Mirant has modified, in
24 this case terminated, the agreements under the

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1 portfolio.

2 Q. Okay. Great. So, as of -- the Great Bay contract is
3 terminated, and a year from October the 4,000 monthly
4 payments will terminate. So, the only element left in
5 the Stranded Cost Charge at that point will be the
6 Hydro-Quebec support payments, is that correct?

7 A. (Wells) That's correct.

8 Q. And, what kind of impact will that have on the Stranded
9 Cost Charge that you'll be filing?

10 A. (Wells) I would expect that Stranded Cost Charge to be
11 dramatically reduced. Turning to -- Turning to Page 6
12 of 16 of my testimony, if I -- at this time next year,
13 I would expect -- well, I would expect that the
14 portfolio sales charge would be dramatically reduced,
15 in consideration of the fact that you would have only
16 May through October. So, approximately 2.4 million,
17 I'm doing math in my head, which is always dangerous,
18 but I believe six months times 400,000 would be
19 2.4 million for Line Number 2. And, the residual
20 contract obligations I would expect to be zero. So,
21 that would be approximately 4.7 million of reduced
22 costs just for those two items.

23 Q. And, actually, it would only be three months, is that
24 right, August, September, October, in next year's

1 filing?

2 A. (Wells) In next year's filing, our estimate will be for
3 May 2010 through July 2011.

4 Q. Oh.

5 A. (Wells) So, they would --

6 Q. I see.

7 A. (Wells) So, what would actually -- it would actually be
8 part of the reconciliation process. The period May
9 through July would be included in the -- is included in
10 the current rate. And, of course, that would net to
11 zero, because it was included in the current rate. So,
12 for what would be recovered -- the net of what would be
13 recovered in the rate we would propose next time would
14 be only the three months, that's correct.

15 Q. Okay. Thank you. I think, on Page 3 of your
16 testimony, Mr. Wells -- no, I've already asked that
17 question. On Page 12, excuse me, of your testimony,
18 Table 2, you set out a "Comparison of EDC Cost
19 Estimates". And, you are comparing the prior estimate,
20 which is what you filed a year ago, is that correct,
21 with what you're filing here?

22 A. (Wells) That's correct.

23 Q. Do you agree that a comparison of actual costs versus
24 the current estimate might be more meaningful in a

1 future filing?

2 A. (Wells) Normally, I include both.

3 Q. Uh-huh.

4 A. (Wells) This filing was a little different in that the
5 actual costs I would be comparing were actually a
6 longer period.

7 Q. Right.

8 A. (Wells) Because we have a change in -- a change in the
9 filing date from an effective date of May 1st to an
10 effective date of August 1st. So, I didn't have
11 necessarily an apples-to-apples comparison for forecast
12 to actual costs. It's my intention, in future filings,
13 that I would go back to -- I would expect that I would
14 compare my May 2009 to July 2010 estimate to what we
15 are actually projecting in future filings.

16 Q. Great. Great. Thank you. Let's see. On Page -- now
17 I'm looking on Page 13, you discuss an increase in
18 revenue credits from the ISO that NU expects. Can you
19 quantify that for us?

20 A. (Wells) The figure that NU provided me was
21 approximately 60 million.

22 Q. Uh-huh.

23 A. (Wells) Which, considering that the revenue requirement
24 that they had previously billed was approximately

[WITNESS PANEL: Wells|McNamara]

1 67 million, now, putting it in context, we pay about
2 3 percent of that, of their revenue requirement
3 approximately. So, putting it in context, the previous
4 revenue requirement was 67 million, it's now
5 approximately 7 million. So, the 60 million kind of
6 made sense, as far as I could understand how that
7 revenue requirement or that revenue credit was the main
8 driver for the reduction in Northeast Utilities'
9 revenue requirement. Their overall process is they
10 forecast a revenue requirement for their entire system,
11 and then they reduce it by whatever credits they may
12 receive, including the largest of which is revenue
13 credits from the ISO. So, whether it's local
14 facilities or regional facilities, they include it in
15 the transmission revenue requirement, and then reduce
16 that by the amount they expect from the ISO, which they
17 expect to be higher, because they're carrying an
18 underrecovery on the regional rate.

19 Q. Uh-huh.

20 A. (Wells) It's a timing difference.

21 Q. I see. Okay. Thanks. Let's see, on Page 13 again, on
22 Lines 8 through 10, you refer to a "37 percent
23 increase...due to an increase in the Regional Network
24 Service rate." Can you tell us what that rate was and

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1 what it is now?

2 A. (Wells) The rate was \$43.85 per kW-year. The rate will
3 become or the rate is currently \$59.95 per kW-year.

4 Q. Thanks. Going back to Table 2 on the previous page, on
5 Item Number 3, you show wholesale distribution costs
6 declining "due to a decrease in annual peak system
7 loads", is what you explained in your testimony. Why
8 is that peak falling? What's behind that?

9 A. (Wells) Our peak -- Our projected peak is falling
10 because of a general decline in the sales forecast,
11 compared to what was previously forecasted. Really,
12 it's a decline in the forecast, compared one forecast
13 over another forecast.

14 Q. Uh-huh.

15 A. (Wells) So, what is showing for a projection is
16 consistent with what we've actually observed over that
17 period.

18 Q. And, what is causing that decrease?

19 A. (Wells) A decline in the -- it's really a decline in
20 sales growth. It's probably due to economic factors.

21 Q. Customer base declining or usage declining or energy
22 efficiency?

23 A. (Wells) I'm not aware of any decline in customer -- any
24 material change in customer base. I believe that the

[WITNESS PANEL: Wells|McNamara]

1 customer growth rates are probably lower than what were
2 previously projected.

3 Q. I see.

4 A. (McNamara) I could speak a little bit to that, not -- I
5 didn't prepare the sales forecast, but I did ask a
6 couple of questions about that in observing that the
7 sales forecast was down. And, the primary driver is,
8 of course, the economy and all facets of that. Our
9 residential class has experienced, over the past I want
10 to say a year, maybe slightly more, maybe a little bit
11 more of a year, a decrease to the increase in number of
12 customers. So, customer base is still increasing, just
13 not to the extent it had been in previous years. And,
14 coupled with that, the usage per customer has also
15 slowed. So, again, it is increasing still, it's just a
16 slow in that increase.

17 MS. FABRIZIO: Great. Thank you. That
18 concludes my questions, Commissioner. Staff recommends
19 that the Commission approve Unitil's filing here.

20 COMMISSIONER BELOW: Okay. Any
21 redirect, Mr. Epler?

22 MR. EPLER: Excuse me. No,
23 Commissioner. No redirect.

24 COMMISSIONER BELOW: Okay. Are there

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1 any other procedural issues?

2 (No verbal response)

3 COMMISSIONER BELOW: If not, then, if
4 there's no objection, the exhibits will be entered as full
5 exhibits. Are there any additional closing comments, Ms.
6 Fabrizio?

7 MS. FABRIZIO: No. I'll just reiterate,
8 the Staff recommends approval of the filing.

9 COMMISSIONER BELOW: Okay. Mr. Epler.

10 MR. EPLER: No. Commissioner. We state
11 in our petition the relief we're requesting and stand on
12 that. Thank you.

13 COMMISSIONER BELOW: Okay. I'll close
14 this hearing in DE 09-115 and we'll take the matter under
15 advisement.

16 (Whereupon the hearing ended at 10:51
17 a.m.)

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