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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

January 6, 2010 - 10:06 a.m.  
Concord, New Hampshire

NHPUC JAN13'10 PM12:53

RE: DE 09-137  
UNITIL ENERGY SYSTEMS, INC.:  
Petition for Approval of Distributed  
Energy Resources Investment Proposal  
and Proposed Tariff. (Hearing  
regarding Time-of-Use Settlement  
Agreement)

PRESENT: Commissioner Amy L. Ignatius, Presiding  
Commissioner Clifton C. Below

Sandy Deno, Clerk

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:  
Gary M. Epler, Esq.  
  
Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate  
  
Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.

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

ORIGINAL

## I N D E X

## PAGE NO.

WITNESS PANEL:       GEORGE R. GANTZ  
                          JUSTIN C. EISFELLER  
                          GEORGE R. McCLUSKEY

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

CMSR. IGNATIUS: Okay. We'll open the hearing in DE 09-137, which is Unitil Energy Systems, Inc.'s petition for approval of distributed energy resources investment proposal and proposed tariff. On August 5th, 2009, Unitil Energy Systems filed a petition pursuant to RSA 374-G, requesting approvals in connection with distributed energy resources projects, including a two-stage framework for review of its DER investment proposals, a DER project screening process, a DER rate recovery mechanism, and a DER tariff to be activated with a later rate filing, and its 2009 DER Program. Since then, a Settlement Agreement has been received on one particular aspect of the filing, a Time-of-Use Pilot Program. And, it is my understanding that's what we're doing today is addressing that one issue, with the rest of the filing to continue through the discovery process.

And, with that, let's take appearances.

MR. EPLER: Good morning, Commissioners.  
Gary Epler, on behalf of Unitil Energy Systems, Inc.

CMSR. IGNATIUS: Good morning.

MS. HATFIELD: Good morning,  
Commissioners. Meredith Hatfield, for the Office of  
Consumer Advocate, on behalf of residential ratepayers.

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1 And, with me for the Office is Ken Traum.

2 CMSR. IGNATIUS: Good morning.

3 MS. AMIDON: Good morning. Suzanne  
4 Amidon, for Commission Staff.

5 CMSR. IGNATIUS: Good morning. I think  
6 there's one preliminary procedural matter I do want to  
7 address. PSNH filed a late intervention request in this  
8 docket, which the Commission I don't believe has ruled on  
9 yet. There was no objection to it. And, if you recall,  
10 the filing said PSNH wanted to intervene, excuse me, for  
11 informational purposes and see non-confidential materials  
12 to better understand the program and its own design in the  
13 future. The Commissioners are, although it may not be a  
14 direct interest, it's certainly within our discretionary  
15 authority to grant intervention and think that's useful  
16 for PSNH's participation, although they are not here  
17 today.

18 And, I notice another -- two other  
19 intervenors are not here today, Office of Energy &  
20 Planning and Revolution Energy. Do the parties know if  
21 they have taken an active interest on this one aspect  
22 that's going to hearing today? Mr. Epler.

23 MR. EPLER: Yes, Commissioners. My  
24 understanding is that they have not taken an active

1 interest in this portion of the filing. They're more  
2 interested in the remaining portions of the filing.

3 MS. AMIDON: And, just for your  
4 information, PSNH did attend a technical session that  
5 related to the other issues, other than this Time-of-Use  
6 settlement that we're discussing today. So, I believe  
7 that they're interested in the distributed energy aspects  
8 of the filing.

9 CMSR. IGNATIUS: All right. Thank you.  
10 Any other procedural matters or other matters before we  
11 begin with testimony?

12 MR. EPLER: Just that we'll be  
13 submitting two exhibits this morning. The first is the  
14 Direct Testimony of Justin Eisfeller, which is in the  
15 filing that we made on August 5th. It's Bates stamp 071  
16 through 135. That's his testimony and exhibits. That  
17 would be -- we would like that to be premarked as "Unitil  
18 Exhibit Number 1". And, then, the second exhibit, I guess  
19 we could offer as a joint exhibit, if that would please  
20 the Commission, would be the Settlement Agreement.

21 CMSR. IGNATIUS: All right. So, marked  
22 "Exhibit 1", Mr. Eisfeller's testimony and exhibits, and  
23 which is within the green binder that was submitted,  
24 previously filed in August. And, then, the Settlement

[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 Agreement itself would be "Exhibit 2".

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

6 CMSR. IGNATIUS: And, it looks as though  
7 we have a panel of witnesses today. You want to swear  
8 them.

9 (Whereupon *George R. Gantz, Justin C.*  
10 *Eisfeller*, and *George R. McCluskey* were  
11 duly sworn and cautioned by the Court  
12 Reporter.)

13 CMSR. IGNATIUS: Mr. Epler.

14 MR. EPLER: Okay.

15 GEORGE R. GANTZ, SWORN

16 JUSTIN C. EISFELLER, SWORN

17 GEORGE R. McCLUSKEY, SWORN

18 DIRECT EXAMINATION

19 BY MR. EPLER:

20 Q. Starting with Mr. Eisfeller, could you state your full  
21 name and your position with Unitil.

22 A. (Eisfeller) My name is Justin Charles Eisfeller. And,  
23 I'm the Director of Energy Measurement and Control at  
24 Unitil.

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[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 Q. And, Mr. Eisfeller, did you prepare testimony and  
2 exhibits in this proceeding?

3 A. (Eisfeller) I did.

4 Q. And, could I draw your attention to what's been  
5 premarked as "Unitil Exhibit Number 1". And, is this  
6 your testimony and exhibits?

7 A. (Eisfeller) It is.

8 Q. And, do you have any changes or corrections?

9 A. (Eisfeller) I do.

10 Q. Could you turn to Page 4 of 8 of your testimony, and on  
11 Line 31. Is there a change in that?

12 A. (Eisfeller) Yes. Line 31 should state "The simple rate  
13 will include a time-of-use rate structure."

14 Q. Okay. And, with that change, do you adopt this as your  
15 testimony and exhibits?

16 A. (Eisfeller) I do.

17 Q. And, Mr. Gantz, could you state your position with  
18 Unitil?

19 A. (Gantz) Yes. My name is George Gantz. And, I am  
20 Senior Vice President for Distributed Energy Resources  
21 with Unitil.

22 Q. And, Mr. Gantz, while we're not submitting your  
23 testimony at this point in this proceeding, were you  
24 intimately involved in the technical sessions,

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[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 discovery, and the negotiation of the Settlement  
2 Agreement?

3 A. (Gantz) Yes.

4 MR. EPLER: I could introduce  
5 Mr. McCluskey, of course, who probably needs no  
6 introduction, as the Staff witness or --

7 BY MS. AMIDON:

8 Q. Would you state your name for the record.

9 A. (McCluskey) My name is George McCluskey.

10 Q. And, what is your position?

11 A. (McCluskey) I work as an Analyst in the Electric  
12 Division at the Commission.

13 Q. And, have you testified before this Commission  
14 previously?

15 A. (McCluskey) Several times.

16 Q. And, did you participate in the construction of the  
17 document that's been marked for identification as:  
18 "Exhibit 2", the Settlement Agreement?

19 A. (McCluskey) I did.

20 MS. AMIDON: Thank you.

21 BY MR. EPLER:

22 Q. Mr. Gantz, turning to what's been premarked as "Exhibit  
23 Number 2", the Settlement Agreement, could you very  
24 briefly give a little bit of background to the

1 Company's filing. And, then, if you could walk through  
2 the Settlement Agreement, the major provisions of it,  
3 and give us some explanation to that.

4 A. (Gantz) Yes, I'd be happy to do that. The genesis for  
5 the Company's proposal goes back really a couple of  
6 years. The Company is fully aware and cognizant of the  
7 Department's order in the -- regarding Time-of-Use  
8 rates back in docket DE 06-061. Subsequently, in  
9 Massachusetts, there was also the passage of the Green  
10 Communities Act, which contained within it a specific  
11 requirement for companies in Massachusetts to file  
12 Smart Grid Pilot Programs.

13 So, as we looked at the two policy  
14 directions in both states, we felt that it might be  
15 appropriate to develop a pilot program looking into the  
16 Time-of-Use rates, and also the ability to develop or  
17 deploy some of the capabilities of the AMI system that  
18 the Company had previously completed for its system.

19 So, we acquired some consulting  
20 expertise to help us. We felt it was appropriate to  
21 focus on air conditioning load and on residential  
22 customers as a target for the initial pilot program.  
23 In part, because we felt it was important to minimize  
24 the cost of what we were doing, and look at air

1 conditioning, because that's, obviously, a key driver  
2 of summer period peak demand growth, which is a key  
3 planning factor for the Company going forward.

4 We also saw this as an opportunity to  
5 minimize costs by developing a program that essentially  
6 shared the sampling process across the two states, so  
7 we could minimize the cost of doing the pilot program.  
8 And, with that kind of the initial starting point, the  
9 Company then began to put together a plan for a pilot  
10 program.

11 The Massachusetts Green Communities Act  
12 had a specific deadline for filing a pilot program.  
13 So, that was kind of a driver in terms of our  
14 timetable. And, we did get that filed with the  
15 Department in -- Department of Public Utilities in  
16 Massachusetts. That filing is contained as an  
17 attachment, a schedule in Mr. Eisfeller's testimony.  
18 It's Schedule JCE-1. And, that was the initial filing  
19 of the Joint Program.

20 In New Hampshire, we were at that point  
21 working on a proposal and a proposed filing under RSA  
22 374-G, the distributed energy resources statute. And,  
23 initially, we made a decision to include the New  
24 Hampshire component of the Time-of-Use Pilot Program as

1 an element of that proposal. That proposal was then  
2 filed in New Hampshire in early August of last year.  
3 That then initiated the process, the proceeding in New  
4 Hampshire. We had discovery and we had technical  
5 sessions in New Hampshire. And, those discussions led  
6 to an agreement among the parties as reflected  
7 ultimately in the Settlement Agreement. But the  
8 initial agreement of the parties was to look at the  
9 Time-of-Use Pilot Program separately from the remainder  
10 of the proposal. And, in fact, to take it out of the  
11 statutory framework of RSA 374-G, look at it  
12 independently, and provide for an appropriate cost  
13 recovery mechanism that was not tied to RSA 374-G.

14 In Massachusetts, we went through the  
15 hearing process and -- concluded discovery, went  
16 through the hearings, and the docket reached a point  
17 where the parties were ready to brief the case. At the  
18 Company's request, the briefing schedule was postponed,  
19 allowing us to continue the discussions pertaining to  
20 potential settlement. That those discussions focused  
21 here in New Hampshire on the technical sessions and  
22 discussions with Staff and led to the development of a  
23 formal settlement proposal, which has been filed with  
24 the Commission and marked as "Exhibit 2".

[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 In Massachusetts, we, given the state of  
2 the proceeding in Massachusetts, while we discussed the  
3 concepts, the provisions that were being discussed here  
4 in New Hampshire for settlement purposes with the  
5 parties, we made a decision that it would be more  
6 expeditious in Massachusetts simply to file the  
7 Settlement Agreement, essentially, in lieu of a brief,  
8 and hopefully obtain the concurrence of the other  
9 parties in Massachusetts. We believe that the  
10 Settlement Agreement we're discussing here today  
11 addresses the concerns that were raised in  
12 Massachusetts. And, we're confident that it will be  
13 accepted and ultimately approved in that proceeding in  
14 Massachusetts.

15 So, that's the background to where we  
16 are today. And, I think I'll just take a few  
17 additional moments to walk through the key provisions  
18 of the Settlement Agreement, so the Commission has the  
19 context for those.

20 The Article I, the "Introduction", 1.1  
21 is simply additional review of the history of the  
22 Company's Pilot Program. 1.2 describes in very general  
23 terms the framework for the program. There are three  
24 components to the program; a Simple Time-of-Use

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[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 Program, "simple", in the sense that it's simply a rate  
2 program, but it will have, in addition to on-peak and  
3 off-peak, it will have a "critical peak" feature as  
4 well. The second program is the Enhanced Technology,  
5 which will have a Time-of-Use rate, and also employ an  
6 advanced technology allowing the customer to get  
7 information and potentially control appliances in the  
8 customer premises. And, then, the third component will  
9 be essentially a Smart Thermostat Program, which will  
10 be a direct control program, where, based upon the  
11 signals initiated by the Company, there will be a  
12 thermostat setback on the air conditioning on the  
13 customer premises.

14 Section 1.3 refers to the fact that this  
15 is going to be a Joint Pilot Program. And, indicates  
16 that, although our initial proposal was to recover the  
17 costs of the program under the provisions of RSA 374-G,  
18 we've now agreed to modify that and to propose recovery  
19 of the costs, the incremental costs associated with  
20 this program, through Default Service rates. 1.4, 1.5,  
21 1.6, and 1.7 are simply recitations as to process  
22 issues.

23 Article II goes into more detail on the  
24 Pilot Program itself. We're going to be implementing

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1 the Pilot Program for the three summer months in 2010,  
2 the high load months. We're -- our initial proposal  
3 has been a very simplified pricing, where we simply  
4 used multipliers to the Default Service rate to come up  
5 with a proposed pricing structure. Based upon the work  
6 with the Staff and the other parties in New Hampshire,  
7 we're going to modify that proposal to look at actual  
8 market energy and capacity costs in the final design of  
9 the rate itself that we will use.

10 2.2 refers to the time period and the  
11 critical peak criteria. Again, we're going to be  
12 finalizing that, the time periods and the critical peak  
13 criteria, in the coming months. And, specifically, we  
14 want to ensure that the critical peak period would  
15 include a minimum of two and a maximum of eight  
16 critical peak events in the period, so that we actually  
17 get a real-world test of what we have in the field.

18 The actual rates, including time  
19 periods, critical peak criteria, would be contained in  
20 a tariff specifying those provisions. And, we will be  
21 preparing that tariff and those studies in consultation  
22 with the parties in both states. And, 2.3 indicates we  
23 will file that tariff at least 60 days in advance of  
24 the Default Service period.

1                   2.4 specifies the cost recovery process.  
2           The incremental program costs will be recovered as a  
3           component of the non-G1 Default Service rates over one  
4           year, commencing with the Default Service rate period  
5           beginning on November 1, 2010.

6                   2.5 is a provision referring to the  
7           stratification and sampling process. That's explained  
8           in some detail in Mr. Eisfeller's testimony. But, in  
9           addition, based originally on some concerns raised in  
10          Massachusetts, we think there's an opportunity to look  
11          at a sub-sampling of low income residential customers,  
12          in order to obtain some statistically useful results,  
13          looking at the differences between non-low income and  
14          low income customers and their reaction to the program.  
15          So, we have a provision in here to look at a very  
16          modest oversampling of low income, to make sure that  
17          we've got enough of a sample to provide for  
18          statistically valid conclusions. And, the provision  
19          also indicates that the low income customers will be  
20          subject to the same screening process applied to other  
21          residential customers.

22                   Section 2.6 refers to the fact that our  
23          original proposal had anticipated the Company offering  
24          a cash participation incentive for a customer to enroll

[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 in the Pilot Program. We've agreed to begin the  
2 program with the assumption that -- and the expectation  
3 that we won't need a participation incentive of that  
4 nature. But this reserves the right for us to bring  
5 that incentive back, if we find that we're unable to  
6 secure a sufficient participation to meet the  
7 statistical requirements.

8 Section 2.7 refers to the Smart  
9 Thermostat Program. And, we've agreed to include a  
10 Peak Reward Incentive for customers that actually  
11 continue with the program and result in demand  
12 reductions during the critical peak periods. This is a  
13 modification from our original proposal, which didn't  
14 have an incentive award for that.

15 Section 2.8 refers to the "Evaluation  
16 Protocol". This was a significant issue in  
17 Massachusetts. And, what we have agreed to here is  
18 that we'll work with all the parties in both states on  
19 the development of an evaluation protocol for the Pilot  
20 Program in advance. We all want to make sure that the  
21 study results provide adequate and reliable conclusions  
22 and specific recommendations for going forward.

23 Section 2.9 is a provision that's with a  
24 specific interest to the Staff and the parties in New

[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 Hampshire. And, given -- particularly given the  
2 Commission's policy support for Time-of-Use rates, 2.9  
3 indicates that we will develop a proposal for a  
4 Time-of-Use Pilot Program for our Non-G1  
5 non-residential customers, to implement it in the  
6 Summer of 2011. And, we'll file that program towards  
7 the end of this year, after the conclusion of this  
8 initial Pilot Program.

9 Article III are the "General  
10 Provisions". I don't think there's anything in there  
11 that I need to highlight. And, I think, with that,  
12 that concludes my initial summary.

13 MR. EPLER: That concludes Unitil's  
14 portion of the examination of the witnesses.

15 CMSR. IGNATIUS: Thank you.  
16 Ms. Hatfield.

17 MS. HATFIELD: Thank you. Good morning,  
18 gentlemen.

19 WITNESS McCLUSKEY: Good morning.

20 WITNESS GANTZ: Good morning.

21 WITNESS EISFELLER: Good morning.

22 **CROSS-EXAMINATION**

23 BY MS. HATFIELD:

24 Q. If I could turn your attention to what's been marked as

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1 "Exhibit 1", and specifically your Schedule JCE-2,  
2 which appears at Bates Page 079 in the filing.

3 A. (Eisfeller) Okay. The cost summary?

4 Q. Yes. This shows -- it's entitled "Summary Report -  
5 TOU". And, it shows at the top an amount listed as the  
6 "Unitil Investment". Could you tell us what that  
7 amount is?

8 A. (Eisfeller) "\$312,136".

9 Q. And, right below that it says "Total Project Cost" in  
10 the same amount, is that correct?

11 A. (Eisfeller) Correct.

12 Q. And, is that the current projected cost that Unitil  
13 expects for this program?

14 A. (Eisfeller) For the New Hampshire participation,  
15 correct.

16 Q. Mr. Gantz, you gave us the -- I think the status of the  
17 Massachusetts aspects of this program in your  
18 testimony. I'm wondering, from the Company's  
19 perspective, if the New Hampshire Commission were to  
20 approve the Time-of-Use Pilot, is your actually running  
21 the Pilot contingent upon approval in both states?

22 A. (Gantz) Yes.

23 Q. So, in your mind, this has been designed with the  
24 sample size including customers in both states, so it

[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 is necessary to have the approval of both states?

2 A. (Gantz) Yes. Essentially, we have, in Mr. Eisfeller's  
3 -- well, in Schedule JCE-1 of Mr. Eisfeller's  
4 testimony, I think there's some information regarding  
5 sample sizes and strata required. On his Schedule  
6 JCE-1, Page 17 of 56, for example, is a table that  
7 shows what the sample sizes are. They're based upon  
8 essentially the electric customer base in the two  
9 states. So, New Hampshire is about two-thirds of the  
10 sample; Massachusetts is about one-third of the sample.  
11 And, we need the full sample in order to be able to  
12 gain the statistics that we would expect.  
13 Specifically, the 90 percent confidence of the result,  
14 plus or minus 10 percent. So, you know, that's the  
15 statistical standard that's been used in designing that  
16 sample. If we lose a significant portion of that  
17 sample, you know, that would undermine the statistical  
18 results. So, we would either then need to look at  
19 increasing the sample size in New Hampshire, which  
20 would affect the cost of the programs. We wouldn't  
21 propose to do that without coming back to the parties  
22 and the Commission for a review, a determination as to  
23 whether that was appropriate to do or not.

24 That said, I think we're very confident

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[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 of where we are in this process. The discussions, the  
2 hearing process in Massachusetts I think went very  
3 well, and I have -- I'm very confident we'll get the  
4 full support of the parties and the approval of the  
5 Department.

6 Q. Thank you. Mr. McCluskey, could you briefly describe  
7 why Staff believes that it's appropriate to authorize  
8 Unitil to undertake this Pilot?

9 A. (McCluskey) With the various modifications that we've  
10 proposed in this Settlement Agreement, we believe the  
11 Time-of-Use Pilot will provide significant information  
12 regarding the usefulness of Time-of-Use pricing, in  
13 terms of obtaining demand reductions at the peak. Mr.  
14 Gantz said that there are three components to the  
15 Time-of-Use Pilot. Two of which are Time-of-Use rate  
16 structures; one the Simple Time-of-Use rate structure  
17 and the other the Enhanced. So, those two themselves  
18 are going to give information. Can you get reductions  
19 just with the simple pricing or do you have to have the  
20 sophisticated technology to help with automated load  
21 reductions behind the meter, in order to have  
22 successful Time-of-Use pricing?

23 The third element is also extremely  
24 important. That does not involve the Time-of-Use rate

[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 structure. Essentially, what that program is is the  
2 Company signaling to the customer that the critical  
3 peak period is about to occur, and we'd like to have  
4 you reduce your load. And, if the customers respond,  
5 then that will give us good information as to whether  
6 we need Time-of-Use pricing or can we simply get the  
7 load reductions through that more basic program?

8 In Staff's view, we feel as though, in  
9 order to make that program successful, you had to give  
10 the customer some financial incentive. And, so, we've  
11 built in into this Settlement document an agreement  
12 that we will work together on determining how much of  
13 the cost saving that results from a load reduction  
14 should be given to the participant as an incentive,  
15 one, to participate in the program, and, two, to make a  
16 load reduction. So, both elements of this Pilot  
17 Program are going to give us significant information in  
18 New Hampshire that we have not had before, and that is  
19 basically the usefulness of Time-of-Use pricing and  
20 other mechanisms in order to encourage load reductions.  
21 And, I don't need to say why it's important to have  
22 load reductions, it's fairly obvious why.

23 So, that I think -- we haven't had a  
24 Pilot Program of this nature in New Hampshire before.

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1 And, I think this will -- this program, once it  
2 completes, will fill a lot of the information holes  
3 that we have regarding Time-of-Use pricing.

4 Q. Mr. Gantz, you mentioned or you referenced one of the  
5 provisions of the Settlement calls for, I believe it's  
6 2.3, calls for the Company to make a tariff filing in  
7 order to implement this on May 1st, 2010. And, I'm  
8 wondering, does the Company have a date by which it  
9 needs to receive a Commission order approving this  
10 program in order to proceed for this summer?

11 A. (Gantz) That's a good question. I think, as a  
12 practical matter, everything will need to be approved  
13 prior to the implementation of the rate on June 1. Our  
14 advanced filing of the tariff and associated  
15 information is intended to kind of facilitate the  
16 review. And, I would hope that those rates and  
17 provisions would be approved simply as part of the  
18 Default Service approval process.

19 Q. Mr. Gantz, with respect to how the Company will do  
20 outreach to participants who you hope to enroll in the  
21 program, could you just speak a little bit about, since  
22 this is a voluntary program, how you might do outreach  
23 and try to get the customers interested and willing to  
24 sign up?

[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 A. (Gantz) Sure. We -- the target audience is residential  
2 customers with whole house air conditioning. We have  
3 been able to segment our residential customer groups  
4 looking at using a criteria of summer load in excess of  
5 average load, and with that have been able to narrow  
6 down the potential pool of customers. We will develop  
7 a -- and, actually, we've done some research, are doing  
8 some research now on that population, to look at issues  
9 associated with marketing the program. And, I believe  
10 -- I believe that research is underway and we'll be  
11 getting that in a few weeks. So, that will provide  
12 more information about exactly what we need to do to  
13 secure sufficient participation and help us in terms of  
14 how we describe the program to customers and explain  
15 it.

16 When we get to the actual acquisition of  
17 participants, we would use a sampling of -- initially,  
18 a sampling of those populations. We would initiate  
19 direct contact with those customers, trying to interest  
20 them in participation of the program. And, we would  
21 continue that solicitation process until the various  
22 stratified sample targets had been secured in both  
23 states, so that we've got a complete sample in place,  
24 in both the three program participation groups, as well

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[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 as in the control group.

2 The control group or we believe most of  
3 the control group is going to be available under our  
4 existing load research sample population. So, I think,  
5 you know, that will help, again, minimize the cost of  
6 doing the program.

7 So, I think that summarizes the plan.  
8 You know, we have hired GDS Associates to assist us.  
9 They're helping to get the research conducted and help  
10 us design the specifics of the customer recruitment  
11 process.

12 MS. HATFIELD: Thank you. I have no  
13 further questions.

14 CMSR. IGNATIUS: Thank you. Ms. Amidon.

15 MS. AMIDON: Thank you.

16 BY MS. AMIDON:

17 Q. Mr. McCluskey, you referenced the "Peak Reward Pricing  
18 Incentive", that's at Paragraph 2.7, on Page 5. Did  
19 you have any additional comments that you wanted to  
20 make regarding the significance of the Peak Reward  
21 Pricing program?

22 A. (McCluskey) I think most of my comments were made in  
23 response to the OCA's question. However, I just want  
24 to emphasize the importance of the Smart Thermostat

1 Program. Particularly, now that we have built in an  
2 incentive to the participant, so now we have the  
3 opportunity to determine whether time-of-use pricing is  
4 a more effective method of obtaining load reductions  
5 than the standard thermostat approach. The Time-of-Use  
6 customer gets the benefit of a bill reduction, so  
7 they're definitely getting something out of the  
8 program. Now, with this incentive component to the  
9 Smart Thermostat Program, the participant is going to  
10 get something there. Is it more effective? Is it the  
11 least cost way of obtaining the load reductions than  
12 through time-of-use pricing? We will get some  
13 information on that issue through the Pilot Program.  
14 And, it will indicate to the Company whether it's  
15 better to put its effort into pricing or into  
16 thermostat, or maybe a combination of the two if the  
17 information is not clear.

18 So, I think I just wanted to make that  
19 point with regard to that component of the Settlement.  
20 It doesn't really jump out at you the importance of the  
21 Thermostat Program just reading the Settlement  
22 Agreement.

23 Q. Thank you. Also, on Page 5, and Mr. Gantz referred to  
24 this in his testimony, Paragraph 2.9 indicates the

[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 Company's agreement to develop a proposal for the  
2 Non-G1 non-residential customers. What about the large  
3 customers, the large commercial and industrial  
4 customers? What are your thoughts on that?

5 A. (McCluskey) Okay. This Settlement Agreement does not  
6 address the Large G1 customers. And, so, the question  
7 is "why?" We posed that question through the discovery  
8 process to the Company and we kind of liked the  
9 Company's response. The Company voluntarily came  
10 forward with the Time-of-Use Programs for the component  
11 of the Non-G1 class. And, what we've done here is  
12 we've essentially expanded the Pilot to include all of  
13 the Non-G1 class. So, why don't we have something for  
14 the G1 class? And, their response, which I think is a  
15 good one, is "Hey, they volunteered on this one. We  
16 have other utilities in the state. And, maybe they  
17 should offer something with regard to the G1." And,  
18 Staff strongly agrees with that position. If the  
19 Commission thinks it's appropriate to have a pilot for  
20 the G1 class, not necessarily a time-of-use, maybe  
21 something more sophisticated for those more  
22 sophisticated customers, then I think it would be  
23 appropriate for the Commission to indicate that to the  
24 other companies. But I think Unitil has I think made a

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1 substantial effort in developing the initial program  
2 and agreeing to expand the program.

3 Q. Thank you. If you refer now to Page 3, just below the  
4 heading "Article II. Time-of-Use Pilot", what do you  
5 think of that sentence? The way it's worded is a  
6 little --

7 A. (McCluskey) Oh, yes. Yes, I think the sentence is kind  
8 of clumsy, where it says this program "shall be  
9 approved as filed." This is a Settlement Agreement,  
10 and we're submitting it to the Commission for their  
11 approval. I think it could have been better developed  
12 by saying "subject to Commission approval, the Pilot  
13 Program is subject to the following modifications."  
14 So, we'll try to do better next time.

15 Q. Thank you. Do you have any other observations you want  
16 to make about the Settlement Agreement for the record?

17 A. (McCluskey) Just one, with regard to 2.1, the Default  
18 Service rates. Mr. Gantz indicated that the  
19 Time-of-Use rates are going to reflect the actual  
20 market prices for peak, off peak and critical peak  
21 periods. I just wanted to emphasize that this is a  
22 Time-of-Use pricing for Default Service, and it's a  
23 pilot. So, the objective is to compare essentially  
24 what happens under a Time-of-Use structure with

[WITNESS PANEL: Gantz|Eisfeller|McCluskey]

1 non-Time-of-Use rates. That these Time-of-Use rates  
2 need to be adjusted up or down to recover the Default  
3 Service rate that will be in effect during this period.  
4 So, if the Default Service rate in that period needs --  
5 is a little higher, than we're going to have to adjust  
6 these rates, so that the average rate is going to  
7 recover the Default Service price. Based on that, we  
8 can then draw relevant conclusions with regard to  
9 Time-of-Use and non-Time-of-Use rates. So, I just  
10 wanted to make that point.

11 MS. AMIDON: Thank you. I have no  
12 further questions.

13 CMSR. IGNATIUS: Thank you.  
14 Commissioner Below.

15 CMSR. BELOW: Yes.

16 BY CMSR. BELOW:

17 Q. Mr. Eisfeller, in your Exhibit 1, on Bates stamp Page  
18 121, is part of a sample Energy Savings Management  
19 Educational Component.

20 A. (Gantz) I'm sorry, we don't have the Bates stamp  
21 numbers in this copy.

22 CMSR. IGNATIUS: Yes, please. Make sure  
23 he has a copy. Thank you.

24 (Atty. Epler handing document to the

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1 witnesses.)

2 BY CMSR. BELOW:

3 Q. It's Page 42 of 56 in Schedule JCE-1. I was just  
4 wondering if you noticed what is potentially a  
5 contradictory statement in this draft. If you look at  
6 the second bullet, "Water heating can account for 14 to  
7 25 percent of the energy consumed in your home." And,  
8 you look at the fifth subbullet, it says "Install times  
9 to turn off water heater during the time when hot water  
10 -- when hot heater is not used, such as at night."  
11 Then, on the next page, in the next to the last bullet,  
12 it says "If you have an electric water heater, add a  
13 timer to shut off the water heater during peak periods,  
14 and turn it back on during off-peak periods." Nights  
15 are usually an off-peak period when rates would be low  
16 and demand is low. So, it might not make sense to set  
17 your hot water heater to turn off at night. Rather,  
18 since it's a storage device, it might make more sense  
19 to charge that storage at off-peak, is that correct?

20 A. (Gantz) That's correct. I think that discrepancy there  
21 highlights the difference between energy efficiency  
22 measures and demand reduction measures, which we'd have  
23 to educate the customer on the benefits and the  
24 challenges of both.

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1 Q. Okay. This is strictly a residential program as  
2 proposed, correct?

3 A. (Eisfeller) Correct.

4 Q. And, the focus is on air conditioning, which is, you  
5 know, the big demand. I was wondering, in the  
6 Technology -- in the Enhanced Technology Program,  
7 you're still planning to provide an in-home wireless  
8 control system with flexible control devices, is that  
9 correct?

10 A. (Eisfeller) Yes.

11 Q. And, you referenced "Smart Thermostats", which could  
12 control the air conditioning load, as well as outlets.  
13 A Smart Outlet might be a device that, through a  
14 wireless signal, could turn something off, say, at peak  
15 demand, at critical peak demand times, is that correct?

16 A. (Eisfeller) As well as any other time.

17 Q. Okay. And, I was just wondering if you had a plan to  
18 support customers in targeting high-demand devices,  
19 including some that are hard-wired, like hot water  
20 heaters, and, in particular, dishwashers, which can  
21 have a 1 to 2 kilowatt or more electric booster heater  
22 in them, but is typically hard-wired, so it might not  
23 be easy for a customer to control that device so it  
24 doesn't run at high cost or high-demand hours. Have

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1           you thought about that?

2   A.   (Eisfeller) The customers will receive an educational  
3       package that will include items such as that, other  
4       means to reduce demand and energy in their household.  
5       And, the dishwasher, I would imagine, would be part of  
6       that consideration. Additionally, the outlets are able  
7       to measure usage real-time. And, so, the Company has  
8       the advantage of using that real-time measurement to  
9       investigate opportunities within their house to reduce  
10      energy, as well as reduce demand.

11   Q.   Would those outlets include an outlet that's suitable  
12       for an electric clothes dryer, which is a different --

13   A.   (Eisfeller) It will not. They are just a 120 volt  
14       standard two-prong outlets, with a ground. So, it's  
15       just --

16   Q.   So, with the Enhanced Technology Program, would there  
17       be anything to help a customer not run their clothes --  
18       you know, to delay their clothes dryer operation to an  
19       off-peak time?

20   A.   (Eisfeller) Only from an educational perspective,  
21       educating them on how to run, you know, considerations  
22       for running that type of equipment.

23   Q.   Okay.

24   A.   (Eisfeller) The other advantage they would have, this

1 group of customers, would be that they could see the  
2 direct impact on their usage. There's also a meter  
3 installed that gives them real-time information. They  
4 could monitor the impact of their total load within  
5 their house for clothes dryer, the dishwasher, those  
6 types of things, and see the direct impact of turning  
7 those on and off, from a whole house perspective.

8 Q. Your meters and the program, will it document what the  
9 consumption and the demand --

10 A. (Eisfeller) Yes.

11 Q. At what intervals?

12 A. (Eisfeller) Fifteen minute intervals is the plan.

13 Q. Okay. So, how does that work, if a booster heater in a  
14 dishwasher draws 2 kW for five minutes when it's  
15 running hot water, will that 2 kW show up as demand in  
16 a 15 minute interval, even though it's for only five  
17 minutes of that interval?

18 A. (Eisfeller) It will. We'll be recording that  
19 information for analysis purposes for our own benefit.  
20 The customer will have real-time information, those  
21 particular customers on the Enhanced Program will have  
22 real-time usage information directly from the meter.  
23 So, they will see the immediate impact.

24 Q. So, they might see, in a real-time basis, that booster

1 heater --

2 A. (Eisfeller) They might see that 2 kW impact and be able  
3 to correlate that "Hey, my dishwasher, I just turned my  
4 dishwasher on, and that's a 2-kilowatt impact. I might  
5 want to reconsider that during a pricing period of  
6 eight times or five times the average."

7 Q. But the pricing, the critical peak pricing is still  
8 just a usage charge, it's a kilowatt-hour charge?

9 A. (Eisfeller) That's correct. It's an average over a  
10 time period.

11 CMSR. BELOW: Okay. That's all.

12 Thanks.

13 CMSR. IGNATIUS: Thank you.

14 BY CMSR. IGNATIUS:

15 Q. I'd like to ask a couple questions to clarify the  
16 number of customers involved. And, both Mr. Eisfeller  
17 and Mr. Gantz have spoken to it, so I'll leave it to  
18 you to see who best to answer. There's a discussion of  
19 "76" as an appropriate number for sampling purposes.  
20 Can you clarify, is that 76 between the two states or  
21 New Hampshire alone? And, is it across the board in  
22 all three programs? Or, does each program get to be  
23 just a handful of people?

24 A. (Gantz) If you can find Bates stamp 099, is that the --

1 it's Schedule JCE-1, Page 17 of 56, Bates stamp 096.

2 Q. Thank you.

3 A. (Gantz) Has a little table. And, it shows you,  
4 essentially, the full collection of samples, each of  
5 the four groups, each of the two states, and how we  
6 split them up. So, there are 76 target participants in  
7 each of the group; 24 in Massachusetts, 52 in New  
8 Hampshire. And, then, those sum up to the totals,  
9 including the control group, of 96 in Massachusetts and  
10 208 in New Hampshire. And, I believe the sampling  
11 includes a few extra, relative to the statistics, if I  
12 recall, I think maybe 72 is kind of the minimum number,  
13 but 76 was the target number, to allow for some  
14 retirements in the middle of the program, customers  
15 move or change their minds in the middle. So, that's  
16 the -- that's what the plan is.

17 Q. Thank you. And, because those numbers are fairly  
18 small, if you had additional people who were excited  
19 about the program and wanted to participate, is there  
20 any -- but you've already filled your numbers in each  
21 of the strata, is there any opportunity for them to  
22 take advantage of the program?

23 A. (Gantz) I would -- I think we would recommend against  
24 that at this time. Under the program, for example, in

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1 order to get that 15 minute interval data, we are going  
2 to install analysis meters on every one of these  
3 accounts. That's an expensive investment. And, I  
4 think we've designed the program to try and minimize  
5 the overall cost and maximize the information that we  
6 gain. Ultimately, our goal will be to design a program  
7 that would use the functionality of the existing AMI  
8 meters. So, there would be no incremental metering  
9 cost to deploy a program across the board, you know,  
10 based upon the design that came out of the Pilot. So,  
11 I think we -- our intention is to secure the  
12 appropriate sample sizes, conduct the Pilot, draw some  
13 conclusions about what direction we should go, but,  
14 ultimately, implementing a program that would then  
15 utilize the AMI without requiring an incremental  
16 metering expense.

17 CMSR. IGNATIUS: Commissioner Below.

18 BY CMSR. BELOW:

19 Q. And, just to be clear, the Smart Thermostat Program,  
20 the direct load control is basically just the AC and  
21 potential heating loads, and would not include any  
22 control of hot water heater or clothes dryer or  
23 electric booster heaters?

24 A. (Gantz) Right. What we're studying is the direct

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1 thermostat setback for whole house air conditioning.

2 CMSR. BELOW: Okay. Thanks.

3 BY CMSR. IGNATIUS:

4 Q. And, in following up, Mr. Gantz, your description of  
5 design of a larger program after review of the Pilot  
6 Program results, do you have a target date on when you  
7 might be able to roll something out? I know the  
8 Settlement Agreement talks about non-residential  
9 customers in a new filing, but, if it's here, I missed  
10 it, of the hope of when you might be able to roll out a  
11 larger residential program, if this is successful?

12 A. (Gantz) Well, as I recall, our plan is to complete the  
13 Pilot and to prepare a full evaluation report and have  
14 that completed by November 1. That would include  
15 recommendations. Based upon the nature of those  
16 recommendations, we might then be in a position to move  
17 forward with a more full-scale deployment. At this  
18 point, we wouldn't be able to estimate the amount of  
19 time that would be required to, you know, to do that.  
20 You know, and, obviously, a pilot program affecting,  
21 you know, 208 customers is very different than  
22 something affecting potentially thousands of customers.  
23 So, you know, I think we've laid out the plan, we've  
24 laid out our commitment to file a report by November 1.

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1 And, we'll, you know, we'll see what conclusions come  
2 out of that process.

3 Q. One last question. You said that Massachusetts had  
4 scheduled deadlines for filing of a proposal. Are  
5 there any deadlines that the two states have to  
6 coordinate on for approval of this Pilot?

7 A. (Gantz) I would hope that we could get approval in both  
8 states by the end of this month, if possible. Because,  
9 based upon the strength of our confidence in the  
10 Settlement Agreement in this state, and concurrence in  
11 Massachusetts, we are now spending money. And, there's  
12 a critical path. We've already passed the point, you  
13 know, the critical path point, we can't delay the work  
14 that we need to do to have this in place by June 1.  
15 And, you know, we're confident that the approvals will  
16 be forthcoming. But I think getting those approvals  
17 will add, you know, confidence that we're spending  
18 money wisely, and that both Commissions will be looking  
19 forward to getting the results from the Pilot.

20 CMSR. IGNATIUS: Thank you. Mr. Epler,  
21 anything in redirect?

22 MR. EPLER: No, Commissioner. I could  
23 just let you know that yesterday I did have conversations  
24 with the Hearing Officer in Massachusetts, as well as the

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1 Attorney General. And, so, we are moving ahead with that.  
2 And, I have a filing that I'm trying to get in very  
3 quickly there. But they understand the time  
4 considerations as well.

5 CMSR. IGNATIUS: All right. Thank you.

6 MR. EPLER: And, they were pleased to  
7 hear of the developments in New Hampshire.

8 CMSR. IGNATIUS: Anything further for  
9 these witnesses?

10 (No verbal response)

11 CMSR. IGNATIUS: If not, you're excused.  
12 Anything other than closings?

13 (No verbal response)

14 CMSR. IGNATIUS: And, is there any  
15 objection to admitting the exhibits as full exhibits,  
16 striking the identification?

17 (No verbal response)

18 CMSR. IGNATIUS: If not, we'll do so.  
19 Ms. Hatfield, anything in closing?

20 MS. HATFIELD: Thank you, Commissioner.  
21 The OCA fully supports the Settlement Agreement that's  
22 before the Commission. We urge the Commission to approve  
23 it as quickly as possible. And, we would just like to  
24 note our thanks to Unitil for their work in bring forward

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1 both this Pilot and their overall distributed energy  
2 resources filing. And, we're hopeful that, now that we've  
3 moved on from this chapter of that filing, that we can now  
4 focus on those other distributed energy resource projects.  
5 Thank you.

6 CMSR. IGNATIUS: Thank you. Ms. Amidon.

7 MS. AMIDON: As you heard from Mr.  
8 McCluskey, the Staff worked diligently with the Company  
9 and with the OCA to develop this settlement agreement.  
10 And, we believe that the Time-of-Use Pilot Project will  
11 give the Company the data that they need to have to  
12 determine what's an appropriate price signal or other  
13 mechanism to get customers to respond and to reduce their  
14 loads. So, we support the Settlement Agreement and we ask  
15 the Commission to approve it. Thank you.

16 CMSR. IGNATIUS: Thank you. Mr. Epler.

17 MR. EPLER: Just would reiterate what  
18 both the OCA and the Staff have already said. We  
19 appreciate your indulgence and ask for an order as  
20 reasonable as possible. And, thank you very much.

21 CMSR. IGNATIUS: Thank you. All right.  
22 With that, we'll close the hearing and I guess take it  
23 under advisement.

24 (Whereupon the hearing ended at 11:02 a.m.)