

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

May 7, 2010 - 10:05 a.m.
Concord, New Hampshire

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RE: DE 10-055
UNITIL SERVICE CORP.:
Notice of Intent to File Rate
Schedules. (*Prehearing conference*)

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Unitil Service Corp.:
Gary M. Epler, Esq.
Susan S. Geiger, Esq. (Orr & Reno)

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Rorie Hollenberg, Esq.
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Lynn Fabrizio, Esq.
Thomas C. Frantz, Director, Electric Division
Steven E. Mullen, Asst. Dir., Electric Div.

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

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4 STATEMENTS OF PRELIMINARY POSITION BY:

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Mr. Epler

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Ms. Hatfield

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Ms. Fabrizio

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1 P R O C E E D I N G

2 CHAIRMAN GETZ: Good morning, everyone.

3 We'll open the prehearing conference in docket DE 10-055.
4 On April 15, 2010, Unitil filed a petition for authority
5 to implement new permanent distribution rates beginning
6 May 15, 2010 for electric service, and, among other
7 things, proposes to implement step adjustments for certain
8 future rate base additions and programs to enhance
9 reliability and manage vegetation. And, it also seeks
10 temporary rates beginning July 1. The filing proposes
11 revised permanent rates that would increase distribution
12 revenues by \$10.1 million, an increase of 6.5 percent over
13 current total revenues. We issued an order suspending the
14 tariff and scheduling the prehearing conference on
15 April 26th for this morning.

16 And, I have the affidavit of
17 publication, as well as a Notice of Participation by the
18 Office of Consumer Advocate. And, there do not appear to
19 be any Motions to Intervene.

20 So, let's take appearances please.

21 MR. EPLER: Good morning, Mr. Chairman
22 and Commissioners. Gary Epler, Chief Regulatory Counsel,
23 on behalf of the Unitil Energy Systems, Incorporated.
24 And, with me this morning is Attorney Susan Geiger, of the

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1 firm of Orr & Reno, and Mark Collin, Chief Financial
2 Officer/Senior Vice President of Unitil, and Thomas
3 Meissner, Chief Operating Officer/Senior Vice President.

4 CHAIRMAN GETZ: Good morning.

5 MS. HATFIELD: Good morning,
6 Commissioners. Meredith Hatfield, for the Office of
7 Consumer Advocate, on behalf of residential ratepayers.
8 And, with me today are Rorie Hollenberg and Steve Eckberg
9 for the Office.

10 CHAIRMAN GETZ: Good morning.

11 MS. FABRIZIO: Good morning,
12 Commissioners. Lynn Fabrizio, on behalf of Staff. And,
13 with me at the table today are Tom Frantz and Steve Mullen
14 of the Electric Division.

15 CHAIRMAN GETZ: Good morning. Is there
16 anything we need to address before allowing the parties an
17 opportunity to make their statement of their positions?

18 (No verbal response)

19 CHAIRMAN GETZ: Hearing nothing, then,
20 Mr. Epler.

21 MR. EPLER: Yes. Thank you, Mr.
22 Chairman. Also, I neglected to introduce Dan Main, who's
23 our Assistant Controller.

24 CHAIRMAN GETZ: Good morning.

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1 MR. EPLER: Mr. Chairman, Commissioners,
2 as you pointed out in your opening remarks, on April 15th,
3 Unitil Energy Systems filed with the Commission its
4 proposal for an increase in permanent rates for electric
5 service rendered on and after May 15th, 2010, an increase
6 of \$10.1 million. This represents an increase of six and
7 a half percent over current rates. Unitil is also seeking
8 to institute temporary rates effective for service
9 rendered on and after July 1st, 2010, and until the final
10 order is issued on permanent rates. The requested
11 temporary rate increase is \$6.7 million, or 4.3 percent
12 above present rates, and is proposed to be recovered on a
13 uniform per kWh basis from all rate classes. Unless
14 temporary and ultimately permanent rate relief is granted,
15 the Company will not earn a reasonable rate of return on
16 the cost of its property used and useful in public
17 service.

18 Unitil's last base rate case was filed
19 in 2005 and decided by the Commission in 2006. Since that
20 time, the Company's operating expenses and rate base have
21 significantly exceeded its sales and revenues. Schedules
22 submitted with Mr. Collin's prefiled testimony shows in
23 chart form from December 31, 2006 through December 31,
24 2009, Unitil's rate base expenditures grew by over 27

1 percent, expenses grew by over 11 percent, and its
2 revenues declined by 1.3 percent. Growth in rate base and
3 expenses, coupled with revenue decline, have resulted in
4 Unitil's inability to earn its authorized return on
5 equity. At the end of the test year, Unitil's return on
6 equity was 5.4 percent, well below its authorized return
7 on equity of 9.67 percent.

8 In addition to rate base growth and
9 increased operating expenses, the Company has incurred
10 extraordinary costs to repair and replace portions of its
11 electric system that were damaged by the December 2008 ice
12 storm and the February 2010 wind storm. Unitil also faces
13 costs associated with the pending completion of certain
14 large non-revenue-producing capital projects, and plans to
15 improve service reliability and vegetation management, all
16 of which are required so the Company can meet its
17 obligations to provide safe and reliable service to the
18 public. All of these circumstances, which are documented
19 in reports on file with the Commission and in the data
20 submitted with the rate filing, support rate adjustments
21 to balance Unitil's revenues with its increased
22 expenditures.

23 In conjunction with the temporary and
24 permanent rate relief requested by Unitil, the Company is

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1 seeking three step adjustments: The first would occur at
2 the time the permanent rates are instituted, and would
3 recover additions to rate base made during the rate year,
4 in other words, as of December 31, 2010, as well as costs
5 to repair and replace portions of the electric system that
6 were damaged by the wind storm. The second step
7 adjustment would occur in 2012 to recover additions to
8 rate base resulting from the construction of two large
9 substation projects in Kingston and East Kingston. The
10 timing of this adjustment would depend on the dates that
11 the projects are completed and placed into service. The
12 last step adjustment is related to the implementation of a
13 multi-year program to enhance system reliability and
14 vegetation management. This step adjustment would include
15 capital and maintenance costs above baseline program costs
16 included in base rates. These additional program costs
17 would be reviewed by Commission Staff and interested
18 intervenors, such as the Consumer Advocate, annually and
19 recovered from customers via an equal per kWh charge as
20 proposed by the Company.

21 Unitil is prepared to work with
22 Commission Staff, the Consumer Advocate, and any other
23 intervenors in technical sessions to answer any questions
24 they may have about the filing and to develop a procedural

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1 schedule for the remainder of the docket. Thank you.

2 And, I'd be happy to answer any questions.

3 CHAIRMAN GETZ: Thank you.

4 Ms. Hatfield.

5 MS. HATFIELD: Thank you, Mr. Chairman.

6 The OCA is still reviewing Unitil's filing. And, we look
7 forward to working with the Staff and with the Company and
8 any other verify intervenors to do that.

9 We did want to point out one thing that
10 we were pleased to see in the Company's filing, in
11 response to PUC 1601 -- excuse me, 04.01(a), the Company
12 provided publicly information about officer and director
13 compensation, and we were pleased to see that the Company
14 did provide that publicly and did not seek to shield it
15 from public disclosure. Thank you.

16 CHAIRMAN GETZ: Thank you.

17 Ms. Fabrizio.

18 MS. FABRIZIO: Thank you, Mr. Chairman.
19 Unitil's temporary rate proposal here represents a request
20 for \$6.7 million in additional revenues, an overall
21 increase of 4.3 percent in total revenues, and an increase
22 of \$2.86 a month for a residential customer using 500
23 kilowatt-hours per month and \$3.72 a month for a
24 residential customer using 650 kilowatt-hours per month.

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1 While Staff takes no position at this time on the
2 temporary rate proposal, we note that many of the proforma
3 adjustments included in the underlying calculations appear
4 to go beyond the standard provided by RSA 378:27, under
5 which the Commission reviews test year numbers found in
6 the reports of the utility filed with the Commission,
7 unless there appears to be reasonable ground for
8 questioning the figures in such reports. Staff will be
9 reviewing the proposed adjustments carefully.

10 With respect to permanent rates, the
11 Company's proposal seeks an additional revenue increase of
12 3.4 million, to total \$10.1 million in increased revenue,
13 that is combining temporary and permanent rate increases.
14 This represents a six and a half percent increase in total
15 revenues. And, as part of its proposal, the Company seeks
16 a 10.7 percent return on equity, well above the currently
17 approved 9.67 percent ROE. Staff expects to review with
18 particular scrutiny the factors cited as contributing to
19 earnings attrition, the results of the depreciation study,
20 the results of the cost of service study and related rate
21 design proposals, the significant variations in percentage
22 revenue increases among the different classes, which vary
23 from 2.2 percent to 16.4 percent. And, finally, the
24 proposed step adjustments and associated projects,

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1 including plans for reliability enhancement and vegetation
2 management, and the building of two new substations.

3 That said, Staff recognizes that Unitil
4 incurred a significant amount of expenses as a result of
5 the December 2008 ice storm. We also recognize the need
6 for introducing enhanced reliability and vegetation
7 management plans. So, we, too, look forward to achieving
8 a just and reasonable result in this proceeding with the
9 parties. Thank you.

10 CHAIRMAN GETZ: Okay. Is there anything
11 else that we need to address before adjourning and be
12 moving onto the technical session?

13 (No verbal response)

14 CHAIRMAN GETZ: Okay. Hearing nothing,
15 then we'll close the prehearing conference and await for a
16 recommendation on a procedural schedule. Thank you,
17 everyone.

18 (Whereupon the prehearing conference
19 ended at 10:15 a.m., and a technical
20 session was held thereafter.)

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