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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 16, 2011 - 10:09 a.m.
Concord, New Hampshire

NHPUC JUL01'11 PM 4:27

RE: DG 11-069
NORTHERN UTILITIES, INC.:
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. Northern Utilities, Inc.:
Douglas L. Patch, Esq. (Orr & Reno)
Gary M. Epler, Esq.

Reptg. United Steel Workers Union 12012-6:
Shawn J. Sullivan, Esq.

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Kenneth E. Traum, Asst. Consumer Advocate
Rorie E. P. Hollenberg, Esq.
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Stephen P. Frink, Asst. Dir./Gas & Water Div.
Robert Wyatt, Gas & Water Division
James Cunningham, Jr., Electric Division

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

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P R O C E E D I N G

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2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the prehearing conference in Docket
4 DG 11-069. On May 4, 2011, Northern Utilities filed for a
5 increase in permanent delivery rates for natural gas
6 service and to implement temporary rates. The Company
7 also seeks authority to implement a Targeted
8 Infrastructure Replacement Adjustment for its Bare Steel
9 Replacement Program. Northern proposes new rates
10 effective June 3rd to produce an increase of \$3,744,523 in
11 annual revenues. Residential heating customers would see
12 an increase of approximately 8 percent on annual bills and
13 non-heating customers would see an increase of
14 approximately 12 percent. Commercial/industrial customers
15 would see increases ranging from approximately 1 percent
16 to 7 percent.

17 We issued an order on May 27 suspending
18 the tariff and scheduling the prehearing conference for
19 this morning. I'll note that we have a Notice of
20 Participation filed by the Office of Consumer Advocate.
21 We have a Petition to Intervene from the United Steel
22 Workers. And, I'll note as well that the affidavit of
23 publication has been filed.

24 So, can we take appearances please.

1 MR. PATCH: Good morning, Mr. Chairman,
2 Commissioners. Doug Patch, from the law firm of Orr &
3 Reno, appearing on behalf of Northern Utilities. And,
4 with me this morning, Gary Epler, Chief Regulatory
5 Counsel; George Gantz, Senior Vice President; David Chong,
6 Director of Finance; and Larry Brock, Controller and Chief
7 Accounting Officer.

8 CHAIRMAN GETZ: Good morning.

9 MR. SULLIVAN: Shawn Sullivan, for the
10 United Steel Workers, Local 12012-6. Joined here by Union
11 Chair of that Local, David Emerton.

12 CHAIRMAN GETZ: Good morning.

13 MS. HATFIELD: Good morning,
14 Commissioners. I'm Meredith Hatfield, for the Office of
15 Consumer Advocate, on behalf of residential ratepayers.
16 And, with me for the Office are Rorie Hollenberg, Ken
17 Traum, and Steve Eckberg.

18 CHAIRMAN GETZ: Good morning.

19 MR. SPEIDEL: Good morning
20 commissioners. Alexander Speidel, for the Staff of the
21 Commission, with Jim Cunningham, Robert Wyatt, and Steve
22 Frink of Staff.

23 CHAIRMAN GETZ: Good morning. Mr.
24 Patch, if you would express the position of the Company.

1 And, if you want to make any response to the Petition to
2 Intervene, please do so.

3 MR. PATCH: Okay. Thank you. I mean,
4 first of all, with regard to the Petition to Intervene,
5 Northern has no objection.

6 As you noted, Mr. Chairman, on May 4th,
7 Northern Utilities filed with the Commission its proposal
8 for an increase in permanent distribution rates for
9 natural gas service rendered on and after June 3rd, 2011,
10 an increase of 3.8 million in total annual revenues, which
11 represents an estimated average increase to customers of
12 4.7 percent in total natural gas bills, including supply
13 costs, and also an increase in annual operating revenues
14 of 5.9 percent.

15 In this filing, the Company is also
16 proposing changes in class revenue allocation and rate
17 design; the corresponding increase for the residential
18 heating class will be 8 percent and 12 percent for the
19 non-residential heating class.

20 Northern is also seeking to institute
21 temporary rates effective for service rendered on or after
22 August 1st of 2011, and until the final order is issued on
23 permanent rates. The requested temporary rate increase is
24 1.756 million, or a 2.8 percent increase in annual

1 operating revenues for the Company.

2 The filing also requests a 2012 step
3 adjustment related to the Company's 2011 capital
4 additions, which the Company estimates will produce an
5 additional annual increase of 1.43 million in distribution
6 revenues.

7 And, finally, the filing requests
8 implementation of a Targeted Infrastructure Replacement
9 Adjustment cost recovery mechanism for the recovery of
10 Bare Steel Replacement Program investments completed in
11 calendar years beginning with 2012, with the first step
12 increase to take effect on May 1st of 2013, for
13 investments completed in calendar year 2012. This
14 adjustment is estimated to produce an annual increase in
15 distribution revenue of \$700,000.

16 We would also like to note that Northern
17 filed simultaneously in both New Hampshire and Maine, with
18 the same test year and similar structure, including a 2012
19 step adjustment and TIRA mechanism for ongoing cast iron
20 and bare steel replacement. The Maine Division had not
21 had a rate increase in 28 years, so the increase is larger
22 in Maine.

23 When Unitil Corporation completed the
24 acquisition of Northern from NiSource in December of 2008,

1 it agreed to delay the filing of a base rate case for a
2 period of two years. But it also indicated that it
3 expected that such a base rate case would be necessary to
4 properly align the Company's rates with the cost of
5 providing safe and reliable natural gas distribution
6 services to customers.

7 Northern's last base rate case in New
8 Hampshire was filed in 2001. Since that time, the
9 Company's operating expenses and rate base have
10 significantly grown, to the point where revenues produced
11 by current rates do not provide the Company with an
12 opportunity to earn its authorized rate of return. Unless
13 temporary and ultimately permanent rate relief is granted,
14 the Company will not earn a reasonable rate of return on
15 the cost of its property used and useful in public service
16 and will not be in a position to secure reasonably priced
17 capital funding needed to maintain and improve service to
18 customers. Schedules submitted with Mr. Chong's prefiled
19 testimony show that the Company achieved a per books
20 return on equity of 5.67 percent in 2010, 400 basis points
21 lower than the authorized ROE of 9.67 percent established
22 in the 2001 rate case. The Company estimates that the
23 requested permanent rate increase will result in an
24 overall rate of return of 7.65 percent, which is in line

1 with the Company's last allowed rate of return of
2 7.85 percent established in the 2002 order in that 2001
3 rate case.

4 Northern has already provided responses
5 to the first set of data requests from Commission Staff
6 and the Office of Consumer Advocate. The Company has also
7 agreed with Staff and the OCA on a schedule for the
8 temporary rate phase of this docket. Northern is prepared
9 to work with Staff, the OCA, and any intervenors during
10 the technical session this morning to answer any questions
11 they may have about the filing and develop a procedural
12 schedule for the remainder of the docket.

13 And, finally, we would like to note that
14 parties in both New Hampshire and Maine are being provided
15 access to all case materials, facilitating an orderly and
16 transparent process for the conduct of both cases.

17 Thank you. And, I'd be happy to answer
18 any questions.

19 CHAIRMAN GETZ: Thank you, Mr. Patch.
20 Mr. Sullivan.

21 MR. SULLIVAN: Thank you. The group
22 here that seeks to intervene is made up of some 32 members
23 of the Company, the majority of those live in New
24 Hampshire. The majority of those have utility service

1 with the Company themselves. And, we feel that we are, as
2 people that work on the system and benefit from the
3 system, we are in a unique position to assist in the
4 orderly proceedings in this case. Thank you.

5 CHAIRMAN GETZ: In your petition, in the
6 numbered Paragraph 3, I think you refer to that point,
7 that we "may benefit from receiving certain fundamental
8 information gained through the experience of employees",
9 and you say "who actually perform the services referenced
10 in the filing." The "services referenced in filing"?

11 MR. SULLIVAN: Right. In this
12 particular rate case, I guess that wouldn't apply. Our
13 services underlie the issues involving the rate case.
14 We're the ones that some of the costs do come from us, in
15 terms of our labor, use of materials, *etcetera*.

16 CHAIRMAN GETZ: So, you're not making
17 any, for instance, any direct link to the Bare Steel
18 Replacement Program or anything like that?

19 MR. SULLIVAN: Other than hands-on,
20 doing it, no.

21 CHAIRMAN GETZ: Okay. All right. Thank
22 you.

23 MR. SULLIVAN: Thank you.

24 CHAIRMAN GETZ: Ms. Hatfield.

1 MS. HATFIELD: Thank you, Mr. Chairman.
2 The OCA supports the Union's Petition to Intervene. We do
3 not have a position at this time. But we will work with
4 the Parties and Staff to both develop a schedule and to
5 conduct discovery and to analyze the filing. Thank you.

6 CHAIRMAN GETZ: Thank you. Mr. Speidel.

7 MR. SPEIDEL: Yes, Mr. Chairman. In
8 addition to the proposed increases mentioned by the
9 Company, the Company has also proposed a rate recovery
10 mechanism very similar to the National Grid Bare
11 Steel/Cast Iron Replacement Program that will allow for
12 annual step adjustments. Northern has also proposed a new
13 tariff acceptable to dual -- applicable to the dual fuel
14 customers that, in essence, is a standby charge in the
15 event those customers do not meet the minimum natural gas
16 usage requirements. It has been ten years since
17 Northern's last rate case. And, this has been filed under
18 a different ownership.

19 Staff does not have an initial position
20 regarding the proposed changes, but will be conducting
21 extensive discovery regarding all aspects of the proposal
22 and the underlying revenue, costs, and sales factors and
23 rate design. Staff will be considering the rate impacts,
24 particularly in light of the recent increase in the

1 Granite State Gas Transmission Pipeline rates, and
2 Unitil's plan to file for another increase in Granite's
3 rates at the FERC later this month.

4 Staff does not have a recommendation on
5 temporary rates at this time. And, the Staff also
6 supports the intervention by the iron workers. Thank you.

7 CHAIRMAN GETZ: Thank you. Okay.
8 Anything further, Mr. Patch?

9 MR. PATCH: Nothing further.

10 CHAIRMAN GETZ: All right. Then, we'll
11 grant the Petition to Intervene. And, we'll await a
12 recommendation out of the technical session on a
13 procedural schedule and take the matter under advisement.
14 Thank you, everyone.

15 (Whereupon the prehearing conference
16 ended at 10:20 a.m.)

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