

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 13, 2011 - 10:07 a.m.
Concord, New Hampshire



RE: DG 11-069
NORTHERN UTILITIES, INC.
Notice of Intent to File Rate Schedules
(Hearing on Temporary Rates)

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

Sandy Deno, Clerk

APPEARANCES:

Reptg. Unitil Corporation:
Gary Epler, Esq.
Susan Geiger, Esq. (Orr & Reno)

Reptg. OCA:
Meredith A. Hatfield, Esq.
Steven Eckberg
Donna McFarland
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander Speidel, Esq.
Steven Frink, Asst. Dir./Gas & Water Div.
Jim Cunningham, Jr., Electric Division

COURT REPORTER: SUSAN J. ROBIDAS, LCR NO. 44

1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Good morning,
3 everyone. We'll open the hearing in Docket DG
4 11-069.

5 On May 4, 2011, Northern Utilities
6 made a delivery rate filing requesting permission to
7 implement new permanent delivery rates for natural
8 gas service and temporary delivery rates effective
9 with service on and after August 1, 2011. We issued
10 an order suspending the tariff on May 27th. We
11 subsequently held a prehearing conference on June 16
12 and issued a secretarial letter approving a
13 procedural schedule, including a hearing on temporary
14 rates, for this morning. And we also have a
15 settlement on temporary rates that was filed on
16 July 7th by the Company, Staff and the OCA.

17 So can we begin with appearances,
18 please.

19 MR. EPLER: Good morning, Mr. Chairman
20 and Commissioner. My name is Gary Epler, appearing
21 on behalf of Northern Utilities. And with me is
22 Attorney Susan Geiger of the law firm of Orr & Reno.
23 Immediately behind me is David Chong, Director of
24 Finance for Unitil Service Corporation. And behind

1 me to my right is Lawrence Brock, who is the
2 Comptroller for Unitil Corporation. And then we are
3 offering as witness, George Gantz, Senior
4 Vice-President of Unitil Corporation.

5 CHAIRMAN GETZ: Thank you. Good
6 morning.

7 MS. HATFIELD: Good morning,
8 Commissioners. Meredith Hatfield for the Office of
9 Consumer Advocate, appearing for residential
10 ratepayers. And with me for the Office is Steve
11 Eckberg and Donna McFarland.

12 CHAIRMAN GETZ: Good morning.

13 MR. SPEIDEL: Good morning,
14 Commissioners. Alexander Speidel, on behalf of
15 Staff, together with Jim Cunningham of the Staff and
16 also Steve Frink.

17 CHAIRMAN GETZ: Good morning.

18 Are you ready to proceed?

19 MR. EPLER: Yes, Mr. Chairman, we are.
20 We have one document that has already been filed with
21 the Commission. It is the cover letter and
22 settlement agreement regarding temporary rates that
23 was filed, as you indicated, on July 7th. If we can
24 have that premarked as Unitil Exhibit 1, please.

1 CHAIRMAN GETZ: So marked.

2 (Unitil Exhibit 1 marked for
3 identification.)

4 MR. EPLER: Can the witness be sworn.

5 (WHEREUPON, GEORGE R. GANTZ was duly
6 sworn and cautioned by the Court Reporter.)

7 GEORGE R. GANTZ, SWORN

8 DIRECT EXAMINATION

9 BY MR. EPLER:

10 Q. Mr. Gantz, can you please state your full name and
11 your business affiliation with Northern Utilities.

12 A. Yes. My name is George R. Gantz, and I'm a senior
13 vice-president.

14 Q. And Mr. Gantz, you've been involved in the putting
15 together of the rate case on behalf of Northern
16 Utilities?

17 A. Yes.

18 Q. And did you participate in settlement negotiations on
19 behalf of Northern?

20 A. Yes.

21 Q. And I'll draw your attention to what's been premarked
22 as Unitil Exhibit 1. Is that a true and correct copy
23 of the settlement agreement that's been reached among
24 the parties?

1 A. Yes.

2 Q. Mr. Gantz, if you can, can you briefly describe the
3 settlement agreement and the agreement on temporary
4 rates.

5 A. Yes. The Company's initial filing in this case on
6 May 4th that initiated the proceeding included a
7 proposal for permanent rate request of about
8 3.8 million. We also provided, in the form of
9 testimony and exhibits of Mr. Chong, a proposal for
10 temporary rate increase in this proceeding of about
11 1.8 million dollars. There was some discovery on the
12 temporary rate proposal which the Company responded
13 to. We then had the technical session where that
14 information was discussed in detail. We then
15 discussed adjustments that may be appropriate to the
16 Company's proposal for temporary rates. And after
17 discussion among the parties, we reached an agreement
18 for a temporary rate increase in the amount of
19 \$1,711,246. The basis for that starts with the
20 presentation by Mr. Chong which used a five quarter
21 average rate base from the test year. We removed the
22 2011-related pro forma adjustments from the permanent
23 request. We also utilized in that temporary
24 calculation the last allowed cost of equity for the

1 Company, which is 9.67 percent. That, plus the
2 adjustment to the revenue requirement of one item
3 that had been questioned in data requests was the
4 basis for the number that the parties agreed to for
5 temporary rates in the settlement agreement.

6 So, attached to the settlement agreement is
7 Attachment 1, which shows the calculation of the
8 revenue requirement from the Company's initial
9 filing; Attachment 2 shows the calculation of the
10 temporary rate adjustment which would result;
11 Attachment 3 is a copy of data request and response
12 to OCA 1-6.

13 MR. EPLER: Mr. Chairman, that
14 completes our initial examination, direct examination
15 of the witness.

16 CHAIRMAN GETZ: Thank you. Ms.
17 Hatfield.

18 MS. HATFIELD: Thank you, Mr.
19 Chairman. I just have one question. But I think,
20 first, it might be appropriate to have the Company
21 mark the actual filing as an exhibit in the hearing.

22 MR. EPLER: We have no objection to
23 doing so.

24 CHAIRMAN GETZ: So, suggesting that

1 the entire two volumes filed on May 4th be marked for
2 identification as Exhibit No. 2.

3 (Unitil Exhibit 2 marked for
4 identification.)

5 MS. HATFIELD: Thank you.

6 CROSS-EXAMINATION

7 BY MS. HATFIELD:

8 Q. Mr. Gantz, if you would look at Page 2 of the
9 settlement agreement, please.

10 A. Yes.

11 Q. In Section B1, it discusses the calculation of the
12 temporary increase; is that correct?

13 A. Yes.

14 Q. And could you just read the second sentence that
15 starts with, "The proposed temporary revenue
16 increase..."

17 A. "The proposed temporary revenue increase will be
18 collected by applying a uniform per therm surcharge
19 of .0293 dollars to all of Unitil's current rate
20 schedules."

21 Q. And is it your understanding that that means that the
22 temporary rate will be applied equally to all of
23 Unitil's different customer classes?

24 A. Yes.

1 MS. HATFIELD: Thank you. I have
2 nothing further.

3 CHAIRMAN GETZ: Thank you. Mr.
4 Speidel.

5 CROSS-EXAMINATION

6 BY MR. SPEIDEL:

7 Q. Yes. Mr. Gantz, in the same segment of the
8 settlement in Section B1, the second paragraph, there
9 is a reference to the fact that the settlement would
10 incorporate a return on equity of 9.67 percent?

11 A. Yes.

12 Q. Would you be able to give a brief summary of how that
13 relates to the current return on equity earned by the
14 Company, as to whether it's related to the original
15 2001 rate that was approved by the Commission at that
16 time?

17 A. Yes. If you give me a moment, I'll consult with Mr.
18 Chong, and we'll provide the "per books" return on
19 equity that's calculated without the rate increase.

20 CHAIRMAN GETZ: Is the question to
21 compare the proposed here to the previously approved
22 return or the actually earned return, or both?

23 (Discussssion among Staff.)

24 MR. SPEIDEL: Well, after further

1 discussions with Mr. Frink, I think the question
2 that's being formulated here relates as to whether
3 this 9.67 return on equity is standard for other
4 utilities in the area, is reasonable at this point in
5 time.

6 A. Yes, I think the parties, in discussing the
7 settlement agreement, the understanding was that it
8 was consistent with the range of returns on equity
9 that the Commission recently granted.

10 Q. I see. Thank you very much.

11 MR. SPEIDEL: No further questions at
12 this time. Thank you.

13 CHAIRMAN GETZ: Commissioner Ignatius.

14 CMSR. IGNATIUS: Thank you.

15 QUESTIONS BY CMSR. IGNATIUS:

16 Q. Good morning, Mr. Gantz.

17 A. Good morning.

18 Q. The settlement has a surcharge that's just under 3
19 cents per therm; correct?

20 A. Yes.

21 Q. For temporary rates. What would that work out to as
22 a bill impact for typical customers?

23 MR. EPLER: Commissioner,
24 unfortunately, we did not anticipate that question,

1 or we would have presented a filing. But I guess
2 none of the parties -- we just kind of missed that.
3 So I have -- in anticipation, I've contacted my
4 office and asked them to prepare a bill impact
5 analysis similar to what we typically provide in
6 similar circumstances, and I've been waiting for an
7 e-mail response but haven't gotten it. And we would
8 be happy to file that by the end of the day today if
9 I don't have it by the time the hearing ends.

10 CMSR. IGNATIUS: That would be fine.

11 MR. EPLER: I apologize for not
12 anticipating.

13 CMSR. IGNATIUS: That's okay.

14 BY MS. CMSR. IGNATIUS:

15 Q. As a rough estimate, is it correct that the amount
16 recommended in the settlement for temporary rates is
17 just under half of the total amount requested for
18 permanent rates?

19 A. That is correct. The other difference is, as the
20 question from Ms. Hatfield pointed out, it's applied
21 as a surcharge equal to all of the customer classes.
22 So there's no rate design consideration in the
23 permanent rate request. The Company is making some
24 suggestions with respect to revenue allocation rate

1 design and the changes to that as well. So it will
2 be, for the residential heating customer in R5, the
3 original request had a percent change for that class
4 of 8 percent. I think it's fair to say that, given
5 that the temporary rate request is less than half,
6 slightly less than half of the total request, and
7 there are no rate design changes or reallocations
8 recommended in temporary rates, that it will be less
9 than half of that impact on a typical residential
10 heating customer.

11 Q. All right. That was kind of the ballpark I was
12 looking for.

13 And the other calculations for bill impacts in
14 the filing, is it fair, for temporary purposes, to
15 see them as just a little less than half of what you
16 were projecting?

17 A. Yes.

18 CHAIRMAN GETZ: Well, let's reserve
19 Exhibit No. 3 for the record response on the request
20 regarding bill impacts from the proposed temporary
21 rate increase.

22 (Unitil Exhibit 3 reserved.)

23 CMSR. IGNATIUS: Thank you. Nothing
24 else.

1 QUESTIONS BY CHAIRMAN GETZ:

2 Q. Good morning, Mr. Gantz.

3 A. Good morning.

4 Q. I'd like to just get on the record here to follow up
5 on the return of equity, just to make sure where we
6 are.

7 So if I'm looking at the settlement agreement on
8 that Page 2, the second paragraph under B says, for
9 purpose of stipulation, the parties agree to a
10 temporary revenue increase based upon a capital
11 structure and overall cost of capital, incorporates
12 return equity of 9.67 percent, the last authorized
13 return on equity. So that's the -- so, actually,
14 it's the same, using the same return on equity as was
15 previously approved in 2001?

16 A. Yes.

17 Q. And then in Mr. Chong's testimony, it looks like on
18 Page 4 -- or Page 6 of his testimony, it looks like
19 he's saying that in 2010 the achieved "per book"
20 return on equity was 5.67 percent?

21 A. That's correct.

22 Q. And so that asserted under-earning along with the
23 growth and rate base and inflation is the -- those
24 are the primary reasons for the overall request?

1 A. Yes.

2 Q. Okay.

3 CHAIRMAN GETZ: Anything further, Mr.
4 Epler?

5 MR. EPLER: Just if I can, just one
6 question also following up on this discussion on
7 return of equity.

8 REDIRECT EXAMINATION

9 BY MR. EPLER:

10 Q. Mr. Gantz, just to be clear, the Company has agreed
11 that, for purposes of temporary rates, the return on
12 equity, a number of 9.67 percent is reasonable. But
13 it has retained its rights to argue, in terms of the
14 permanent proceeding, that another amount may be
15 appropriate for return of equity; is that correct?

16 A. Yes, that's correct. And that's clear in the
17 Section C of the settlement agreement that puts out
18 those various provisions. Any of the parties will
19 have the opportunity to argue for what they feel is
20 appropriate in the context of permanent rates.

21 CHAIRMAN GETZ: Thank you.

22 Anything further for the witness?

23 Hearing nothing, then you're exc used. Thank you,
24 Mr. Gantz.

1 (Whereupon the Witness was excused.)

2 CHAIRMAN GETZ: I take it there will
3 be no further witnesses? So is there any objection
4 to striking the identifications and admitting the
5 exhibits into evidence?

6 (No verbal response)

7 CHAIRMAN GETZ: Hearing no objection,
8 they'll be admitted into evidence.

9 Anything we need to address before
10 opportunity for closings?

11 (No verbal response)

12 CHAIRMAN GETZ: Hearing nothing, then
13 Ms. Hatfield.

14 MS. HATFIELD: Thank you, Mr.
15 Chairman. The OCA supports the settlement that is
16 before you today, and we wish to thank Staff and the
17 Company for a very cooperative process in the review
18 of their temporary rate request.

19 And I did want to call to the
20 Commission's attention that in the cover letter that
21 I filed with the settlement agreement, I did request
22 a waiver of the PUC's rule with respect to the timing
23 of the filing of settlement agreements. And I would
24 just again request what the Commission accept the

1 settlement agreement that we filed one day after that
2 time frame. Thank you.

3 CHAIRMAN GETZ: Thank you. Mr.
4 Speidel.

5 MR. SPEIDEL: Yes, we support the
6 settlement. We also appreciate OCA's efforts in
7 coordinating the settlement negotiations and
8 discussions. And we also support the request for a
9 waiver, subject to PUC Rule 203.20(e). Thank you.

10 CHAIRMAN GETZ: Thank you.

11 MR. EPLER: Yes, Mr. Chairman and
12 Commissioner. Thank you. We join in the statements
13 of the OCA and the Staff and acknowledge their
14 participation in the settlement negotiations and the
15 discovery that was undertaken, and request that the
16 agreement on temporary rates be approved as filed.
17 And we'd just point out to the Commission, on Page 3,
18 Paragraph 3, that we are requesting implementation by
19 August 1st. Thank you.

20 CHAIRMAN GETZ: All right. Well,
21 we'll grant the request for a waiver of the filing
22 deadline for the proposed settlement agreement.

23 I'll note there's also a motion for
24 protective order and confidential treatment. Are

1 there any objections to the motion for confidential
2 treatment that was filed on May 4th, or is that
3 something we need to address later?

4 MR. SPEIDEL: I believe, Mr. Chairman,
5 that that motion for confidential treatment had quite
6 a few moving parts above and beyond temporary rates,
7 if I'm not mistaken.

8 CHAIRMAN GETZ: Okay. Well, then,
9 we'll --

10 MR. SPEIDEL: Oh, yes. As I recall...
11 let's see. Any objection?

12 MS. HATFIELD: We don't have a
13 position at this time, Mr. Chairman. But in the
14 interest of time, we'd be happy to provide any
15 comments we do have within the next week.

16 CHAIRMAN GETZ: Well, I don't expect
17 that we need to make a ruling on the motion for
18 confidential treatment prior to treatment of the
19 request for temporary rates. But the -- and so I
20 wouldn't impose a deadline of a week to respond. But
21 to the extent there are any concerns about the motion
22 for confidential treatment, they can be filed in due
23 course as the parties go through discovery in advance
24 of the hearing on permanent rates.

1 Do you have anything on that?

2 MR. EPLER: Mr. Chairman, I just
3 wanted to point out, since we have marked the initial
4 filing as an exhibit, there is a confidential portion
5 of the filing. For the company's purposes, it would
6 be sufficient if it continues to be treated as
7 confidential until such time as the Commission rules.
8 So we don't need a ruling as long as we get that
9 treatment until the ruling.

10 CHAIRMAN GETZ: And that would be
11 consistent with our rules, in any event, to treat it
12 confidentially in the interim.

13 Okay. Anything else?

14 (No verbal response)

15 CHAIRMAN GETZ: Hearing nothing, then
16 we'll close the hearing and take the matter under
17 advisement. Thank you, everyone.

18 (WHEREUPON, the hearing was adjourned
19 at 10:27 a.m.)

20

21

22

23

24

C E R T I F I C A T E

1
2 I, Susan J. Robidas, a Licensed
3 Shorthand Court Reporter and Notary Public of
4 the State of New Hampshire, do hereby
5 certify that the foregoing is a true and
6 accurate transcript of my stenographic notes
7 of these proceedings taken at the place and
8 on the date hereinbefore set forth, to the
9 best of my skill and ability under the
10 conditions present at the time.

11 I further certify that I am neither
12 attorney or counsel for, nor related to or
13 employed by any of the parties to the action;
14 and further, that I am not a relative or
15 employee of any attorney or counsel employed
16 in this case, nor am I financially interested
17 in this action.

18
19
20 _____
21 Susan J. Robidas, LCR/RPR
22 Licensed Shorthand Court Reporter
23 Registered Professional Reporter
24 N.H. LCR No. 44 (RSA 310-A:173)