

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

November 8, 2012 - 10:08 a.m.
Concord, New Hampshire

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RE: DE 11-105
UNITIL ENERGY SYSTEMS, INC.:
*Petition for Declaratory Ruling and
Approval of Adjustment to Certain
Account Balances.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Jody Carmody, Clerk

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:
Gary Epler, Esq.

Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
Donna McFarland
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.
Grant Siwinski, Electric Division

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

ORIGINAL

PAGE NO.

WITNESS PANEL: MARK H. COLLIN
 KAREN M. ASBURY
 JUSTIN C. EISFELLER
 ROBERT S. FURINO

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1 P R O C E E D I N G

2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DE 11-105, which involves Unitil's
4 Petition for Approval of Adjustment to Certain Account
5 Balances, all growing from a billing issue at Riverwoods,
6 is it "Exeter"? "Exeter at Riverwoods"? I always get it
7 backwards. One of the two. We have noticed for hearing
8 today consideration of a Settlement Agreement that was
9 filed in this case between Unitil, the Office of Consumer
10 Advocate, and the Commission Staff.

11 So, let's begin with appearances please.
12 Mr. Epler.

13 MR. EPLER: Thank you. Good morning.
14 My name is Gary Epler, appearing on behalf of Unitil
15 Energy Systems, Inc. Thank you.

16 CHAIRMAN IGNATIUS: Good morning.

17 MS. HOLLENBERG: Good morning. Rorie
18 Hollenberg and Donna McFarland, here for the Office of
19 Consumer Advocate.

20 MR. SPEIDEL: Alexander Speidel,
21 representing Commission Staff. And, I have with me Grant
22 Siwinski and Steve Mullen of the Electric Division.

23 CHAIRMAN IGNATIUS: Good morning.
24 Welcome. And, I see the witnesses are already assembled,

1 which is good. Are there any matters to begin with,
2 before we take testimony?

3 MR. EPLER: Just to advise the
4 Commission that we'll have two exhibits. The first is a
5 joint exhibit, which is the Settlement Agreement that was
6 filed on October 4th, 2012. I propose to mark that for
7 identification purposes as "Exhibit Number 1". And, the
8 second is the Amended Petition and Amended Joint Testimony
9 of the Company that was filed on September 30th, 2011, and
10 propose to mark that for identification purposes as
11 "Exhibit Number 2".

12 CHAIRMAN IGNATIUS: So, do we not have
13 exhibits already in the docket?

14 MS. CARMODY: No.

15 CHAIRMAN IGNATIUS: All right. I mean,
16 certainly, we have things that have been filed in the
17 docket and are in the official docketbook.

18 MS. CARMODY: I found nothing previously
19 filed.

20 MR. SPEIDEL: Well, that would not be
21 the case, so --

22 CHAIRMAN IGNATIUS: No, we've been here
23 in the hearing room on this before, but maybe nothing has
24 ever been marked.

1 MR. EPLER: There was -- Chairman
2 Ignatius, there was -- you're correct, there was a
3 prehearing conference, and there was extended argument
4 during that, a number of motions, and I guess cross
5 motions at the time. But I don't believe that at that
6 time that anything was entered into the record.

7 MR. SPEIDEL: That would be correct,
8 counsel. As I recall, and if it would have been entered,
9 it would have been, let's see, we have an OCA exhibit
10 marked "OCA-1", from July 18th, 2011. Now, these are the
11 original filing materials, not this updated filing. The
12 updated filing, Commissioners, came in after that
13 prehearing conference. So, this is fresh. But it would
14 be as part of the docket file.

15 CMSR. HARRINGTON: I'm sorry, what's the
16 date of that again?

17 CHAIRMAN IGNATIUS: There are too many
18 at once. Good ahead.

19 MS. CARMODY: If you're looking to me
20 for an answer, it could have been part of the docket file,
21 but it is not an exhibit. We do not have anything marked.

22 MR. SPEIDEL: Correct. Correct.

23 CHAIRMAN IGNATIUS: All right. So, I
24 think it sounds like, should not the original Petition be

1 marked as an exhibit?

2 MR. EPLER: I would have no objections
3 to that. If I can point out to the Commission, the filing
4 on September 30th, 2011, included a motion to amend the
5 Petition, an Amended Petition, and amended testimony.
6 And, I think, by going through all those papers, there is
7 a clear road map as to what has happened. Essentially,
8 the initial Petition was filed at a time when there was an
9 outstanding dispute with Riverwoods. Subsequent to that,
10 subsequent to the prehearing conference, there was a
11 settlement with Riverwoods. And, the motion to amend the
12 Petition, Amended Petition accounts for that, and the
13 amended testimony picks up on that.

14 CHAIRMAN IGNATIUS: And, that
15 September 30, 2011 packet is what you're proposing to mark
16 as "Exhibit 2"?

17 MR. EPLER: Yes.

18 CHAIRMAN IGNATIUS: All right. I think
19 you're -- that's fine. We don't need to go back to the
20 initial one. It's in the record, if anybody's ever --
21 it's in the docketbook, if anyone ever needs it. I'm okay
22 with that.

23 (The documents, as described, were
24 herewith marked as **Exhibit 1** and

1 **Exhibit 2**, respectively, for
2 identification.)

3 CHAIRMAN IGNATIUS: All right. And, the
4 OCA document, is that something that, Ms. Hollenberg,
5 should be admitted? And, it may be that you're not even
6 aware of what it is at this point.

7 MS. HOLLENBERG: I was going to say,
8 you're catching me at a little bit of a disadvantage, only
9 because this wasn't my case until March of this year.
10 But --

11 CHAIRMAN IGNATIUS: How about, before
12 we're done, take a chance to look at that. And, we can
13 consider putting in an additional document in the record,
14 if you think it's appropriate.

15 MS. HOLLENBERG: Okay. Okay. Thank
16 you. I will.

17 CHAIRMAN IGNATIUS: Do we also have an
18 outstanding motion for confidentiality? I know one was
19 filed in March of 2011, March 11, the Company testimony.

20 MR. SPEIDEL: Yes. As I recall,
21 Commissioners, that related to the identify of the
22 customer in this case, Riverwoods. Which part of the
23 reason that Staff agrees with the Company that filing the
24 original Petition and testimony as part of this proceeding

1 as a hearing exhibit is a little unnecessary or
2 obsolescent, is because, in the original Petition, they
3 could not mention the name "Riverwoods". But, in this
4 revised testimony, they are able to mention that, since
5 they had essentially come to an understanding with the
6 customer as of that date. So, maybe counsel for the
7 Company could confirm as to whether that was the issue?

8 MR. EPLER: Yes, if I could expand on
9 that. It was not just the name, it was also the usage
10 information of the customer. My recollection is also at
11 the prehearing conference that the customer waived
12 confidentiality as to that. But, at the time we filed, we
13 didn't want to reveal the name or the usage -- the usage
14 history.

15 CHAIRMAN IGNATIUS: So, there's --

16 MR. EPLER: So, I think --

17 CHAIRMAN IGNATIUS: It really can be
18 withdrawn?

19 MR. EPLER: Yes.

20 CHAIRMAN IGNATIUS: All right.

21 CMSR. HARRINGTON: So, this, what is
22 confidential, is no longer confidential?

23 (Chairman Ignatius nodding in the
24 affirmative.)

[WITNESS PANEL: Collin~Asbury~Eisfeller~Furino]

1 CHAIRMAN IGNATIUS: All right. Anything
2 further, before we swear the witnesses?

3 (No verbal response)

4 CHAIRMAN IGNATIUS: Seeing nothing, then
5 Mr. Patnaude.

6 (Whereupon **Mark H. Collin,**
7 **Karen M. Asbury, Justin C. Eisfeller,**
8 **and Robert S. Furino** were duly sworn by
9 the Court Reporter.)

10 CHAIRMAN IGNATIUS: Go ahead.

11 MR. EPLER: Okay.

12 **MARK H. COLLIN, SWORN**

13 **KAREN M. ASBURY, SWORN**

14 **JUSTIN C. EISFELLER, SWORN**

15 **ROBERT S. FURINO, SWORN**

16 **DIRECT EXAMINATION**

17 BY MR. EPLER:

18 Q. Starting with Mr. Collin, if each of the witnesses
19 could state your full name and your occupation please.

20 A. (Collin) Yes. Good morning, Commissioners, Chairman.
21 My name is Mark Collin. I'm the Treasurer of Unitil
22 Energy. I am also the Senior Vice President and Chief
23 Financial Officer for Unitil Energy's parent company,
24 Unitil Corporation. My business address is 6 Liberty

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[WITNESS PANEL: Collin~Asbury~Eisfeller~Furino]

1 Lane, Hampton, New Hampshire.

2 A. (Asbury) Good morning. My name is Karen M. Asbury.

3 I'm Director of Regulatory Services for Unitil Service
4 Corp. My business address is 6 Liberty Lane, Hampton,
5 New Hampshire.

6 A. (Furino) Good morning, Commissioners. My name is
7 Robert S. Furino. I am Director of Energy Contracts
8 for Unitil Service Corp. And, my business address is 6
9 Liberty Lane West, Hampton, New Hampshire.

10 A. (Eisfeller) Good morning. My name is Justin Eisfeller.
11 I'm the Director of Energy Measurement and Control.
12 And, my business address is 324 West Road, Portsmouth,
13 New Hampshire.

14 Q. Okay. I'll address this question to the three
15 witnesses on the panel who prepared the prefiled joint
16 testimony. Could you please turn to what has been
17 premarked as "Exhibit Number 2". And, more
18 specifically, in that packet, there is Amended Joint
19 Testimony of Karen Asbury, Justin Eisfeller, and Robert
20 Furino. Can you please confirm that this document was
21 prepared by you or under your direction?

22 A. (Asbury) Yes.

23 A. (Eisfeller) Yes.

24 A. (Furino) Yes, I do.

1 Q. And, do any of you have any changes or corrections to
2 this testimony at this time?

3 A. (Asbury) I do not.

4 A. (Furino) I do not.

5 A. (Eisfeller) I do not.

6 Q. And, do each of you adopt this testimony and the
7 attached exhibits as your testimony in this proceeding?

8 A. (Asbury) I do.

9 A. (Furino) Yes, I do.

10 A. (Eisfeller) Yes, I do.

11 Q. Thank you. Mr. Collin, could you please provide a
12 brief summary of the genesis of this proceeding.

13 A. (Collin) Yes. The Company had been working with the
14 Riverwoods Company of Exeter to identify ways of
15 reducing their energy consumption at three of their
16 continuing care retirement facilities located in
17 Exeter, New Hampshire. During this process, in
18 February 2011, the Company learned that the electricity
19 consumption at the Riverwoods -- at one of the
20 Riverwoods' facility, one of the facilities known as
21 "The Ridge", had been incorrectly billed since
22 September 2004. September 2004 was the time when
23 electric service was initially established at that
24 facility. It was a new facility that was provided

1 electric service starting in September 2004. And, at
2 that time, there was an installation of a current
3 transformer to provide service that was erroneously
4 labeled and had caused the Company to overcharge
5 Riverwoods over this period. The amount of the
6 overcharge, since September 2004 until the time the
7 Company discovered it and corrected the billing
8 problem, was \$1,801,504. And, those bills were issued
9 in a period from October 2004 through January of 2011.
10 The overcharge consisted of several different billing
11 components, including the distribution rates, the
12 Default Service energy rates, the stranded cost rates,
13 System Benefits Charges, and several other reconciling
14 rates that the Company billed over this time period.
15 All of which were a function of the amount of metered
16 kilowatt-hours at the facility.

17 Q. What did the Company do once it discovered the error?

18 A. (Collin) Once the Company discovered the billing error
19 in early 2011, the Company took immediate steps to
20 correct the problem, and to correctly begin billing the
21 customer. We also took additional steps to investigate
22 all the facilities owned by the customer, to ensure
23 that there was no other similar problems on their other
24 two facilities that they have there. They have, in

[WITNESS PANEL: Collin~Asbury~Eisfeller~Furino]

1 total, three facilities. And, then, we implemented new
2 processes, new controls and procedures to ensure that
3 this problem would never happen again. And, we also
4 entered procedures -- began procedures to investigate
5 all of the current transformers on the system, to
6 ensure that we did not have this problem with any other
7 customers. And, we have completed that review, and
8 determined that there are no other current transformers
9 that are causing this billing problem for the Company.

10 We initially then refunded Riverwoods
11 \$611,699 in May 2011. That represented two years of
12 billing, plus interest, that was overcharged to
13 Riverwoods. Concurrent with that payment to
14 Riverwoods, we filed the Petition and supporting
15 testimony here with the Commission seeking, among other
16 things, a ruling as to the time period to be used in
17 calculating the refund for the customer, and approval
18 to adjust rate account balances in order to correct for
19 a portion of the collection that was due to reconciling
20 overcharges on reconciling rates.

21 Q. And, could you please explain the status of the refund
22 made by the Company to Riverwoods at this time?

23 A. (Collin) Yes. Subsequent to our filing in 2011, based
24 on the procedural course of this docket, and the

1 Company's continued consideration of the facts and
2 circumstances of the overcharge, as well as, and
3 importantly, the Company's desire to achieve a fair and
4 equitable resolution of this issue without lengthy and
5 costly litigation, as well as to maintain a
6 relationship with an important customer to the Company.
7 We subsequently paid an additional amount to Riverwoods
8 of \$1,459,721. That brought the total refund that we
9 paid to Riverwoods to \$2,071,420, and essentially made
10 Riverwoods whole for any overcharges that occurred over
11 the entire period, with interest.

12 As a result of that final settlement and
13 payment to Riverwoods, they subsequently filed a letter
14 with the Commission stating that all claims between the
15 Company and Riverwoods had been settled, and that it
16 was withdrawing from any further administrative
17 proceedings before this Commission on this issue.

18 Q. Mr. Collin, did the Company amend its Petition and
19 provide additional supporting testimony following this
20 additional refund to Riverwoods?

21 A. (Collin) Yes. I think, as consistent with the
22 discussion of some of the preliminary matters here
23 today, in September 2011, the Company filed a motion to
24 amend its Petition, accompanied by an Amended Petition

1 and supporting testimony. During the latter half of
2 2011 and through the better part of this year, and up
3 and to the filing of the Settlement -- the filing of
4 this Settlement, the Company responded to formal
5 discovery of the Staff and of the OCA, and the parties
6 participated in several technical sessions and
7 settlement discussions, which ultimately led to the
8 Settlement discussion that you have today before you.

9 Q. Okay. Mr. Collin, can you please turn to the document
10 that's been marked as "Exhibit Number 1", the
11 Settlement Agreement? And, can you please provide an
12 overview of that Agreement?

13 A. (Collin) Yes. There are essentially two major
14 components of the Settlement Agreement. And, these two
15 components are laid out in Section 2, which begins on
16 Page 3 of the Settlement Agreement. The first
17 component is an agreement on what amount of overcharges
18 are appropriately recovered through adjustments to rate
19 reconciliation mechanisms. These adjustments recognize
20 that other customers' bills, those -- not Riverwoods',
21 but our other customers, were artificially lower than
22 they would have been had the overbilling to Riverwoods
23 not occurred. That is, some of our other customers
24 actually benefited because of our overbilling to

1 Riverwoods through the way the reconciliation rate
2 mechanisms work.

3 The second component is in Section --
4 begins in Section 2.7, and this section is an agreement
5 on the amount of overcharges the Company would not be
6 allowed to recover. What the Company is required to
7 essentially write off or take a charge against income
8 for as a result of the billing error.

9 Q. Could you explain these in reverse order. Please
10 describe the amount of the overcharges refunded to
11 Riverwoods.

12 A. (Collin) Yes. Let me, you know, take the amount,
13 essentially, the second component first, and that's the
14 amount that the Company will take a charge against
15 earnings. And, that's in Section 2.7 of the Settlement
16 Agreement. So, as shown here, the first line is the
17 distribution revenue. In addition to not recovering
18 \$185,663 of distribution base revenue the Company
19 received as a result of this billing error, the
20 Settlement would result in the Company not recovering
21 several additional charges that are typically
22 reconciling in nature, including \$163,597 associated
23 with additional supply costs that were refunded to
24 Riverwoods, but are over and above what the Company's

1 other customers would have paid for the same supply.

2 An additional \$269,916 of interest paid by the Company
3 to Riverwoods, as well as \$50,922, which is a total of
4 the rest of the items listed here, associated with
5 several other reconciling rate components.

6 In total, under the terms of the
7 Settlement Agreement, the Company has been required to
8 write off \$670,098, or about a third of the total
9 amount of overcharges that have been refunded to
10 Riverwoods, and more than three and a half times the
11 additional base distribution revenue, or what might be
12 called the "benefit" the Company received from
13 Riverwoods over the entire seven-year billing period
14 that the error occurred.

15 Q. Could you now please describe the second major
16 component of the Settlement, the amount of the
17 overcharges that the Company would be allowed to
18 recover through the adjustments.

19 A. (Collin) Yes. In Sections 2.1 through 2.6, there are
20 several items discussed here relative to the recovery
21 of items that the Company would be allowed to recover
22 through reconciling rate mechanisms. Essentially, the
23 first, there are three mechanisms that the Company will
24 be able to receive recovery of -- through recovery of.

1 There's an adjustment to the Non-GI Default Service in
2 the amount of \$1,152,493, an adjustment to the External
3 Delivery Charge in the amount of \$137,970, an
4 adjustment to the Stranded Cost Charge in the amount of
5 \$103,557. Each of these adjustments is listed in
6 Paragraphs 2.2 through 2.4 of the Settlement Agreement.
7 Due to the reconciling nature of these three rate
8 mechanisms, while the Company collected additional
9 revenues from Riverwoods through these rate mechanisms
10 as a result of the overbilling, it did not retain these
11 additional revenues for its own benefit, but rather
12 flowed them back to other customers through the
13 workings of each reconciling rate mechanism.
14 Accordingly, an adjustment to these rate reconciling
15 mechanisms is appropriate to bring them to a level they
16 would have been at but for the overcollection from
17 Riverwoods, and to permit the recovery from other
18 customers the amount they benefited from as a result of
19 this overcollection.

20 Q. And, over what period will the amounts be recovered?

21 A. (Collin) These, as discussed again in Section 2, these
22 amounts will be recovered over a period of about three
23 years, with interest, at the customer deposit rate.

24 Q. Are there any other provisions in the Settlement you'd

1 like to discuss at this time?

2 A. (Collin) Yes. As described in Section 2.8 of the
3 Settlement, which is on Page 4, at the top of Page 4,
4 in addition to these two major components of the
5 Settlement, the Company has also agreed to pursue
6 remedies as it may have from the vendor or manufacturer
7 of the mislabeled CT equipment, or the current
8 transformer equipment. The Company will advise Staff
9 as to the status of these efforts. And, if, after six
10 months, the Company has not been successful in
11 obtaining remedies, it will not engage in further
12 purchase from the vendor or manufacturer.

13 Q. And, Mr. Collin, based on your review of the Settlement
14 Agreement and your participation in the negotiations,
15 do you believe that the Settlement Agreement is a just
16 and reasonable resolution of this matter, and
17 appropriately balances the interest of customers and
18 the Company?

19 A. (Collin) Yes, I do.

20 Q. Do you have anything further to add?

21 A. (Collin) Not at this time.

22 Q. Okay. Mr. Eisfeller, Mr. Collin already alluded to
23 this, but I just wanted to verify with you. If you
24 could turn to the Joint Testimony, at Page 10. And,

1 there, in the middle of the page, there's a discussion
2 of the status of inspection of all the instrumented
3 installations, the CTs, and I guess what you call the
4 "PTs", "potential transformers". And, could you advise
5 the Commission the status of that review?

6 A. (Eisfeller) So, we completed our testing of all
7 installations at Unitil, including in New Hampshire and
8 Massachusetts, this year, and found no other mislabeled
9 current transformers.

10 Q. Okay. Thank you. And, is it -- is it also correct
11 that this testing procedure is now part of the
12 protocol, ongoing protocol for the Company?

13 A. (Eisfeller) That is correct.

14 Q. Okay. Thank you. Ms. Asbury, could you please provide
15 an estimate of the bill impacts of the Settlement
16 Agreement on a typical residential customer.

17 A. (Asbury) Yes. First, I've estimated the Default
18 Service rate impact for Non-GI customers to be \$0.00060
19 per kilowatt-hour; for the External Delivery Charge,
20 which applies to all customers, I've estimated a rate
21 impact of \$0.00005 per kilowatt-hour; and, for the
22 Stranded Cost Charge, which also applies to all
23 customers, I've estimated a rate impact of \$0.00004 per
24 kilowatt-hour. Adding those all together, I get a rate

1 impact of \$0.00069 per kilowatt-hour. For a
2 residential customer, using 600 kilowatt-hours per
3 month, that would be 41 cents on their monthly bill, or
4 just under a half a percent on a bill impact.

5 And, I would also like to note that, if
6 the Settlement is approved, these rate impacts would
7 take effect at the Company's next normal -- normally
8 scheduled rate change, which, for Default Service, for
9 the Non-G1 class, would be June 1, 2013. And, for the
10 External Delivery Charge and Stranded Cost Charge, it
11 would be August 1st, 2013.

12 MR. EPLER: Okay. Thank you. Chairman
13 Ignatius, I've completed my direct examination. The
14 witnesses are available for cross-examination.

15 CHAIRMAN IGNATIUS: Thank you.
16 Ms. Hollenberg, questions?

17 MS. HOLLENBERG: Yes, please. Thank
18 you. One moment.

19 CHAIRMAN IGNATIUS: Before you begin,
20 maybe just take another moment to look at your notes. Let
21 me just clarify one thing. Ms. McNamara [Asbury?], you
22 just said that the rates would be in effect for the next
23 scheduled rate changes for each of the components. But
24 doesn't the Settlement Agreement say that Non-G1 is the

[WITNESS PANEL: Collin~Asbury~Eisfeller~Furino]

1 first day of the month after Commission approval, if it's
2 approved, a similar sort of provision for External
3 Delivery and Stranded Cost?

4 WITNESS ASBURY: Yes. Let me try to
5 clarify. If the Settlement was approved, let's say, in
6 the month of November, December 1st would be, you know,
7 the first day following approval. So, what we would do in
8 December is we would actually begin to charge our
9 mechanisms for Default Service, External Delivery Charge,
10 and Stranded Cost Charge, to reflect the Settlement, but
11 we do not anticipate having a rate change on December 1st.
12 So, those mechanisms would begin to get charged, but what
13 we would do is the rate would actually change on the next
14 normal rate change. And, the reason for that is simply
15 because the rate impacts are fairly small. So, we felt
16 that waiting until the next normal rate change would be
17 reasonable.

18 CHAIRMAN IGNATIUS: So, the charge would
19 be in effect, and the amounts that should be collected
20 under it would be accruing as an undercollection, but the
21 rate that the customer would see wouldn't be altered until
22 the next regularly scheduled change?

23 WITNESS ASBURY: That's correct.

24 CHAIRMAN IGNATIUS: Thank you.

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[WITNESS PANEL: Collin~Asbury~Eisfeller~Furino]

1 CMSR. HARRINGTON: If I can follow up on
2 that? So, you would, let's say it took a few months, or
3 whatever, you would simply charge that amount and roll it
4 up, and then would it come in and be all collected in the
5 first month or would it have to be distributed over the
6 entire period?

7 WITNESS ASBURY: It would be distributed
8 over the entire period.

9 CMSR. HARRINGTON: Okay. And, just
10 while we're on this subject, you talk about the "first
11 month immediately following the Commission's approval",
12 which may or may not happen, depending on it, but you have
13 a fixed date at the end. So, I'm assuming if the approval
14 date is a little bit later, rather than earlier, if there
15 is an approval, then these numbers that you gave us would
16 be adjusted upward accordingly to account for the shorter
17 period of time or you extend out the date after
18 November 30th, 2015?

19 WITNESS ASBURY: The end dates coincide
20 with the end dates of our normally scheduled rate changes.
21 So, assuming we were still able to implement our rate
22 changes for Default Service on -- implement these changes
23 pursuant to the Settlement on June 1st, and the other
24 charges August 1st, would not impact those figures.

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[WITNESS PANEL: Collin~Asbury~Eisfeller~Furino]

1 CMSR. HARRINGTON: I'm confused a little
2 bit then. If you start accruing the change, let's just
3 say January 1st, instead of December 1st, then you're
4 going to have to, if it's a fixed end date, you'll have to
5 charge more per month than you would if it started
6 December 1st, isn't that correct? You have a variable
7 starting date and a fixed end date. So, I would assume
8 that the -- the figures you gave us are based on starting
9 accruing the charges on what date?

10 WITNESS ASBURY: The figures are based
11 upon the amounts that we've agreed to pursuant to the
12 Settlement, but recovered starting -- beginning June 1st.
13 So, as long as I continue on that same path, you know, for
14 Default Service on June 1st, for the other charges on
15 August 1, those estimated bill impacts should not change.

16 The only thing that would change those
17 bill impacts would be, let's say the Settlement was
18 delayed beyond those timeframes and we actually delayed
19 implementing the rate change.

20 CMSR. HARRINGTON: Okay. I guess you've
21 completely confused me, which probably isn't too hard to
22 do, but --

23 MR. EPLER: If I --

24 CMSR. HARRINGTON: Just my question is,

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[WITNESS PANEL: Collin~Asbury~Eisfeller~Furino]

1 in reading this, it says you're going to "begin to recover
2 over a period beginning the first day of the month
3 immediately following Commission approval", which to me
4 seems like a variable date. And, now, you're telling me
5 that you're "beginning on June 1st". So, is it the first
6 day -- it appears to be "beginning the first day of the
7 month immediately following Commission approval" or is it
8 June 1st?

9 WITNESS COLLIN: Let me try to give you
10 some clarification to it.

11 CMSR. HARRINGTON: Okay.

12 WITNESS COLLIN: Because the Company has
13 not received approval from the Commission for the recovery
14 of these costs, we are unable to account for them as a
15 recoverable cost through these mechanisms. So, once we,
16 assuming we receive approval, then we can begin accounting
17 for them through those mechanisms. We will not change the
18 rate, however, until their normal change period. So,
19 we'll begin accruing them and accounting for them the
20 first day of the month after we receive approval. That's
21 just an accounting convention. We need that approval in
22 order to do that accounting.

23 So, as long as we receive approval
24 before the normal change date, then Karen's estimates

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1 won't change at all. And, part of that is due, there's
2 another feature of the Settlement that establishes a fixed
3 interest period relative to the collection of these costs,
4 and that we have agreed that, starting at June, June?

5 WITNESS ASBURY: Yes.

6 WITNESS COLLIN: June 1st of 2012, we
7 will begin accruing interest on these payments that were
8 made to Riverwoods. That day doesn't change. So,
9 interest is calculated from June 1st, 2012, no matter when
10 this gets accounted for. The accounting starts one month
11 after the Commission approval of the Settlement, and the
12 rate change takes place on the normal anniversary dates.
13 And, so, as long as all that schedule holds together, the
14 interest won't change, because that's locked in from
15 June 1st. The amount to be put in place during the normal
16 rate changes won't change, because, again, the interest
17 has been determined, the principal is known, and Karen has
18 calculated as if all that occurs during the normal
19 anniversary date.

20 CMSR. HARRINGTON: So, on June 1st, you
21 will adjust the rates to collect the total amount that you
22 want to collect, and that will be done between June 1st
23 and November 30th, regardless of whether you start
24 accruing it on December 1st or April 1st or May 1st,

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1 whatever, is that what you're saying?

2 WITNESS COLLIN: Yes.

3 CMSR. HARRINGTON: Okay. But that's not
4 clear from reading the Settlement, but at least clear to
5 me. Thank you. That helps.

6 WITNESS COLLIN: Yes.

7 CHAIRMAN IGNATIUS: All right.

8 Ms. Hollenberg.

9 **CROSS-EXAMINATION**

10 BY MS. HOLLENBERG:

11 Q. And, just to be clear, this -- it isn't in the
12 Settlement Agreement, the discussion that you're
13 talking about, in terms of the way that the recovery
14 will be flowed back. We're talking about it now, we
15 talked about it before the hearing. Is that something
16 that you would agree with?

17 A. (Collin) Well, as Commissioner Harrington has pointed
18 out, it's not clear in the Settlement Agreement. I
19 think that, when we look at the best way to implement a
20 rate change relative to this recovery, --

21 Q. Uh-huh.

22 A. (Collin) -- that the most efficient and least confusing
23 way for customers and to do this is to simply begin the
24 accounting or which would be consistent with the word

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1 "recovery" --

2 Q. Uh-huh.

3 A. (Collin) -- of the costs one month after the -- the
4 first day of the month after the approval, and then
5 actually do the mechanical rate change on the
6 anniversary dates of those mechanisms.

7 Q. All right. And, I understand that. And, I guess I'm
8 not trying to cast any kind of critical judgment, but
9 it is something that was just newly discussed this
10 morning, in terms of the fact that the actual
11 collection from customers was not going to begin until
12 June, is that correct?

13 A. (Collin) Yes. We came in, and I think we had a sidebar
14 with the Staff and you to try to explain this procedure
15 as being the most efficient and best for customers, in
16 terms of making rate changes, and that it doesn't
17 change the economics at all --

18 Q. Uh-huh.

19 A. (Collin) -- in any way, in terms of the transaction.

20 MS. HOLLENBERG: And, to assure you, my
21 question is not intended to say that we disagree with it.
22 I just wanted to make that clear to you and to the
23 Commission, that the reason it's not in the Agreement is
24 that it really is something that's just come up, but it's

1 not really something that the OCA has a disagreement with.

2 CMSR. HARRINGTON: So, I'm not as
3 confused as I thought I was.

4 MS. HOLLENBERG: No. Never.

5 BY MS. HOLLENBERG:

6 Q. May I just clarify a couple of things. Mr. Collin, if
7 you could, I'm just going to talk about some of the
8 numbers in the Settlement Agreement. So, the total
9 amount that UES paid to Riverwoods was just over
10 \$2 million in September 2011, is that correct?

11 A. (Collin) Yes. And, we had previously made an initial
12 payment of a little over \$600,000, and then made a
13 second payment of almost 1.5 million. So, the total
14 is --

15 Q. As of September 2011 was about \$2 million?

16 A. (Collin) Yes. Correct.

17 Q. Okay. And, if you look at Page 3, in the Paragraph
18 2.5, as I think you pointed out in your direct
19 testimony, the interest that is applied to the amount
20 you're recovering from retail customers is applied
21 starting June 1st, 2012, is that correct?

22 A. (Collin) That's correct.

23 Q. And, if you look in 2.7, in the chart there, the third
24 line down, it says "Interest Paid to Customer". And,

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1 the customer referred there is Riverwoods, is that
2 correct?

3 A. (Collin) That's correct.

4 Q. And, that is the interest that you paid or the Company
5 paid to Riverwoods for the period of September 2004
6 through September 2010, is that correct?

7 A. (Collin) Eleven.

8 Q. Or '11, sorry.

9 A. (Collin) September 2011, yes. That's correct.

10 Q. So, in the amount, in the 2 million or so amount that
11 UES paid to Riverwoods, there was this portion \$269,916
12 that related to interest, the value of the money that
13 was overcollected from Riverwoods during that period of
14 time, correct?

15 A. (Collin) Yes.

16 Q. And, there also is the -- given the fact that 2.5 has
17 the interest collected from customers beginning in
18 June 1, 2012, there is then a difference between the
19 time that you paid the money to Riverwoods and the time
20 that you're beginning to collect interest from your
21 retail customers on the overbilling, is that correct?

22 A. (Collin) Yes. There's about a ten-month lag.

23 Q. And, would you agree that, subject to check, that
24 amount, which -- would you agree, firstly, that that

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1 amount is not reflected in the \$296,000 [\$269,000?]
2 that's in the chart in 2.7?

3 A. (Collin) Yes.

4 Q. Okay. And, then, would you agree, subject to check,
5 that that amount for the ten months between the
6 September 2012 through May 2000 -- I'm sorry,
7 September 2011 through May 2012 is approximately
8 \$35,000?

9 A. (Collin) Yes.

10 Q. Subject to check?

11 A. (Collin) Yes.

12 Q. Okay. And, so, in actuality, the Company is not
13 recovering from ratepayers the interest amount
14 reflected in 2.7, in addition to this other 35 or so
15 thousand dollars that relates to that time period
16 between the payment to Riverwoods and the beginning of
17 collection of interest from customers?

18 A. (Collin) Yes. The Company is foregoing any interest
19 accrual from the payment date to Riverwoods in
20 September, all the way till June.

21 Q. Okay.

22 A. (Collin) That was negotiated as part of the Settlement.

23 Q. Okay. Great. Thank you. Ms. Asbury, you were talking
24 about, in direct, about the proposal to not begin the

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1 collections of the amount from customers until June or
2 August of 2013, depending on what charge it's recovered
3 through. And, does the -- although you're going to
4 start recording that those costs are incurred as of the
5 month after the Commission approves the recovery, is
6 that correct?

7 A. (Asbury) That's correct.

8 Q. And, is there -- do you have a sense in your mind, I
9 realize that these are very -- these are small amounts,
10 in terms of the recovery. And, which is one of the
11 reasons that Unitil is suggesting that you wait to
12 actually make the rate change until the next official
13 rate change for the Company. Is there an interest
14 amount or an amount of money that the customers are
15 going to pay? How significant is that? Do you have a
16 sense of that, for waiting to actually start -- for you
17 to start receiving the money, as opposed to booking it?

18 A. (Asbury) I don't have an exact figure.

19 Q. Yes.

20 A. (Asbury) But I would estimate that it's a pretty small
21 amount. You're talking about the difference between
22 making a rate adjustment now, --

23 Q. Uh-huh.

24 A. (Asbury) -- versus June 1st or August 1st.

1 Q. Uh-huh. So, very minimal, you would think?

2 A. (Asbury) Yes.

3 Q. Okay. And, at this point, and I apologize if this is
4 something that you talked about in your presentation
5 earlier, how many customers have CT transformers for
6 the Company?

7 A. (Collin) Rorie, I think Justin would probably be the
8 best to answer that.

9 A. (Eisfeller) So, when we filed our testimony in May,
10 there was 791.

11 Q. Uh-huh.

12 A. (Eisfeller) And, that's an approximate number. I have
13 not looked at, you know, looked at that number since,
14 and that was in UES territory, New Hampshire territory.

15 Q. And, you know, I know, from having -- looking at the
16 history of this case, that the Company attempted on a
17 number of occasions to try and determine what was going
18 on with this particular customer before it was realized
19 that it was the CT transformer. What steps has Unitil
20 taken with its practices to -- are you checking the CT
21 transformers that are currently in the field with a way
22 that would have detected the problem with the
23 Riverwoods Company CT transformer? Are you doing those
24 kinds of screenings now?

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1 A. (Eisfeller) yes.

2 Q. And, how often are you checking those customers' CT
3 transformers?

4 A. (Eisfeller) The minimum requirement for checking those
5 CTs is every four years.

6 Q. Uh-huh.

7 A. (Eisfeller) And, so, as part of our four-year test,
8 that is part of our normal procedures now.

9 Q. Okay.

10 A. (Eisfeller) I should state "also upon installation".

11 Q. Uh-huh. So, when you install it, you're checking to
12 make sure that it's appropriately calibrated, it
13 doesn't have the same problem that it had with the
14 Riverwoods customer?

15 A. (Eisfeller) When we install it and the customer has
16 load on those CTs. So, we cannot verify that ratio
17 unless there is load.

18 Q. Uh-huh.

19 A. (Eisfeller) So, we install it, the customer starts up,
20 within a month or so we would be out to test that on
21 load.

22 MS. HOLLENBERG: I have no other
23 questions. Thank you.

24 CHAIRMAN IGNATIUS: Thank you. Attorney

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1 Speidel.

2 MR. SPEIDEL: Thank you very much,
3 Chairman.

4 BY MR. SPEIDEL:

5 Q. I would like to direct this to the panel. And,
6 specifically, the panel of witnesses that provided the
7 testimony in Exhibit 2, but also Mr. Collin as
8 appropriate. And, within Exhibit 2, there is some
9 discussion, on Pages 13 through 17 of the testimony, of
10 how the overbilling of Riverwoods interrelated with the
11 nature of the physical infrastructure and metering
12 infrastructure, in particular, of the Unitil system,
13 and also the accounting procedures of the Unitil
14 system, to produce the, for lack of a better term,
15 undercollection of the various classes of customers
16 that are going to be paying an additional rate as part
17 of this Settlement, is that correct? Would you agree
18 that that provides a general overview of how the
19 mechanism of the error led to the need to recover from
20 those customers, is that right.

21 A. (Asbury) Yes.

22 Q. Okay. I'm just offering that for the record, just to
23 direct people to that background information, just to
24 know where it is.

1 The next question I would have would
2 relate to the Settlement in Exhibit 1. As part of 2.8,
3 there is a provision that requires Unitil to pursue
4 remedies with the vendor of the equipment, also the
5 manufacturer of the equipment. Could you provide a
6 summary of past efforts, dating from October 4th, the
7 date of this Settlement, and also future efforts that
8 the Company plans to engage in to seek such remedies?

9 MR. EPLER: Madam Chairman, since this
10 is perhaps a legal question, it may be best if I could
11 address this, if there's no objections, because it does
12 involve discussions the Company has had with its outside
13 counsel and so on. And, I would also request if we can
14 mark this part of the transcript as confidential, because
15 it does involve legal activities of the Company.

16 CHAIRMAN IGNATIUS: Well, I think it's
17 fine, unless there's any objection anyone has to Mr. Epler
18 describing some of the efforts that have been made to do
19 so. I think, any issue with that?

20 MR. SPEIDEL: I think it can be of
21 informational purposes, yes.

22 CHAIRMAN IGNATIUS: I'm sorry, say
23 that --

24 MR. SPEIDEL: It could be for

1 informational purposes or of informational use.

2 CHAIRMAN IGNATIUS: Yes. I think that's
3 fine. I think, as to confidentiality, let's do as much
4 publicly as you can, because I think that is important to
5 the public's understanding.

6 MR. EPLER: Sure.

7 CHAIRMAN IGNATIUS: If there's something
8 that begins to cross into things that really should be
9 protected, let's be clear to stop and see if we need to go
10 further.

11 MR. EPLER: Okay. I'll try to give a --

12 CHAIRMAN IGNATIUS: But why don't you,
13 right now, explain where we are --

14 MR. EPLER: -- a general overview.
15 Basically, coinciding with the time frame that the error
16 was discovered, and we were able to trace it to the -- to
17 either the manufacturer or the distributor of the product,
18 the Company retained counsel to review the matter, review
19 its options. And, actually, in the course of this,
20 retained a second outside counsel to also look into the
21 matter and to advise us as to our options. And, for
22 various reasons, we're advised that we have limited
23 options to pursue remedies. We are taking the advice of
24 counsel and are acting fully in concert with what they

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1 recommend how we pursue this matter. We have issued
2 demand letters to both the vendor and the manufacturer and
3 are pursuing those.

4 CHAIRMAN IGNATIUS: Thank you. Attorney
5 Speidel, did you want more detailed information, in which
6 case we may need to go to a confidential record?

7 MR. SPEIDEL: I think, unless my
8 colleagues from the Staff would disagree, one way that we
9 might go is to have a compliance filing filed as part of
10 this docket, just an informational summary, that would be
11 provided to Staff and OCA, under confidential treatment,
12 perhaps, in writing, just to provide a little more detail,
13 but so as to not burden the hearing. That might be
14 workable.

15 CHAIRMAN IGNATIUS: Commissioner Scott.

16 CMSR. SCOTT: While we're on the topic,
17 I was just hoping to get some clarification. So, to the
18 extent you are able to get some remedies from the
19 manufacturer, to where do those remedies go? Towards the
20 670 that the Company is not seeking reimbursement for or
21 towards the change to the rate base?

22 MR. EPLER: If we were to, whatever
23 extent we're successful, we will credit the amount to
24 customers, minus expenses and costs to the Company of

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1 pursuing the action. But, otherwise, we will credit it to
2 customers.

3 CMSR. SCOTT: Okay. Thank you.

4 (Chairman and Commissioners conferring.)

5 CHAIRMAN IGNATIUS: I think the
6 suggestion of a document filed after the hearing, in a
7 compliance filing that would come in under confidential
8 protection, with more detail on the efforts to reach a
9 resolution with the vendor and manufacturer is a good
10 idea. I don't think we need to do more on the record
11 today.

12 MR. EPLER: Okay. Madam Chair, could we
13 go off the record just for a moment please?

14 CHAIRMAN IGNATIUS: All right.

15 (Brief off-the-record discussion
16 ensued.)

17 CHAIRMAN IGNATIUS: All right. Back on
18 the record. Thank you. We're back on the record. And,
19 we've been -- left off talking about the request for more
20 information about Settlement -- excuse me, efforts with
21 the vendor and manufacturer of some sort of recovery.
22 Attorney Speidel, do you have anything further on that?

23 MR. SPEIDEL: Yes. In light of some
24 informal discussion with the Company, we think that it

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1 would be advisable that the Company provide us an oral
2 briefing regarding the status of these efforts, together
3 with the Office of Consumer Advocate as a participant, and
4 we would proceed on that basis.

5 CHAIRMAN IGNATIUS: All right. And,
6 that's consistent with the language of the Settlement
7 Agreement at 2.8?

8 MR. SPEIDEL: Yes, I think so. Ideally,
9 we would have some written record. But, if an oral
10 briefing is the most advisable at the present time, we're
11 willing to accede to that.

12 CHAIRMAN IGNATIUS: Thank you. Did we
13 have -- I've lost track. Did you have any other
14 questions?

15 MR. SPEIDEL: Well, those were -- I
16 believe those were my cross-examination questions. Thank
17 you.

18 CHAIRMAN IGNATIUS: All right.

19 MR. SPEIDEL: Thank you, Chairman.

20 CHAIRMAN IGNATIUS: Before we begin
21 questions from the Bench, I want to apologize, Ms. Asbury,
22 I called you "Ms. McNamara", and you were too polite to
23 correct me. I'm getting my witnesses and cases blurred.
24 So, sorry about that.

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1 WITNESS ASBURY: Thank you.

2 CHAIRMAN IGNATIUS: Questions?

3 Commissioner Harrington.

4 CMSR. HARRINGTON: Just a couple.

5 BY CMSR. HARRINGTON:

6 Q. Just to clarify the process. I believe it was stated,
7 and I'll just address these to the panel and whoever is
8 appropriate, that some of the other customers were
9 billed less as a result of the overbilling of
10 Riverwoods, or something to that effect. Could you
11 just tell -- walk me through the process. I mean, I
12 understand that the CT was labeled incorrectly. So,
13 when you calculated the bill at Riverwoods, it came out
14 twice as high as it really was. How does that result
15 in other people getting a lower electric bill, in light
16 of the fact that my meter, if I was one of the other
17 customers, wouldn't spin backwards because of that.
18 So, I'm just -- how does it result in someone else
19 getting a lower bill?

20 A. (Collin) Yes. I think, as a general matter, what
21 happens is that there's a total cost that needs to be
22 allocated across all customers. So, if you're
23 allocating those costs on a kilowatt-hour basis, the
24 more you allocate to one customer, the less other

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1 customers are going to get allocated. So, that's --
2 this is, you know, simply how the reconciliation works.

3 Q. Maybe I don't -- well, just a second, excuse me, maybe
4 I can make this quite short then.

5 A. (Collin) Yes.

6 Q. What you're saying is, you know the total charge, and
7 then you know how many kilowatt-hours. So, you simply
8 would adjust the kilowatt-hours downward for the
9 non-Riverwoods customers, so they would -- the
10 kilowatt-hours they used wouldn't change, but the rate
11 would change slightly downward?

12 A. (Collin) Well, in this case, what would happen is, is
13 more of the costs should have gone to other customers,
14 so the rate would actually go up to recover more of the
15 costs.

16 Q. No, I don't mean to recover, but while -- while they
17 were reaping the benefits of this, they were charged a
18 lower kilowatt per hour rate than they should have
19 been?

20 A. (Collin) Yes.

21 Q. Okay. And, that gets me -- that's the part I'm trying
22 to figure out. So, when you come in, you came in as a
23 rate case here, and you said that "we should charge a
24 different rate for" -- is Riverwoods a -- what's their

1 classification?

2 A. (Collin) They're a G1 customer, a large customer. Yes.

3 Q. Okay. So, you would say then "our Non-G1 customers
4 should have a lower kilowatt per hour rate", and that's
5 what you filed with this Commission?

6 A. (Collin) In a sense, that's where it ends up. We would
7 come in and say "they have less costs --

8 Q. Right.

9 A. (Collin) -- allocated to them." And, therefore,
10 because their costs are less, their kilowatt-hours, as
11 you pointed out, are measured and fixed, --

12 Q. Yes.

13 A. (Collin) -- the rate would go down in order to collect
14 those costs.

15 Q. And, what about other G1 customers, like Riverwoods,
16 what would be the effect on them?

17 A. (Collin) Because of the way, and this is where we can
18 get into more of the details, and Rob can get into
19 that, because of the way we allocate, the other larger
20 G1 customers are specifically measured. And,
21 therefore, their usage is known and fixed. The Non-G1
22 is an allocated amount, because of the numbers of them
23 and the nature of the Non-G1. So, the G1 do not get
24 impacted by changes in another G1 customer, because we

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1 know their amounts are specifically measured and
2 metered and their load curve assigned. The Non-G1 is
3 the residual, if you will. After you know all the G1
4 customers, the Non-G1 gets assigned the residual. So,
5 they essentially make up for any errors or changes in
6 the G1.

7 Q. Okay. I guess that brings me to what I'm trying to get
8 to.

9 A. (Collin) Yes.

10 Q. And that, if you do this, and you come out, and let's
11 just make up a number here, and you say that, based on
12 the measurements that you do on all the G1 customers,
13 and the amount of electricity that you flowed, there is
14 100 kilowatt-hours that need to be made up for by the
15 -- all the Non-G1 customers. So, at the end of the
16 month, you say "we have to allocate 100 kilowatt-hours
17 to them." Then, you go out and you look at their
18 meters, and all their meters add up to something other
19 than 100 kilowatt-hours. How come someone didn't
20 notice we have a problem here?

21 A. (Collin) There's a lot of different things in that.
22 But one is is that the metered kilowatt-hours that you
23 have for the Non-G1 are not -- they're read over
24 billing cycles that are not a calendar month.

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1 Q. Okay.

2 A. (Collin) And, so, it's difficult to compare directly
3 meters that are read over a non-calendar month with a
4 total kilowatt-hour amount relative to what you know
5 for the system. And, the difference is assigned to
6 either metering lag or losses on the system.

7 When you look at the quantity here of a
8 single customer, like Riverwoods, and the number of
9 kilowatt-hours, the amount of kilowatt-hours just get
10 lost in all that reconciliation.

11 Q. Okay.

12 A. (Collin) It's just a very small amount.

13 Q. That's fine. That gets me to what I was looking for.
14 Thank you. There was another question on the miss --
15 you said these things were "mislabeled by either the
16 manufacturer or the supplier". So, is it such that
17 these things could come out of the manufacturer's
18 facility unlabeled, and then the vendors, who actually
19 sells them, labels the taps on it? It seems kind of
20 odd to think the manufacturer would do that.

21 A. (Eisfeller) That's incorrectly stated. They're labeled
22 by the manufacturer. The vendor who sold us the
23 product also has some liability.

24 Q. Okay.

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1 A. (Eisfeller) They're responsible for the testing. We
2 receive these --

3 Q. They're responsible for the testing, okay.

4 A. (Eisfeller) -- CTs pretested.

5 Q. Then, that gets me to my next question then. When you
6 receive these, I assume there's some paperwork, and the
7 paperwork says that "certified test report" or
8 something to that effect, --

9 A. (Eisfeller) correct.

10 Q. -- saying that this was tested and the taps are
11 accurately labeled?

12 A. (Eisfeller) The testing uses a standardized ANSI test
13 that measures the performance of the CT at various load
14 levels for each of the ratios, in this case, there was
15 a dual ratio of the transformer, and it certifies that
16 it's accurate at those ratios. It does not certify the
17 labeling.

18 Q. Okay. I'm trying to figure that out, how they would do
19 that, if it was off by a factor of two, without
20 noticing something in the testing, though, it seems a
21 little off. But, okay. And, you also mentioned about,
22 you do it upon installation, and then what it receives
23 load, which, obviously, makes sense, to verify that
24 they, in fact, were labeled correctly, the taps. But

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1 then you said something about "rechecking every four
2 years", I'm a little confused. What will you recheck?
3 To see that no one moved the labels?

4 A. (Eisfeller) We have a requirement under Puc Rule 300,
5 the 300 rules, to verify every installation of
6 instrumented transformer installation and test the
7 meter at those locations every four years. So, it's a
8 requirement for us to do that. We have a procedure for
9 that testing process. And, we have, you know, modified
10 that procedure to include this additional test.

11 Q. Okay. So, you're going to add this onto what you
12 already do?

13 A. (Eisfeller) Correct.

14 Q. Okay. I guess my question is, is that test necessary,
15 in that, I can see doing a functional test, to make
16 sure that it's still performing correctly, in that it
17 hasn't deteriorated through time or it doesn't have an
18 internal short or something like that.

19 But, as far as the ratio goes, is that
20 going to change with -- does that change with time?
21 Or, is it just a matter of, if you're checking for
22 mislabeling, and as long as the labels aren't moved,
23 what more is there to check?

24 A. (Eisfeller) You check that the installation is

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1 installed correctly, for one. That you have not had
2 any deterioration of the connections or the wire as
3 part of the connections. You also recheck all the
4 calculations for the billing multipliers that are used.
5 And, so, there's this constant checking and verifying
6 that's done every four years, to make sure that no
7 mistakes were made, for one, and that you don't have
8 any deterioration at the site. And, these CTs can be
9 installed in environments that are subject to dirt and
10 dust, and maybe movement of those wires perhaps. And,
11 you verify that the installation is still working as
12 planned.

13 Q. But I'm assuming that's, though, what -- everything you
14 described would appear to be in your pre this problem
15 testing mechanism. So, what are you doing differently
16 every four years? Or, is it simply a matter of just
17 verifying that the labels haven't been moved, in
18 addition to what you would have done anyways? That's
19 what I'm trying to get at.

20 A. (Eisfeller) Okay. We go out with a separate CT and do
21 a field check under load, and verify that our ratio is
22 -- expected ratio is very similar to what we see this
23 meter or the CT is labeled. And, it's a quick check.
24 It's not an exacting check. It's a variance check. If

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1 it varies more than 20 percent, we would pull the CT
2 and have it tested in the lab. It's very difficult to
3 get a field test done that is, you know, half a percent
4 accurate. So, it's a rough field check that's done.
5 And, given the field conditions, it's difficult to do a
6 laboratory test. So, it's a rough check. If it's
7 within a bandwidth of operation of expected values, we
8 assume -- we label it as "verified".

9 Q. I understand what you're saying. But you didn't do
10 this particular check in the past --

11 A. (Eisfeller) Correct.

12 Q. -- or you would have caught the problem. Okay. So,
13 what -- there's -- the mechanism for fault here appears
14 to be mislabeling. So, you're going to go out and
15 check for deterioration of the transformer in a way you
16 didn't do it before, because you didn't think it was
17 necessary. But, now, because of mislabeling, you think
18 it is. How is this going -- I mean, if you check it
19 initially and find out "this is labeled correctly" by
20 your installation field check, when it's under load,
21 why do you need to continue to check for mislabeling,
22 because the only way it could get mislabeled is if
23 someone was to have changed the labels around? I mean,
24 is that --

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1 A. (Eisfeller) It's a good argument not to continue
2 testing it. But we are going to continue to test it.

3 Q. Well, it just strikes me that maybe it's a waste of
4 money, I guess. I'm wondering what the rationale is
5 to --

6 A. (Eisfeller) It's a very -- it's not a lengthy procedure
7 to do that check. And, I think we'd rather be certain.

8 Q. And, how many, again, was the number of these that
9 you're going to be checking every four years?

10 A. (Eisfeller) Oh, I'm glad you asked that, because I have
11 a correction to make. I think I stated "710" of these
12 installations. We have 910.

13 Q. Okay.

14 A. (Eisfeller) And, so, I misstated that number. And, so,
15 every four years we will verify these.

16 Q. I'd be interested in what the cost of that was.

17 A. (Collin) And, important, I mean, you talk about that, I
18 worry about costs a lot, too. But one of the things
19 that Justin is explaining is that this procedure has
20 been added to a test procedure that we do anyway.
21 We're at the site. In other words, getting to the
22 site, investigating the meter, checking all the
23 connections, and checking for dirt, checking for
24 deterioration. All that stuff is being done regardless

1 of this issue. And, the only thing we've added is an
2 additional amp test on the facility using another CT,
3 that, as Justin says, is a relatively quick and
4 efficient test.

5 In terms of, you know, addressing your
6 issue, "once you know the label is right, why do you
7 need to keep checking it?" And, I think, you know,
8 from -- just from this experience, you know, the belt
9 and suspenders is, obviously, there. But it's also,
10 oftentimes equipment does get changed, meters get
11 changed, customers change their requirements, and we
12 have different installations going on. And, rather
13 than making sure that all that's been lined up and
14 you're always, you know, sure that the equipment is
15 staying appropriate for the customer's usage, I think,
16 when we discussed it, it was just a good procedure to
17 add in and make sure that all customers' installations
18 are always fully appropriate.

19 Q. And, do you anticipate buying new spare CTs to doing
20 this testing or are these spares you already have in
21 stock?

22 A. (Eisfeller) I'm sorry, I missed the question.

23 Q. Well, you're going to bring out a separate CT to use as
24 a test in the field. So, you have to acquire one of

1 those. Are these ones that you already have in your
2 inventory or would you be buying new ones?

3 A. (Eisfeller) We bought some new ones. And, they're
4 different than -- they're a different type of CT than
5 what's installed there, a CT that can open up, so you
6 can get around the wires. The permanent installed
7 units are not, are solid and are not able to open up.
8 Hence, they're only installed when the customer is
9 running wires. So, it's a different type of CT.
10 They're not that expensive. You know, they're in the
11 range of a thousand dollars apiece.

12 Q. And, how many different types do you need?

13 A. (Eisfeller) You buy one that has a range of
14 capabilities. Since we're not looking for an exact
15 number, we're looking for something that is a quick
16 check. And, I should state that, if we do this quick
17 check and we something that's outside our range, we
18 will pull the CT out and send it away to be tested.
19 And, that's where the bigger expense is. And, that's
20 the labor associated with that, pulling the CT out that
21 looks suspicious, and then the testing of that CT at a
22 lab would be a higher expense than this quick check
23 that we do.

24 Q. So, I guess my concern there was, and seemingly

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1 addressed, but that you have one CT for about a
2 thousand dollars that you use and you can test all 910
3 or do you have --

4 A. (Eisfeller) We have three sets of these for each of our
5 operating centers.

6 Q. Okay. So, it's three, but not 900 spares?

7 A. (Eisfeller) Correct.

8 Q. Okay. That's what I was trying to get to. Thank you.
9 Getting off of that, we've buried that, on the
10 Settlement Agreement itself, getting back to that whole
11 deal about the dates, on section 2.2, you know, when I
12 read this, it says "allowed to recover over a period
13 beginning the first day of the month immediately
14 following Commission approval". Let's just, for the
15 sake of argument, assume that the Commission approval
16 came effective would be the first day of the month
17 after would be January 1st. Then, you would say,
18 "okay, January 1st to November 30th, that's X amount of
19 months, we have so much money to collect, let's divide
20 it, and then we'll figure out how much we're going to
21 charge people per month extra." Now, what you're
22 saying is that you're actually going to start on
23 June 1st and say "we have X -- Y amount of months from
24 June 1st to November 30th, and we're going to divide

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1 that into how much we collect. And, that really
2 doesn't make any difference the day we start recovering
3 is the part that becomes superfluous". That is correct
4 in saying that?

5 A. (Collin) Yes.

6 Q. Okay. Well, that means, if we approve this, approving
7 the Settlement Agreement is going to be very difficult
8 as written, and then we have this condition, you can
9 make any changes whatsoever, and the -- any change or
10 condition or "the Commission makes any findings that go
11 beyond the scope of the Settlement Agreement, if any of
12 the Settling Parties are unable to agree with the
13 changes" then the Settlement Agreement becomes void.
14 And, right now, I kind of look as though we have to
15 make some adjustment to this, because, in reading it in
16 plain English, it tells me, if this order was approved
17 next week, that you'd start beginning to recover on
18 December 1st. And, maybe it's the definition of
19 "beginning to recover", but it appears to me you're not
20 going to begin to recover, I used to take that as
21 "collecting money", until June 1st. So, does this
22 create a legal issue?

23 MS. HOLLENBERG: May I ask a question
24 that I think might get to the point?

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1 CMSR. HARRINGTON: Absolutely.

2 BY MS. HOLLENBERG:

3 Q. Isn't it true that the amount that, when you're
4 calculating the amount that you'll recover beginning on
5 June 1, you would include in that amount the amount you
6 would have recovered between the first day of the month
7 following the Commission's order and that date? It
8 would be part of the reconciliation. You're basically
9 booking those costs or you're accruing those costs
10 starting the first day of the month after the
11 Commission approval, but you're not beginning to
12 collect them from customers until you roll that amount
13 into the amounts to be collected starting June 1?

14 A. (Collin) Yes.

15 CMSR. HARRINGTON: Okay. Then, I guess
16 my question would be, everything you just said, if it were
17 to appear in an order, would that constitute a problem due
18 to Section 3.1 of the Settlement Agreement?

19 WITNESS COLLIN: And, it may. You know,
20 and I think it's a good point. And, I can speak for the
21 Company that we would waive any objection to clarification
22 or correction of that issue relative to the Settlement
23 Agreement in the Commission's order.

24 CMSR. HARRINGTON: Excuse me, just one

1 second.

2 MR. SPEIDEL: Yes. I concur with this,
3 definitely. Could I ask a question as well of the
4 Company?

5 CMSR. HARRINGTON: Hold on one second
6 please.

7 (Chairman and Commissioners conferring.)

8 CMSR. HARRINGTON: Excuse me. Is Staff
9 and the OCA also of that same position?

10 MR. SPEIDEL: Well, no, not exactly,
11 Commissioner. In that, I would like to ask a little bit
12 of clarifying -- a line of questioning that would clarify
13 this issue a little bit. I think we've kind of fallen a
14 little bit down the path of failing to recognize that some
15 of these terms have understood meanings among the parties,
16 and for the purposes of Commission practice and procedure.

17 BY MR. SPEIDEL:

18 Q. So, let's start with Section 2.2. And, there is a
19 reference --

20 CMSR. HARRINGTON: Excuse me, are we in
21 the Settlement Agreement?

22 MR. SPEIDEL: Yes. In the Settlement
23 Agreement, correct. That would be Page 3, Commissioner.

24 BY MR. SPEIDEL:

1 Q. And, there is a description of the recovery mechanism
2 here. "UES shall be allowed to recover over a period
3 beginning the first day of the month immediately
4 following Commission approval of this Agreement through
5 November 30th, 2015, as an adjustment to its Non-G1
6 Default Service recovery mechanism, the amount of
7 \$1 million, etcetera, plus interest." So, there was a
8 common understanding I believe that, among the Company,
9 the OCA, and the Staff, that, for the purposes of
10 Section 2.2 onward, through 2.4, "recover" means when
11 the amounts are first added to the reconciliation
12 accounts, because the "Non-G1 Default Service recovery
13 mechanism" is an accounting feature. So, these funds
14 would be added into that accounting feature, and they
15 would be collected upon whenever the Company would
16 elect to integrate it into its rates. Is that correct,
17 in general terms?

18 A. (Collin) Yes.

19 Q. And, that addition to the accounting feature would be
20 done as a lump sum of this Settlement amount.
21 Therefore, when it would be recovered upon would not
22 really be germane, except for the small amount of
23 customer account interest that would accrue. Is that
24 correct?

1 A. (Collin) Yes.

2 MR. SPEIDEL: So, I think it's not as
3 much of an ambiguity in the view of Staff as you might
4 expect. Because, without approval by the Commission, they
5 wouldn't have approval to recover these amounts through
6 this recovery mechanism or this accounting feature, this
7 accounting box, and so on through the remaining segments
8 of the Settlement.

9 So, I think the Company may have
10 elucidated as to when they would like to actually start
11 charging customers. And, they have essentially told us
12 that they would feel that it's most efficient and most
13 reasonable to do it as of June the 1st of next year.
14 That's kind of at their own election, and we would support
15 that. But we think the Settlement stands on its own
16 terms. And, that these references all have specific
17 meanings.

18 CMSR. HARRINGTON: Well, let me just
19 follow up, especially with your very last statement about
20 "specific meanings". I mean, maybe I just don't
21 understand the concept. But it would appear to be that
22 the statement they "be allowed to recover beginning the
23 first day of the month immediately following Commission
24 approval", based on what was said today, would -- the

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1 effect would be no different if it said "based on the
2 beginning of the first day of the third month following
3 Commission approval", as long as that third month's
4 approval was prior to June 1st, is that correct?

5 MR. SPEIDEL: In theory, yes.

6 CMSR. HARRINGTON: Okay. So, then, we
7 have a statement that is meaningless, as long as it's
8 before June 1st. And, I kind of look at that and say
9 "that's troubling, to approve a meaningless statement as
10 part of the Settlement Agreement, without some
11 clarification." That, regardless of when the recover
12 starts, and I guess there's some confusion between
13 "recovery" and "collecting", I assumed "recovery" meant --
14 and "collecting" were one in the same, but you're saying
15 it's booking, rather than actually collecting from the
16 customers. That, if we were to say "they'll recover
17 beginning that, but the actual collection from customers
18 will not start until June 1st", would that constitute a
19 variation from the Settlement Agreement that the parties
20 would consider voiding it? And, what the Company has said
21 is they would not, and I'm trying to find out what the
22 other parties would say?

23 MR. SPEIDEL: No, no. Because,
24 Commissioner, it is up to the Company to collect that

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1 figure before November 30th of 2015. If they fall asleep
2 on the job and they don't bother to set it into their rate
3 structure, and, of course, we're filling in through oral
4 record a few of the interstices of this agreement. But it
5 doesn't void it, it doesn't change it to the effect that
6 "no, we don't have an agreement of the parties." And,
7 certainly, OCA can speak to this. But, in our view, I
8 think the Company was trying to figure out the timing of
9 approval to a certain extent of this Settlement Agreement.

10 CMSR. HARRINGTON: I understand why
11 they're picking the June 1st date.

12 MR. SPEIDEL: Right.

13 CMSR. HARRINGTON: But, based on what
14 you just said, they could pick November of 2015 and charge
15 the whole amount in one month's bill, because you said it
16 just allows them to recover it sometime prior to that.
17 And, certainly, I don't think we want to have people's
18 bills hit with the total amount in one month.

19 MR. SPEIDEL: Yes. And, certainly,
20 we --

21 MS. HOLLENBERG: That's not my
22 understanding of how -- I mean, we wouldn't be comfortable
23 with that, if that were to happen. Could I just make a
24 comment, though, because there's a lot of discussion? I

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1 can wait, though. I'm happy to wait. Everyone else has
2 been able to weigh in on this issue. And, I thought that
3 you were looking for the OCA's feedback, but I'm --

4 CMSR. HARRINGTON: And, I am.

5 MR. SPEIDEL: I don't know what's just
6 been said, though. Could you repeat that.

7 MS. HOLLENBERG: We wouldn't be
8 comfortable with the Company waiting until October 2015 to
9 start recovery.

10 MR. SPEIDEL: No, of course not. I
11 understand. I was assuming arguendo. Assuming arguendo
12 was what I was trying driving at. It's not a matter of
13 comfort, it's just what we're trying to get at is that, if
14 we have a clarification in our order on the basis of the
15 record today, that says that the Company has agreed that
16 it would begin recovery starting in June of next year,
17 from the rates, they would integrate the rate increase
18 starting in June of next year. And, the accounting
19 recovery would begin in the month after approval is issued
20 by the Commission through the accounting feature, and that
21 Staff and OCA accede to that, I think that would be the
22 basis for action that would be acceptable.

23 CHAIRMAN IGNATIUS: I think, but using
24 the word "recovery" may be a mistake. It sounds like

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1 we're talking about "booking" it and we're talking about
2 "collecting" it. And, the word "recovery" here is used to
3 mean "booking" in the way the Settlement Agreement is
4 written, and you just used "recovery" in the sense of
5 "collecting" the funds in the rate adjustment. So, --

6 MR. SPEIDEL: Well, yes. There's
7 multiple uses of the same word. "Recovery" here is,
8 within the Settlement Agreement, refers to "booking" it
9 for accounting purposes. And, then, the integration into
10 rates is presumed as following that integration into the
11 accounting feature that the Company has for each element.

12 CHAIRMAN IGNATIUS: Mr. Epler, do you
13 have anything to add to the discussion?

14 MR. SPEIDEL: A clarification.

15 MS. HOLLENBERG: I would like to make a
16 comment.

17 CHAIRMAN IGNATIUS: Just a moment.

18 MR. EPLER: Why don't you go ahead.

19 CHAIRMAN IGNATIUS: Okay. All right.
20 Ms. Hollenberg.

21 MS. HOLLENBERG: Well, I guess I would
22 clarify just that I, personally, and it could be my
23 totally my fault, was not aware of what we discussed this
24 morning, which was that we wouldn't actually start

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1 recovering from customers until June. But I'm not opposed
2 to that, because it seems to make sense to not change the
3 rates again, and to do it when all the other rates are,
4 especially in light of the Company's assurance that there
5 is a minimal impact, in terms of interest.

6 I guess I am thinking that, if I
7 understand you correctly, Commissioner Harrington, I am
8 starting to question why there is the need for that
9 booking date, *per se*, if we have the date of interest
10 beginning of June 1, 2012 already fixed. But I am not
11 opposed to the methodology that's been discussed this
12 morning, nor am I opposed to the Commission clarifying
13 that methodology in its order.

14 CMSR. HARRINGTON: Thank you. I think
15 we probably need the date just for the purposes of
16 starting the date for collecting interest. But, if
17 nothing else today, we've come up with a new word we're
18 not supposed to say anymore. So, we can't say the
19 "R-word" anymore. Let's use "billing" or "collecting"; no
20 "R-word" please.

21 CHAIRMAN IGNATIUS: Mr. Epler, do you
22 have anything further to add?

23 MR. EPLER: Well, I just wanted, first,
24 to apologize, if this caused some confusion. Just the

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1 intent was a couple of things. One is, if you recall,
2 we've had a couple of Default Service proceedings where we
3 had, when we made the initial filing, we actually included
4 some recovery. And, what happened, without disclosing
5 anything that occurred, during the Settlement Agreement,
6 there were a couple of glitches, and we couldn't get the
7 Settlement finalized as quickly as we initially thought.
8 And, because of that, we then did not want to push the
9 Commission into saying "you've got to decide this on X
10 date, in order so that we could make the adjustment at the
11 time -- for these adjustments at the time we normally make
12 our adjustments." So, that's why we included the language
13 that said "on the first day of the month following
14 approval", that's when it would be implemented. To
15 basically give discretion to the Commission to deliberate
16 this and decide it in the fashion that it chose.

17 What we wanted to preserve and what we
18 attempted to do with this language is just preserve an end
19 date that "let's get some certainty, as we're going to
20 recover this by X date", and that's the important point.
21 So, then, and the reason this did not come up in
22 discussions was actually, quite frankly, the Company was
23 looking at, well, looking at when we can anticipate a date
24 from a Commission order, and when is our next changes,

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1 wouldn't it be simpler to just have the rate change occur
2 the next time we do it, as opposed to changing rates or
3 December 1 or January 1 again, after we just changed them
4 based on our last Default Service change. And, so, we
5 just thought, among ourselves, that that would be the
6 simplest thing to do, to just wait for the next period,
7 given the size of the change we're looking at.

8 And, given that these are reconciling
9 adjustments, and that there are other things that go on in
10 the reconciling period up and down, we thought that it
11 would be the simplest thing to do was to wait for June 1st
12 for the Default Service change and August 1st for the
13 other changes that normally occur when we make the
14 reconciling adjustments.

15 Given that, I think that there's no
16 harmful effects to customers. I think it still keeps the
17 reasonable -- the reasonableness of the charge to
18 customers. I think it's the simplest thing. It doesn't
19 have a second time that you're changing rates for
20 customers. And, I think the parties' intent to have an
21 end date for collection is preserved as well.

22 CMSR. HARRINGTON: Thank you.

23 CHAIRMAN IGNATIUS: We're well into our
24 closing arguments here, but let's finish up with

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1 testimony. Thank you.

2 BY CMSR. HARRINGTON:

3 Q. This is a totally different question and subject.

4 Nothing to do with the "R-word", I hope. Though, it's
5 in this sentence as well, I'm sorry. 2.6 talks about
6 adjustments to the Consumption Tax. Can you just kind
7 of, someone, walk through what's causing the need for a
8 credit on the Consumption Tax?

9 A. (Collin) Essentially, the Consumption Tax, under the
10 New Hampshire statutes, is billed on all energy usage
11 of the customer. To the extent the energy usage didn't
12 really exist, because it was overmetered, then you can
13 credit the Consumption Tax for what was not used.

14 Q. But wasn't somebody else, let's -- forgetting about the
15 Company is willing to write off part of this, but I
16 thought, for every megawatt that you overbilled, you
17 underbilled somebody else, because the total amount of
18 power consumed was the same, so why wouldn't the total
19 tax be the same?

20 A. (Collin) We billed the correct kilowatt-hours, we were
21 allocating the wrong cost. So, the consumption cost is
22 based on the kilowatt-hours. So, there hasn't been an
23 issue relative to that.

24 Q. I'm sorry, you said "consumption cost", do you mean

1 "Consumption Tax"?

2 A. (Collin) Consumption Tax.

3 Q. So, it's based on per kilowatt-hour?

4 A. (Collin) Yes.

5 Q. And, the per kilowatt-hours were overcharged to
6 Riverwoods, but undercharged to the Non-G1. And,
7 didn't they come out to be correct or what am I getting
8 mixed up there?

9 A. (Collin) Yes. The Non-G1 kilowatt-hours were correct.
10 The cost spread across those kilowatt-hours was wrong.

11 Q. Okay.

12 A. (Collin) So, the kilowatt-hours was correct, the
13 Consumption Tax was correct, because it was based on
14 kilowatt-hours.

15 Q. Okay.

16 A. (Collin) But the cost, which was a responsibility of
17 the Non-G1, was lower than it should have been, because
18 Riverwoods was paying more of the total costs.

19 Q. Right. And, I understand that. But you just said the
20 "Consumption Tax was correct". So, why do you need a
21 credit to the Consumption Tax?

22 A. (Furino) If I can just, maybe --

23 A. (Collin) Well, let me get to the Consumption Tax, and
24 then I'm going to let you dive in, because he's the

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1 expert on it. But the Consumption Tax on G1 was
2 correct; the Consumption Tax on Riverwoods was
3 incorrect. And, that's what we're correcting here.

4 Q. Okay. So, let me, maybe we can simplify this. You
5 base the Consumption Tax on the actual meter reading,
6 and, since the actual meter reader's reading on the
7 Non-G1 is what it was, so their tax is correct. But,
8 on the Riverwoods, it was higher than it was supposed
9 to be, so you paid more tax. And, then, that cost
10 differential that gets sorted out and, you know, you
11 talked about the different billing cycles and kind of
12 the noise, that just doesn't affect it. So, I think I
13 understand it exactly.

14 A. (Collin) That's correct.

15 CMSR. HARRINGTON: Okay. Thank you.

16 And, I'm sure everyone will be happy to hear that was my
17 last question.

18 CHAIRMAN IGNATIUS: Commissioner Scott.

19 BY CMSR. SCOTT:

20 Q. With some trepidation, I'm going to ask this question
21 just to clarify. So, with Commissioner Harrington, you
22 first laid out the -- I'll call it the "laws of
23 conservation", you're buying X amount of power to come
24 into the UES system. People have meters. We

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1 understand the CT issue in this particular application.
2 And, if what I heard correctly was, you have some
3 metering lag going on and some losses on the system, my
4 words, but sounds like. So, and this is, in a broad
5 scheme of things for your whole system, these are small
6 amount -- this is a small amount of loss, if you will.
7 So, my question is, is do you do -- I assume you do
8 some kind of system loss analysis? Do you do like
9 metering reconciliation? Again, it's easier -- it's
10 easy for me to say, you know, you have X amount in,
11 there should be X amount out, and, in a perfect world,
12 you should know if the two don't jibe. But is there a
13 value to that type of analysis? Do you do that type of
14 analysis?

15 A. (Collin) We do measure our losses on a regular basis
16 and evaluate those. And, I mean, there should be
17 losses on the system. That's the nature of electricity
18 and running it across lines and such. But we do
19 measure that and look for anomalies or any kind of
20 issues of that nature. Yes. Something like this just
21 would not be measurable in that spectrum, yes.

22 Q. Okay. All right. That's helpful. Very minor
23 question. So, back to the Settlement Agreement, I was
24 just curious, for the Default Service, the Delivery

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1 Charge, Stranded Cost, the end dates, which we've
2 discussed, I was just curious why some are "July 31st"
3 and why some are "November 30th"? What was the
4 rationale?

5 A. (Asbury) The Default Service charges are just --
6 they're on a different schedule. The Non-G1 rates are
7 set -- reset semi-annually, and they're done on
8 June 1st and December 1st.

9 Q. Okay.

10 A. (Asbury) And, the other two reconciling clauses for
11 External Delivery and Stranded Cost are reset annually.
12 And, the annual anniversary date is August 1st for
13 those changes.

14 CMSR. SCOTT: Okay. Thank you. That's
15 all I had.

16 CHAIRMAN IGNATIUS: Thank you.

17 BY CHAIRMAN IGNATIUS:

18 Q. In testimony today, the Company said that it intends to
19 first change the rate and begin the actual collection
20 from customers with the next scheduled rate changes.
21 But it isn't a stated term in the Settlement Agreement,
22 it's just an allowance that you can begin it, begin
23 booking it, and then there's the end date. So, can we
24 be certain there's a commitment on the part of the

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1 Company to make those changes as of the next scheduled
2 rate changes, make those adjustments?

3 A. (Collin) Yes.

4 Q. So that we don't have the possible scenario of, you
5 know, a year from now, two years from now, needing to
6 collect a bigger lump sum then. The amount that needs
7 to be adjusted took, it looks like, seven to eight
8 years to accrue, is that right? Beginning in 2004?

9 A. (Collin) Yes. About that time.

10 Q. The period of time to make all of the corrections is
11 quite a bit shorter, it's over a three-year period.
12 And, why is that?

13 A. (Collin) There's a lot of different economics going on
14 here. One of the -- and, again, I can give you from
15 the Company's perspective, everybody settles for a
16 different reason in coming up with an agreement.
17 Essentially, when the Company refunded the amount to
18 Riverwoods, it paid Riverwoods that full interest for
19 that period, and has agreed that other customers would
20 not pay that interest. That that would be absorbed by
21 the Company. However, if you look at the economics
22 during that period, where customers were paying less
23 than the actual cost, they theoretically were saving
24 that, you know, that interest, there's an argument to

1 be made that that interest should be allocated to them,
2 because they got to pay for their energy less than what
3 was the actual cost. So, taking that into account, the
4 Company has already taken -- absorbed the cost of the
5 interest for that seven-year period. In addition, as
6 pointed out in cross with the OCA, we've agreed to
7 absorb interest that we theoretically have been
8 incurring since we made the payment from September
9 through June. So, those kind of tradeoffs resulted in
10 us wanting -- being able to agree on a three-year
11 recovery period, which extended this out over a period
12 of time. And, lastly, basically prevented, assuming an
13 interest would accrue on that, the three-year recovery
14 period prevents interest from continuing to accrue if
15 you take this out longer. It just, the customer would
16 continue to essentially be burdened by additional
17 interest charges on this.

18 So, all those things taken into account,
19 we thought that a three-year balanced, you know,
20 smoothed out this recovery, didn't have a large rate
21 impact, and balanced out some of these economic
22 concessions and tradeoffs that took place.

23 Q. Of the little over \$2 million that's at stake, the
24 Settlement has a split of about 1.4 million being

1 recovered over a three-year period, and 670,000 being
2 absorbed by the Company. Is that simply a negotiated
3 settlement amount or is there something in the
4 accounting or requirements that you have to do that led
5 you to that split?

6 A. (Collin) It's a negotiated amount, yes.

7 Q. Another question about the Consumption Tax provision,
8 2.6. I think I got lost at the last minute. I was
9 following Commissioner Harrington's question. But am I
10 correct that the amount of Consumption Tax paid for
11 Riverwoods was higher than it should have been because
12 the CT was showing higher than it should have?

13 A. (Collin) Yes.

14 Q. So, at this point, aren't you looking at a refund to --
15 I'm sorry, that you've overpaid the State, how does a
16 credit to the State -- I'm not following the language
17 of 2.6. What happens next?

18 A. (Collin) Essentially, when we calculate our Consumption
19 Tax in the next period, we will credit this overpayment
20 against that. So, we will pay less Consumption Tax.
21 We won't collect any more, we won't collect any less,
22 but we'll just -- we just owe the State less tax,
23 because this an overpayment of an earlier tax.

24 Q. And, have you discussed this with the State of New

1 Hampshire?

2 A. (Collin) It's a practice -- again, it's a practice
3 that's used in other billing adjustments that have
4 taken place.

5 Q. Even going back as far as 2004?

6 A. (Collin) I would say that would be a rare -- I'm not
7 aware of ever having to go back that far or that --
8 that length of an adjustment. In terms of the type --
9 the amount of Consumption Tax we pay, this is, again, a
10 very minor, small, small piece of that. I don't expect
11 any issue for this with the State.

12 Q. Looking at your 2.7, the little block that breaks out
13 the different charges that the Company is agreeing not
14 to seek recovery of, I want to clarify a couple of
15 things. The "System Benefits Account-Energy
16 Efficiency" is about \$23,000. From year to year, some
17 utilities end up not expending their entire energy
18 efficiency amounts, and they roll that forward into the
19 next year's budgets. In this case, if you had unpaid
20 -- unexpended energy efficiency monies at the end of
21 the year, in an amount of 23,000 or more, would you
22 consider that to be the way that would -- would the
23 amount that you are absorbing under this Settlement be
24 taken out of the unpaid energy efficiency fund,

1 unexpended energy efficiency fund?

2 A. (Collin) If we weren't absorbing it, if the Company was
3 not absorbing it, we would adjust the account balance
4 in the energy efficiency fund by that amount. But,
5 because we're absorbing it, we're leaving the account
6 balance untouched.

7 Q. All right. So, even if you have money left at the end
8 of the year for energy efficiency, that would still
9 roll forward into the next year's fund. It wouldn't be
10 used to -- in any way to absorb some of the amount
11 you've agreed not to recover?

12 A. (Collin) That's correct.

13 Q. All right. And, the same thing for the Low Income
14 Account?

15 A. (Collin) That's correct.

16 Q. We have a customer letter that's in the docketbook, and
17 I won't read it all, but I just -- I think we've been
18 through all of the details here, but I want to give you
19 a few of the sentences that this customer provided to
20 us, and hear your responses to it. He says that he's
21 opposed to seeking the recovery, and says "the Company
22 capitalized off of the mistake and now wants to make
23 the rest of us, who had nothing to do with it, pay it
24 back." Is there any way that Unitil has capitalized

1 off of the mistake with the CTs?

2 A. (Collin) With the implementation of the Settlement,
3 certainly not. There was -- is an argument that, had
4 we collected dollars relative to our distribution
5 service over a period of time, and retained those, and
6 not somehow refunded those or given those back, with
7 interest, that would have been the benefit. So, if you
8 look at the total overcharge of a little over
9 \$1.8 million, only about 200,000 is related to base
10 distribution revenues, which is the -- in a sense, is
11 the benefit retained by the Company. That's the
12 earnings before tax, the revenues, earnings that the
13 Company would retain. And, just, as you're familiar,
14 the electric bill is -- the majority of the electric
15 bill is energy charges and other System Benefits
16 Charges and other charges that are reconciling, are not
17 retained by the Company, do not flow to the bottom
18 line, but are essentially reconciled on a cost basis.
19 So, only that 200,000 was, in a sense, a benefit
20 received over the period. We have now refunded all of
21 that, and we've refunded all of that with interest to
22 the customer. So, everybody is made whole in that
23 process.

24 In addition to that, much -- a little

[WITNESS PANEL: Collin~Asbury~Eisfeller~Furino]

1 more esoteric, is, when we did our rate case recently
2 for UES, we had these revenues, it's 185,000, or I
3 guess the test year portion of that amount, in our
4 revenues. And, so, the rate case, basically, arguably,
5 we got less rate relief because of these revenues were
6 counted in in our rates. And, that's built in. So,
7 year after year, it's as if we were getting these
8 revenues, even though, following the rate case, we
9 discovered this error and are no longer getting these
10 revenues.

11 So, I think there's lots of reasons to
12 say that the Company hasn't capitalized on it. In
13 fact, the Company has paid a significant penalty
14 financially, the over \$600,000 write-off we've had to
15 take, on an item where we earned less than \$200,000
16 over that whole period. So, the Company has tried to
17 make good on this in a number of ways. And, this is
18 certainly not something that we feel we've capitalized
19 on or benefited from at all.

20 CHAIRMAN IGNATIUS: Thank you. I have
21 no other questions. Is there any redirect?

22 MR. EPLER: No thank you.

23 CHAIRMAN IGNATIUS: All right. I'm
24 sorry, Commissioner Scott, another question.

{DE 11-105} {11-08-12}

1 BY CMSR. SCOTT:

2 Q. Just a follow-up, and perhaps you don't have that kind
3 of information on your fingertips. I was just curious
4 the amount of staff hours you spent on this issue?

5 A. (Collin) Don't have an exact amount, but this has been
6 going on, as you know, since the beginning of 2011.
7 So, it's been, you know, a lengthy period. And, we've
8 taken it very seriously. It's a very serious thing.
9 You can only imagine what it means to our reputation,
10 our integrity, the trust our customers put in us. And,
11 I think we've done everything we can to try to correct
12 the problem with the customer we had, but also with our
13 other customers, to make sure that there are no other
14 problems of this nature. And, we feel this Settlement
15 is a very fair and equitable solution to this, and
16 we're glad to move on from it, and get onto providing
17 our customers with top quality service that they can
18 trust in and count on.

19 CMSR. SCOTT: A good closing.

20 CMSR. HARRINGTON: One final --

21 CHAIRMAN IGNATIUS: Commissioner
22 Harrington, another question.

23 CMSR. HARRINGTON: Just a really quick
24 one.

1 BY CMSR. HARRINGTON:

2 Q. How do you intend to inform the customers of this? Or,
3 is it just going to be, they will get a new rate, and
4 it will be a little, slightly higher than it would have
5 been without this Settlement, if you get approval?

6 A. (Collin) Yes, I think, other than the normal, you know,
7 coverage that the press may pick up or something on
8 this issue, I don't think we were seeing making a
9 specific notification on this issue. It will fall in
10 with the rest of the rate adjustments. It's an
11 adjustment to a reconciling balance that we do, you
12 know, every period when we make the rate adjustments.

13 CMSR. HARRINGTON: Thank you.

14 CHAIRMAN IGNATIUS: No redirect?

15 MR. EPLER: No thank you.

16 CHAIRMAN IGNATIUS: All right. Then,
17 you're excused. Thank you. Although, why don't you stay
18 put.

19 Any objection to striking the
20 identification and making the two exhibits full exhibits?

21 MS. HOLLENBERG: No thank you.

22 CHAIRMAN IGNATIUS: All right. Seeing
23 none, we'll do so. And, I take it OCA does not have a
24 request to put anything further in the record?

1 MS. HOLLENBERG: No, ma'am. I looked
2 back at the docketbook, and having not been involved in
3 the case at the time, I wasn't really able to find a
4 hearing at which would have occurred after the July date
5 that those data responses are dated, at which it would
6 have been used at a hearing or as an exhibit in that
7 hearing. So, I would not ask that it be specifically
8 included for the record at this point in time. Thank you.

9 CHAIRMAN IGNATIUS: All right. Then,
10 unless there's anything else to attend to, administrative
11 matters?

12 (No verbal response)

13 CHAIRMAN IGNATIUS: Then, opportunity
14 for closings. Ms. Hollenberg.

15 MS. HOLLENBERG: Thank you. The Office
16 of Consumer Advocate supports the Settlement it reached
17 with the Staff and Unitil. We appreciate very much
18 everyone's efforts in this docket. And, we're glad to put
19 this case -- to put some sort of closure at this point in
20 time. Thank you.

21 CHAIRMAN IGNATIUS: Mr. Speidel.

22 MR. SPEIDEL: Yes. Thank you, Chairman.
23 This Settlement Agreement is a compromise resolution of
24 all the issues in this proceeding. It is not an admission

1 by Staff, Company or the Office of the Consumer Advocate
2 that any allegation or contention in this proceeding by
3 any other party is true or valid, nor does this Settlement
4 Agreement govern future adjudication of these matters by
5 the Commission or the positions of Staff in a future
6 adjudication of such matters.

7 That said, Staff believes that this
8 Agreement does provide a just and reasonable solution to
9 an issue that took place between Unitil and one of its
10 customers. It protects customers from costs that Staff
11 believes should be borne by the utility in this instance.
12 But, at the same time that it protects customers from
13 unnecessary costs, it also provides for the collection of
14 energy charges from the customers who consumed the power.

15 We also note that the Settlement calls
16 for the integration of certain amounts into various
17 accounting features of the Company. And, that the
18 Company, the Staff, and the Office of the Consumer
19 Advocate today have come to an agreement that the
20 integration of those figures into rate recovery would take
21 place next summer. So, we would ask that the Commission,
22 as part of its approval of the Settlement Agreement, if it
23 so elects, would make note of that fact.

24 So, we do thank the Commission for its

1 patience today. And, we thank the Office of the Consumer
2 Advocate and the Company for its collaboration and its
3 consultation with Staff over this period. And, we ask
4 that the Agreement do receive consideration and approval.
5 Thank you.

6 CHAIRMAN IGNATIUS: Thank you. Attorney
7 Epler.

8 MR. EPLER: Yes, Chairman Ignatius,
9 Commissioners. Just to reiterate, the Company appreciates
10 the active participation and engagement of the Staff and
11 the OCA in the Settlement process. We believe it was a
12 thorough process, that this matter was investigated
13 thoroughly. And, we believe that the Settlement
14 Agreement, for all the reasons that you've heard today
15 from the panel, is a just and reasonable resolution of
16 this matter, and ask for your consideration and approval.
17 Thank you.

18 CHAIRMAN IGNATIUS: Thank you. We will
19 take all of this under advisement. And, I do want to
20 mention one other thing before we close. And, that's,
21 Mr. Epler, if you will, convey back to the Company, that
22 the activity of last week, with the storm, Hurricane
23 sandy, was pretty intense for a lot of people. And, the
24 responsiveness of people from Unitil to all of our

1 questions was just extremely helpful, prompt and thorough,
2 and made it easier for us to get a handle on what was
3 going on and to keep track of changes out in the field,
4 and be able to convey information to municipalities, to
5 the Governor's office, and the various people who were
6 turning to us. So, we really appreciate it. Thank you.

7 MR. EPLER: Thank you.

8 CHAIRMAN IGNATIUS: And, with that, we
9 are adjourned.

10 (Whereupon the hearing ended at 11:51
11 a.m.)
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