

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 15, 2013 - 2:04 p.m.
Concord, New Hampshire

NHPUC MAY01'13 PM 3:55

RE: DE 13-084
UNITIL ENERGY SYSTEMS, INC.:
*Petition to Increase the Storm Recovery
Adjustment Factor.*

PRESENT: Commissioner Michael D. Harrington, Presiding
Commissioner Robert R. Scott

Clare Howard-Pike, Clerk

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

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Thomas C. Frantz, Director/Electric Division
Al-Azad Iqbal, Electric Division

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

ORIGINAL

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WITNESS PANEL: **LAWRENCE BROCK**
 KAREN ASBURY
 RICHARD FRANCAZIO

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EXHIBIT NO.	DESCRIPTION	PAGE NO.
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2	Various additional schedules indicating a 5-year recover period instead of the proposed 4-year recovery period, consisting of Schedule KMA-1 and Schedule KMA-3	7
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[WITNESSES: Brock~Asbury~Francazio]

P R O C E E D I N G

CMSR. HARRINGTON: We're here to look at Docket DE 13-084, Unitil Energy Systems, Inc., Petition to recover Storm Recovery Adjustment Factor. And, there was an order of notice put out on this on April 8th, 2013. And, the Petition states, from the Company, that the increase in the -- see if I get this right again -- the Storm Recovery Adjustment Factor is necessary to begin recovery of \$2,310,089 in incremental storm-related emergency costs incurred by UES to restore power and repair damage to its electrical systems associated with Hurricane Sandy.

So, I guess we'll start by taking appearances.

MR. EPLER: Yes. Thank you. Good afternoon, Commissioners. Gary Epler, on behalf of Unitil Energy Systems, Inc. Thank you.

MS. CHAMBERLIN: Good afternoon. Susan Chamberlin, Consumer Advocate for the residential ratepayers. And, with me is Stephen Eckberg.

MS. AMIDON: Good afternoon. Suzanne Amidon, for Commission Staff. To my left is Tom Frantz, the Director of the Electric Division, and to his left is Al-Azad Iqbal, an Analyst with that division.

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[WITNESSES: Brock~Asbury~Francazio]

1 CMSR. HARRINGTON: Okay. And, because I
2 always forget something, is there any other administrative
3 measures we have to deal with before we start?

4 MR. EPLER: No, I don't think so.

5 CMSR. HARRINGTON: See none, I guess we
6 can swear in the waitress -- the "waitresses" --

7 (Laughter.)

8 CMSR. HARRINGTON: -- swear in the
9 witnesses. If there are any waitresses out there, this is
10 the time to come up.

11 (Whereupon **Lawrence Brock, Karen Asbury,**
12 and **Richard Francazio** were duly sworn by
13 the Court Reporter.)

14 CMSR. HARRINGTON: Mr. Epler, you want
15 to proceed?

16 MR. EPLER: Yes. Thank you,
17 Commissioner. If I could just introduce the panel,
18 starting with the witness that's closest to me, is Karen
19 Asbury, the Director of Regulatory Services; on her right
20 is Larry Brock, Chief Accounting Officer and Controller of
21 Unitil Corporation, and also the Controller of the
22 subsidiary -- of the utility subsidiaries of Unitil; and,
23 then, next to him, on his right, is Richard Francazio, the
24 Director of Business Continuity and Emergency Planning.

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[WITNESSES: Brock~Asbury~Francazio]

1 I would ask that the Company's initial
2 filing be marked as "Exhibit 1".

3 CMSR. HARRINGTON: This is the March
4 14th?

5 MR. EPLER: Yes, that's correct. That
6 consists of a cover letter, Petition, proposed tariff, and
7 then three pieces of testimony and exhibits.

8 (The document, as described, was
9 herewith marked as **Exhibit 1** for
10 identification.)

11 MR. EPLER: If I could draw your
12 attention to the third page of the Petition, there's a
13 correction. If you're looking at Page 3 of 4, in the
14 first paragraph that's labeled "Proposed Adjustment" --
15 "Proposed Adjustment to SRAF", about seven lines down, it
16 has a reference to a docket number. It has "DE 11-097".
17 That should be "DE 11-277".

18 CMSR. HARRINGTON: Okay. Any other
19 changes?

20 MR. EPLER: No, I don't believe so.
21 And, then, the second document that I would like to have
22 marked as "Exhibit Number 2" is a series of schedules that
23 have some changes in them. It's in a packet that I
24 provided to the Clerk and Commissioners, I put it on the

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[WITNESSES: Brock~Asbury~Francazio]

1 Bench. And, it starts out with "Schedule KMA-1 Page 1 of
2 3 5 year recovery". We'll explain this when I question
3 the witnesses. But, basically, these schedules show a
4 five-year recovery, as opposed to a four-year recovery
5 that was provided in our Petition.

6 CMSR. HARRINGTON: So, these aren't a
7 replacement for them, they're in addition to?

8 MR. EPLER: They're in addition to.

9 CMSR. HARRINGTON: Thank you.

10 (The document, as described, was
11 herewith marked as **Exhibit 2** for
12 identification.)

13 **LAWRENCE BROCK, SWORN**

14 **KAREN ASBURY, SWORN**

15 **RICHARD FRANCAZIO, SWORN**

16 **DIRECT EXAMINATION**

17 BY MR. EPLER:

18 Q. Okay. And, with that, if I could draw the panel's
19 attention to Exhibit Number 1, which consists of your
20 testimonies and supporting exhibits. Do you have any
21 changes or corrections to any of the material in the
22 initial filing?

23 A. (Asbury) I do not.

24 A. (Brock) No, I do not.

[WITNESSES: Brock~Asbury~Francazio]

1 A. (Francazio) No.

2 Q. Okay. Thank you. Okay. Mr. Francazio, I'll refer to
3 your prefiled direct testimony first. In your
4 testimony, you describe the impact of Hurricane Sandy
5 and the Company's response?

6 A. (Francazio) Correct.

7 Q. And, you also explain why Sandy qualifies as a "major
8 storm"?

9 A. (Francazio) Correct.

10 Q. Could you turn to that part, the section where you talk
11 about why it qualifies as a "major storm".

12 A. (Francazio) Okay.

13 Q. And, are there established criterias for defining a
14 "major storm" for the Company?

15 A. (Francazio) There is.

16 Q. And, could you briefly describe them?

17 A. (Francazio) Yes. For UES, it's 16 concurrent troubles
18 and/or with 15 percent of the customer base, or 22
19 concurrent troubles in either the Capital or Seacoast
20 Region. So, that's a standard exclusionary criteria.

21 Q. Okay. And, Hurricane Sandy met those, that standard?

22 A. (Francazio) It did. Far exceeded them.

23 Q. And, that is, as part of your testimony, you also
24 provide the After Action Report for Hurricane Sandy?

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[WITNESSES: Brock~Asbury~Francazio]

1 A. (Francazio) Correct.

2 Q. Now, as part of the Staff recommendation last year and
3 the Commission's approval in Docket DE 11-277, there
4 was a requirement that the Company file annual reports
5 on the status of the Storm Reserve balance?

6 A. (Francazio) Correct.

7 Q. And, the first -- the requirement for the initial
8 report for the period ending December 31, 2011, that
9 was required to be filed by May 31st, 2012?

10 A. (Francazio) Correct.

11 Q. And, did the Company file that report?

12 A. (Francazio) We did.

13 Q. Okay. And, then, the second report was filed at the
14 end of February 2013, covering calendar year 2012?

15 A. (Francazio) Correct.

16 Q. Okay. Thank you. Mr. Brock, turning to your prefiled
17 direct testimony. Your testimony supports the costs
18 and accounting treatment associated with Hurricane
19 Sandy, is that correct?

20 A. (Brock) That's correct.

21 Q. And, what is the amount of costs that the Company is
22 seeking recovery of?

23 A. (Brock) The amount of costs for -- the amount of
24 deferred costs for Hurricane Sandy are \$2,310,089.

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[WITNESSES: Brock~Asbury~Francazio]

1 Q. Now, if you could turn to your testimony at Page 3 of
2 8.

3 A. (Brock) I have it.

4 Q. And, around Line 16, there's a total cost of a little
5 over 2.6 and a half million dollars. And, then, you
6 talk about an amount that's capitalized. What's the
7 basis for capitalizing some of those expenditures?

8 A. (Brock) The basis for capitalizing expenditures during
9 a major storm event is to use the average installed
10 cost of those plant units that are replaced during the
11 storm. And, we use the average installed cost of that
12 particular plant unit over the prior 12 months to
13 determine the amount to capitalize from the amount of
14 total expenditures incurred during the storm. As it
15 says in my testimony, the total expenditures incurred
16 by the Company for storm replacement or plant unit
17 replacement and restoration in Hurricane Sandy were
18 \$2,659,587, of which \$349,498 was capitalized to
19 utility plant assets. And, the remainder, \$2,310,089
20 was recorded as deferred storm costs. And, that is the
21 amount that we seek for recovery through the Storm
22 Recovery Adjustment Factor in this proceeding.

23 Q. Okay. Thank you. And, as part of our initial filing,
24 what's the term we're seeking recovery over?

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[WITNESSES: Brock~Asbury~Francazio]

1 A. (Brock) Initially, the Company petitioned to recover
2 these costs over a four-year term. The Company would
3 like to amend its Petition and seek recovery over a
4 five-year period.

5 Q. Okay. And, is the five-year period consistent with the
6 five-year period that was approved by the Commission
7 for the recovery of the costs of Hurricane Irene and
8 the October snowstorm?

9 A. (Brock) Yes. In the order issued for the recovery of
10 Tropical Storm Irene and the October snowstorm, the
11 term allowed for recovery was five years.

12 Q. And, what's the carrying cost rate to be applied to the
13 recovery?

14 A. (Brock) In the same proceeding, the Commission approved
15 the carrying cost rate to be the Company's long-term
16 debt rate net of deferred taxes. And, so, the number
17 is 4.52 percent, is the amount used for carrying
18 charges in the Storm Recovery Adjustment Factor.

19 Q. Okay. So, that rate is the same rate -- the rate that
20 we are proposing in this Petition is the same rate that
21 was approved by the Commission last year?

22 A. (Brock) That's correct.

23 Q. Okay. And, the costs of Hurricane Irene and the
24 October snowstorm, were those costs audited by the

[WITNESSES: Brock~Asbury~Francazio]

1 Commission Staff?

2 A. (Brock) Yes. The Commission approved recovery of those
3 costs subject to the Staff audit. And, shortly after
4 the approval of the recovery of those costs, the Staff
5 Audit Group came down to Unitil and audited figures.
6 And, they reached a report and a conclusion after
7 reviewing the costs, which included some conclusions on
8 some small reclassifications of dollars, no significant
9 changes. And, in the recovery of costs for the Storm
10 Recovery Adjustment Factor, we reconcile to any
11 findings that come up from the New Hampshire Staff
12 audit.

13 Q. So, in other words, you accepted those recommendations
14 from the Staff audit?

15 A. (Brock) We accepted one hundred percent of their
16 recommendations.

17 Q. Okay. And, does the Company propose a similar type
18 audit by the Staff would occur with respect to the
19 costs for Hurricane Sandy?

20 A. (Brock) Yes. We are proposing that we proceed forward
21 with the Petition for recovery of these costs, subject
22 to audit once again by the New Hampshire Audit Staff.
23 And, we would expect that, shortly after this
24 proceeding, the Audit Staff would be able to conduct

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[WITNESSES: Brock~Asbury~Francazio]

1 its audit. And, once again, whatever the findings in
2 that process were, we would reconcile to that, to those
3 final amounts.

4 Q. And, Ms. Asbury, can you please turn to your testimony,
5 which starts at Bates stamp 3 in the package, at the
6 very front of Exhibit 1? And, what's the purpose of
7 your testimony please?

8 A. (Asbury) In my testimony, I present the cost recovery
9 mechanism. In Schedule KMA-1, I calculate the proposed
10 change in the Storm Recovery Adjustment Factor. And,
11 in Schedule KMA-2, I present the redline tariff for the
12 Storm Recovery Adjustment Factor. And, in Schedule
13 KMA-3, I present bill impacts associated with this rate
14 change.

15 Q. And, Ms. Asbury, you heard the testimony of Mr. Brock
16 indicating that the Company has, in its initial
17 Petition, proposed a four-year recovery, but is now
18 proposing a five-year recovery for approval?

19 A. (Asbury) Yes.

20 Q. And, did you prepare schedules that show the impact of
21 moving from a four-year to a five-year recovery?

22 A. (Asbury) Yes. In Schedule KMA-1, which was handed out
23 earlier today, --

24 Q. I'm sorry to interrupt. And, that was marked as

[WITNESSES: Brock~Asbury~Francazio]

1 "Exhibit 2"?

2 A. (Asbury) Yes. Exhibit Number 2. I've calculated the
3 increment to the Storm Recovery Adjustment Factor that
4 is shown on Schedule KMA-1, Page 1 of 3 5-year
5 recovery. And, the increment would be \$0.00043 per
6 kilowatt-hour. And, then, correspondingly, in Schedule
7 KMA-3 of Exhibit Number 2, I've recalculated the bill
8 impacts. For a residential customer using 600
9 kilowatt-hours per month, the increase would be 26
10 cents per month, or 0.3 percent on a total bill.

11 MR. EPLER: That's all the questions I
12 have. Thank you.

13 CMSR. HARRINGTON: Ms. Chamberlin.

14 MS. CHAMBERLIN: Thank you. And,
15 whoever feels most qualified to answer can do so.

16 **CROSS-EXAMINATION**

17 BY MS. CHAMBERLIN:

18 Q. Is it the Company's testimony that this Storm Recovery
19 Adjustment Factor is consistent with the terms of the
20 Settlement Agreement?

21 A. (Brock) Yes. Yes. The Company's Petition conforms to
22 the terms of the Settlement Agreement, as well as the
23 stipulations and terms in the order authorizing the
24 recovery of Tropical Storm Irene and the October

[WITNESSES: Brock~Asbury~Francazio]

1 snowstorm.

2 Q. So, it's not that these -- this particular storm was
3 anticipated in the Settlement Agreement, because the
4 Settlement Agreement has a Storm Reserve, and that is
5 for different types of storms? Did I say that
6 correctly?

7 A. (Francazio) I wouldn't say that it's for "different
8 types of storms". It's just that this particular event
9 has an extreme amount of cost associated with it. And,
10 if you were to put it into reserve, you would have a
11 negative reserve for an extended period of time.

12 Q. So, essentially, it lowers the risk for the Company of
13 non-recovery of these costs by having it in this
14 adjustment factor?

15 A. (Francazio) Well, that's one component. Plus, it is --
16 it is, to some extent, I guess it is also an exogenous
17 kind of a storm, extraordinary.

18 Q. Are you able to look at weather predictions, going
19 forward, not in the past, and anticipate the frequency
20 of these big storms?

21 A. (Francazio) If we could do that, we could make a
22 fortune. To be honest with you, we do get weather
23 forecasts at the beginning of every storm season that
24 says whether or not it's going to be an active storm

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[WITNESSES: Brock~Asbury~Francazio]

1 season or not. Okay? It does not say the magnitude of
2 the event, it does not say the location of the event.
3 All they can tell you is that it's going to be an
4 active season or not. So, that's the best information
5 I can provide.

6 Q. In terms of the costs of getting crews lined up in
7 advance, you say there's a bidding war, and the
8 testimony is that some of the regulatory requirements
9 have actually increased costs by getting companies to
10 compete for crews even earlier than they had in the
11 past. Is that a correct summary?

12 A. (Francazio) That is correct.

13 Q. Do you have a proposal on how a regulatory agency could
14 decrease that competitive pressure to bring costs down?

15 A. (Francazio) Well, as I indicated before, from an
16 industry perspective, and working with the different
17 CEOs, the industry is trying to come up with
18 alternatives to better allocate resources, so that
19 we're not seeing the competition that we're seeing
20 today, and that more resources are available for these
21 types of events. If you had some assurance that you
22 are going to get some resources, you wouldn't, of
23 course, have to go out and start bidding for as many
24 resources that people do today.

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[WITNESSES: Brock~Asbury~Francazio]

1 As far as a regulatory environment, I
2 think, you know, maybe at the National Governors
3 Meeting or one those types of events, you could
4 probably propagate the concept of doing something a
5 little bit different. But there is no coordination
6 that I'm aware of between regulatory agencies, other
7 than to look at what other agencies are doing, and
8 saying "okay, these folks have these requirements,
9 which are so much more stringent than this particular
10 state. So, let's go follow these." And, as they
11 continue to do that, they have actually made the
12 situation worse, to be honest with you.

13 Q. Okay. In terms of staffing for your company on a
14 maintenance -- regular maintenance basis, do you have
15 adequate linesmen/lineswomen capacity in your company
16 to keep things going forward?

17 A. (Francazio) We believe we do. And, we think that we
18 have a cost-effective process. Where, in the off
19 months, you don't have people who are sitting around,
20 they're actually -- they can continue to work. We
21 augment our staff with contracted -- with a contracted
22 workforce, when we have specific major projects and/or
23 something that is of an extended duration, some sort of
24 maintenance-type project, routine insulator replacement

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[WITNESSES: Brock~Asbury~Francazio]

1 or something to that effect. So, any major program, we
2 might outsource that particular activity.

3 But, in general, there are still quite a
4 few months that is -- that we don't have any additional
5 resources on the property, and we're just using the
6 staff that we have. So, the budgets are designed
7 around the staff that we have, and the work.

8 Q. And, do you foresee in the future a shortage of
9 qualified personnel to do these jobs?

10 A. (Francazio) Well, we're always looking at succession
11 planning. And, you know, when we think that there
12 could be the possibility for significant numbers of
13 folks to retire, for whatever reason, it might be as a
14 result of some negotiations or some other types of
15 activities, where we think that these folks might
16 actually leave, we will start adding to those people.
17 And, again, training people is not the same as having a
18 qualified person to do, you know, certain types of
19 work. So, you would add a little -- you would add
20 additional folks in that process to make sure that you
21 have the appropriate individuals at the right point in
22 time. It takes five years to train a good lineman.

23 Q. And, are you comparing the cost of training, bringing
24 someone on incrementally, to the cost of paying

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[WITNESSES: Brock~Asbury~Francazio]

1 overtime and travel costs for these crews to come in
2 from Canada or wherever?

3 A. (Francazio) Well, you have to understand the numbers of
4 resources that we're talking about here. On a daily
5 basis, we might have 12 of our own in-house person --
6 or, crews, 24 people, as well as a few contract crews,
7 maybe two to three contract crews. When we're prepping
8 for a storm like this, you're talking about hundreds of
9 crews. You're not talking about an incremental amount.
10 And, even for some of the smaller storms that we're
11 experiencing, that we think are going to hit our
12 Criteria 3, which means that we could sustain some
13 significant numbers of outages, to be prepared for that
14 is going to require, you know, anywhere between 20 and
15 25 crews per region, just to support an event like
16 that, if you're going to meet your customers'
17 expectations. They're all linked together. They're
18 not -- they're not mutually exclusive. We have to
19 constantly be thinking about, you know, what type of --
20 what have we seen in the past for this type of event?
21 What's the duration we think? What's going to be the
22 damage to the system? And, how many resources are we
23 going to need to respond to keep that within a
24 reasonable period of time from a customer perspective,

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1 and to minimize outages for specific businesses and
2 specific commercial customers?

3 Q. So, tell me if I'm summarizing this and consistent with
4 your testimony. In terms of actual costs of getting
5 additional crews to respond to major storms, it's a
6 regionwide problem, that there just aren't enough crews
7 available, and that's why the costs are going higher
8 and higher?

9 A. (Francazio) That's a component of it. The other piece
10 is that other entities are bringing in those resources
11 much earlier than they had previously, which locks up
12 the local contractors. So, obviously, they haven't got
13 -- to mobilize a contractor that's within the region,
14 let's say they're in Massachusetts, all right? That is
15 a lot less expensive than trying to bring them in from
16 Canada. The problem being is, if you're going to start
17 paying them double time five days in advance, you know,
18 you're going to incur a lot of costs that, you know,
19 for a resource that you're not really utilizing until
20 the storm really hits, and/or you may not utilize at
21 all. And, that's what's happened to a number of
22 companies south of us. They have ramped up
23 significantly over the last few events that came in
24 this year. They basically had few outages, and, you

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[WITNESSES: Brock~Asbury~Francazio]

1 know, they had hundreds of resources. And, meanwhile,
2 companies that were prudent and really looked at what
3 the impact was going to be and when this event was
4 going to arrive, we had to go further and further to
5 get the resources.

6 I mean, you can't have a really good
7 forecast usually 48 hours in advance at best, all
8 right? I mean, we're looking, you know, 72 hours out.
9 But, in reality, it's usually 48 hours. And, with some
10 of the even -- some of the more recent events have only
11 been 24 hours. They can say "Yup, I can see exactly
12 where that's going to go and what the impact is going
13 to be." One degree or two degrees difference in
14 temperature can turn, you know, a snowstorm into, which
15 is, if you have a foot of snow, not a problem, a wet
16 snow, a foot of wet snow, and you're going to have a
17 lot of trouble. And/or you might have icing, okay? A
18 quarter inch of ice is not an issue; half inch of ice,
19 a totally different picture.

20 So, again, you know, we're making
21 decisions on our best interpretation of what we're
22 seeing for the forecast, and bring in the appropriate
23 number of resources that we -- as we think, you know,
24 as we think about what the impact is going to be on the

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[WITNESSES: Brock~Asbury~Francazio]

1 system. And, again, as we said, as we sort of align
2 all our programs, everything from the asset management
3 component, to the resiliency component, you know, we
4 should start seeing those costs and feel a little more
5 comfortable that we can manage more of the storms with
6 our own resources going forward, the smaller storms.
7 Major storms, you're always going to have, you know,
8 significant numbers of resources.

9 MS. CHAMBERLIN: Thank you. I have no
10 further questions.

11 MS. AMIDON: With your permission,
12 Mr. Frantz has a couple of questions for the witnesses.

13 CMSR. HARRINGTON: All right.

14 MR. FRANTZ: Good afternoon.

15 BY MR. FRANTZ:

16 Q. Mr. Brock, could you turn to Page 5 of 8 of your
17 testimony.

18 A. (Brock) I have it.

19 Q. Great. In the first answer there, it talks about
20 "Incremental Payroll and Expenses incurred by UES
21 during the emergency storm restoration efforts",
22 approximately \$250,000. Do you see that?

23 A. (Brock) Yes.

24 Q. And, then states below that that that's "overtime paid

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[WITNESSES: Brock~Asbury~Francazio]

1 to exempt employees". Is that in their contracts?

2 And, who are the "exempt employees"? And, thirdly, if
3 they're exempt, why are they getting overtime?

4 A. (Brock) In certain -- by Company policy, certain exempt
5 employees, specifically employees, I believe, Grade 18
6 and lower, are eligible to receive overtime pay during
7 extraordinary events, like prolonged storm restoration
8 work. And, in those cases, those people are employees
9 that have indirect responsibilities within the Company.
10 And, what I mean by that is, they're not in the field,
11 operational employees. And, it's everybody in the
12 Company is mobilized during a storm restoration effort.
13 And, so, if you were a Grade 18 or less, and you work
14 in Accounts Payable, for example, or you work in the
15 Regulatory Department, you have an alternate storm
16 assignment job to do during storm restoration. And,
17 sometimes these storm restorations put you on a 12-hour
18 shift, an alternating 12-hour shift, for a three, four,
19 five day period. So, because of the extraordinary
20 amount of effort we're asking from the employees in
21 that regard, in that situation, we instituted a Storm
22 Pay Policy for those Grade 18 and below, that would
23 allow them to receive overtime pay during those efforts
24 that they're being called on for special work.

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[WITNESSES: Brock~Asbury~Francazio]

1 As far as "is it in their employee
2 contracts?" All our employees are "at will" employees.
3 And, many of the employees in the Company were hired
4 well before the Ice Storm of 2008, for example. And,
5 when they were hired and put on a salary, more than
6 likely it wasn't even in their job description that
7 they would have an alternate storm restoration
8 assignment as part of their job. Nowadays it is in new
9 hires. So, was this type of effort considered when the
10 employee was originally hired? I would say, in their
11 job description, no. But, as a practical matter, it
12 turns out that we ask these employees to do quite a
13 bit. And, so, for certain levels of employees, we do
14 pay overtime to exempt employees.

15 Q. And, for the most part, these are employees whose main
16 job is not storm restoration, correct?

17 A. (Brock) That's correct. It's everybody in the Company.
18 So, it's administrative staff, it's the receptionist
19 Accounts Payable, Regulatory, IT people are on call,
20 usually, in any event, and all the operational people
21 are on call usually as well.

22 Q. At Grade Level 18 and below?

23 A. (Brock) Yes.

24 Q. Everyone above that does not receive incremental pay,

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[WITNESSES: Brock~Asbury~Francazio]

1 correct?

2 A. (Brock) That's correct. Yes. I'm one of those cases.
3 I have a storm assignment job. I work an alternate
4 12-hour shift, but I don't receive any pay for that,
5 because I'm above Grade 18.

6 MR. FRANTZ: Thank you.

7 MS. AMIDON: We have nothing further.

8 CMSR. HARRINGTON: Sure, go ahead.

9 MS. AMIDON: No, we have nothing
10 further. Thank you.

11 CMSR. HARRINGTON: Oh, okay.
12 Commissioner Scott.

13 CMSR. SCOTT: Thank you. And, welcome
14 again.

15 WITNESS BROCK: Thank you.

16 BY CMSR. SCOTT:

17 Q. Going back to a similar discussion with the Consumer
18 Advocate, I was just, I don't want to put words in
19 anybody's mouth, but I just want to ask, it would
20 appear, from my vantage point, in the past few years,
21 that there's a lot more government interest and
22 pressure, perhaps "pressure" you may call it, on
23 pre-staging of crews and response to storms in an
24 appropriate fashion. Would that be a fair statement?

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1 A. (Francazio) That is. Yes.

2 Q. And, if I heard you correctly, that potentially may
3 have had a perverse reaction, in that, in some cases,
4 it could mean crews are not available that would
5 otherwise be available?

6 A. (Francazio) Well, I think, when you said "government",
7 I was thinking more DOE, all right, and they are very
8 interested in our response.

9 Q. I was thinking the state government.

10 A. (Francazio) But, if you're thinking state government,
11 yes, I agree. That a lot of the activities that they
12 have performed have been very -- very focused on just
13 one objective, and not seeing the big picture. And,
14 I'll leave it at that. And, this is, and the reason
15 why I say that, is this process had been in place for
16 years and years and years, and worked well for many
17 years. And, as a result of what -- of change in
18 customer expectations, and you have to remember that
19 the expectations changed over the last five or six
20 years pretty quickly, all right? Companies are working
21 with systems designed, you know, a hundred years ago.
22 And, the process is, that has been in place for many,
23 many years, that worked very, very well, were no longer
24 acceptable. I mean, for instance, some utilities, for

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1 a long period of time, used to wait till after they
2 were impacted before they figured out what kind of
3 resources they needed, and there were always those
4 resources available out there. That approach no longer
5 works, all right? I mean, clearly, if you do that, you
6 get 24 hours behind the curve, plus, you know, you're
7 going to spend another 24 hours just getting resources,
8 if you can even get them. And, that's just not going
9 to work going forward. So, customers just will not
10 stand for that type of process.

11 So, yes. Has government locally, in
12 different locations, tried to focus specifically on
13 just their jurisdiction and just what's happening in
14 their state, rather than talking to the industry and
15 finding out the bigger picture? Yes. And, has it been
16 a detriment to the process? I'm going to say "yes".

17 Q. And, I'll say -- well, again, I'll ask a question here
18 is, New Hampshire is, obviously, a smaller state
19 compared to our states to the south of us. Does that
20 put us at a disadvantage when those dynamics come into
21 play?

22 A. (Francazio) I think we're all learning on how to work
23 in the new environment, I'll leave it at that, all
24 right? I wouldn't say that -- I think one of the good

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1 things is that you have some rural areas, not just
2 urban, all right? So, the rural areas tend to accept
3 these longer duration outages. And, in certain parts
4 of the service territory, a four-day outage is not a
5 big problem. Where, in other parts of the service
6 territory, clearly, it is. And, you're going to get a
7 lot of media interest, as well as a lot of public
8 interest.

9 So, I wouldn't say it puts us at a
10 disadvantage. I think that we're taking the right
11 steps, working with, I'll tell you, to be honest with
12 you, working with Staff, both from a resiliency storm
13 -- the mitigation steps that we've been talking about,
14 and for the concept of pre-staging resources, which I
15 know PSNH has, I think, also has asked for the same,
16 and I believe Liberty is asking for the same.

17 So, I think, from that perspective,
18 we're, you know, we're making the right moves. It's
19 just going to be -- it's just going to be difficult, I
20 guess is the best way to put it, difficult to get
21 everyone to agree on going back to a process where the
22 allocation of those resources are going to be more --
23 are more equitable going forward.

24 Q. Thank you. Obviously, and this has somewhat been

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1 mentioned in testimony, the "super storms", if you
2 will, there seems to be a rash of those. I guess,
3 obviously, none of us have a crystal ball, as you
4 mentioned, we probably wouldn't be here, we'd be
5 wherever large sums of money would take us. My
6 question is, is given that recent history of multiple
7 super storms, do you find the Storm Recovery Adjustment
8 Factor is an appropriate way to deal with these things?
9 Is there a better way to address this?

10 A. (Brock) No, I believe -- I believe, in these, in the
11 cases of these major events, which are infrequent and
12 extraordinary, although we can -- I think we all
13 realize they're becoming more frequent for some reason,
14 I think a mechanism like the Storm Recovery Adjustment
15 Factor is appropriate in the cases where there's been a
16 large amount of expenditures, which appropriately
17 should be reviewed separately. And, it represents the
18 upper tier of cost recovery for storm restoration in
19 our company. There is a middle tier, which we spoke
20 about earlier, the Major Storm Cost Recovery Reserve,
21 and that has its own classification of storms that meet
22 the criteria to be recovered through the reserve. And,
23 there is a third level, our normal storm expense and
24 O&M expense, which is reviewed during base rate cases,

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1 for those smaller items that don't meet the middle tier
2 criteria of the reserve recovery. So, I think those
3 three tiers of recovery represent a good way to
4 approach it. And, I think it makes sense to us.

5 CMSR. SCOTT: Okay. Thank you. That's
6 all I had.

7 CMSR. HARRINGTON: Good afternoon. Just
8 a couple of quick questions here.

9 BY CMSR. HARRINGTON:

10 Q. On the -- is there a, I don't know, let's say, standard
11 game plan for how you address these storms, in that you
12 have contractual arrangements with contractors? To
13 say, you know, you can call them up or do you already
14 got some type of a document, you know, between them?
15 Or, do you just, when the storm comes, you say "I think
16 I'm going to need 50. Let's start making calls, go
17 down the list"?

18 A. (Francazio) We have terms and conditions and rates for
19 each of the contractors that we deal with. We have
20 over 80 contractors on our list of contractors to call.
21 The concept of having a contract with them, so that,
22 you know, you're either paying them a retainer fee or
23 some way to hold them to receive your call. They don't
24 want to do it. We've actually asked a number of

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1 contractors whether or not they would be willing to
2 sign some sort of an agreement with us, give them a
3 retainer. They said "No, we're not interested. It's
4 much more lucrative doing it the way we're doing it.
5 You know, we can end up getting double time five days
6 in advance. You know, versus, when you're going to
7 call us, which it would only take us, you know, 36
8 hours to get to you. So, we only get 36 hours of
9 overtime."

10 So, it's, as I said, the contractors
11 themselves are finding this lucrative these days. And,
12 it's very difficult to get them to agree to any type of
13 contractual arrangements at all.

14 Q. All right. Just getting back to Mr. Brock's testimony,
15 I guess it's Page 70, the very last one there, there's
16 a bit of a breakdown of the costs. And, it appears the
17 overwhelming amount of the cost is associated with
18 hiring contractors and related services. And, that's
19 -- what's the "related services"? That's just the
20 rental of trucks, for example, or --

21 A. (Brock) Yes. Yes. That would relate to any third
22 party contractor invoices, for the contractors, which
23 are labor and associated overhead related to labor,
24 plus any other related services that we would be using,

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1 including, for example, if we set up a staging site,
2 and we outsourced, through a staging site manager to
3 help us, that would be considered related services to
4 contractor support.

5 Q. And, what would be the "transportation"? Is that the
6 cost for in-house transportation that you wouldn't
7 normally incur except for the storm?

8 A. (Brock) That's correct. It's incremental
9 transportation costs during the storm.

10 Q. This would be like mostly in the form of gasoline then,
11 I'm assuming, or fuel?

12 A. (Brock) Yes. Gasoline and vehicle costs, as well as we
13 rent a lot of vehicles, and we have damage assessors
14 and other people that we rent vehicles during the storm
15 restoration period that we don't normally have.

16 Q. Okay. And, going to the Page 66 there, there's a
17 little bit more of a breakdown on the Incremental
18 Payroll & Expenses. And, you talk about -- there's a
19 couple of things here. I'm assuming the non-exempt
20 employees, if they were over 40 hours a week, they have
21 to be paid time and a half by law. So, --

22 A. (Brock) That's correct.

23 Q. And, the overtime is paid to -- or, should I say
24 "exempt" here? Have I got it backwards? Or, I guess

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1 "non-exempt".

2 A. (Brock) Yes.

3 Q. Is this backwards here? Isn't it non-exempt employees
4 are ones that don't have to get overtime, correct?

5 A. (Brock) Yes.

6 Q. Okay. So, they're -- no, I mean, I'm sorry.
7 Non-exempt do get overtime by law, isn't that correct?

8 A. (Brock) That's correct. That's what I thought you
9 said.

10 Q. So, is this backwards here --

11 A. (Brock) Yes.

12 Q. -- in the thing?

13 A. (Brock) It not backwards. The sentence is just
14 indicating that, as I explained to Mr. Frantz earlier,
15 that exempt employees, at Grade 18 or below, do earn
16 overtime in the case of these extraordinary restoration
17 effort work assignments.

18 Q. I understand that. But I guess what I'm reading this
19 to say, it says "overtime paid to non-exempt
20 employees". Non-exempt employees are required by law
21 to get overtime, if they work more than 40 hours?

22 A. (Brock) Correct.

23 Q. Exempt employees. So, we have an extra word here this
24 looks like. It looks like the "non" should come out.

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1 And, the exempt employees that get paid overtime, is
2 that at their regular pay or is it like time and a half
3 or something like that?

4 A. (Brock) It is regular time.

5 Q. Regular time?

6 A. (Brock) Yes. Regular time.

7 Q. Okay. And, the other question I had on this is that,
8 excuse me, above that it talks about "expended by UES
9 for regular pay". Why would "regular pay" be
10 associated with a storm? I mean, they're going to get
11 their regular pay every week, right? I can see where
12 they would be paid overtime, because they're working
13 longer hours or coming in on a Saturday or Sunday, but
14 why would there be an adjustment to their regular pay?

15 A. (Brock) Well, that is a payroll category. You know, in
16 some cases, employees may be receiving regular pay, if
17 they don't usually work 40 hours, or if --

18 A. (Francazio) Well, yes, non-exempt employees will get,
19 contractually, all right, they have a contractual
20 agreement, where they will actually get overtime once
21 they go into storm mode. So, even on -- even the hours
22 that overlap their normal time, after a certain period
23 of time, they actually get additional money as well.
24 So, it's not just straight, it's not just the straight

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1 pay. So, it's straight pay, plus a premium for their
2 storm pay.

3 Q. But this says --

4 A. (Francazio) But that's for non-exempt. For exempt, --

5 Q. Yes.

6 A. (Francazio) -- exempt employees, as far as I know,
7 their regular pay, anything that overlaps their normal
8 hours work, that is extracted from these calculations,
9 if I have that correct.

10 A. (Brock) Uh-huh.

11 A. (Francazio) Right?

12 A. (Brock) It's just the incremental amount.

13 A. (Francazio) It's just the incremental amount.

14 Q. I guess what I'm trying to get clear is where it talks
15 about "regular pay". Let's just take a typical
16 lineman. He works 40 hours a week, Monday through
17 Friday, that's his normal pay.

18 A. (Brock) Right.

19 Q. So, now, you have a storm, and he works 12-hour days,
20 instead of 8-hour days for those same five days. Does
21 his regular pay now get charged to the storm, even
22 though he was going to collect it one way or the other?
23 That's my point. He wasn't going to be working on the
24 storm, he was going to be just doing normal maintenance

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1 work.

2 A. (Francazio) I don't know if that is correct.

3 A. (Brock) It is.

4 A. (Francazio) And, I thought it was, personally.

5 Anything that overlaps their normal time I thought was
6 extracted.

7 Q. Well, I understand the overtime.

8 (Court reporter interruption - multiple
9 parties speaking at the same time.)

10 BY CMSR. HARRINGTON:

11 Q. He works the first eight hours, is that charged to the
12 storm or is that just regular normal pay that's already
13 in the rate base, because he's going to work those
14 eight hours regardless of whether there's a storm or
15 not?

16 A. (Francazio) It's my understanding that the first eight
17 hours of the day that he would have worked anyways is
18 not showing up in this recovery, because we're going to
19 get paid anyways.

20 Q. Okay.

21 A. (Francazio) That's my understanding. So, --

22 A. (Brock) Yes.

23 CMSR. HARRINGTON: Would you double
24 check on that and get back? Because you do use the term

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1 "regular pay" here, and I just couldn't quite figure out
2 where that was coming from.

3 WITNESS BROCK: Yes, I will.

4 BY CMSR. HARRINGTON:

5 Q. And, on Bates stamp Page 26, there's a chart here that
6 talks about "Hurricane Sandy UES Crew Assignments".
7 It's 5 of 11 of your testimony, Page 26 on the bottom.

8 A. (Francazio) Yes.

9 Q. I just had a couple of quick questions on that.

10 A. (Francazio) Okay.

11 Q. When you say -- you use the word "internal line" and
12 "external line", does that mean internal to the Company
13 and external to the Company?

14 A. (Francazio) Correct.

15 Q. Okay. And, what's the difference between a "line crew"
16 and a "wires down crew"?

17 A. (Francazio) Okay. "Wires down" typically are not
18 trained linemen. Those are individuals that have been
19 trained, such as a gas employee, to stand by a wires
20 down.

21 Q. Oh, I see.

22 A. (Francazio) Just to make it safe until we can get a
23 line crew out there.

24 CMSR. HARRINGTON: All right. That's

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1 all the questions I had. Mr. Epler, do you have anything
2 on redirect?

3 MR. EPLER: Yes. Thank you. I have
4 just one or two questions on redirect.

5 **REDIRECT EXAMINATION**

6 BY MR. EPLER:

7 Q. Mr. Francazio, there were some questions regarding the
8 number of internal crews, and whether or not Unitil has
9 the correct number of crews. Could you discuss the use
10 to which Unitil puts its gas employees during a storm?

11 A. (Francazio) Sure. Our gas employees, including some of
12 the contracted gas employees, have all been trained for
13 wires down. During these types of events, especially
14 your major events, such as this, you'll have hundreds,
15 if not, you know, thousands, depending on the type
16 event, of wires down within the first 24 hours of these
17 events. You need significant numbers of resources,
18 besides your line resources, to get out there and make
19 safe, okay? The objective of the Company is to make
20 sure that we relieve the municipal folks, you know,
21 their emergency response folks from being out there, so
22 they can go do what they need to do during these
23 events. And, to do that, we utilize our internal gas
24 employees, and others as well in that process, to try

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1 and, again, alleviate having the municipals stand by
2 that location, and, of course, public safety. The
3 whole focus in that initial 24 hours is about public
4 safety.

5 Q. So, in other words, if there is a line down, and it's
6 something that a line crew can't get to to repair,
7 instead of having the necessity of a first responder
8 standing by over the wire down, we're able to put our
9 internal employees, --

10 A. (Francazio) Yes.

11 Q. -- such as these gas employees, to stand by the site?

12 A. (Francazio) Right. To stand by the site. Correct.

13 MR. EPLER: That's all that I had on
14 redirect. Thank you.

15 CMSR. HARRINGTON: Okay. One thing on
16 that issue that we were just discussing on the "regular
17 pay" that appears on Page 66, could we reserve, I guess
18 what would it be, Exhibit 3?

19 MS. HOWARD-PIKE: Yes.

20 CMSR. HARRINGTON: If you could give us
21 an explanation as to what exactly that means?

22 WITNESS BROCK: Yes.

23 **(Exhibit 3 reserved.)**

24 CMSR. HARRINGTON: Okay. And, then, I

1 guess we go to closings.

2 MS. AMIDON: Mr. Harrington, you might
3 want to strike the --

4 CMSR. HARRINGTON: Oh, okay. Do that
5 now? I'm not sure.

6 MS. AMIDON: Yes.

7 CMSR. HARRINGTON: Okay. I'm going to
8 strike the markings of the exhibits. We'll have three
9 exhibits, including the one we haven't received as of yet.
10 Thank you.

11 Now, we can try closings.

12 MS. CHAMBERLIN: Do I go first?

13 CMSR. HARRINGTON: Yes, please.

14 MS. CHAMBERLIN: Thank you,
15 Commissioners. I recognize that the Hurricane Sandy was
16 an extraordinary event, and I don't object to having some
17 storm recovery for those costs. I would like to make it
18 subject to audit. I'm not aware if an audit has been
19 actually scheduled, but that would make sure that all of
20 these numbers have been calculated correctly, including
21 the salary ones, with overtime, etcetera.

22 It brings out an overall issue
23 concerning the availability of crews. And, I am concerned
24 that efforts -- all of our efforts to make outages last

1 for a shorter period of time, have overemphasized the
2 importance of it, and it has increased costs in a way that
3 wasn't anticipated. And, I think that Unitil, being a
4 smaller utility, may have this affect -- may affect them
5 more than some of the others. I just -- I'm not sure how
6 to address it. I would just put it on the record that, as
7 it's a regional issue, it's something that we need to
8 continue to look at and continue to see if there's a more
9 cost-effective way of managing the competition for these
10 crews.

11 So, with that as an ongoing concern, I
12 appreciate that the Company is using its cost of debt,
13 4.52, and not something larger for the carrying costs of
14 these expenses. We do appreciate the difficulty in doing
15 the restoration, and, certainly, consumers appreciate the
16 work of the Company recovering from these extraordinary
17 storms. So, with that, I would accept the Company's
18 proposal.

19 CMSR. HARRINGTON: Thank you.
20 Ms. Amidon.

21 MS. AMIDON: Thank you. Staff has
22 reviewed the filing. And, we recognize that the money was
23 spent to restore power and to make repairs to Unitil's
24 electric system. And, we would recommend that the

1 Commission allow recovery to begin as proposed by the
2 Company, subject to any adjustments that may arise from an
3 audit.

4 And, finally, we recommend, with the
5 proposal that the Company advanced today, to have the
6 recovery over a five-year period, which modifies the
7 request in the original Petition, which asked for recovery
8 over a four-year period. So, I just wanted to make a note
9 of that as well.

10 And, right. And, Staff will be auditing
11 the costs associated with this storm for this Company, as
12 it does with the other major extraordinary storms. Thank
13 you.

14 CMSR. HARRINGTON: And, just so we're
15 clear, Mr. Epler, you are requesting the recovery over
16 five years, is that correct?

17 MR. EPLER: Yes. We are modifying our
18 request, from four years, and are requesting now that it
19 be recovered over five years, with the same carrying
20 charge, and also subject to audit.

21 And, I'll use that as my closing
22 statement.

23 CMSR. HARRINGTON: That was very
24 efficient. Is there anything else?

1 (No verbal response)

2 CMSR. HARRINGTON: Okay. Well, we can
3 dismiss the waitresses.

4 (Laughter.)

5 CMSR. HARRINGTON: And, we'll take this
6 under advisement and we'll make a decision. Thank you
7 very much.

8 MR. EPLER: Thank you.

9 **(Whereupon the hearing ended at 2:56**
10 **p.m.)**

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