

THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DG 13-086

NORTHERN UTILITIES, INC.

DIRECT TESTIMONY OF
GEORGE E. LONG, JR.

EXHIBIT GEL-1

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is George E. Long, Jr. My business address is 6 Liberty Lane West,
4 Hampton, NH 03842.

5 **Q. For whom do you work and in what capacity?**

6 A. I am the Vice President of Administration for Unitil Service Corp., “(Unitil
7 Service”), which provides centralized management and administrative services to
8 each of Unitil Corporation’s affiliates (the “Unitil Companies”). My primary
9 responsibilities are in the areas of Human Resources and Administration.

10 **Q. Please describe your business and educational background.**

11 A. I earned a Bachelor of Science degree from Rensselaer Polytechnic Institute with
12 a major in Management and a minor in Economics. I have managed Human
13 Resources functions since 1982, and have done so for the last 19 years at Unitil
14 Service.

15 **Q. Have you previously testified before this Commission or other regulatory**
16 **agencies?**

17 A. I have previously submitted direct testimony in several dockets before this
18 Commission, including NHPUC Docket No. DE 10-055, Unitil Energy System’s
19 (UES) 2010 Rate Case filing; NHPUC Docket No. DE 05-178, UES’s 2005 Rate

1 Case filing; and in NHPUC Docket No. DE 03-238, UES's 2003 Petition for
2 Deferral of Post-retirement Benefits Other than Pensions ("PBOP").

3 **II. SUMMARY OF TESTIMONY**

4 **Q. What is the purpose of your testimony?**

5 A. The purpose of my testimony is to: (a) provide an overview of Northern Utilities,
6 Inc. ("Northern Utilities") compensation and benefit programs; and (b) to sponsor
7 the pro forma adjustments made to the following items of O&M Expense.

- 8 • Payroll and Related Taxes
- 9 • Pension, 401(k) and PBOP
- 10 • Medical, Dental and Vision Insurance

11 **III. COMPENSATION PROGRAM**

12 **Q. Please explain the Unitil Companies' salary policy.**

13 A. The Unitil Companies' policy is to compensate employees at the median of the
14 marketplace for base pay and total compensation.

15 **Q. Did Northern Utilities perform a compensation study to justify the level of its**
16 **salaries and wages?**

17 A. Unitil Service performed a compensation study on behalf of Northern Utilities
18 and the Unitil Companies in 2009. The compensation study was developed with
19 the assistance of Towers Watson (formerly Towers Perrin), an internationally
20 recognized consulting firm in the area of employment compensation. The study

1 of the Unital Companies' salaries and benefits was undertaken for the express
2 purpose of comparing them to external markets. Towers Watson assisted in: a)
3 reviewing competitiveness of base salaries and salary ranges, b) reviewing and
4 recommending an appropriate and competitive cash incentive plan, c)
5 recommending changes to the executive plans, and d) evaluating and
6 recommending changes to all of the non-cash employee benefits plans.

7 **Q. On what sources did Towers Watson rely for its market compensation data?**

8 A. Towers Watson used published surveys from their own database as well as from
9 the Hay Group, Mercer, and Wyatt. Specific survey sources included: the
10 Towers Perrin Energy Services Executive Compensation Database, the Towers
11 Perrin Energy Services Middle Management and Professional Compensation
12 Database, the Hay Group Energy Services Compensation Report, the Wyatt Top
13 Management Compensation Survey, the Wyatt Middle Management
14 Compensation Survey, the Wyatt Supervisory Management Compensation
15 Survey, the Wyatt Professional Administration Personnel Survey, the Wyatt
16 Office Personnel Survey, the Mercer US Total Compensation Survey of the
17 Energy Sector, the Mercer US Executive Benchmark Database, the Mercer
18 Information Technology Compensation Survey, the Mercer Finance, Accounting
19 and Legal Compensation Survey, the Towers Perrin General Industry Executive
20 Compensation Database, and the Towers Perrin General Industry Middle
21 Management & Professional Compensation Database. In addition, Towers
22 Watson conducted a search of other utility proxy statements on file with the

1 Securities and Exchange Commission, to double-check the competitiveness of
2 certain positions.

3 **Q. Did Towers Watson recommend that the Unitil Companies adopt a**
4 **competitive position for its compensation and benefits policy?**

5 A. Yes. Towers Watson recommended that the Unitil Companies continue its policy
6 of paying at the median for base pay, total cash compensation, and total
7 compensation when compared to their database of utility companies. They also
8 concluded that median pay levels in New England are roughly equal to median
9 pay levels nationwide.

10 **Q. What was Towers Watson's conclusion about the competitiveness of the**
11 **Unitil Companies' pay structure?**

12 A. Towers Watson concluded that Unitil's pay structure was very close to the market
13 median for most job grades and for most positions. Some positions and some pay
14 grades were below market median, and Towers Watson made specific
15 recommendations for changes to these pay levels.

16 **Q. What actions have Northern Utilities and Unitil Service taken to implement**
17 **the recommendations of Towers Watson?**

18 A. Due to the recession, the Company postponed implementing any of the Towers
19 Watson recommendations in 2010; however, the Company began to implement
20 the recommendations in 2011. The Company has adjusted the pay range for
21 positions that were below the market median. Further, the Company has adjusted

1 the long term incentive compensation plan to position itself closer to the market.
2 The Company has also implemented changes in its benefits programs to increase
3 the amount that employees pay for their benefits, consistent with Towers
4 Watson's recommendations. In addition, the Company has closed its defined
5 benefit pension plan to new hires and now offer new employees an enhanced
6 401(k) Plan instead.

7 **Q. How are wages determined for union employees?**

8 A. Union wage rates are established periodically through the collective bargaining
9 process. Typically the Company obtains contracts from our neighboring utilities
10 in New England and calculates competitive wage rates for each union position.
11 This helps set fair and equitable wage rate goals in the collective bargaining
12 process to ensure that our union salaries attract and retain qualified union
13 employees. In 2009, Unitil Service performed a survey of hourly wage rates for
14 the Unitil companies compared to these other utilities. Northern Utilities' union
15 wages approximate the median in the market when compared to these contracts.
16 Union wages within the utility industry are increasing on average by 3% per year,
17 and this equates to our current annual wage increases in the Northern Utilities
18 contract.

1 **IV. BACKGROUND OF PENSION AND PBOP PLANS**

2 **Q. Please describe the current Pension and PBOP plans sponsored by the Unitil**
3 **Companies.**

4 A. The Unitil Companies sponsor the Unitil Corporation Retirement Plan (“Pension
5 Plan”) which provides monthly retirement income to employees who qualify for a
6 retirement benefit. The Pension Plan retirement benefits are based upon an
7 employee’s level of compensation and length of service. The Pension Plan
8 currently covers approximately 795 people, including 278 people who are
9 currently receiving benefits. The Pension Plan maintains an investment trust fund
10 for the management of the Plan’s assets and the funding of current and future
11 retiree pension benefits.

12 The Unitil Companies also sponsor a Plan for Postretirement Benefits Other than
13 Pensions (“PBOP Plan”), which provides a variety of health and welfare benefits
14 to approximately 456 employees and 313 retirees and their beneficiaries. For
15 postretirement benefits, the PBOP Plan provides health insurance benefits for
16 retirees and their spouses under age 65 under a Consumer Directed Health Plan
17 (CDHP), a Preferred Provider Organization plan (PPO), or an Exclusive Provider
18 Organization (EPO); a Medicare Supplement insurance plan for retirees and
19 spouses over age 65, partial reimbursement of Medicare premiums, and a modest
20 paid-up life insurance benefit for retirees. Widows and widowers of deceased
21 retirees are also covered by the health insurance benefits. The PBOP Plan

1 currently maintains two Voluntary Employee Benefit Trusts and a 401(h) Account
2 within the Pension Plan to fund covered benefits.

3 With a few exceptions the Pension and PBOP Plans of the Unitil Companies
4 cover union and non-union employees equally and the provisions of the plans and
5 the benefits provided under the plans apply to management and non-management
6 in the same way.

7 Effective January 1, 2010 for non-union employees and for the union employees
8 of both Northern Utilities' Maine division and Granite State Gas Transmission,
9 Inc. ("Granite State") the following changes were made to the PBOP Plan.

10 Employees in these groups who retire after January 1, 2010 now pay 20% of the
11 cost of their retiree medical benefits. This same change was made for the union
12 employees of Northern Utilities' New Hampshire division effective January 1,
13 2011, and for the union employees of Unitil Energy Systems, Inc. ("Unitil Energy
14 Systems") effective June 1, 2012. The 80% Company contribution level applies
15 to both the medical benefits before age 65 and the Medicare supplement benefits
16 after age 65. Further, employees hired after the applicable effective date of this
17 change will only be provided with company subsidized medical insurance until
18 they reach age 65, and will not be eligible to receive a Medicare supplement plan
19 after age 65.

1 **Q. How long has the Pension Plan been in place?**

2 A. The current Pension Plan is a consolidated retirement plan that resulted from the
3 merger of the Exeter & Hampton Electric Company Pension Plan, the Concord
4 Electric Company Pension Plan, the Fitchburg Gas and Electric Light Company
5 ("FG&E") Pension Plan, the FG&E - Brotherhood of Utility Workers of New
6 England, Inc. Local No. 340 Pension Plan, and the Unitil Corporation Retirement
7 Plan as adopted by Unitil Service Corp. The final merger of all these various
8 retirement plans occurred in 1998. The Plan was amended again in 2009
9 following the acquisition of Northern Utilities and Granite State.

10 The Pension Plan currently offers a defined pension benefit to all eligible
11 employees of the Unitil Companies, including the employees of Northern
12 Utilities. Certain predecessor plan benefits are grandfathered in accordance with
13 IRS regulations.

14 Over the last few years, the Company has amended the Retirement Plan to limit
15 the eligibility to current employees. The plan was closed to non-union employees
16 hired after January 1, 2010; to Northern Utilities – New Hampshire Division
17 union employees hired after January 1, 2011; to Northern Utilities – Maine
18 Division and Granite State union employees hired after April 1, 2012; and to
19 Unitil Energy Systems union employees hired after June 1, 2012. Although these
20 new hires are not eligible for any benefits from the defined benefit pension plan,
21 they will instead receive all of their pension benefits from an Enhanced 401(k)
22 plan.

1 Current employees affected by this change had a choice of continuing to
2 participate in the Pension Plan with no change to their benefit or to receive a
3 frozen benefit from the defined benefit plan and to receive all future benefit
4 accruals from the Enhanced 401(k).

5 **Q. How long has the PBOP Plan been in place?**

6 A. The Unital Companies have provided post-retirement health and welfare benefits
7 dating back to 1970 and earlier. The plan was amended in January 2010 and
8 again in January 2011 to expand coverage to Northern Utilities and Granite State
9 union employees, who previously were not eligible for any retiree medical
10 benefits or were provided a small subsidy toward the cost of these benefits.

11 **Q. Who oversees the investment of the Pension and PBOP trust funds?**

12 A. Oversight and monitoring of the investments of the trust funds is ultimately the
13 responsibility of the Unital Corporation Retirement Plan Committee (the
14 "Committee"), which is appointed annually by the Unital Corporation Board of
15 Directors, in conformance with the Employee Retirement Income Security Act
16 ("ERISA"). This Committee currently consists of four members: two outside
17 Board members, and two officers of Unital Service, the Chief Financial Officer,
18 and the Vice President, Administration. The Committee relies on the advice of
19 investment managers to determine appropriate and prudent investment strategies
20 in compliance with the regulatory and prudence guidelines of ERISA. The
21 Committee also relies on the advice of its actuaries, attorneys, accountants and
22 other consultants to develop the key assumptions used by Unital Corporation's

1 actuaries to value the Plan's assets and liabilities and determine the annual
2 pension expense, cash funding and other accounting disclosures as required by
3 U.S. GAAP, and by the rules and regulations of the Securities and Exchange
4 Commission, Department of Labor, Internal Revenue Service and other
5 regulatory agencies.

6 **V. PENSION, PBOP AND 401(K) COSTS**

7 **Q. How were the pro forma costs determined for the Pension, PBOP and**
8 **401(k)?**

9 **A.** The Pension and PBOP pro forma costs are calculated by the Company's actuary.
10 These costs are based on numerous updated factors including assumptions about
11 the expected return on plan assets, actual employee demographics, future
12 compensation, health care cost trends and appropriate discounts rates. The 401(k)
13 pro forma costs were determined by multiplying the test year 401(k) expense by
14 the 2013 average pay rate increase. The resulting pro forma costs for Pension,
15 PBOP and 401(k) were then reduced by the amounts chargeable to construction to
16 determine the pro forma O&M expense. The test year O&M Pension, PBOP and
17 401(k) cost was then deducted to derive the O&M Pension, PBOP and 401(k)
18 adjustment of \$62,341, as reflected on Schedule RevReq 3-12.

1 **Q. Please describe the adjustment to the Until Service Pension, PBOP and**
2 **401(k).**

3 **A.** The Until Service cost for Pension, PBOP and 401(k) are determined in a similar
4 manner as the adjustment to Northern Utilities' Pension, PBOP and 401(k); the
5 actuary calculates the pro forma costs for the Pension and PBOP plans, and the
6 401(k) is calculated as the test year expense multiplied by the 2013 average pay
7 rate increase. These costs are then apportioned among the client companies of
8 Until Service on the basis of each affiliate's pro-rata portion of the total Until
9 Service outside services charges from the preceding year. During the test year,
10 the percentage of Until Service outside services charges billed to Northern
11 Utilities was 36.36 percent. Northern Utilities' share of the Until Service costs
12 were then apportioned between the Maine and New Hampshire divisions to
13 determine the total pro forma Pension, PBOP and 401(k) costs. The pro forma
14 costs were reduced by the amount chargeable to capital to derive the pro formed
15 O&M Pension, PBOP and 401(k) of \$677,330. The test year O&M Pension,
16 PBOP and 401(k) was then deducted to derive the O&M Pension, PBOP and
17 401(k) increase of \$72,780. See Schedule RevReq 3-12.

18 **Q. What is the total proposed adjustment for Pension, PBOP and 401(k)**
19 **expense?**

20 **A.** The total Pension, PBOP and 401(k) adjustment is \$135,121. See Schedule
21 RevReq 3-12.

1 **VI. PAYROLL AND RELATED TAXES**

2 **Q. As presented in the pro forma adjustment of O&M expenses, what does**
3 **payroll consist of?**

4 A. Payroll consists of base pay, incentive pay, overtime pay, and callout pay. For
5 purposes of the pro forma adjustment, payroll does not include payments to
6 employees for Northern Utilities' wellness benefit, medical opt-out payouts and
7 service awards.

8 **Q. Why did you exclude those elements from the adjustment to payroll?**

9 A. Although those elements of payroll are processed through payroll because they
10 are subject to withholding taxes, they are not, however, subject to the annual pay
11 rate increases, and thus are excluded from the payroll adjustment.

12 **Q. What adjustment was made to payroll?**

13 A. The payroll adjustment is \$373,157, as reflected on Schedule RevReq 3-8, Page 1.
14 This amount adjusts the test year payroll charged to O&M Expense for the
15 following:

- 16 1. Annualization of three new positions added to staff in compliance with
17 the Show Cause Proceeding in NHPUC Docket No. DG 11-196 into
18 emergency response standards;
19 2. Annualization of the pay rate increases for the union employees that
20 occurred during calendar year 2012; and

1 3. The effect of pay rate increases that occurred on January 1, 2013 for
2 nonunion employees and that will occur on June 6, 2013 for union
3 employees.

4 These adjustments have been made to the payroll for both Northern Utilities and
5 Unitil Service, as applicable.

6 **Q. Please describe the adjustment to Northern Utilities' payroll.**

7 A. The first step was to annualize the effect of adding three new positions to staff.
8 This was done by taking the actual test year earnings for these employees and
9 dividing it by 20, the number of weeks during the test year for which they were
10 paid by Northern, and then multiplying it by 52 weeks. The difference between
11 the annualized earnings and actual earnings were added to the test period union
12 payroll costs.

13 Next, the effect of the 2012 pay rate increases that occurred during the test year
14 was annualized. On June 3, 2012, the union employees received an average 3.88
15 percent pay rate increase, seven months of which are included in the test year. To
16 annualize the effect of the union rate increase, the 3.88 percent increase was
17 applied to the year to date ("YTD") June 2, 2012 union payroll. The associated
18 incremental payroll cost was added to the test period union payroll costs.

19 The next step is to pro form the test year payroll to reflect the pay rate increases to
20 be experienced within the rate year. On January 1, 2013, non-union employees
21 received a 3.3 percent increase. On June 2, 2013 the union employees will

1 receive an average increase of 3.83 percent pursuant to their contract. To pro
2 form for the effect of these increases, the annualized 2012 payroll costs for each
3 employee group were multiplied by their respective 2013 percentage increases.
4 The incremental payroll cost for 2013 was added to the annualized 2012 costs to
5 determine the total Test Year payroll costs, as pro formed for ratemaking
6 purposes.

7 The pro formed payroll costs were reduced by the amount chargeable to capital of
8 \$1,474,403 to derive the pro formed O&M payroll of \$2,149,159. The test year
9 O&M payroll was then deducted to derive the O&M payroll increase of
10 \$303,985. See Schedule RevReq 3-8, page 1, line 10, column (6).

11 **Q. Please describe the adjustment to the Unitil Service payroll.**

12 A. The adjustment to the Unitil Service payroll was prepared in a similar manner as
13 the adjustment to the Northern Utilities non-union payroll. The first step was to
14 identify the payroll costs included in the monthly charges for outside services
15 provided by Unitil Service to Northern Utilities. These costs were then adjusted
16 to reflect the 2013 allocation for Northern Utilities' O&M costs and to better
17 align how Unitil Service Payroll will be allocated to the two Northern divisions
18 during 2013. The next step was to reflect the effect of the 2013 increase of 4.09
19 percent that occurred on January 1, 2013 for Unitil Service employees. The
20 increase percentage was applied to the twelve month period ended December 31,
21 2012, and the resulting incremental payroll cost was added to the payroll for the
22 test year to determine the total test year payroll, pro formed for ratemaking

1 purposes. The pro formed payroll costs were reduced by the amount chargeable to
2 capital to derive the pro formed O&M payroll of \$2,452,257. The test year O&M
3 payroll was then deducted to derive the O&M payroll increase of \$69,172. See
4 Schedule RevReq 3-8, page 1, line 10, column (7).

5 **Q. Have you prepared a payroll tax adjustment?**

6 A. Yes, as shown on Schedule RevReq 3-24, an adjustment was prepared to pro
7 form the amount of the Social Security and Medicare taxes related to the payroll
8 adjustments described above.

9 **Q. Please describe how the payroll tax adjustment was calculated.**

10 A. Currently the amount of 2013 earnings subject to Social Security taxes is limited
11 to \$113,700. The Medicare tax applies to all earnings without any limit. A
12 review of the test year payroll indicated that five Northern Utilities and 34 Unitil
13 Service employees' earnings exceeded the limit subject to Social Security. Thus,
14 the payroll tax adjustment excludes the effect of the salary increase on the payroll
15 that exceeds the 2013 Social Security tax limit. To determine the additional
16 Social Security tax, the payroll was first calculated for those employees who
17 exceed the Social Security maximum after pro forming for the payroll rate
18 increases. Next, the portion of the pro formed payroll rate increase of these
19 employees that exceeded the Social Security maximum was calculated. Finally,
20 the O&M portion of those amounts was calculated and subtracted from the total
21 O&M payroll increase of \$373,157. The resulting amount was multiplied by the
22 Social Security tax rate of 6.2 percent, deriving the additional Social Security tax

1 amount of \$20,087. To determine the additional Medicare tax, the total O&M
2 payroll increase of \$373,157 was multiplied by the Medicare tax rate of 1.45
3 percent, resulting in the additional Medicare tax of \$5,411. The total of
4 additional Social Security and Medicare taxes is \$25,497, as shown on Schedule
5 RevReq 3-24.

6 **VII. MUTUAL AID**

7 **Q. Have you calculated a labor adjustment related to the mutual aid provided**
8 **to other utility companies following Hurricane Sandy?**

9 A. Yes, a labor adjustment has been calculated. Northern Utilities sent a total of
10 nine employees to neighboring utilities over an approximate 6-week period from
11 November 1 – December 14, 2012 to assist with restoration efforts. During this
12 period, while these employees were providing mutual aid, they were not charging
13 their time to the Company for normal duties and thus, the test year does not
14 reflect normal labor expense levels.

15 **Q. Please describe how the labor adjustment for mutual aid was calculated.**

16 A. The pay adjustment is based on eight hours for each day each employee was
17 deployed for mutual aid times the employee's base pay rate. Added to this
18 amount is representative overtime for each employee based on the same period in
19 2011 corresponding to the weeks of deployment for mutual aid. For deployed
20 employees who were hired in 2012 and had no work history in 2011, the
21 adjustment for overtime is based on representative overtime worked by each

1 employee in the six-week period prior to Hurricane Sandy. Added to the base
2 pay and overtime pay are overheads equal to 50% for the supervisor and 74% for
3 the technicians. The resulting totals were then reduced by an amount chargeable
4 to capital to derive a labor adjustment for mutual aid of \$41,128 as shown on
5 Schedule RevReq 3-9.

6 **VIII. MEDICAL, DENTAL AND VISION INSURANCE**

7 **Q. What is the purpose of the Medical, Dental and Vision Insurance**
8 **adjustment?**

9 A. The Medical, Dental and Vision Insurance adjustment, as developed on Schedule
10 RevReq 3-11, was prepared to pro form for changes in insurance rates effective
11 January 1, 2013 and to reflect the current divisional allocators and capitalization
12 rates.

13 These adjustments have been made to the Medical, Dental and Vision Insurance
14 for both Northern Utilities and Unitil Service.

15 **Q. What steps has Northern Utilities taken to contain the increases in its**
16 **Medical Insurance expense?**

17 A. Northern Utilities has taken several steps to contain these costs:
18 • Unitil frequently compares the coverage and cost of its insurance programs to
19 market alternatives. This review is conducted for Northern Utilities
20 individually and as part of the Unitil Companies, to ensure that the value for

1 the cost of insurance is maintained, and that costs are contained as much as
2 feasible.

- 3 • On January 1, 2007, Unitil introduced as an option the Consumer Directed
4 Health Plan ("CDHP") for its non-union employees. Consumer-directed
5 health plans have two parts: a high deductible health insurance plan, and a
6 health savings account ("HSA") funded with pre-tax dollars for out-of-pocket
7 medical expenses. The deductible is \$1,500 for individual coverage and
8 \$3,000 for two-person or family coverage. The premiums for the CDHP have
9 been significantly lower than the premiums for Unitil's other plans that are
10 offered to employees.
- 11 • Effective January 1, 2010, the CDHP became the single health plan offering
12 for its non-union employees.
- 13 • Effective January 1, 2010, the CDHP was offered as an option to the Northern
14 Utilities – Maine Division union employees.
- 15 • Effective January 1, 2011, the CDHP was offered as an option to the Northern
16 Utilities – New Hampshire Division union employees.
- 17 • Effective January 1, 2011, a coinsurance feature of 10% was added to the
18 CDHP for non-union employees. Coinsurance is the percentage of allowed
19 charges for which the member is responsible after the deductible is satisfied.
20 In addition, the Company increased the stop-loss limit on claims from
21 \$125,000 to \$200,000. Together, these changes resulted in no increase in
22 premiums for 2011.

- Effective April 1, 2012, the CDHP became the single health plan offering for new union employees of Northern Utilities – Maine Division and for new union employees of Granite State hired after April 1, 2012. Union employees hired in these companies before April 1, 2012 continue to have a choice of either the CDHP or the Exclusive Provider Organization (“EPO”) medical plans.

Q. Please briefly provide some information about the current plans relevant to this adjustment.

A. Currently Unitil offers group medical coverage to its employees through Health Plans, Inc., a subsidiary of Harvard Pilgrim Health Care, group dental coverage through Northeast Delta Dental, and group vision coverage through VSP, Inc. Non-union employees receive medical coverage through the CDHP while union employees receive medical coverage through an EPO plan. The working rates used to develop the pro forma costs are based on the rates that are effective January 1, 2013. The rates were developed by underwriters at the respective insurance companies and are based on the Unitil Companies’ historical claims experience and insurance industry trend analysis.

Northern Utilities pays 80 percent of the cost of the working rates and the employees pay 20 percent of the working rates. In addition, Northern Utilities contributes one third of the deductible to the employees’ HSA.

1 **Q. Please describe the adjustment to Northern Utilities Medical, Dental and**
2 **Vision Insurance.**

3 A. An employee participant count was developed for each plan by type of coverage,
4 (i.e., individual, two person, or family). This employee participant count
5 excluded employees who chose to opt-out of the medical plan. The 2013 rates
6 were applied to the employee participant counts to derive the annual costs related
7 to the plans. Added to these costs were amounts to reflect the company
8 contributions to the employees' HSAs and payments to employees who choose to
9 opt out of the medical plan. In addition, the Medical, Dental and Vision
10 insurance costs were reduced by 20 percent, the amount that all employees
11 contribute toward the cost of their coverage. The Medical, Dental and Vision
12 costs were further reduced by the amounts chargeable to capital to determine
13 annualized Medical, Dental and Vision Insurance O&M expense for the test year.

14 The total Medical, Dental and Vision Insurance O&M expense for 2013 is
15 \$242,971. This amount was compared to the test year Medical, Dental and
16 Vision Insurance O&M expense to derive the 2013 adjustment of \$84,185. See
17 Schedule RevReq 3-11, column 3.

18 **Q. Please explain the adjustment for the Medical, Dental and Vision Insurance**
19 **included in the Unutil Service charge.**

20 A. The employees of Unutil Service are covered under the same medical, dental and
21 vision plans as the non-union employees of Northern Utilities. The costs are
22 allocated among the client companies of Unutil Service on the basis of outside

1 service charges. Accordingly, the adjustment for the Medical, Dental and Vision
2 Insurance included in the Unitil Service charge was calculated in an identical
3 manner as the non-union Northern Utilities component of the adjustment, except
4 for this allocation process. To pro form the effect of the 2013 working rates, a
5 Unitil Service employee participant count was developed. The employee
6 participant count excluded employees who chose to opt out of the medical plan.
7 Next the working rates were applied to this employee participant count to derive
8 the annual cost related to the plans. Added to these costs were amounts to reflect
9 the company's contributions to the employees' HSAs and payments to employees
10 who chose to opt out of the medical plan. Subtracted from these costs were
11 amounts that Unitil Service employees contribute toward the cost of their
12 coverage which resulted in the total pro formed 2013 Medical, Dental and Vision
13 Insurance cost. During the test year, the percentage of Unitil Service outside
14 service charges billed to Northern Utilities' was 36.36 percent. Northern
15 Utilities' share of the Unitil Service costs were then allocated to the New
16 Hampshire division based on an O&M allocation factor of 46.49 percent. The
17 resulting allocated amounts were reduced by the amounts chargeable to capital to
18 determine the Pro Forma O&M expense. This result was compared to the test
19 year O&M expense to derive the adjustment of (\$9,919). See Schedule RevReq 3-
20 11, column 4.

1 **Q. What is the total Medical, Dental and Vision Insurance adjustment that you**
2 **propose?**

3 **A. The total Medical, Dental and Vision Insurance adjustment is \$74,266. See**
4 **Schedule RevReq 3-11, column 2.**

5 **IX. CONCLUSION**

6 **Q. Does this conclude your testimony?**

7 **A. Yes, it does.**