

1                                   **STATE OF NEW HAMPSHIRE**  
2                                   **PUBLIC UTILITIES COMMISSION**

3       **May 9, 2023** - 1:32 p.m.  
4       21 South Fruit Street  
5       Suite 10  
6       Concord, NH

**DAY 2**

7  
8                   **RE: DE 23-014**  
9                   **UNITIL ENERGY SYSTEMS, INC.:**  
10                  Petition for Approval of Step  
11                  Adjustment Filing.

12       **PRESENT:**   Cmsr. Pradip K. Chattopadhyay, *Presiding*  
13                      Cmsr. Carleton B. Simpson  
14                      Alexander Speidel, Esq./*PUC Legal Advisor*  
15                      Doreen Borden, Clerk

16       **APPEARANCES:**   **Reptg. Unitil Energy Systems, Inc.:**  
17                      Patrick H. Taylor, Esq.  
18                      **Reptg. New Hampshire Dept. of Energy:**  
19                      Paul B. Dexter, Esq.  
20                      Molly M. Lynch, Esq.  
21                      Jay Dudley, Electric Group  
22                      *(Regulatory Support Division)*

23                   Court Reporter:   Steven E. Patnaude, LCR No. 52  
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                  **(Resumed)**               **CHRISTOPHER GOULDING**  
  **DANIEL NAWAZELSKI**

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
8	<b>RECORD REQUEST 1-1</b> (as noted in the Procedural Order of <b>April 21, 2023</b> ): [Refer to Exhibit 6 Schedule CGKS-3] UES is requested to perform the following steps and provide the responses in live Excel format... <b>(Refer to the Procedural Order)</b>	premarked
9	<b>RECORD REQUEST 1-2</b> (as noted in the Procedural Order of <b>April 21, 2023</b> ): [Refer to Exhibit 6 Schedule CGKS-3] UES is requested to perform the following steps and provide the responses in live Excel format in separate tabs labeled by the record request sub-numbers 1-2 (a) and 1-2 (b)... <b>(Refer to the Procedural Order)</b>	premarked

**P R O C E E D I N G**

CMSR. CHATTOPADHYAY: Good afternoon.

I am Commissioner Pradip Chattopadhyay, and I will be presiding over today's continued proceeding. I'm joined today by Commissioner Simpson. Chairman Goldner is unavailable.

We are here this afternoon in Docket DE 23-014 for the second day of hearing regarding the Petition by Unitil Energy Systems, or UES, for approval of its 2023 Step Adjustment filing.

Having reviewed the transcript for the April 20th Day 1 hearing, we see that there remains a need for redirect by the Company. The Commission would also like to ask additional Bench questions regarding the Company's responses to our record requests, and related matters, with the responses having hearing exhibit numbers "8" and "9" reserved.

So, we suggest, after taking appearances, and having the Company's witness panel resworn, we commence with Commissioner questions, followed by Company redirect.

We will also have some questions for the DOE. We do understand that the DOE does not

1           plan to make available any witness, based on the  
2           first day's proceedings. So, that is today.

3                       Are there any issues with that  
4           approach?

5                       MR. TAYLOR: No, Commissioners. I  
6           think that makes sense.

7                       CMSR. CHATTOPADHYAY: Okay. So, we  
8           don't have a depreciation expert, right?

9                       MR. TAYLOR: Well, if I can address  
10          that?

11                      CMSR. CHATTOPADHYAY: Yes.

12                      MR. TAYLOR: So, when the Commission  
13          issued its procedural order with record requests,  
14          it requested that the Company bring an internal  
15          depreciation expert, and I believe specifically  
16          used the word "internal". And I wanted to  
17          address, I guess, the concept of a "depreciation  
18          expert", as the Company typically uses that term.  
19          In the context of a full rate case, when the  
20          Company presents its case to the Commission, it  
21          will engage the services of an external  
22          depreciation witness. And that witness will  
23          prepare or do a depreciation study of the  
24          Company's assets, which will include all of the

1 things that I can't really pretend to understand  
2 how they're calculated, you know, various curves,  
3 and net salvage and the like. And that all goes  
4 into our rate case.

5 But that is not an "internal" person.  
6 And we don't have anyone on staff that does that  
7 sort of work, because that sort of work is  
8 something that is just done externally every few  
9 years.

10 And, so, for the purposes of a  
11 so-called "depreciation expert", I will say, in  
12 the first instance, even though Mr. Goulding, Mr.  
13 Nawazelski, and Mr. Sprague are not themselves  
14 depreciation experts, Mr. Goulding and Mr.  
15 Nawazelski are subject matter experts, who can  
16 speak to depreciation rates, depreciation  
17 expense, as that's included in the calculation of  
18 revenue requirements.

19 We've also brought with us today Dan  
20 Hurstak, Daniel Hurstak. Mr. Hurstak is our  
21 Senior Vice President, Chief Financial Officer,  
22 and Treasurer. And Mr. Hurstak, again, is not a  
23 "depreciation expert" in the sense that I've  
24 described, you know, the sort of expert that we

1       would retain for a rate case.   However, Mr.  
2       Hurstak can speak to matters of depreciation  
3       within the accounting context.   And, so, that's  
4       who we've brought today.

5               I wasn't going to offer to put Mr.  
6       Hurstak on the stand, he doesn't have testimony  
7       in this case.   But he is here today.   If the  
8       Commission wanted us to put him on the stand, we  
9       could have him sworn in.   But he is available, to  
10      the extent that he can answer any questions that  
11      you might have, within the realm of his  
12      expertise.

13               *[Cmsr. Chattopadhyay and Cmsr. Simpson*  
14               *conferring.]*

15              CMSR. CHATTOPADHYAY:   Thank you for the  
16      explanation.   I think we will just stick with  
17      this panel and proceed.

18              MR. TAYLOR:   Very good.   Thank you.

19              CMSR. CHATTOPADHYAY:   Yes.   So, let's  
20      take appearances.   You already talked.   Do I need  
21      to do it?   It's already -- this is a second day.

22              CMSR. SIMPSON:   Uh-huh.

23              CMSR. CHATTOPADHYAY:   So, asking  
24      please -- no, I'm talking about the attorneys?

1 MR. TAYLOR: Patrick Taylor, appearing  
2 as counsel on behalf of Unitil Energy Systems,  
3 Inc.

4 CMSR. CHATTOPADHYAY: And I'm just  
5 following my script here, okay. Go ahead, DOE.

6 MR. DEXTER: Good afternoon,  
7 Commissioners. Paul Dexter and Molly Lynch,  
8 appearing on behalf of the Department of Energy.

9 CMSR. CHATTOPADHYAY: Thank you.

10 So, I'll go to the Commissioner  
11 questions directly. So, I'll start with  
12 Commissioner Simpson.

13 CMSR. SIMPSON: Thank you, Commissioner  
14 Chattopadhyay.

15 MR. PATNAUDE: Do you want me to swear  
16 them in?

17 CMSR. SIMPSON: Okay. Yes, we can  
18 swear them in again. I thought they were still  
19 under oath, but let's do it.

20 CMSR. CHATTOPADHYAY: I was going to  
21 go there, and he suggested there's no need to.  
22 So, I didn't. But, if that is required, we  
23 will swear in the witnesses again. Please do,  
24 Steve.



[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1                   (Whereupon **KEVIN SPRAGUE, CHRISTOPHER**  
2                   **GOULDING, and DANIEL NAWAZELSKI** were  
3                   recalled to the stand and duly sworn by  
4                   the Court Reporter.)

5                   CMSR. CHATTOPADHYAY: Thank you.

6                   Please go ahead, yes.

7                   CMSR. SIMPSON: So, really just want to  
8                   take it up to a higher level.

9                   BY CMSR. SIMPSON:

10          Q       For the record, I looked at your record request  
11                   response, appreciate that, appreciate the  
12                   narrative that was added as well.

13                   I noted that the Commission had  
14                   referenced DE 22-026, that was the first step  
15                   that resulted from the Company's rate case in  
16                   21-030. For the record, I went back and looked  
17                   at the transcript to try to avoid repetition of  
18                   some questions. And, upon looking at that  
19                   transcript, it was quite extensive, that there  
20                   was some discussion a year or so ago, when I was  
21                   not participating in that case, about some issues  
22                   that we'll probably talk about today. But, just  
23                   for the record, I did go back and look at that  
24                   transcript. And I also went back and looked at

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 the order for 21-030. So, I offer that as  
2 reference.

3 You know, clearly, the Commission's  
4 questions, and maybe misunderstanding, has  
5 resulted from the categorization of net plant in  
6 service associated with growth versus non-growth  
7 investment. I mean, that's where I think some of  
8 the questions have come about.

9 And the Commission's order that came  
10 out from the rate case, Order 26,623, at Page 25,  
11 noted that "The Company should subtract the  
12 actual Growth Net Plant figure from the Total  
13 Change in Net Plant figure to calculate the  
14 actual Change in Non-Growth Net Plant figure."  
15 Is that your understanding as well?

16 A (Goulding) Yes.

17 Q And then, upon looking at the transcript from  
18 Step 1, there was a lot of discussion about that  
19 provision. Do you recall that?

20 I know the three of you were witnesses  
21 at the time as well.

22 A (Goulding) Yes.

23 Q And, perhaps, just briefly, could you reiterate  
24 the Company's concern with that provision that

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 came out of the order from the rate case?

2 A (Goulding) Well, we believe we did the  
3 calculation consistent with the order that came  
4 out of the rate case, by assigning the --  
5 reducing the net plant or the change in net plant  
6 by the growth net plant. The disagreement  
7 revolves around depreciation expense, and how  
8 that's applied to the growth additions for the  
9 year.

10 So, the Company has looked at what the  
11 growth additions are for the year, and has  
12 reduced it by the percentage of depreciation  
13 expense that would be applicable to growth  
14 investments. And, historically, the growth  
15 investments have always been roughly 20 percent  
16 of all of our additions. I think we provided a  
17 response in that docket that showed the past ten  
18 years, and it was somewhere in the range of 20  
19 percent growth/80 percent non-growth. So, in  
20 theory, your depreciation expense, assuming  
21 depreciation rates are consistent for growth and  
22 non-growth, would mean that 20 percent of your  
23 depreciation expense would be applicable to  
24 growth, and 80 percent to non-growth.

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 Q At the time when the Commission issued an order  
2 in 21-030, did you consider filing a Motion for  
3 Rehearing on that provision?

4 MR. TAYLOR: Commissioner? So, with  
5 respect to that provision, or that part of the  
6 order, the Company filed a Motion for  
7 Clarification.

8 CMSR. SIMPSON: Uh-huh.

9 MR. TAYLOR: And I'd have to go back to  
10 see if we styled it as a "Motion for Clarity"  
11 and/or a "Rehearing".

12 CMSR. SIMPSON: It was a --

13 MR. TAYLOR: I'm not sure if we styled  
14 it as both.

15 CMSR. SIMPSON: Yes.

16 MR. TAYLOR: But, when we read that  
17 portion of it, and then read back to -- then  
18 looked back at the transcript, I think, when we  
19 read that, we thought that perhaps it was an  
20 error in the way that it had been included in the  
21 order, as opposed to something that was included  
22 by design. And, so, we filed the Motion for  
23 Clarification. And I think that we explained our  
24 reasoning within the motion, and I think we

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 referenced back to the transcript.

2 And the way that played out  
3 procedurally was, we had the hearing that you are  
4 now referencing in the transcript.

5 CMSR. SIMPSON: The Step 1?

6 MR. TAYLOR: Right.

7 CMSR. SIMPSON: Uh-huh.

8 MR. TAYLOR: And the Commission issued  
9 its order on that step, and I'm going to  
10 paraphrase, because I don't have the order in  
11 front of me, but accepted the method proposed by  
12 the Settling Parties, without, I guess, approving  
13 it for the next step. And, at the same time, I  
14 believe even on the same day, issued an order on  
15 the Motion for Clarification, saying that the  
16 Company's motion was "moot".

17 And, so, we did try to address this  
18 provision. But, I guess, the question -- from  
19 our perspective, the issue of whether it was  
20 intended or not intended, whether it needed to  
21 be clarified or not, was ultimately never  
22 resolved, --

23 CMSR. SIMPSON: Uh-huh.

24 MR. TAYLOR: -- because the Commission

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1       made a ruling in the step adjustment case, and  
2       then deemed the motion moot.

3               So, I'm offering that as just a  
4       procedural history.

5               CMSR. SIMPSON: Thank you. And I think  
6       there's complexity here. And it took several  
7       proceedings and hearings to enable the Commission  
8       and the Company, the parties to understand the  
9       full dimension of the issue.

10   BY CMSR. SIMPSON:

11   Q     And I think that it's clear, at least for me at  
12       this time, I think I understand that, or I should  
13       ask for, first, to confirm whether, really,  
14       Mr. Goulding stated that this methodology that's  
15       being employed by the Company, in his opinion,  
16       "conforms to the Settlement Agreement", and the  
17       order that the Commission issued approving the  
18       Settlement, even with the change, in terms of  
19       characterizing growth versus non-growth, correct?

20   A     (Goulding) Yes.

21   Q     So, it's really methodology that we're talking  
22       about here, differences in application of  
23       methodologies, in order to achieve compliance  
24       with what the Commission ordered in approving the

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 last rate case, correct?

2 Let me rephrase for you. Can you  
3 envision multiple ways that the Company could  
4 have conformed to the order that the Commission  
5 issued in 21-030?

6 A (Goulding) There is other ways that you can  
7 conform with it, but they would be inconsistent  
8 with what the Settling Parties agreed to as part  
9 of the Settlement that was eventually -- or, was  
10 presented and approved, in part.

11 Q And that -- and that inconsistency would be  
12 characterization of depreciation, cost of  
13 removal, and --

14 A (Goulding) No -- well, it's inconsistency based  
15 on the conversations we've had during following  
16 step hearings, and interpretation of how the  
17 Commission views the depreciation expense should  
18 be applied within the calculation.

19 Q Okay. So, you believe that was a negotiated  
20 issue?

21 A (Goulding) The step increase calculation was a  
22 negotiated issue, which was the change in net  
23 plant methodology, which was consistent with how  
24 it had been previously done. So, we had in

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1       expectation -- or, no thoughts that, when we read  
2       the Settlement, that we were doing it  
3       inconsistent with the language. We were just --  
4       our view was that the Commission was looking for  
5       it to be broken out differently, to kind of show  
6       the growth/non-growth net plant, so, it's easier  
7       to identify. So, you're addressing the  
8       retirement aspect, you're addressing the cost of  
9       removal aspect.

10    Q     And was that opinion reaffirmed in the process of  
11       the Commission approving Step 2? Or accepting  
12       Step 2?

13    A     (Goulding) Accepting Step 1.

14    Q     Step 1, excuse me.

15    A     (Goulding) Yes.

16    Q     Okay. And, in that order wherein the Commission  
17       approved Step 1, it was noted that there would be  
18       an investigation into step adjustments, and that  
19       all the utilities, not just electric, would be  
20       brought together, and there would be a forum for  
21       a learning exercise, with the Commission,  
22       Commission Staff, utilities, public stakeholders,  
23       to better understand methodologies that could be  
24       employed to facilitate step adjustments?



[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 A (Goulding) Yes. There was an investigatory  
2 docket opened to review the different step  
3 methodologies that are employed throughout the  
4 State of New Hampshire.

5 Q Uh-huh. And that investigation remains ongoing,  
6 correct?

7 A (Goulding) Yes.

8 Q That's your understanding as well, mine, too.  
9 So, that guidance hasn't come out yet?

10 A (Goulding) We had a tech session earlier today.  
11 But it sounds like it's an investigatory docket.  
12 So, there's not necessarily going to be any  
13 Commission-directed guidance.

14 Q Uh-huh.

15 A (Goulding) It's just more of a collaborative  
16 process to discuss step adjustments in New  
17 Hampshire.

18 Q Yes. And that aligns with my understanding as  
19 well.

20 So, you believe that what you've  
21 petitioned for today conforms with what the  
22 Commission approved in the rate case?

23 A (Goulding) Based on our understanding of the  
24 calculation, and how the net plant calculation

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 works, and the underlying gives-and-takes in the  
2 Settlement Agreement throughout the negotiation  
3 process, yes.

4 CMSR. SIMPSON: Okay. And then, if I  
5 may ask the Department, do you agree that what  
6 the Company has asked for today for the  
7 Commission to approve conforms with the spirit of  
8 the Settlement Agreement and the terms of the  
9 order issued in 21-030, Order 26,623?

10 MR. DEXTER: Yes, Commissioner.  
11 Calculationwise, yes. I haven't presented my  
12 closing argument yet.

13 CMSR. SIMPSON: Uh-huh.

14 MR. DEXTER: I have some suggestions on  
15 the calculation of the proposed step.

16 But, as to the issues that you're  
17 talking about, yes, we agree.

18 CMSR. CHATTOPADHYAY: Okay. All right.

19 And then, the last thing I really  
20 wanted to ask about was, in Hearing Exhibit 8,  
21 which are your responses to Request 1.1 -- 1-1.

22 In the first section, the Company  
23 raises a question with respect to an  
24 "unconstitutional taking".

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1                   And I know none of you are an attorney.  
2           So, I would invite Attorney Taylor to weigh in,  
3           if he has any thoughts on that. Just explain  
4           what the Company was trying to communicate with  
5           that response?

6                   MR. TAYLOR: And, if you'll forgive, --

7                   CMSR. SIMPSON: Hearing Exhibit 8,  
8           Page 2, at the bottom of -- it's at the very top  
9           of the page, that partial paragraph, it's the  
10          last sentence.

11                  MR. TAYLOR: I think what we were  
12          trying to communicate here is that the Company  
13          had entered into a, I would say, vigorously  
14          negotiated Settlement Agreement. And that -- I  
15          mean, it took place over, in my recollection, I  
16          want to say "11 days". So, it was something  
17          where it was a very, very comprehensive process,  
18          that involved, I would say, a significant amount  
19          of compromise by the Company, and by the other  
20          parties, I don't want to give short shrift to  
21          what the other companies -- what the other  
22          parties did. And it wasn't just the Department  
23          of Energy and the Consumer Advocate. There were  
24          a number of parties in that case. So, we worked

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1           very hard to come up with something.

2                       And, as part of that, the Company had  
3           sought step increases. And, in doing so, had  
4           bargained away various other things, and included  
5           in the Settlement was a "stay-out" provision that  
6           the Company perhaps, and I'm speaking sort of  
7           hypothetically here, the Company may not have  
8           entered into, had the step adjustment calculation  
9           been different or been not consistent with what  
10          the Settling Parties had actually agreed to.  
11          And, so, the Company would have found itself in a  
12          position where now it had -- it had agreed to a  
13          stay-out to perhaps longer than when it could  
14          have come in, but now is in a position where it  
15          was not going to be earning through a step  
16          adjustment what it had envisioned through its  
17          bargaining process.

18                      And, so, that, in my opinion, raises  
19          the potential for an unconstitutional taking, if  
20          the Company were to be held to a stay-out  
21          provision, but it was under-earning as a result  
22          of a step adjustment that was no longer  
23          consistent with what it had bargained for in the  
24          process.

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1                   So, I think that's what we were trying  
2                   to communicate there.

3                   And I'll note, it says "the potential  
4                   for an unconstitutional taking", not that it  
5                   "would be an unconstitutional taking".

6                   CMSR. SIMPSON: That's a lawyer  
7                   speaking.

8                   Okay. Thank you for that. I don't  
9                   think I have any further questions at this point,  
10                  Commissioner Chattopadhyay. Thank you.

11                  CMSR. CHATTOPADHYAY: Thank you. So, I  
12                  want to go to Mr. Nawazelski.

13 BY CMSR. CHATTOPADHYAY:

14 Q       You did not join the response to the record  
15       request propounded on -- propounded as  
16       "Exhibit 8" and "9". But, hopefully, you  
17       remember that, in the first day's hearing, you  
18       had indicated that the revenue requirement for  
19       non-growth investment with the incremental 10  
20       million growth example -- growth investment  
21       example, it was, I think I have it in the  
22       transcript, it's -- you said "\$1,256,877", okay.

23                  Perhaps it wasn't clear from my  
24       question that I was requesting the dollar amount

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 on the revenue requirement associated with the  
2 non-growth investment, and not the revenue  
3 requirement associated with the growth  
4 investment, so which appears to have been  
5 provided instead that day. So, I mean, there's  
6 still a little bit of discrepancy as to what  
7 numbers you had provided for the "Growth" column,  
8 relative to what Exhibit 9 does. But I'm just  
9 pointing it out, that I think that might have  
10 been going on.

11 So, as Exhibit 9 shows, however, the  
12 amount is more like "\$1.55 million". Do you  
13 agree with that calculation?

14 So, I'm talking about the "Non-Growth"  
15 column. At the end, the revenue requirement  
16 appears to be "1.55", you know, and so on. So,  
17 it's "\$1.55 million".

18 A (Nawazelski) Yes. Under that hypothetical, where  
19 you increase the non-growth additions by 10  
20 million, yes, I would agree that the non-growth  
21 revenue requirement is the 1.55 million.

22 Q Okay. So, do the -- to the witnesses that have  
23 provided the responses in Exhibit 8 and 9, I'm  
24 again going to go to the point about

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 "constitutional taking" *[sic]*. Is the response  
2 in Point 1, you received counsel from your  
3 attorney, right? Or, was it your -- this is your  
4 own response?

5 A (Goulding) That's a response that's compiled by  
6 the Company, including counsel.

7 Q Including counsel. Okay.

8 A (Goulding) But, to be clear, Mr. Sprague and  
9 myself are witnesses on it. There was no  
10 intention to not have Mr. Nawazelski as a witness  
11 on it. I think the reason why it was myself and  
12 Mr. Sprague is because we had filed direct  
13 testimony in the case.

14 Q Thank you for that clarification. But, more  
15 importantly, you just clarified that the response  
16 you had, it was "from the Company", it was not  
17 just you two as witnesses, and it was -- the  
18 counsel helped you in getting to that response?

19 A (Goulding) Yes. Frequently, when we have  
20 discovery responses or record requests, we work  
21 with other individuals within the Company to  
22 understand the issues and kind of formulate a  
23 response, so it can be submitted and then brought  
24 forward, and we can appear as witnesses to

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 discuss the response.

2 MR. TAYLOR: Commissioner, if I may  
3 just add, --

4 CMSR. CHATTOPADHYAY: Sure.  
5 Absolutely.

6 MR. TAYLOR: -- since there's been a  
7 question about my participation in the drafting.

8 The particular statement that you're  
9 referring to I believe is consistent with a  
10 statement that was made in my written closing at  
11 the end of last -- at the end of the last step  
12 adjustment. So, that is something that we've  
13 raised in the context of these proceedings  
14 before.

15 CMSR. CHATTOPADHYAY: Thank you.  
16 Commissioner Simpson, do you have any additional  
17 questions?

18 *[Cmsr. Simpson indicating in the*  
19 *negative.]*

20 CMSR. CHATTOPADHYAY: So, I'm going to  
21 go to the redirect now. And I'll let you proceed  
22 with it.

23 MR. DEXTER: Before we do redirect,  
24 could I ask one question?



[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 CMSR. CHATTOPADHYAY: Yes.

2 MR. DEXTER: I didn't follow

3 Commissioner Chattopadhyay's question where the  
4 answer was "the revenue requirement was about 1.5  
5 million." Was that from Exhibit 9 or Exhibit 8?

6 CMSR. CHATTOPADHYAY: From Exhibit 9.

7 MR. DEXTER: Exhibit 9.

8 CMSR. CHATTOPADHYAY: For the  
9 non-growth -- sorry -- "Non-Growth" column of  
10 revenue requirement.

11 MR. DEXTER: Okay, I see that now.  
12 Exhibit 9, Page 1 of 2, "1,553,969".

13 CMSR. CHATTOPADHYAY: Correct.

14 MR. DEXTER: Thank you for letting me  
15 interrupt. Appreciate it.

16 CMSR. CHATTOPADHYAY: No issues.  
17 Please go ahead.

18 MR. TAYLOR: And, before I proceed, I  
19 know that you had said that the Bench had some  
20 questions for the Department of Energy.

21 MR. DEXTER: Yes.

22 MR. TAYLOR: Would you like me to do my  
23 redirect first, or would you like to ask those  
24 questions to the Department of Energy?

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 CMSR. SIMPSON: I asked the only  
2 question that I had for the Department of Energy.  
3 So, I don't have any further questions for them.

4 CMSR. CHATTOPADHYAY: I do have  
5 questions for them. So, you're suggesting it's  
6 okay with you to wait until I wrap up with them  
7 for your redirect? Because, if I go into the  
8 questions for the Department of Energy, then I'll  
9 wrap it up, and then you can go to your redirect.

10 MR. TAYLOR: Well, --

11 CMSR. CHATTOPADHYAY: But it's probably  
12 better for you to do the redirect now, and I'll  
13 excuse the witnesses.

14 MR. TAYLOR: Okay. Well, the reason I  
15 was going to propose that you do the questions to  
16 the Department of Energy first would be, if the  
17 Department of Energy were to, I guess, make some  
18 statements that I needed to address with my  
19 witnesses on redirect, I would want that  
20 opportunity, as opposed to having to bring them  
21 back up to do that.

22 That seems unlikely. But that was -- I  
23 guess, procedurally, this is a bit unusual for  
24 me. So, that would be my suggestion, would be to

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 do it that way.

2 CMSR. CHATTOPADHYAY: Okay.

3 MR. TAYLOR: But I understand. I'll do  
4 it however you want.

5 MR. DEXTER: May I respond before you  
6 rule?

7 CMSR. CHATTOPADHYAY: Sure.

8 MR. DEXTER: So, last time we were  
9 here, we had the Company's direct case, we had  
10 cross-examination, and we broke -- and had  
11 Commissioner questions, and we broke before  
12 redirect. And the Department indicated that they  
13 weren't putting on a witness.

14 So, here we are reconvening now three  
15 weeks later, I think we ought to pick up where we  
16 left off, finish the Company's case.

17 Then, if the -- I don't have any  
18 prepared testimony. But, if the Bench has  
19 questions for the Department of Energy, I think  
20 we should proceed with those then. If Mr. Taylor  
21 then wishes to either question the Department of  
22 Energy's witness, or recall his witnesses for  
23 further commentary or what came up from the  
24 Department of Energy, I think it should be taken

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1 up at that time.

2 So, I think we should just follow the  
3 normal procedure, just that we had a three-week  
4 break in between.

5 CMSR. CHATTOPADHYAY: Thank you for  
6 that. I'm dealing with lawyers here, so --

7 So, let's just proceed to the redirect,  
8 okay?

9 MR. TAYLOR: Sure. And this is  
10 something we can take up. So, I'm fine with --

11 *{Mobile phone activated.}*

12 CMSR. CHATTOPADHYAY: I'm sorry. Very  
13 sorry.

14 *[Short pause.]*

15 CMSR. CHATTOPADHYAY: Go ahead. Sorry.

16 MR. TAYLOR: Sure. So, procedurally,  
17 I'm fine with proceeding the way that Mr. Dexter  
18 proposed.

19 My one question about it is, Mr. Dexter  
20 referenced the "Department of Energy's witness".  
21 I'm not aware of any witness having been offered  
22 on the witness list in this case. So, I may have  
23 some concerns about that, I suppose we'll address  
24 it at the time.

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1                   But I guess there's a question of who  
2                   is going to be -- it may go to the nature of the  
3                   questions from the Bench, as to who will be  
4                   responding from the Department. And I guess I'll  
5                   address that when it comes around.

6                   CMSR. CHATTOPADHYAY: That will be  
7                   fine.

8                   CMSR. SIMPSON: Let's wrap up with the  
9                   Company. I mean, we can afford Mr. Taylor an  
10                  opportunity to respond at the end. We usually  
11                  try to do that.

12                 MR. TAYLOR: Sure.

13                 CMSR. SIMPSON: I didn't take it -- or,  
14                 I didn't understand Mr. -- or, Attorney Dexter to  
15                 say that he was offering a witness today.

16                 MR. DEXTER: Well, I understood that  
17                 Commissioner Chattopadhyay had some questions for  
18                 us. If they went to the nature of, you know,  
19                 something that Mr. Dudley would address, I guess  
20                 Mr. Taylor is going to object, then Mr. Dudley  
21                 would answer those questions. And, so, we would  
22                 have to offer Mr. Dudley.

23                 You know, there are questions that I  
24                 can answer and there are questions that I can't.

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1       So, I agree with Mr. Taylor, Attorney Taylor, it  
2       does depend on the nature of the questions.

3               But we are here. We will attempt to  
4       answer the Commissioner's questions as best we  
5       can, through a combination of counsel or subject  
6       matter expert.

7               CMSR. CHATTOPADHYAY: I want it to be  
8       as fluid as possible, let the river flow, and  
9       let's go to the redirect first, and then we'll  
10      figure out whether we need a dam.

11              CMSR. SIMPSON: One step at a time.

12              MR. TAYLOR: Thank you. And thank you  
13      for indulging my lawyerly ways.

14              So, I'm going to start with  
15      Mr. Sprague.

16                                      **REDIRECT EXAMINATION**

17      BY MR. TAYLOR:

18      Q       And, Mr. Sprague, I'm going to ask you to look  
19              into the mist of memory a bit, into the first day  
20              of the hearing. And Attorney Dexter had inquired  
21              about a project called "Circuit 56X1 - Convert  
22              Route 125, Kingston". And, for ease of  
23              reference, I'm just going to call it the  
24              "Kingston Conversion Project".

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1                   And, for specific references, you can  
2                   go to Hearing Exhibit 1, Bates Pages 1551 to  
3                   1553, and Hearing Exhibit 4, which is the  
4                   Company's response to a discovery question about  
5                   the project.

6                   And, if you need a minute to get there,  
7                   just let me know when you're ready.

8   A           (Sprague) I have that.

9   Q           Can you please describe for the Commission the  
10           nature of the Kingston Conversion Project?

11   A           (Sprague) Yes. This is a project that is  
12           designed to convert a portion of 4 kV circuitry  
13           to 35 kV circuitry, to increase the capacity to  
14           that area of the system.

15   Q           Okay. And there's been discussion of the  
16           distinction between "growth" and "non-growth  
17           projects". When the Company distinguishes  
18           between "growth" and "non-growth projects", what  
19           does it characterize as "growth"?

20   A           (Sprague) So, "growth projects" would be projects  
21           that are designed to specifically serve new load.  
22           Those projects are typically new services, new  
23           customer meters, new customer transformers, as  
24           well as overhead and underground line extensions,

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 to areas that aren't already served.

2 Q And what would be characterized as a "non-growth"  
3 project?

4 A (Sprague) So, "non-growth" projects are those  
5 projects that don't specifically serve new load  
6 and have new revenue associated with them, such  
7 as system improvements to address loading,  
8 voltage capacity of certain portions of the  
9 system, reliability projects, condition  
10 replacement types of projects, software projects,  
11 or other mandated type of projects.

12 Q Can you explain for the Commission why the  
13 Kingston Conversion Project that's included in  
14 the step adjustment is a "non-growth" project?

15 A (Sprague) Yes. So, a growth project would be one  
16 that would build new infrastructure to portions  
17 of the area that are not already served. This is  
18 a portion of the territory that's already served.  
19 The capacity of that area, through planning, was  
20 found to no longer be able to support the overall  
21 load in that area, meaning the existing load,  
22 focusing on providing safe and reliable service  
23 to our customers in that area.

24 So, in this case, through planning,



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1 forecast load for that area, the forecasted load  
2 exceeds the capacity of the 4 kV circuitry that  
3 serve that area. In order to address that, the  
4 Company decided that a conversion of that area  
5 would serve that load.

6 So, even without that commercial  
7 development, that portion of the area is already  
8 within our "planning horizon", I'll call it, in  
9 order to need a capacity improvement.

10 Q If you could please refer to Hearing Exhibit 1,  
11 Bates Pages 1551 to 1553. These are the  
12 Construction Work Authorizations for the Kingston  
13 Conversion Project, is that correct?

14 A (Sprague) That is correct.

15 MR. TAYLOR: And, just before you  
16 proceed, do the Commissioners or the Department  
17 need any time to find those pages?

18 CMSR. CHATTOPADHYAY: Can you repeat  
19 the page numbers for Exhibit 1?

20 MR. TAYLOR: Yes. Bates 1551 to 1553.

21 CMSR. CHATTOPADHYAY: I'm there.

22 MR. TAYLOR: Okay.

23 BY MR. TAYLOR:

24 Q Mr. Sprague, on Bates 1551, under

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 "Description/Scope", it says that the work is  
2 being done "to supply Phase 1 of a proposed  
3 commercial development" and "to adequately  
4 provide service to the entire commercial  
5 development". And, under "Justification" on  
6 Pages 1551 and 1552, it says "This work is being  
7 performed to fully accommodate a commercial  
8 development proposed off pole 154/25 Route."  
9 Have I read that correctly?

10 A (Sprague) That is correct.

11 Q Okay. And, in this work authorization, when the  
12 Company describes "supplying" or "accommodating a  
13 commercial development", is it describing work  
14 completed to directly serve the customer?

15 A (Sprague) No. As I previously explained, this is  
16 a project that is serving load for the entire  
17 area. It's not pinpointed to this one customer.

18 Q So, would you characterize this then more as a  
19 "system improvement"?

20 A (Sprague) Yes. This would be a system  
21 improvement, as I explained earlier.

22 Q And would it be accurate to say that this project  
23 benefits customers other than the commercial  
24 development referenced in the Construction

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1 Authorization?

2 A (Sprague) Yes. This project would benefit all of  
3 the customers served from that portion of the  
4 circuit.

5 Q And will benefit customers that come onto the  
6 system in the future, correct?

7 A (Sprague) Within that portion of the circuit,  
8 yes.

9 Q Okay. Now, on Bates Pages 1551, 1552, and 1553,  
10 under the "Justification" section, it says that  
11 the Kingston Conversion Project "works towards  
12 the master plan of establishing 34.5 kV circuit  
13 ties along Route 25 [125?] in Kingston and  
14 Plaistow." Can you briefly describe what the  
15 "master plan" refers to?

16 A (Sprague) Yes. A "master plan" is a planning  
17 term that we use for what the system is going to  
18 look like 10, 15, 20 years from now, at load  
19 levels that we're not currently seeing.

20 Historically, the way that the Seacoast  
21 territory was designed was a lot of radial  
22 circuitry, meaning that it does not have circuit  
23 ties to other circuits. As part of the master  
24 plan, when we have the opportunity to either

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1 build where there is no facilities, or, in this  
2 case, convert along a main route, like Route 125,  
3 we would continue to use those opportunities to  
4 construct our system in a way to effectively  
5 build those circuit ties over time.

6 We're not going out and spending a lot  
7 of money up front to do it. But, as we have  
8 other reasons to be out constructing along that  
9 road, whether, in this case, it's a conversion,  
10 it might be that the Town comes through or the  
11 State comes through and says, you know, "you need  
12 to relocate", we would then use those  
13 opportunities to construct to a higher voltage  
14 level to support those future circuit ties.

15 Q So, would it be accurate to say that the Kingston  
16 Conversion Project has always been part of the  
17 plan for the area, notwithstanding the arrival of  
18 the commercial development referred to in the  
19 Construction Authorization?

20 A (Sprague) That is correct.

21 Q Please refer to Bates Page 1552. Under  
22 "Description and Scope", reference is made to  
23 certain revisions to the first authorization.  
24 First, it notes that "The scope of work is

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1       expanding to reconfigure the routing of our three  
2       phase primary in order to improve circuit  
3       configuration and access." Is that work directly  
4       related to serving the commercial development?

5   A    (Sprague) No. That's a system improvement that  
6       benefits the customers of that area.

7   Q    The authorization also describes work performed  
8       in conjunction with the State of New Hampshire's  
9       road widening project. Is it safe to say that  
10      this work has nothing to do with the commercial  
11      development?

12   A    (Sprague) Correct. This is -- this was not  
13      related to the commercial development. This was  
14      the State of New Hampshire widening a road where  
15      our poles are licensed in that area. So, if they  
16      want us to move, we need to move.

17   Q    Thank you. So, now, I'm going to ask you to go  
18      back even further into time to last year's step  
19      adjustment proceeding.

20               In that case, the Department of Energy  
21      raised an argument regarding the Concord  
22      Conversion Project, in Concord, New Hampshire,  
23      and whether that was a growth or non-growth  
24      project. Do you recall that?

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1 A (Sprague) Yes, I recall that.

2 Q And is the Kingston Conversion Project similar in  
3 nature to the Concord Conversion Project?

4 A (Sprague) Yes. They're both system improvement  
5 projects designed to address capacity in an area,  
6 as opposed to new infrastructure designed  
7 specifically to serve new load.

8 Q And did the Commission agree with the Department  
9 in that case, that the Concord Conversion Project  
10 was a growth project, rather than a non-growth  
11 project?

12 A (Sprague) No, I do not believe so.

13 Q Is it correct to say that there was a line  
14 extension to serve this development?

15 A (Sprague) Yes, there was.

16 Q And, when I say "this development", I am  
17 referring to the --

18 A (Sprague) The Kingston.

19 Q -- the commercial development in Kingston.

20 A (Sprague) Yup.

21 Q Thank you. And, presumably, there are  
22 transformers, services, and meters installed to  
23 provide services to the customer?

24 A (Sprague) That is correct.

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 Q Are those costs included in the project that the  
2 Company has included in its step adjustment?

3 A (Sprague) No. Those would be categorized as  
4 "growth-related projects", and is not included.

5 Q All right. Thank you, Mr. Sprague. I have a  
6 couple of questions for Mr. Goulding on this  
7 particular issue.

8 Mr. Goulding, can you explain why step  
9 adjustments are limited to non-growth projects?

10 A (Goulding) Sure. So, in theory, "growth  
11 projects", also called "revenue-producing  
12 projects", will generate new revenues from  
13 customers that offset the cost of those  
14 investments by the new customer services and  
15 meters. Though, the costs are incurred upfront,  
16 and the offsetting revenues accrue over time,  
17 meaning that there's not a direct one-for-one  
18 match, meaning, if I invest a dollar today, I'm  
19 not going to recover my complete all net revenue  
20 requirement on day one, it occurs over time. So,  
21 like, when you look at a investment model,  
22 sometimes there's a 10-year payback on the  
23 investment. So, it doesn't necessarily all be  
24 offset in this -- in year one.

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1                   For "non-growth projects", also called  
2                   "nonrevenue-producing projects", those include  
3                   system improvements that are not related directly  
4                   to servicing a specific new customer. Those  
5                   costs associated with these projects are not  
6                   offset by new revenues from specific customers,  
7                   but they benefit all customers on the system, and  
8                   as such the costs are borne by all customers.  
9                   And those are the projects that are typically  
10                  included in step adjustments.

11    Q    Will the costs associated with Kingston  
12           Conversion Project be offset by revenues  
13           generated by the commercial development?

14    A    (Goulding) No. The growth -- those are growth --  
15           those are non-growth costs. As Mr. Sprague  
16           explained, the project is designed to address the  
17           overall capacity in the area that's necessary to  
18           provide safe and reliable service to all  
19           customers on the Company's system.

20                   MR. TAYLOR: Okay. Those are all the  
21                   questions I have on that particular issue.

22                   I have a couple of questions for  
23                   Mr. Goulding and Mr. Nawazelski regarding the  
24                   step adjustment calculation.



[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 BY MR. TAYLOR:

2 Q So, Mr. Goulding and Mr. Nawazelski, the method  
3 used to calculate the step adjustment revenue  
4 requirement in this case was agreed to as part of  
5 the comprehensive Settlement Agreement in the  
6 last UES rate case, DE 21-030, is that right?

7 A (Goulding) That's correct.

8 Q And, without divulging the specifics of the  
9 settlement negotiations among the parties, is it  
10 fair to say that the Settlement Agreement  
11 included numerous concessions by the Company?

12 A (Goulding) Yes. Like any settlement, it was the  
13 product of extensive negotiation among all the  
14 parties to achieve what was -- what we all agreed  
15 was a just and reasonable result.

16 Q And, if the Commission were to revise the manner  
17 in which the step adjustment is calculated, would  
18 that be consistent with Unitil's expectations and  
19 understanding of the Agreement that it entered  
20 into in DE 21-030?

21 A (Goulding) No, it would not.

22 Q Please refer to Hearing Exhibit 8.

23 A (Goulding) I'm there.

24 Q In this record request, the Commission asked the

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1           Company to conduct a hypothetical exercise of  
2           removing all investment year growth capital from  
3           the calculation, is that right?

4                           *[Short pause.]*

5   BY MR. TAYLOR:

6   Q     You can correct my characterization, if I  
7           mischaracterized it.

8   A     (Goulding) The request asked that all  
9           depreciation expense be assigned to the  
10          "non-growth investment" category. So, it would  
11          assume that there was no growth investment.

12                        So, similar to what you said, but said  
13          slightly differently.

14   Q     You said it better. Thanks. And, referring to  
15          the Hearing Exhibit 8 attachment, this has the  
16          effect of reducing the Company's requested step  
17          adjustment revenue requirement by approximately  
18          \$300,000, to "\$946,239", is that right?

19   A     (Goulding) That's correct. It reduces the  
20          proposed revenue requirement increase of  
21          \$1,206,209, to the "\$946,239".

22   Q     And what accounts for the reduction?

23   A     (Goulding) The reduction is attributed to  
24          applying 100 percent to the depreciation expense

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 to non-growth investments.

2 Q But the Company did have growth-related  
3 investments in 2022, correct?

4 A (Goulding) Yes, they did. Historically, the  
5 Company has invested, on average, approximately  
6 20 percent in growth capital and 80 percent in  
7 non-growth capital annually. And, in 2022, the  
8 breakout was approximately 20 percent growth and  
9 80 percent non-growth.

10 Q And why would it be inappropriate to assign all  
11 depreciation expense to non-growth capital in the  
12 2022 investment year?

13 A (Goulding) The method for calculating the step  
14 adjustment revenue requirement appropriately  
15 allocates the depreciation expense to the type of  
16 investment that produced the cost, example,  
17 growth and non-growth investments. Assigning  
18 growth investment-related depreciation expense  
19 into non-growth investments creates a mismatch in  
20 cost assignment in the non-growth revenue  
21 requirement.

22 As a result, the rate base on which the  
23 Company is allowed a return is arbitrarily and  
24 unreasonably reduced. This is not, in my

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 experience, consistent with utility accounting  
2 practices and traditional ratemaking principles  
3 or prior step increases.

4 Q On the first day of the hearing, Commissioner  
5 Chattopadhyay suggested that "increasing growth  
6 spending would have the effect of increasing the  
7 revenue requirement for non-growth spending."

8 Is that the intent of the Settlement  
9 calculation?

10 A (Goulding) No, not at all. The purpose of the  
11 step adjustment calculation is to implement a  
12 ratemaking construct that allows the Company to  
13 recover the revenue requirement associated with  
14 the change in net plant associated with  
15 non-growth additions that occur between rate  
16 cases. The method was agreed to by the Settling  
17 Parties, is reasonable and appropriate, and  
18 yields an accurate statement of the step  
19 adjustment revenue requirement.

20 Q Mr. Goulding, are the rates proposed by Unitil  
21 for effect on June 1st, 2023, in this docket just  
22 and reasonable and in the public interest?

23 A (Goulding) Yes, they are.

24 Q And when is the Company requesting an order by?

[WITNESS PANEL: Sprague|Goulding|Nawazelski]

1 A (Goulding) Prior to June 1st, 2023, so the  
2 Company is able to bill customers effective  
3 January -- or, June 1st, 2023.

4 MR. TAYLOR: I have no further  
5 questions for the witnesses.

6 CMSR. CHATTOPADHYAY: Thank you.

7 Commissioner Simpson, do you have any  
8 follow-ups? I know you've already asked  
9 questions anyway.

10 CMSR. SIMPSON: No, I don't. But thank  
11 you.

12 CMSR. CHATTOPADHYAY: Thank you. So, I  
13 have a few questions for the Department of  
14 Energy.

15 The first one is purely based on  
16 Exhibits 8 and 9, and the Company's filing in  
17 Exhibit 1. Does the DOE agree that, for the same  
18 amount of non-growth investment, the revenue  
19 requirement associated with it increases as the  
20 investment in growth projects increase?

21 *[Atty. Dexter and Mr. Dudley*  
22 *conferring.]*

23 CMSR. CHATTOPADHYAY: Can I just -- I  
24 should have excused the witnesses, because I

[WITNESS: Dudley]

1 don't need them anymore. So, you can proceed.

2 [Short pause.]

3 CMSR. CHATTOPADHYAY: And, Attorney  
4 Dexter, if it helps, I'm just asking, based on  
5 the responses and the filing, do you see that  
6 it's going in the same direction? That's what  
7 I'm asking.

8 MR. DEXTER: Commissioner  
9 Chattopadhyay, Jay Dudley could address your  
10 question. So, he could either take the witness  
11 stand, or be sworn in from the table, or however  
12 you would like to proceed?

13 CMSR. CHATTOPADHYAY: I think I would  
14 like him to be in the witness box. So, let's  
15 swear him in.

16 MR. DEXTER: Okay.

17 (*Whereupon **JAY DUDLEY** was duly sworn by*  
18 *the Court Reporter.*)

19 MR. DEXTER: Commissioner, before he  
20 answers your question, I think it would  
21 appropriate if I asked him a few identifying  
22 questions, so that we know who Mr. Dudley is and  
23 what his role is in this case.

24 CMSR. CHATTOPADHYAY: Certainly.

[WITNESS: Dudley]

1 MR. DEXTER: Thank you.

2 JAY DUDLEY, SWORN

3 DIRECT EXAMINATION

4 BY MR. DEXTER:

5 Q Please state your name and position of  
6 employment?

7 A My name is Jay Dudley. I'm an attorney -- an  
8 "attorney" -- I'm a Utility Analyst for the  
9 Department of Energy, the Electric Division.

10 Q Thank you, Mr. Dudley. And we're here today in  
11 Docket 23-014, which is Unitil Electric [sic]  
12 Systems' step adjustment request, is that your  
13 understanding?

14 A Yes.

15 Q Have you reviewed the Company's step adjustment  
16 request?

17 A I have.

18 Q And did you attend the first day of hearings held  
19 on April 19th or 20th in this case?

20 A I did.

21 Q And are you familiar with the documents that have  
22 been marked as "Exhibit 8" and "9" in this  
23 proceeding, which are the Company's record  
24 response -- responses to the Bench's record

[WITNESS: Dudley]

1 requests concerning alternative calculations of  
2 the step adjustment?

3 A Yes, I am.

4 Q Okay. Did you hear Commissioner Chattopadhyay's  
5 question or would you like him to repeat it?

6 A I did hear the question, yes.

7 Q Are you prepared to answer?

8 A Yes, I am.

9 Q Okay.

10 A Yes, Commissioner. What is in Exhibit 9, the  
11 revenue increase of \$1.55 million is represented  
12 here, and my understanding that it is  
13 representative of Unitil's compliance with the  
14 hypothetical that you laid out.

15 BY CMSR. CHATTOPADHYAY:

16 Q So, my question was, whether you -- and in the  
17 follow-up, when I tried to explain a little bit  
18 more, and I was addressing Attorney Dexter. So,  
19 you're essentially confirming that you do notice  
20 that the -- with the non-growth investment  
21 remaining same, as you increase the growth  
22 investment, the revenue requirement for  
23 non-growth increases?

24 A Based on the hypothetical, that's what it shows,



[WITNESS: Dudley]

1           yes.

2   Q     Do you agree that the revenue requirement  
3           associated with a fixed investment in non-growth  
4           should be positively related to the investment in  
5           growth projects?

6   A     Well, let me start off, Commissioner, by saying  
7           that my understanding of the methodology is based  
8           upon that which was approved and agreed to in the  
9           Settlement Agreement in the rate case. We  
10          consider -- we've had time to consider the  
11          Commission's alternative approach; we find it  
12          interesting.

13                 We did get kind of a 10,000-foot level  
14          view of it this morning in the investigative  
15          docket tech session from the Commission Staff.  
16          But we would like more time to study it.

17   Q     But I would appreciate a more direct response to  
18           the question that I asked, which is do you agree  
19           that revenue requirement associated with a fixed  
20           investment in non-growth should be positively  
21           related to the investment in growth projects?

22                 And I understand you haven't looked at  
23          all the details and whatever else you might be  
24          thinking about in the other docket. But I'm just

[WITNESS: Dudley]

1       trying to understand, do you have a position,  
2       generally, if that's the kind of relationship  
3       that is -- whether that should be -- that is okay  
4       or not?

5     A    On its face, I would say "yes". But I don't  
6       have -- I don't have a good comprehension of the  
7       basis for the assumptions that were provided in  
8       the Commission's alternative approach. I'd like  
9       to know more about that, before giving a definite  
10      answer.

11    Q    So, you are responding that, when I said "do you  
12      agree that the revenue requirement associated  
13      with investment in non-growth should be  
14      positively related to the investment in growth  
15      projects?" I heard you said "yes". And I just  
16      wanted to confirm?

17    A    We believe it's plausible. But, there again, I  
18      am not certain about some of the assumptions  
19      behind what's represented in Exhibit 9.

20    Q    I do understand that you look at it as a  
21      hypothetical. But my question really is not  
22      necessarily about hypothetical examples. I am  
23      just saying, if a fixed investment in non-growth,  
24      assuming that, if you're looking at revenue

[WITNESS: Dudley]

1 requirements associated with that, if it keeps  
2 increasing with the growth in -- sorry -- with  
3 the investment in growth projects? I'm asking a  
4 general question.

5 And you, I think -- and what I'm taking  
6 from your response is "yes", but you're not 100  
7 percent sure. I'm just trying to get that.

8 A Yes. But let me just add that, based on what's  
9 represented in Exhibit 9, it appears to have an  
10 impact, yes.

11 Q Were you involved in the discussions during the  
12 Settlement Agreement?

13 A Yes.

14 Q And when it was first propounded?

15 A Yes, I was.

16 Q Were you aware, at the time of the drafting of  
17 the Settlement Agreement, that, just looking at  
18 nothing else, simply changing the investment in  
19 growth projects for the same non-growth  
20 investment, it leads to a higher revenue  
21 requirement for the non-growth projects? Were  
22 you aware of that?

23 MR. TAYLOR: Commissioner, --

24 MR. DEXTER: Commissioner, I just

[WITNESS: Dudley]

1           wanted to interject. That puts our witness in a  
2           very difficult position, to be asked what he had  
3           in his mind going into settlement agreements that  
4           resulted in the Agreement that's before you.

5                       I would urge you not to ask that  
6           question.

7                       CMSR. CHATTOPADHYAY: So, I -- okay. I  
8           hope you understand, the question isn't really  
9           about what he was thinking. I'm asking, was he  
10          aware of this positive relationship? And, you  
11          know, even if he wants to look at the  
12          hypothetical examples, he can say "yes" or "no",  
13          was he aware of it? So, that's why I'm asking  
14          that question. But I --

15                      MR. DEXTER: And the positive  
16          relationship that you're asking him about is, "if  
17          an addition is made to growth investments, does  
18          it have a impact on the revenue requirement for  
19          non-growth additions?" Which he indicated, "It  
20          appears to have, just based on the calculations  
21          that's in Exhibit 9."

22                      CMSR. CHATTOPADHYAY: Again, my  
23          question is, whether he was aware that  
24          relationship existed at the time of his, you

[WITNESS: Dudley]

1 know, when the Settlement was drafted?

2 If he's not -- if it's your position  
3 that he is not able to answer that, that's fine.  
4 I'm just --

5 MR. DEXTER: Well, just let me ask one,  
6 so I understand.

7 CMSR. CHATTOPADHYAY: Yes.

8 MR. DEXTER: If the question is, "Did  
9 we go through, did he, or anybody else on our  
10 team, go through an exercise like what's been put  
11 forth here in Exhibit 9?" I think he can answer  
12 that question, because I think I know the answer  
13 to that question.

14 Mr. Dudley, did -- can I ask him that  
15 question?

16 CMSR. CHATTOPADHYAY: Sure.

17 MR. DEXTER: Did you go through an  
18 exercise, like we've seen in Exhibit 8 and  
19 Exhibit 9, when developing the Settlement step  
20 adjustment mechanism?

21 WITNESS DUDLEY: No, I did not.

22 CMSR. CHATTOPADHYAY: I was expecting  
23 that answer. But, clearly, I'm not getting the  
24 response that I'm -- to the specific question

[WITNESS: Dudley]

1           that I have. But I'll let it go.

2                       So, that's all I have for this witness.

3                       MR. DEXTER: Okay. Can I ask some  
4           redirect? If you're done, Commissioner Simpson?

5                       CMSR. SIMPSON: I think --

6                       MR. DEXTER: Because I want to try and  
7           see if I can focus the Commissioner's question.

8                       CMSR. SIMPSON: So, I might make a  
9           suggestion that I'd like to offer the Department  
10          an opportunity to redirect. I also would like to  
11          offer Attorney Taylor an opportunity for friendly  
12          cross-examination, after your redirect, unless  
13          there's an objection from the Department?

14                      MR. DEXTER: Well, I wasn't offered  
15          cross-examination on their redirect. So, I think  
16          I do have a problem with that, friendly or  
17          otherwise.

18                      We just heard 30 minutes of redirect,  
19          and I was not offered the opportunity to question  
20          their witnesses. So, -- and that's generally the  
21          practice here, is that there is no cross on  
22          redirect.

23                      MR. TAYLOR: And, if I may, and,  
24          first of all, I appreciate that Mr. Dexter

[WITNESS: Dudley]

1       acknowledged that he didn't get to do recross,  
2       which I would objected to, and he would be right  
3       to object if I wanted to recross his witness,  
4       after he did a redirect.

5               I will point out that this is not a  
6       redirect. This is a, I think, a direct. But --

7               CMSR. SIMPSON: I was trying to go  
8       there, to mention that you also were not afforded  
9       that opportunity, and I think we should revisit  
10      that. That was why I was trying to suggest  
11      perhaps we take a break, and enable both of you  
12      to compile your thoughts. And then, we can  
13      reconvene, --

14              MR. DEXTER: Sure.

15              CMSR. SIMPSON: -- and have, now that  
16      your witness is here on the Bench, if you're --  
17      unless you object, have Mr. Taylor conduct some  
18      friendly cross-examination. And we'd reinvoke  
19      the Company's witnesses to come back, and offer  
20      you an opportunity for cross-examination of them.

21              MR. TAYLOR: On -- on what?

22              CMSR. SIMPSON: The responses that they  
23      provided in their testimony today, as we didn't  
24      offer that while they were still on the Bench --

[WITNESS: Dudley]

1 or, on the stand, excuse me.

2 CMSR. CHATTOPADHYAY: Can I just sort  
3 of confirm whether you have any questions for --

4 MR. TAYLOR: As of right now, I have no  
5 questions for Mr. Dudley. I don't think that we  
6 need to go --

7 CMSR. SIMPSON: Okay.

8 MR. TAYLOR: We may be sort of going  
9 down an academic path here.

10 CMSR. SIMPSON: I'm just -- I want to  
11 make sure that everybody has the opportunity to  
12 be heard and ask the questions, if they have  
13 them.

14 Do you have any questions for the  
15 Company's witnesses?

16 MR. DEXTER: I can move to closing,  
17 after we finish with Mr. Dudley.

18 CMSR. SIMPSON: Okay. All right.

19 MR. DEXTER: We'll stick to the typical  
20 procedure, which is no recross on redirect.

21 CMSR. SIMPSON: Okay.

22 MR. DEXTER: That said, we don't have  
23 any object with proceeding. I only had the  
24 objection -- I just wanted it to be balanced.



[WITNESS: Dudley]

1 CMSR. SIMPSON: As did I. Okay.

2 CMSR. CHATTOPADHYAY: So, I think --

3 CMSR. SIMPSON: Then, we can proceed.

4 CMSR. CHATTOPADHYAY: We can proceed to  
5 the redirect.

6 MR. DEXTER: So, I just -- thank you.

7 **REDIRECT EXAMINATION**

8 BY MR. DEXTER:

9 Q Mr. Dudley, you heard Commissioner  
10 Chattopadhyay's questions. And I'm going to try  
11 to paraphrase it the way I heard it, because I  
12 have a feeling we're hearing it differently.

13 Did you understand Commissioner  
14 Chattopadhyay to ask you that "does it make sense  
15 if a company makes an investment in growth  
16 project or growth investments, that it would have  
17 any impact on the -- should it have any impact on  
18 the revenue requirement for non-growth projects?"

19 A Yes, it appears to.

20 Q It appears to. But does it make sense to you  
21 that, if a company has growth-related projects  
22 that they undertake, that it should have any  
23 impact on the non-growth-related revenue  
24 requirement?

[WITNESS: Dudley]

1 A Yes, it makes sense.

2 MR. DEXTER: It does make sense to you,  
3 okay.

4 Well, I'm going to leave it at that  
5 then. We'll have to take this up in the  
6 investigation, I believe, in the generic  
7 investigation.

8 *[Cmsr. Chattopadhyay and Cmsr. Simpson*  
9 *conferring.]*

10 CMSR. CHATTOPADHYAY: Thank you,  
11 Attorney Dexter.

12 So, I think we'll go to the closing  
13 statements, okay? And I will address striking  
14 IDs on exhibits after closing statements.

15 So, let's -- oh, I apologize. You are  
16 excused, the witness, yes. Sorry.

17 *[Short pause.]*

18 CMSR. CHATTOPADHYAY: So, I'll let the  
19 DOE begin first with its closing statement.

20 MR. DEXTER: Thank you, Commissioner.  
21 I will try to keep this brief. And I will touch  
22 on some subjects that were brought up today, as  
23 well as subjects that were brought up on April  
24 19th or 20th, I don't remember the date.

1           Generally speaking, the Department is  
2           supportive of the step adjustment filed by Unitil  
3           in this case. We believe the methodology matches  
4           the Settlement Agreement, as it was approved.

5           And the issues that the Commission has  
6           raised, with respect to the interplay between  
7           growth and non-growth investments, and the side  
8           effects it might have on the revenue requirement,  
9           we have taken under consideration, and we'll  
10          continue to, and they will be in our minds next  
11          time we negotiate a step adjustment as part of a  
12          settlement agreement. We appreciate the  
13          questions, and believe we've learned a lot from  
14          the exercise.

15          However, we do believe that this case  
16          is not the place to adjust the mechanism. This  
17          is a case to implement the mechanism that was  
18          approved and used once in Step 1.

19          The Department does have three  
20          recommendations with respect to the -- with  
21          respect to the requested step adjustment.

22          Number one, we heard early on in the  
23          case about a project that was called the "Time of  
24          Use Project". I provided all the citations first

1       time around, so I'm not going to do that right  
2       now. But you'll recall this was a project that  
3       involved computer software and adjustments to the  
4       Company's computer system to accommodate  
5       time-of-use billing.

6               We had questioned the Company about  
7       some invoices that we had seen with respect to a  
8       consulting firm called "Concentric Energy  
9       Advisors". We didn't understand how they had  
10      found their way into the plant accounts that were  
11      at issue in this case. And the Company  
12      indicated, through an update, that they had  
13      removed the Concentric Energy Advisor costs from  
14      this step adjustment. And that satisfies our  
15      concerns with respect to those costs in this  
16      case.

17             However, when I asked the witnesses,  
18      you know, "what happened from an accounting  
19      standpoint with respect to those costs?" They  
20      said "They still remain in plant." And,  
21      therefore, we would expect to find those costs in  
22      rate base in the Company's next rate case.

23             We just wanted to remind the Commission  
24      that we still have not gotten to the bottom of

1       those costs, and we intend to take those costs up  
2       again in the Company's next rate case, to the  
3       extent that they are still in rate base. The  
4       Company indicated it was a five-year life for  
5       software amortization or depreciation. So, it's  
6       possible they may fall out of rate base by that  
7       time. But we will take that up in the next rate  
8       case.

9               The second issue we had with respect to  
10       the Time of Use Project was that all, or almost  
11       all, of the costs were labeled "miscellaneous  
12       plant adjustments", which we found to be  
13       non-descriptive. We asked the Company what the  
14       "miscellaneous plant adjustments" were, and we  
15       were told that those were "Unitil Service Company  
16       employee payroll costs". And, when we asked "How  
17       Unitil Service Company payroll employee costs are  
18       generally reflected in the cost documentation  
19       that we were looking at?" We were told that  
20       "They usually show up as overhead for people that  
21       routinely charge to these work orders" -- "for  
22       Unitil Service employees that routinely charge,  
23       they show up as overhead. But this would be sort  
24       of a special circumstance" or "an unusual

1       circumstance", I don't remember exactly what  
2       Mr. Sprague said, and that's why they showed up  
3       as "miscellaneous plant adjustments".

4               We don't have any further information  
5       about the miscellaneous plant adjustments, but  
6       there is an audit of the step adjustment ongoing  
7       by the Department's Audit team. We've asked them  
8       specifically to look at this project, and the  
9       miscellaneous plant adjustments.

10              And we do plan on submitting that audit  
11       report in this record, with the Commission's  
12       permission, when it's completed. And we would  
13       ask that any award in this case or any increase  
14       in rates in this case be subject to the results  
15       of that audit. And we will specifically address  
16       that Time of Use Project in the audit report, at  
17       least that's my understanding.

18              A second issue that we raised at the  
19       hearing on April 20th had to do with a project  
20       that was called the "Main Street [sic] Concord  
21       Porcelain Cutout Project". If you recall, this  
22       was a project where we went through with the  
23       witnesses the various cost detail, and  
24       approximately 95 or 99 percent of the costs for

1       this project were incurred in 2021. And the only  
2       costs that were incurred in 2022 were some very  
3       small amounts of overheads and loadings.

4               So, this was essentially a project that  
5       was worked on in 2021. And we understand that it  
6       was not included in the 2021 step adjustment,  
7       that it was closed to plant in 2022. But, as  
8       we've been talking about over the course of this  
9       hearing, the IR on step adjustments, and the last  
10      hearing, and last year's hearing, is that step  
11      adjustments -- we can characterize them I think a  
12      couple of ways. One is they are -- they're an  
13      extraordinary rate recovery mechanism, in the  
14      sense that they are not a rate case, they are an  
15      out-of-cycle rate increase that we agreed to to  
16      help the Company with, you know, regulatory lag.  
17      And they are one-sided, in the sense that they  
18      allow the Company to recover investments, but  
19      they make no recognition for any change in the  
20      revenue side of the ledger that might have  
21      occurred in the intervening time since the last  
22      rate case.

23              So, because they are an out-of-cycle,  
24      one-sided, and, in a sense, extraordinary

1       measure, we hold them to a high standard. And we  
2       try to set out the criteria for recovery clearly  
3       in the Settlement Agreement that we presented to  
4       you. And it was our understanding that this step  
5       adjustment would be for "2022 projects". Now, we  
6       recognize that, accountingwise, this was a 2022  
7       project, in other words, that's when it closed to  
8       plant. But, essentially, this was a 2021  
9       project. So, this project was held up. It was  
10      not closed to plant. There was no convincing or  
11      logical reason for it that I recall hearing from  
12      Mr. Sprague. He said "Just sometimes these  
13      things get held up."

14               Well, in our view, we don't think it's  
15      too much to ask the Company to make step  
16      adjustments more reviewable and easier to be  
17      removed. The projects that are done in 2021 be  
18      closed in 2021 and be presented in the 2021 step  
19      adjustment, and that wasn't the case here.

20               I'll also point out that the 2021 step  
21      adjustment was very, very close to the cap that  
22      was placed in 2021. And, you know, we can't go  
23      back and recreate time, but we don't know exactly  
24      what the 2021 step adjustment would have looked



1       like if this project had been closed, and whether  
2       or not the cap would have been in -- whether it  
3       would have been, you know, in play.

4               I'd also point out that, by not closing  
5       this project for a number of months, that  
6       additional AFUDC accrues on the project, and that  
7       is not a benefit to the ratepayers for this  
8       project to have been held up for however many  
9       months it was.

10              So, while we're not recommending  
11       non-recovery of this project, we think that is  
12       not the appropriate remedy, we are recommending  
13       that this project not be recovered in this step  
14       adjustment, and that it be allowed to fall into  
15       rate base in the Company's next rate case. And  
16       we believe that that delay in recovery would be  
17       commensurate with the -- with the Company's  
18       failure to close this project when the work was  
19       essentially completed. So, that's our second  
20       recommendation.

21              Our third recommendation has to do with  
22       the Kingston Project that we heard about today.  
23       We heard a lot from the Company today  
24       distinguishing between growth and non-growth

1 projects. The Settlement that we presented in  
2 the rate case says that the 2022 step adjustment  
3 will be based on "non-growth investments", and  
4 then we put a cap on that. So, we've had a fair  
5 amount of debate on April 20th, and, again, today  
6 about what constitutes "growth".

7 And it's clear that the Company has, in  
8 their mind, a very bright line what constitutes  
9 "growth" and what doesn't. And we heard that  
10 from Mr. Sprague today. But the fact of the  
11 matter is, the Company's own documentation  
12 references a "significant commercial development"  
13 that is being served by the project that we  
14 talked about today, and the fact that this  
15 upgrade was necessary to serve that project.

16 So, we could debate academically  
17 whether or not that falls into Unitil's  
18 definition of "growth" or "non-growth", or  
19 whether or not it falls into the Department's  
20 "growth" or "non-growth" definition, neither of  
21 which are incorporated in the Settlement  
22 Agreement.

23 But what I would recommend you do is  
24 step back and say "well, what's happening to that

1 revenue?" I mean, that's the whole point of  
2 excluding growth investments from step  
3 adjustments. As I said, step adjustments are  
4 inherently one-sided. They're single-issue rate  
5 cases, where the Company recovers for costs  
6 incurred, but makes no recognition of changes in  
7 revenue levels, as would be done in a full rate  
8 case.

9 So, our recommendation, with respect to  
10 this project, is that it be excluded from the  
11 step adjustment, because the revenues that are  
12 coming from this project from the commercial  
13 development are not factored in to the step  
14 adjustment calculation. And the Company can  
15 collect the investments related to this project  
16 in its next rate case, when there would be  
17 offsetting overall revenue requirement  
18 calculation that would take those revenues into  
19 effect.

20 We don't know the amount of the revenue  
21 involved. We got a dollar figure from the  
22 Company on April 20th, it was fairly small. But  
23 I believe, if you read the transcript, you will  
24 see that Mr. Sprague agreed that a customer of

1       this size, I believe he said it was a 1200 amp  
2       service, times six, I believe six customers at  
3       that level. I think he characterized those as a  
4       "fairly significant level of service". And the  
5       dollar figure that they gave for revenues to date  
6       was fairly small, but it did not seem to match up  
7       for what was expected from the infrastructure  
8       that was provided.

9               So, our recommendation, with respect to  
10       the Kingston Project, again, we're not -- it's  
11       not a question of prudence or anything like that,  
12       it's a question of the timing of revenue  
13       recovery. We recommend that it fall out of this  
14       step adjustment, and that it be eligible for  
15       recovery in the Company's next base rate case.

16              So, those are our three  
17       recommendations. And we appreciate your time in  
18       this case.

19              CMSR. CHATTOPADHYAY: Attorney Dexter,  
20       can I just follow up, just to make sure?

21              So, on the second project that you  
22       talked about, "Concord Porcelain Project", that's  
23       what I heard, do you have a sense of what the  
24       dollar amount are we talking about that you don't

1 want to be part of the step increase, but would  
2 be handled in the rate case later?

3 Likewise, I got the sense from you  
4 that, for the Kingston Project, you don't have a  
5 number specifically. But it would be helpful to  
6 have that, though, right?

7 MR. DEXTER: Well, let me answer your  
8 first question.

9 I'm looking at Exhibit 3, and the  
10 Company states that "\$41,481" were the total  
11 expenditures on this project, with an installed  
12 cost of \$40,804 and a cost of removal of 678.  
13 So, I guess the total is 41,480.

14 And that figure of 41,480 ties back to  
15 the detailed list that was included in Exhibit 1  
16 of all the various projects.

17 Of course, you could confirm this with  
18 the Company. But I'm pretty sure the amount  
19 there is "41,481".

20 With the respect to the Kingston  
21 Project, no, we have not gone through the revenue  
22 requirement calculation associated with either  
23 that recommended exclusion, or the one that I  
24 just talked about. But I believe that would be

1           an easy calculation for the Company to do. I  
2           would be surprised if they haven't done it  
3           already.

4                       CMSR. CHATTOPADHYAY: Thank you. Let's  
5           go to the Company. And it would be great if you  
6           can address some of the questions that I raised  
7           to Attorney Dexter as well, at the end.

8                       MR. TAYLOR: Sure. And, actually,  
9           before I do my closing, I can tell you that we  
10          did not come prepared to -- well, just a moment.

11                      *[Atty. Taylor conferring with Company*  
12                      *representatives.]*

13                      MR. TAYLOR: Yes, I'm sorry. I think  
14          the question was, "what was" -- "what is the  
15          impact to the revenue requirement if you remove  
16          these projects?" We didn't come prepared with  
17          that calculation today, because it's our position  
18          that those should not be taken out of the step  
19          adjustment. So, we don't have that calculation.  
20          I don't have it worked into my closing.

21                      So, I just wanted to address that at  
22          the outset.

23                      *[Cmsr. Chattopadhyay and Cmsr. Simpson*  
24                      *conferring.]*

1 CMSR. CHATTOPADHYAY: I'll let you  
2 proceed to the closing statement.

3 MR. TAYLOR: Okay. So, I guess I'll  
4 just start with a little bit of history.

5 In the Settlement approved, in part, by  
6 the Commission in DE 21-030, the Settling  
7 Parties, including the Department of Energy,  
8 agreed that the Company can propose to collect  
9 two step increases, the second of which is now  
10 pending before the Commission. It's intended as  
11 a June 1st, 2023 distribution revenue increase  
12 for the revenue requirement associated with  
13 changes in net plant in services associated with  
14 non-growth investments for the period January 1,  
15 2022 through December 31, 2022.

16 The June 1st step adjustment that's now  
17 before you, per the Settlement Agreement, was to  
18 be based on a 2022 non-growth investment level of  
19 no more than \$26,738,022.

20 And, per the Settling -- per the  
21 Agreement of the parties, we filed our second  
22 step adjustment on February 14th. And this  
23 filing date was intended to maximize the amount  
24 of time between the filing date and the effective

1 date of the increase. Based on feedback received  
2 in connection with last year's filing, the  
3 Company arranged its filing to align Budget Input  
4 Sheets, Construction Authorizations, and Cost  
5 Records per project for ease of reference. The  
6 Company also limited the information in its  
7 filing to non-growth projects.

8 And arranging the Company's filing in  
9 this way, particularly in the short amount of  
10 time between the finalization of 2022 information  
11 and the step adjustment filing date, necessitated  
12 a significant amount of work; but the Company was  
13 happy to do it to make the process as  
14 straightforward as possible.

15 So, I just want to note, I referenced  
16 the cap, the spending cap. And the level of '22  
17 non-growth investment included in the Company's  
18 filing was significantly less than the spending  
19 limit, about 50 percent of it, actually.

20 There's no dispute, as you've heard  
21 from the Department today, that any of the  
22 investments included in the Company's filing were  
23 imprudently incurred or that they're not used and  
24 useful as of 2022.



1           The Department of Energy has taken  
2           issue with the classification of the Kingston  
3           Conversion Project as a "non-growth" project. We  
4           believe that the Company's witness has clearly  
5           articulated that it is, in fact, a non-growth  
6           project.

7           And I will note, as Mr. Sprague noted  
8           on the stand, that the Department of Energy  
9           raised this very same issue a year ago in  
10          connection with the Concord Conversion Project,  
11          which, like the Kingston Conversion Project, was  
12          undertaken based on anticipated loading after the  
13          Company received a request for new service. And,  
14          in that case, the Commission approved the  
15          inclusion of costs associated with the Concord  
16          Conversion in the step increase.

17          In our view, and I understand the  
18          Department sees this differently, the distinction  
19          between "growth" and "non-growth" projects has  
20          always been clear. Simply put, "growth" projects  
21          are used to directly serve new known load,  
22          including projects like new services, new  
23          customer meters, new transformers that are  
24          specifically designed to reach new customer

1 additions.

2 "Non-growth" projects do not directly  
3 serve new known load. This include, among other  
4 things, system improvement projects, like the  
5 Kingston Conversion Project, to address area  
6 loading or voltage constraints. The Kingston  
7 Conversion Project will not directly service new  
8 known load, and it is not part of an extension  
9 into an area that is not already serviced.  
10 Rather, it's a component of a master plan, which  
11 Mr. Sprague described, for this area that exists  
12 notwithstanding the commercial development  
13 referenced in the Construction Authorizations for  
14 the Kingston Conversion Project.

15 And, so, there was reference made  
16 within that to the commercial development, and  
17 the Department of Energy has pointed that out.  
18 The Department of Energy did not know the master  
19 plan that's referenced, and did not know the  
20 Department of Energy -- the Department of  
21 Transportation project that's referenced in  
22 there. This is clearly a non-growth project.

23 It's not a project that would have --  
24 it's not something that would have been done or

1 would not have been done but for the arrival of  
2 the commercial development. It's a necessary  
3 project that's consistent with the capacity  
4 requirements for the area.

5 Unitil has an obligation to provide  
6 safe and reliable service to its customers. And  
7 this requires, at times, system improvement  
8 projects to address loading concerns in a given  
9 area. Such projects are necessary for the  
10 service and benefit of all customers and are  
11 properly classified as "non-growth".

12 So, we think the Kingston Conversion  
13 Project falls squarely into the "non-growth"  
14 category of project. The Commission should  
15 include this project in the Company's step  
16 adjustment, much as it included the Concord  
17 Conversion Project costs in last year's step  
18 adjustment.

19 The Department of Energy made some  
20 other recommendations today. One, with respect  
21 to the -- well, I'm going to go in reverse  
22 order, actually. One, with respect to the  
23 Main Street [sic] Concord Porcelain Cutout  
24 Project. And, so, Mr. Dexter is not incorrect,

1 and we don't dispute that much of this project  
2 was done in 2021, and it was closed to plant in  
3 2022. And, so, the fact that it was -- that much  
4 of the work was done in 2021 is, I think, in this  
5 case, irrelevant. This is how accounting works.  
6 Sometimes there are years in which work is done,  
7 but the project is not closed until the following  
8 year. In this case, this project, yes, most of  
9 the work was done in 2021, but it wasn't closed  
10 to plant till 2022.

11 If the Company had come last year with  
12 its step adjustment and tried to include this  
13 project, I am certain that the Department of  
14 Energy would have objected to that, because the  
15 project was not closed to plant in 2021.

16 Now, there are projects that  
17 were completed -- that were very likely, if not  
18 substantially -- substantially completed in 2022,  
19 perhaps they were completed in 2022. But, for  
20 reasons related to accounting, they are not going  
21 to be closed to plant until 2023. Those projects  
22 are not included in this step adjustment. And,  
23 so, there's always going to be some overlap from  
24 year to year, and this is an instance of that.

1           There are probably many other examples of this.

2                   And, so, what we've done is, and I  
3           think these step adjustments are very good in  
4           capturing, from a year-to-year basis the  
5           investment for a particular year. And there are  
6           constraints, regulatory constraints,  
7           well-established regulatory constraints, on  
8           including projects that aren't closed to plant in  
9           the test year or an investment year.

10                   And, so, what we've proposed here is  
11           entirely consistent with ratemaking precedent.  
12           And there's no reason to divulge -- to depart  
13           from that, and that particular project should be  
14           included here.

15                   Now, on the issue of "would it have  
16           been" -- "would it have run up against the cap?"  
17           And I think I -- I understand why the Department  
18           raised the question. I didn't infer from that  
19           that they thought we were playing some kind of  
20           game to get around the cap. Mr. Goulding did  
21           testify during the -- during Day 1 that -- well,  
22           as Mr. Dexter pointed out, the amount is 41,481.  
23           The cap was -- or, the revenue requirement cap  
24           was 1,377,000 for the first cap, but our revenue

1        requirement last year was 1. -- 1,304,000. So,  
2        even if speaking hypothetically that this had  
3        been included in that year, it would not have run  
4        up against the cap. And, so, I just want to  
5        point that out.

6                Moving on from that, there was this  
7        question of "miscellaneous plant adjustments".  
8        And our witnesses explained what the nature of  
9        those miscellaneous plant adjustments are. And  
10       those are -- that is USC labor that's been  
11       capitalized to a project. And we explained why  
12       it's done that way. And, so, I think that you  
13       have everything that you need in this record to  
14       include that project here.

15               Something that I found I think a little  
16       disturbing, what Attorney Dexter was proposing,  
17       is that "the Commission can make a determination  
18       regarding the step adjustment in this case, but  
19       make it subject to the audit report."

20               I very much oppose that kind of  
21       process. Because we have no opportunity to do  
22       discovery on that audit report, to cross-examine  
23       anyone in relation to that audit report. I have  
24       no idea what kind of recommendations are going to

1 be made on that audit report.

2 And, so, I would very much object to  
3 the idea that in this case, or in any case, the  
4 Commission can approve revenue requirements, have  
5 rates go into effect, but have it be subject to,  
6 I guess, reconciliation, based on the findings in  
7 an audit report, which is, I think, probably  
8 could have been done by now, it hasn't, so that  
9 it's done on a timeline set by the Department of  
10 Energy's Audit staff. I appreciate they are very  
11 hard-working people that do the work, and I'm not  
12 trying to say otherwise.

13 But, I guess, processwise, I have a  
14 real concern about what's been proposed there,  
15 and I object to that.

16 With respect to the step adjustment  
17 calculation, I probably shouldn't say anything  
18 more, I think that issue has been well discussed.  
19 But I'll just note, I mean, there has been a  
20 spirited discussion between the Commission and  
21 our witnesses regarding the step adjustment  
22 methodology, and we appreciate that. We  
23 appreciate the Commission's interest in  
24 understanding the calculation.

1           As the Company's witnesses explained on  
2       April 20th, and again today, the calculation  
3       agreed to by the parties in DE 21-030 is  
4       methodologically sound, and it's a reasonable and  
5       appropriate -- it is reasonable and appropriate  
6       for the purposes of calculating the step  
7       adjustment in this case. It's accurate. The  
8       resulting increase in rates is just and  
9       reasonable.

10           I note that the Commission did not  
11       determine that the step adjustment revenue  
12       requirement calculation presented in the  
13       Settlement Agreement was not just and reasonable  
14       or inconsistent with the public interest. And,  
15       at the risk of sounding repetitive, I do want to  
16       emphasize that the Settlement Agreement  
17       established the step adjustment methodology, was  
18       the result of a vigorously negotiated process  
19       that transpired over many days in which the  
20       parties worked very hard to compromise and craft  
21       an agreement that all the parties agreed was just  
22       and reasonable and in the public interest.

23           And there's quite a bit of Commission  
24       precedent favoring that kind of process, in



1 favoring settled results among the parties. And,  
2 you know, I would have a concern with -- with a  
3 result in this case, or any other case, that  
4 would start to undermine that really  
5 well-established precedent that supports  
6 settlement agreements.

7 The two step adjustments, and the  
8 method for calculating those adjustments, were a  
9 significant part of the compromise. As with any  
10 settlement, the agreement was carefully  
11 calibrated; and revising any -- revising or  
12 eliminating any term can have the effect of  
13 throwing the compromise out of balance, and  
14 prejudicing one or more of the parties.

15 And, if the Commission were to revise  
16 the step adjustment calculation to assign all  
17 depreciation expense to non-growth investment, or  
18 in any other way, it would materially alter a key  
19 component of the Settlement Agreement and  
20 contravene the intent of the Settling Parties in  
21 21-030. The result of the hypothetical  
22 calculation proposed by the Commission in Hearing  
23 Exhibits 8 and 9 would substantially prejudice  
24 the Company by reducing its step adjustment

1 revenue requirement by more than -- or, by  
2 approximately 25 percent. Unitil may not have  
3 agreed to a stay-out provision or other  
4 concessions in the Settlement Agreement if the  
5 change in non-growth net plant calculation was to  
6 be based upon this hypothetical.

7 We believe that the calculation does  
8 not result in an accurate measure of the  
9 Company's change in non-growth net plant in 2022,  
10 and does not yield an accurate revenue  
11 requirement for the purposes of the step  
12 adjustment. We don't think there's any  
13 justification or support in the record for  
14 remaking the Settlement in this way.

15 As has already been noted, the  
16 Commission is currently in the process of  
17 conducting an investigation into the step  
18 adjustment methodology and process. That's IR  
19 22-048. And that investigation provides the  
20 Commission and/or its staff, and all  
21 participating parties, to discuss different  
22 approaches to presenting and calculating step  
23 adjustments, and that's the appropriate docket  
24 for addressing these matters.

1           So, as always, we really do appreciate  
2           the Commission's time and attention. We also  
3           very much appreciate the time of the Department  
4           of Energy, and the efforts that they have put in  
5           here.

6           We respectfully request that the  
7           Commission approve the Company's step adjustment  
8           filing in full, noting that the rates --  
9           requested rates are just and reasonable and in  
10          the public interest, and with an effective date  
11          of June 1st, 2023.

12          Thank you.

13          CMSR. CHATTOPADHYAY: Thank you. So, I  
14          think, is there anything else?

15          I'm just going to go ahead and strike  
16          identifications on Exhibits 1 through 9, with  
17          number 5 not used, and admit them into evidence.

18          Are there any other matters?

19          MR. DEXTER: I have one matter. I had  
20          raised the question of filing the audit report in  
21          this case. I don't know if you were going to get  
22          to that before you --

23          CMSR. CHATTOPADHYAY: No, please go  
24          ahead.

1                   MR. DEXTER: And I do recommend that  
2                   the Commission do that. It's a fairly routine  
3                   practice, is my understanding, particularly in  
4                   dockets like this that move quickly due to a  
5                   compressed time schedule.

6                   I don't know exactly when that audit  
7                   report will be finished, but I know the audit  
8                   work is currently underway. So, I don't expect  
9                   it will be more than a matter of a month or two.

10                  We specifically asked the Audit team to  
11                  look at that issue that we raised about the  
12                  miscellaneous plant adjustments with respect to  
13                  the Time of Use rate -- the Time of Use  
14                  Conversion Project. So, I expect that there will  
15                  be some information in that, in the report.

16                  We believe it's appropriate to file it  
17                  in the record. And, if there's a recommendation  
18                  that would go along with that, we believe it  
19                  should be taken up at some time, you know, after  
20                  this hearing is closed.

21                  We understand Unitil does not support  
22                  that approach. But I at least wanted to raise  
23                  it, and ask you to keep either the record open  
24                  for that report or an exhibit number for that

1           report when it comes in. Or, if you decide that  
2           you don't want that report, then we can -- then,  
3           that's fine. We will hear that and we won't  
4           submit it.

5                       But I just wanted to keep the record --  
6           you know, have a placeholder in the record for  
7           it, should you decide that you think the audit  
8           report is of value and should come into the  
9           record.

10                      MR. TAYLOR: So, --

11                      CMSR. CHATTOPADHYAY: Go ahead. Before  
12           you begin, I think I'm going to give him a break,  
13           give Steve a break. And we'll take a five or ten  
14           minutes break, and then we'll come back in.

15                      MR. TAYLOR: Before we do that, can I  
16           just proceed? I'm going to be very quick.

17                      CMSR. CHATTOPADHYAY: Yes. Go ahead.

18                      MR. TAYLOR: Because I do think it's  
19           important.

20                      So, I know that I addressed this in my  
21           closing. What I interpret what Mr. Dexter just  
22           did was essentially make a motion. And, so, I  
23           want to object to that motion, on the grounds  
24           that I don't think it's appropriate to keep the

1 record open to receive new information in this  
2 docket that we've had no opportunity to review or  
3 vet, and have that somehow affect the outcome of  
4 this docket.

5 I do object to that. And I just wanted  
6 to get that on the record before the break.

7 CMSR. CHATTOPADHYAY: Thank you. And  
8 I'll be getting advice from my attorneys here.  
9 So, we'll take a break, okay? Give us -- five  
10 minutes would be good enough.

11 So, we'll be back at let's make it  
12 3:20. Thank you.

13 (Recess taken 3:13 p.m., and the  
14 hearing resumed at 3:25 p.m.)

15 CMSR. CHATTOPADHYAY: So, I'm going to  
16 again repeat, you know, there is no objections on  
17 the Exhibits 1 through 9, number 5 not being  
18 counted, right?

19 MR. TAYLOR: No objection.

20 MR. DEXTER: No objection.

21 CMSR. CHATTOPADHYAY: Okay. So, I will  
22 repeat again that I'm admitting them as evidence.

23 And we will conclude the proceeding.  
24 And we will make sure we have the order before

1        June 1st. We will take the matter under  
2        advisement and issue an order, like I said, as  
3        soon as possible. The hearing is adjourned.

4                    ***(Whereupon the hearing was adjourned***  
5                    ***at 3:26 p.m.)***