

## STATE OF NEW HAMPSHIRE

## PUBLIC UTILITIES COMMISSION

October 28, 2008 - 10:40 a.m.  
Concord, New Hampshire

DAY I  
NHPUC NOV14'08 PM 1:54

RE: DG 07-072  
KEYSPAN AND NORTHERN UTILITIES:  
Gas and Electric Indirect Costs -  
Working Capital.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below

Sandy Deno, Clerk

APPEARANCES: Reptg. National Grid:  
Alexandra E. Blackmore, Esq.  
  
Reptg. Northern Utilities, Inc.:  
Susan S. Geiger, Esq.  
  
Reptg. Public Service Co. of New Hampshire:  
Gerald M. Eaton, Esq.  
  
Reptg. Unutil Energy Systems:  
Gary M. Epler, Esq.

COURT REPORTER: Steven E. Patnaude, LCR No. 52

ORIGINAL

**APPEARANCES: (C o n t i n u e d)**

**Reptg. Residential Ratepayers:**

Rorie Hollenberg, Esq.

Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate

**Reptg. PUC Staff:**

Edward N. Damon, Esq.

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I N D E X

PAGE NO.

WITNESS: JAMES A. ROTHSCHILD

Direct examination by Ms. Ross

7

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E X H I B I T S

EXHIBIT NO.

D E S C R I P T I O N

PAGE NO.

1

Second Revised Testimony of  
James A. Rothschild (07-14-08)

22

2

Revised Direct Testimony &  
Schedules of James A. Rothschild  
(10-28-08)

22

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

CHAIRMAN GETZ: Good morning, everyone. We'll open the hearing in docket DG 07-072. On June 25, 2007, the Commission issued an order of notice opening this docket to consider the appropriate carrying charge rate for cash working capital needed to meet the supply obligations. EnergyNorth, Northern Utilities, Unitil Energy Systems, Granite State Electric Company, and Public Service Company of New Hampshire were made parties to the docket. And, I think most of those companies have changed names since that time. A prehearing conference was held on July 25, 2007, and an order addressing certain preliminary procedural issues was issued on September 27. And, a secretarial letter was issued on February 7, 2008 approving a procedural schedule in this docket.

Can we take appearances please.

MR. EPLER: Sure. Good morning, Mr. Chairman, Commissioners. My name is Gary Epler, Chief Regulatory Counsel for Unitil Energy Systems, Inc. And, with me this morning is Robyn Tafoya, Director of Finance for Unitil. And, also, I will do it more formally on the stand, but I just wanted to introduce Robert Hevert, of Concentric Consulting, he's appearing jointly on behalf of the Companies.

1 CHAIRMAN GETZ: Good morning.

2 CMSR. MORRISON: Good morning.

3 CMSR. BELOW: Good morning.

4 MS. GEIGER: Good morning, Mr. Chairman,  
5 Commissioner Morrison and Commissioner Below. My name is  
6 Susan Geiger and I am with the law firm of Orr & Reno, and  
7 I represent Northern Utilities. And, here with me this  
8 morning is Mr. Joseph Ferro.

9 CHAIRMAN GETZ: Good morning.

10 CMSR. MORRISON: Good morning.

11 CMSR. BELOW: Good morning.

12 MS. BLACKMORE: Good morning. My name  
13 is Alexandra Blackmore and I'm appearing of behalf of  
14 National Grid.

15 CHAIRMAN GETZ: Good morning.

16 CMSR. MORRISON: Good morning.

17 CMSR. BELOW: Good morning.

18 MR. EATON: Good morning. Gerald M.  
19 Eaton, for Public Service Company of New Hampshire. Good  
20 morning.

21 CHAIRMAN GETZ: Good morning.

22 CMSR. MORRISON: Good morning.

23 CMSR. BELOW: Good morning.

24 MS. HOLLENBERG: Good morning. Rorie

1 Hollenberg and Kenneth Traum here for the Office of  
2 Consumer Advocate.

3 CHAIRMAN GETZ: Good morning.

4 CMSR. MORRISON: Good morning.

5 CMSR. BELOW: Good morning.

6 MS. ROSS: Good morning, Commissioners.  
7 Anne Ross, with the Public Utilities Commission. And,  
8 with me today is -- to my left is Mr. James Rothschild, of  
9 Rothschild Financial Consulting, who's our expert today,  
10 to his left is his son, Aaron, and, at the far end of the  
11 table is Adam Ibrahim, an intern in the Electric -- in the  
12 Legal Division.

13 CHAIRMAN GETZ: Good morning.

14 CMSR. MORRISON: Good morning.

15 CMSR. BELOW: Good morning.

16 CHAIRMAN GETZ: Staff will be going  
17 first today, correct? Is there anything we need to  
18 address before we hear from Staff's witness?

19 MS. ROSS: I don't think so.

20 CHAIRMAN GETZ: Hearing nothing, then  
21 please proceed. Ms. Ross, have the parties discussed --  
22 will Mr. Rothschild be crossed on both his direct and his  
23 rebuttal testimony at the same time?

24 MS. ROSS: We did discuss that. And, I

[WITNESS: Rothschild]

1 believe our understanding today is that he will present  
2 his direct and be crossed on his direct. Then, Mr. Hevert  
3 will present his direct, which is actually rebuttal, and  
4 then be crossed on that. And, then, Mr. Rothschild will  
5 return to the stand for his rebuttal, and then be crossed  
6 on that.

7 CHAIRMAN GETZ: Has everybody agreed?

8 MR. EPLER: Yes.

9 CHAIRMAN GETZ: Okay. Hearing no  
10 objection, then please proceed.

11 (Whereupon **James A. Rothschild** was duly  
12 sworn and cautioned by the Court  
13 Reporter.)

14 **JAMES A. ROTHSCHILD, SWORN**

15 **DIRECT EXAMINATION**

16 BY MS. ROSS:

17 Q. Good morning, Mr. Rothschild.

18 A. Good morning.

19 Q. Would you mind giving your full name and business  
20 address for the record please.

21 A. My name is James A. Rothschild. And, my business  
22 address is 115 Scarlet Oak Drive, Wilton, Connecticut.

23 Q. And, on what party -- on whose behalf are you  
24 testifying today?

[WITNESS: Rothschild]

1 A. The Staff of the Commission.

2 Q. And, would you mind giving the Commission a short  
3 summary of your background.

4 A. That would be fine. I have been involved in utility  
5 ratemaking as an expert witness for over 30 years. I  
6 have testified on cost of capital and  
7 accounting-related issues over those years, in  
8 somewhere around, I don't know, 26 or 28 jurisdictions  
9 in the United States. And, I've also testified on  
10 behalf of the Commission in Nova Scotia, Canada.

11 Q. And, Mr. Rothschild, did you file prefiled testimony in  
12 this docket?

13 A. Yes.

14 Q. And, you filed it more than once, didn't you?

15 A. Yes.

16 Q. Okay. And, the reasons for refiling the prefiled  
17 testimony, could you give those reasons?

18 A. Yes. The reasons were that there were several  
19 generations of the Companies providing us updated  
20 corrected numbers of some interrogatory responses that  
21 we had asked for quantifications of working capital.

22 Q. And, just to set the context for this hearing, is it  
23 your understanding that this proceeding is actually  
24 going forward in two stages?



[WITNESS: Rothschild]

1 A. Yes, I understand that.

2 Q. And, that the first stage involves a determination of  
3 the methodology for analyzing what return is  
4 appropriate on cash working capital, correct?

5 A. Yes. This first phase, and this being the first phase,  
6 is to determine methodology, yes.

7 Q. And, then, in the second phase, which would be  
8 considered implementation, the Commission would look at  
9 the specific Companies' situations and reach a  
10 conclusion with regard to their cash working capital  
11 rate?

12 A. Yes.

13 Q. Okay. Now, with that in mind, there were, after your  
14 second filing, there were additional changes to the  
15 utility numbers, is that correct?

16 A. Yes.

17 Q. And, as a result, you have done a further revision to  
18 your latest filing, correct?

19 A. Yes.

20 Q. And, what I would like to do is to --

21 MR. EPLER: Can I get a clarification of  
22 that question?

23 MS. ROSS: Sure.

24 MR. EPLER: May I?

[WITNESS: Rothschild]

1 CHAIRMAN GETZ: Well, please proceed.

2 MR. EPLER: You had asked the witness if  
3 he received the utility revisions after the second revised  
4 testimony.

5 MS. ROSS: We'll clarify that.  
6 Actually, in the revised testimony, it indicates for each  
7 company what date the revisions were given. And, I think  
8 what you're going to is that, in the case of Unitil, the  
9 revisions were earlier than that final.

10 MR. EPLER: Yes. Thank you.

11 MS. ROSS: But we'll go through company  
12 by company. What I'd like to do is to -- This is a  
13 redline version of Mr. Rothschild's prefiled testimony.  
14 The Companies have it, and we'll provide a copy to the  
15 Clerk and --

16 MS. GEIGER: Excuse me, Mr. Chairman.  
17 I'm sorry to interrupt. But, I agree with Ms. Ross, the  
18 Companies have this. We were provided with a copy of this  
19 redline version at 10:25 this morning. So, we've not had  
20 the opportunity to review it, to do any discovery on the  
21 portions of it that deal with our respective clients, and  
22 may have significant questions about some of the  
23 information that's contained in it. Again, it's hard for  
24 me to judge that right now, because I haven't had an

[WITNESS: Rothschild]

1 opportunity to review it and to do discovery on it, as I  
2 normally would with other prefiled testimony.

3 MS. ROSS: I think, as we go through,  
4 I'm going to have Mr. Rothschild now go through and  
5 explain the specific changes. And, then, if the Companies  
6 feel that there isn't appropriate discovery available to  
7 them, these are the Companies' numbers we're using, each  
8 time they have changed we have inserted them into the  
9 testimony.

10 CHAIRMAN GETZ: Mr. Epler.

11 MR. EPLER: Well, Mr. Chairman, if you  
12 want to wait till you go through this section by section,  
13 I'd be happy to wait. I can also state, with specificity,  
14 what my objections are now. But I'm willing to wait.

15 CHAIRMAN GETZ: Well, let me make sure  
16 I've got an understanding of the process here. So, this  
17 is -- we have the Second Revised Direct Testimony that  
18 came in on July 14th. And, now, this includes updates,  
19 revisions to that testimony, --

20 MS. ROSS: Yes.

21 CHAIRMAN GETZ: -- to reflect new  
22 information collected since --

23 MS. ROSS: Well, let me clarify. The  
24 information on two companies was collected on August 15th

[WITNESS: Rothschild]

1 and 16th. On the third company, I believe, which is  
2 Unitil, it was collected on May 29. So, one company did  
3 update numbers before the second revision was done. But,  
4 at the point where we got additional numbers from the  
5 other three companies, it made sense to go ahead and try  
6 to correct again the testimony.

7 CHAIRMAN GETZ: Well, I guess what I'm  
8 considering is whether it makes sense to go through this  
9 on the record or for us to take a recess and to take a  
10 look at these numbers so we have a better understanding.  
11 Let's just --

12 MR. EPLER: Mr. Chairman, if I might  
13 just comment on that. I would request that this be --  
14 that this review be done on the record.

15 CHAIRMAN GETZ: That the revisions by  
16 Mr. Rothschild --

17 MR. EPLER: That the review of the  
18 revisions be done on the record. I would request that the  
19 review be done on the record.

20 MS. ROSS: I don't think the two options  
21 are mutually exclusive. We certainly intend to review  
22 these revisions on the record to make sure that everyone  
23 fully understands them. But we're happy to take a half  
24 hour recess and go through the numbers with each company

[WITNESS: Rothschild]

1 and make sure that each company is satisfied that we've  
2 properly transferred the numbers they provided into the  
3 analysis.

4 CHAIRMAN GETZ: Well, let's walk through  
5 these proposed revisions and we'll see where that gets us.

6 BY MS. ROSS:

7 Q. Okay. Mr. Rothschild, if you could begin by giving a  
8 summary of your testimony and follow that with a  
9 specific discussion of the updates.

10 CHAIRMAN GETZ: Well, I think -- I don't  
11 think it's necessary to summarize the testimony. We've  
12 got the testimony, we've read through it. And, there's a  
13 summary of the conclusions in the prefiled. Let's move  
14 onto dealing with these revisions.

15 MS. ROSS: Fine.

16 BY MS. ROSS:

17 Q. And, then, just begin with the specific revisions  
18 please.

19 A. Yes. I don't know how much detail you'd like me to go  
20 into, but the only thing that was done was to reflect  
21 the new numbers given by the Companies and follow the  
22 same thought process that was done before. So, really,  
23 over and over again what you see are just number  
24 changes and explaining within the exact same thought

[WITNESS: Rothschild]

1 process that was there before what those changes meant.  
2 So, I would just, if you give me guidance how much  
3 detail you'd like me to give for each redline change,  
4 and I would be happy to read the whole thing or just  
5 I'm not sure what you'd like.

6 CHAIRMAN GETZ: Well, at this point,  
7 we're seeing this for the first time. So, I'd like to  
8 understand the purpose for the change and what the changes  
9 are.

10 **BY THE WITNESS:**

11 A. One hundred percent of the purpose of the change was to  
12 reflect a new set of numbers that was given to us by  
13 the Companies, and that's all we've done. So, there's  
14 nothing else than that. The supply-related working  
15 capital computation changed, as it was given to us by  
16 the Companies, and we have plugged them into the same  
17 spreadsheets.

18 BY MS. ROSS:

19 Q. Perhaps, since it seems as if there's going to be quite  
20 a bit of question and discussion around this, Mr.  
21 Rothschild, it might help, it's not very long  
22 testimony, we can probably go through page by page, and  
23 just generally describe each of the changes, so that  
24 people understand.

[WITNESS: Rothschild]

1 A. If that is what you would like, sure.

2 Q. And, I think your first change occurs on Page 4. Well,  
3 actually, --

4 A. Well, first is on Page 1, where we changed the date  
5 from "June 2nd" to "October 28th".

6 Q. Right.

7 A. Then, of course, there's the associated change in the  
8 Table of Contents, which is a very minor change. Then,  
9 Page 4, just explains what I've said this morning,  
10 which is that there were revised supply-related working  
11 capital balances provided by Unitil, EnergyNorth, and  
12 Northern Utilities, Inc. And, as a result of those new  
13 numbers, it doesn't change my conclusions. The numbers  
14 basically come together in essentially the same way as  
15 originally.

16 Then, the next time anything of any  
17 substance whatsoever shows up is when we get to the  
18 section that's "Analysis by Company", and that --

19 Q. That's beginning on Page 14?

20 A. Yes, beginning on Page 14 for EnergyNorth, and on  
21 subsequent pages for the other companies, which simply  
22 talk about the impact of the revised numbers.

23 Q. And, so, for EnergyNorth, the changes -- the new  
24 information was received on August 15th?

[WITNESS: Rothschild]

1 A. Yes.

2 Q. So, that's reflected. And, then, the new numbers  
3 themselves are reflected down toward the bottom of the  
4 page?

5 A. Yes, that's correct. So that the -- And, so that the  
6 actual results of the same computations as done before  
7 are reflected in the red numbers. When you get to  
8 Page 15, we're showing the numbers for supply-related  
9 working capital that range from a low of 95,000, to a  
10 high of 730,000, and go on from there. It shows that  
11 -- and you can see that the graph on Page 16, which  
12 reflects the fluctuation in working capital throughout  
13 the year, is the same. The line that was the original  
14 black line and the new redline are identical. And,  
15 that's because the changes in the computations for  
16 EnergyNorth were related to their provision of the  
17 working capital associated with gas storage. So, when  
18 you add gas storage in, and then recognize it's being  
19 treated separately, and take it back out again, the  
20 change -- the change in what's left is zero, so you  
21 have the same fluctuation.

22 Q. And, then, the conclusions on Page 16 are the same or  
23 not?

24 A. Yes. The conclusion is that, just as -- just as, in



[WITNESS: Rothschild]

1 the original computation, there is a sufficient amount  
2 of short-term debt to fund the requirements for  
3 construction work in progress -- oh, excuse me, for  
4 supply-related working capital, after considering that  
5 there is short-term debt that is used pursuant to the  
6 FERC method to finance construction work in progress.  
7 So, that conclusion remains, remains the same. We're  
8 continuing to recommend that the Companies be protected  
9 from a double count on short-term debt. I think that  
10 would be inappropriate.

11 Q. And, then, for the next company, Granite State, there  
12 were no changes, correct?

13 A. That's correct.

14 Q. And, then, if you go to Page 20, for Northern?

15 A. Yes. Northern did provide additional revisions to  
16 their supply-related working capital balance, and those  
17 are reflected in the computations. Again, the graph of  
18 the net result of supply-related working capital  
19 remains the same. So, --

20 Q. But some of the numbers --

21 A. Yes, some of the numbers to get there changed. There  
22 was one quarter, in the case of Northern, where the  
23 amount of short-term debt was in -- in the original  
24 computations, that was not apparent, but, in these

[WITNESS: Rothschild]

1        computations, there is one of the four quarters we look  
2        at where the amount of short-term debt being used was  
3        not quite sufficient to fully cover supply-related  
4        working capital. But a review of the schedule shows  
5        that that happened only because there was a substantial  
6        dip in the balance of short-term debt outstanding. So,  
7        the Company certainly had the ability to easily have  
8        financed the supply-related working capital with  
9        short-term debt. So, that's a very slight, if you  
10       will, additional interpretation of the numbers that  
11       wasn't necessary in the first look at them.

12    Q.    And, your conclusion was still the same for --

13    A.    Yes, the conclusion is the same.

14    Q.    And, then, --

15                    MS. HOLLENBERG: Excuse me. I just have  
16        a question, because I'm trying to follow along the  
17        redlined revisions that we were provided today against the  
18        version that was filed on July 14th. And, I am seeing  
19        that, for instance, if I could just show what I'm seeing,  
20        with regard to Page 15, of the revised version that we  
21        received today, I was looking at the numbers that were  
22        deleted, and those correspond actually to the numbers that  
23        were in the first filing on June 2nd, and not the numbers  
24        that were in the July 14th filing. So, I don't know the

[WITNESS: Rothschild]

1 difference between the June 2nd filing and the July 14th  
2 filing. They're both dated "June 2nd". So, what I'm  
3 concerned about is that we're seeing a redlined version of  
4 the June 2nd filing, and not a redlined version of the  
5 July 14th filing. And, I just wanted to ask a question  
6 about that before we continue.

7 CHAIRMAN GETZ: Ms. Ross or Mr.  
8 Rothschild, can you clarify?

9 WITNESS ROTHSCILD: Not without asking,  
10 I'd have to check on that. Without talking to the  
11 Production Department, I don't know.

12 CHAIRMAN GETZ: Okay. Well, let's hold  
13 that for the moment. Let's finish this walk-through of  
14 the revision.

15 MS. ROSS: Okay.

16 CHAIRMAN GETZ: We also need to turn  
17 back then to Mr. Epler.

18 BY MS. ROSS:

19 Q. All right. So, that concludes EnergyNorth, correct?

20 A. Yes.

21 Q. And, I'm sorry. No, we --

22 A. And Northern.

23 Q. And Northern.

24 A. Yes.

[WITNESS: Rothschild]

1 Q. I had flipped back to Page 15. The next company would  
2 be on Page 25?

3 A. Well, PSNH, on 23, where there are no changes.

4 Q. Oh, I'm sorry. Yes. PSNH, there were no numbers to  
5 begin with, and that continues to be the case. The  
6 next company is Unitil, on Page 25?

7 A. Yes.

8 Q. And, as you indicate, the correction by Unitil was made  
9 on May 29th, 2008?

10 A. Yes.

11 Q. So, that was the one that was actually made earlier in  
12 the process?

13 A. Yes.

14 Q. And, then, if you could go through the specific changes  
15 that Unitil's numbers caused?

16 A. The Unitil did not always utilize enough short-term  
17 debt in every quarter of 2007, but it did have access  
18 to enough short-term debt. Another change, which is  
19 reflected and considered, is that, since the original  
20 filing of my testimony, Unitil has requested and been  
21 granted an additional amount of -- permission to use an  
22 additional amount of short-term debt, and included in  
23 the reasons for that request for additional short-term  
24 debt were to finance working capital.

[WITNESS: Rothschild]

1 Q. And, so, those are reflected in the redline on Page 26?

2 A. Yes, those are reflected. That's correct.

3 Q. That's a discussion of --

4 A. Correct.

5 Q. -- the additional request for short-term debt?

6 A. Yes. And, again, the net effect of the number  
7 revisions does not change the variation or amount of  
8 supply-related working capital, it only changes the  
9 alternative uses of short-term debt.

10 Q. And, so, the changes to the numbers for Unitil are  
11 found on Page 27?

12 A. Yes.

13 Q. And, did your conclusion change?

14 A. No. The conclusion did not change for any of the  
15 Companies.

16 MS. ROSS: That concludes a review of  
17 the specific revisions to the testimony. And, we'll have  
18 to clarify whether the redline was done to the earlier  
19 testimony or the July testimony. In either case, we were  
20 not planning on making the earlier versions of the  
21 testimony exhibits, because they are not correct, based on  
22 the numbers. We were going to be using this testimony, as  
23 redlined, as the exhibit today, together with a clean  
24 copy.

[WITNESS: Rothschild]

1 CHAIRMAN GETZ: Okay. Mr. Epler.

2 MR. EPLER: Yes. Thank you, Mr.

3 Chairman. Unitil has a number of objections. First of  
4 all, I don't believe, based on what I see, that this  
5 document is even accurate, to the extent that it purports  
6 to show additions and deletions. For example, if you look  
7 at Page 25 of this document, --

8 CHAIRMAN GETZ: Well, let's do a couple  
9 of things. The Second Revised Direct Testimony of Mr.  
10 Rothschild that was filed on July 14th, let's mark that  
11 for identification as "Exhibit Number 1".

12 (The document, as described, was  
13 herewith marked as **Exhibit 1** for  
14 identification.)

15 CHAIRMAN GETZ: This revised testimony  
16 from Mr. Rothschild dated October 28, 2008, let's mark  
17 that for identification as "Exhibit Number 2".

18 (The document, as described, was  
19 herewith marked as **Exhibit 2** for  
20 identification.)

21 CHAIRMAN GETZ: And, I guess you're  
22 going to be referring back to earlier versions, Mr. Epler?

23 MR. EPLER: I will probably keep my  
24 comments to what has been marked as "Exhibit Number 1" and

[WITNESS: Rothschild]

1 this, which is "Exhibit Number 2".

2 CHAIRMAN GETZ: Okay.

3 MR. EPLER: Thank you, Mr. Chairman. As  
4 I was saying, to the extent that this document purports to  
5 show additions and deletions, there are deletions made  
6 that don't show up. For example, if you look at Page 25  
7 of Exhibit Number 2, and you compare it to Page 23 of  
8 Exhibit Number 1, on Page 23 of Exhibit Number 1, the  
9 first Q&A on that page does not appear as a deletion in  
10 this document. I think that's similar --

11 CHAIRMAN GETZ: So, you're saying, I'm  
12 sorry, that the answer on -- the answer on Line 6 isn't  
13 shown as deleted from Exhibit -- from Page 23 of  
14 Exhibit 1, is that what you were saying?

15 MR. EPLER: Right. That's correct.

16 CHAIRMAN GETZ: Okay.

17 MR. EPLER: I think that's the same with  
18 respect to the answer --

19 CHAIRMAN GETZ: And, I think the problem  
20 goes maybe to the issue raised by Ms. Hollenberg, that the  
21 revised testimony looks like it -- the revisions look like  
22 it was done to the testimony filed on June 2nd, 2008.

23 MR. EPLER: Yes. And, I think you can  
24 see that if you look at the first cover sheet.

[WITNESS: Rothschild]

1 CHAIRMAN GETZ: Okay. Well, I  
2 understand your direction.

3 MR. EPLER: Okay. So, that's one. I  
4 would just caution not to use this document as showing all  
5 the deletions from Exhibit Number 1.

6 My other objections are more substantive  
7 in nature. First of all, as it says here directly in  
8 Exhibit Number 2, at Line 6, Unitil provided its revised  
9 responses on May 29th. After May 29th, we had several  
10 discovery -- either technical conferences or discovery  
11 conferences held over the phone. I specifically asked the  
12 witness, once we got this, once we got the second revised  
13 testimony, if he was going to -- if he was going to update  
14 his testimony, and was told he was not. So, I asked -- I  
15 asked that question because we got the testimony, and the  
16 only thing that changed were some of the numbers, the  
17 words in the testimony did not change. So, I think this  
18 is unfair surprise. We're getting this ten minutes  
19 before. I think the changes that are made are substantive  
20 changes to his conclusions. I mean, you can see that in  
21 the Q&A on Page 23. The conclusion at Line 6 is "Unitil  
22 did not have enough short-term debt in three of the four  
23 quarters of 2007" to finance short-term debt allocated to  
24 rate base and CWIP.



[WITNESS: Rothschild]

1 CHAIRMAN GETZ: I understand your  
2 argument.

3 MR. EPLER: And, he's totally changed  
4 this.

5 CHAIRMAN GETZ: Mr. Epler, what's your  
6 proposal?

7 MR. EPLER: Our proposal is to strike  
8 this, not allow it into evidence. He's changing his  
9 testimony.

10 CHAIRMAN GETZ: Ms. Geiger.

11 MS. GEIGER: I have to concur with  
12 Attorney Epler on this. Mr. Chairman, I'm sure the  
13 Commission must appreciate that it's very difficult  
14 preparing a case for hearing and to be given, literally,  
15 you know, ten minutes before the hearing starts copies of  
16 a redlined version of testimony that's different now from  
17 what I had been looking at the last couple of days, and  
18 even last evening, to prepare. Truly, in terms of  
19 substance, we do have some different words now that apply  
20 to Northern. And, unfortunately, I'm not as quick on my  
21 feet as Attorney Epler is in terms of doing a side-by-side  
22 read of what was filed and what I prepared for and what's  
23 been given to me this morning. So, I can't sit here and  
24 tell you how this actually, other than the redlines that

[WITNESS: Rothschild]

1 appear here, whether and to what extent it's different  
2 from what I had read before. Clearly, if you read through  
3 even quickly as I have this morning, with respect to  
4 Northern, the testimony is slightly different, in that Mr.  
5 Rothschild now is talking about one quarter of '07 showing  
6 that the short-term debt was not sufficient to cover all  
7 of the factors that he's mentioned. So, I'm somewhat at a  
8 disadvantage here trying to analyze what's been filed and  
9 prepare for cross-examination.

10 MS. ROSS: I have a proposal.

11 CHAIRMAN GETZ: Ms. Ross.

12 MS. ROSS: We'll agree to withdraw the  
13 redlined. We'll file as exhibits the other two. And, let  
14 me confer with my witness and make sure he'd be  
15 comfortable taking the new numbers the Company has on the  
16 stand as clarification.

17 CHAIRMAN GETZ: Well, let me make sure I  
18 understand.

19 MS. ROSS: Is that a possibility?

20 CHAIRMAN GETZ: That the proposal is to  
21 basically ignore Exhibit 2 and --

22 MS. ROSS: Agree to strike it.

23 CHAIRMAN GETZ: -- and proceed on the  
24 basis of Exhibit 1?

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1 MS. ROSS: And, I'd just like to confer  
2 with my witness and see if he's comfortable with that.  
3 And, if so, maybe that would eliminate all of the surprise  
4 issues. And, then, if the Companies want to raise new  
5 numbers today, they can.

6 CHAIRMAN GETZ: Well, let me -- what's  
7 the reaction, Mr. Epler, Mr. Geiger, to that proposal?

8 MR. EPLER: Well, for Unitil, that would  
9 satisfy the concern. Our new numbers are reflected -- Our  
10 revised numbers are reflected in Exhibit 1. So, there are  
11 no -- there are no numerical changes, numerical changes  
12 between Exhibit Number 1 and what has been marked as  
13 Exhibit Number 2. I believe there are substantive  
14 conclusory changes, but not numerical changes.

15 CHAIRMAN GETZ: Well, can you --

16 MS. ROSS: Let me just check.

17 (Atty. Ross conferring with Witness  
18 Rothschild.)

19 MS. ROSS: That's fine.

20 CHAIRMAN GETZ: Ms. Ross.

21 MS. ROSS: Yes, I have conferred with  
22 the witness. The witness is perfectly comfortable using  
23 his earlier testimony, and allowing the Companies, if they  
24 wish, to update their numbers, and ask him on the stand

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1       whether that would affect his conclusions.

2                   CHAIRMAN GETZ: Does anyone,  
3       Ms. Blackmore, Mr. Eaton, Ms. Hollenberg, have any opinion  
4       on this?

5                   MS. BLACKMORE: I share in the  
6       objections raised by Ms. Geiger and Mr. Epler. The basic  
7       concern that I have is that even the numbers that we  
8       provided to Mr. Rothschild to put into his testimony do  
9       not appear to reflect -- the text of his testimony does  
10      not appear to reflect how those numbers should be used to  
11      form his conclusion. So, I mean, I think it would be,  
12      particularly with regard to the prior testimony, which has  
13      the completely wrong numbers, I'm not sure how -- how we  
14      could rely on that as forming the basis of conclusions.

15                  CHAIRMAN GETZ: Anyone else?

16                  MS. ROSS: I just would like to point  
17      out that the completely wrong numbers were provided by the  
18      Companies.

19                  MS. BLACKMORE: Not in every instance,  
20      though. I mean, in some instance we provided schedules  
21      that were -- the incorrect numbers were taken out of those  
22      schedules, but the correct numbers were part of the  
23      schedules. So, regardless, we're in the position now  
24      where I think the testimony should reflect the correct

[WITNESS: Rothschild]

1 numbers as conferred with the Company, and I don't know  
2 how we're going to do that, unless we discuss this with  
3 Staff.

4 WITNESS ROTHSCHILD: If I --

5 CHAIRMAN GETZ: Excuse me, wait a  
6 second. Ms. Hollenberg, did you have something?

7 MS. HOLLENBERG: I just wanted to state  
8 that we're not going to take a specific position on this  
9 issue, but we do share the concerns about the filing of  
10 the revisions at this late time. Thank you.

11 CMSR. GEIGER: And, Mr. Chairman, I  
12 would just add to that by saying that I think that the  
13 record just needs to be clear on this. And, what would  
14 happen if we were just left with the second revised  
15 testimony with the incorrect numbers in them, and the  
16 Companies trying to help Mr. Rothschild on the stand  
17 supplement his testimony, is the record may not end up  
18 being any more helpful or clear. We were expecting that  
19 we would have seen another round of revised testimony well  
20 before today, and so we were caught off guard.

21 CHAIRMAN GETZ: Well, my concern is that  
22 this record is terribly confused at the moment, and  
23 perhaps even the Commissioners, who are supposed to be  
24 able to make a decision based on the record. Certainly,

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1 it's not unusual to have revisions at the last moment to  
2 testimony. And, it's not clear to me that there's  
3 anything in this revision that's really substantive  
4 material to the issues, but I am concerned about the late  
5 filing of it. And, rather than striking it, which I don't  
6 think is an appropriate remedy, I'm seeing two options as  
7 alternatives to proceeding with the cross-examination of  
8 Mr. Rothschild. The point is we either take a lengthy  
9 recess now for the parties to work through this to come to  
10 some agreement or we postpone this hearing to another day,  
11 and let's get all the right numbers in the record, and  
12 then have all the parties have an opportunity to prepare  
13 their cross-examination. But any reactions to either of  
14 those procedures?

15 MR. EPLER: Could we have a couple of  
16 minutes here now?

17 CHAIRMAN GETZ: Well, let's take a 10 or  
18 15 minute recess, give you the opportunity to talk among  
19 yourselves, and then we'll hear if we have any guidance  
20 when we return. Thank you.

21 (Whereupon a recess was taken at 11:18  
22 a.m. and the hearing reconvened at 11:58  
23 a.m.)

24 CHAIRMAN GETZ: Okay. We're back on the

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1 record in DG 07-072. And, do we have a report, Ms. Ross?

2 MS. ROSS: Yes. First of all, I would  
3 like to apologize to the Commission for the confusion that  
4 we've created. And, we are going to suggest a way to move  
5 forward now that I think will give us a much better record  
6 to work with. The parties have agreed that we would like  
7 to ask the Commission to postpone this hearing. And, we  
8 have committed to circulating -- our experts will  
9 circulate an e-mail redlined version of the July testimony  
10 updated with the new numbers by November 5th. And, we  
11 will have a conference call on the 12th of November, with  
12 an opportunity for the Companies to question those numbers  
13 and for us, if necessary, to do any further revisions by  
14 the 14th of November. We have agreed that the utilities  
15 may file rebuttal testimony on December 1st with regard to  
16 any changes that are made in the redline version. And,  
17 then, we would ask the Commission to find the next  
18 available hearing date after December 1st to take up the  
19 hearing on this matter. And, we would circulate a letter  
20 to the Commission following this hearing with the specific  
21 recommendations for the procedural schedule.

22 CHAIRMAN GETZ: Mr. Epler.

23 MR. EPLER: Yes. Just to clarify, I  
24 don't think it would be rebuttal testimony, I think it

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1 would be -- actually we would take the testimony and  
2 revise it.

3 CHAIRMAN GETZ: All right. Anything  
4 else on this matter from anyone? Any questions?

5 (No verbal response)

6 CHAIRMAN GETZ: Okay. Then, what we  
7 will do is recess this hearing and resume at a date to be  
8 determined that fits in with the Commission and the  
9 parties' calendars. Thank you very much.

10 MR. EPLER: Thank you.

11 **(Whereupon the hearing was adjourned at**  
12 **12:01 p.m.)**

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