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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

September 8, 2009 - 11:29 a.m.
Concord, New Hampshire

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

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. EnergyNorth Natural Gas, Inc.
(d/b/a National Grid NH) and Granite State
Electric Company (d/b/a National Grid):
Thomas P. O'Neill, Esq.

Reptg. Northern Utilities, Inc., and
Unitil Energy Systems, Inc.:
Susan S. Geiger, Esq. (Orr & Reno)

Reptg. PUC Staff:
F. Anne Ross, Esq.
Stephen Frink, Asst. Dir. - Gas & Water Div.
George McCluskey, Electric Division

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

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WITNESS PANEL: MINDY ROSEN
LAWRENCE BROCK
GEORGE McCLUSKEY

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Settlement Agreement by and among
Granite State Electric Company,
EnergyNorth Natural Gas, Inc. and
NH PUC Staff (07-24-09)

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Settlement Agreement by and among
Unitil Energy Systems, Northern
Utilities, Inc., and NH PUC Staff
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Direct Testimony of Robert B.
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1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning.
3 We'll open the hearing in docket DG 07-072. On July 24,
4 2009, the Company and the Staff submitted a Settlement
5 Agreement in this proceeding, and a secretarial letter was
6 issued on August 14th setting the hearing for today. I'll
7 note for the record that the hearing was originally
8 scheduled for 1:30, but it will be starting at 11:25 a.m.

9 Can we take appearances please.

10 MR. O'NEILL: Thomas O'Neill, Senior
11 Counsel, on behalf of EnergyNorth Natural Gas, Inc., d/b/a
12 National Grid NH, and Granite State Electric Company,
13 doing business as National Grid.

14 CHAIRMAN GETZ: Good morning.

15 MS. GEIGER: Good morning. Susan
16 Geiger, from the law firm of Orr & Reno. I appear on
17 behalf of Unutil Energy Systems, Inc. and Northern
18 Utilities. And, with me here this morning on behalf of
19 both companies is Mr. Lawrence Brock.

20 CHAIRMAN GETZ: Good morning.

21 MR. EATON: For Public Service Company
22 of New Hampshire, my name is Gerald M. Eaton. Good
23 morning.

24 CHAIRMAN GETZ: Good morning.

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1 MS. ROSS: Good morning, Commissioners.
2 Anne Ross, with Commission Staff. And, with me today is
3 George McCluskey, an analyst, and Steve Frink, the head of
4 the Gas Division.

5 CHAIRMAN GETZ: Good morning. And, I'll
6 also note for the record that, on August 12, the Office of
7 Consumer Advocate filed a letter indicating that it was
8 withdrawing from this docket.

9 So, how do the parties intend to
10 proceed?

11 MS. ROSS: We would like to present the
12 Settlement with a panel. Staff will be presenting through
13 Mr. McCluskey.

14 MR. O'NEILL: And, National Grid will be
15 presenting Mindy Rosen.

16 CHAIRMAN GETZ: Okay.

17 MS. GEIGER: And, on behalf of Unitil
18 Energy Systems, Inc. and Northern Utilities, Mr. Lawrence
19 Brock will be testifying.

20 CHAIRMAN GETZ: Then, please proceed.

21 (Whereupon Mindy Rosen, Lawrence Brock
22 and George McCluskey were duly sworn and
23 cautioned by the Court Reporter.)

24 MINDY ROSEN, SWORN

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 LAWRENCE BROCK, SWORN

2 GEORGE McCLUSKEY, SWORN

3 DIRECT EXAMINATION

4 MR. O'NEILL: I can start.

5 BY MR. O'NEILL:

6 Q. Ms. Rosen, would you state your name for the record
7 please.

8 A. (Rosen) Mindy Rosen.

9 Q. And, by whom are you employed?

10 A. (Rosen) I am the lead analyst in the Gas Regulatory
11 Pricing Department for National Grid, representing
12 Granite State Electric and EnergyNorth.

13 Q. And, Ms. Rosen, if you would, could you just briefly
14 describe what the purpose of your testimony today is?

15 A. (Rosen) The purpose of the testimony is to support the
16 Settlement Agreement we've come to with Staff.

17 Q. And, you're familiar with the Settlement Agreement that
18 was entered into dated July 24th, 2009?

19 A. (Rosen) Yes, I am.

20 Q. And, would you just briefly describe the issue that's
21 being settled in this case and what the provisions of
22 the Settlement are?

23 A. (Rosen) The issue being settled in the case is the
24 carrying charge rate for cash working capital on gas

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 supply costs for EnergyNorth and for Granite State
2 Electric. The Settlement is an agreement to use the
3 prime lending rate as reported by the Federal Reserve
4 to value that working capital cost. Granite State had
5 been using that rate up until now, so this is just a
6 change for EnergyNorth. And, it is effective November
7 1st, 2008.

8 Q. And, if you would, with the change to the different
9 interest rate, would you just -- could you
10 approximately describe what the cost and the rate
11 impact of that is for EnergyNorth?

12 A. (Rosen) Approximately, a half a million dollars on
13 about a \$100 million worth of gas costs, it should be a
14 reduction to rates of less than 1 percent. And, this
15 is a ballpark figure.

16 Q. And, that ballpark figure is based on what interest
17 rates?

18 A. (Rosen) It's based on a 3 percent rate of interest
19 versus a 10 percent working -- versus a 10 percent rate
20 for cost of capital.

21 Q. And, Ms. Rosen, the Company is prepared at this point
22 to implement the Settlement effective as of November 1,
23 2008 for the purposes of resolving this docket?

24 A. (Rosen) Yes, we are.

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 MR. O'NEILL: Thank you. I have no more
2 questions. Commissioners, we've referenced a settlement
3 document, and I don't know whether it's been marked for
4 identification at this point.

5 CHAIRMAN GETZ: What's the next exhibit
6 number?

7 MS. DENO: Three.

8 CHAIRMAN GETZ: Okay. We'll mark the
9 Settlement for identification as "Exhibit Number 3".

10 (The document, as described, was
11 herewith marked as Exhibit 3 for
12 identification.)

13 MR. O'NEILL: Thank you.

14 BY MS. GEIGER:

15 Q. Mr. Brock, could you please state your name for the
16 record.

17 A. (Brock) My name is Lawrence Brock.

18 Q. And, could you please tell the Commission what your
19 position is.

20 A. (Brock) I am the Controller of Unitil Energy Systems,
21 Inc., and I am also the Controller of Northern
22 Utilities, Inc. - New Hampshire.

23 Q. And, what is the purpose of your testimony this
24 morning?

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 A. (Brock) The purpose of my testimony is to support the
2 Settlement Agreement reached in this docket with Staff.

3 Q. Okay. I'm going to show you a document that has a
4 cover letter appended to it, dated March 24th, 2009.
5 Could you please identify that document.

6 A. (Brock) That is the settlement document.

7 MS. GEIGER: Okay. Could we please have
8 this marked for identification as the next exhibit.

9 CHAIRMAN GETZ: It will be marked for
10 identification as "Exhibit Number 4".

11 (The document, as described, was
12 herewith marked as Exhibit 4 for
13 identification.)

14 MS. GEIGER: And, do all the
15 Commissioners have copies of the Settlement Agreement that
16 was entered into by Unutil Energy Systems, Northern
17 Utilities, and Staff?

18 CHAIRMAN GETZ: Yes.

19 MS. GEIGER: Okay. Thank you.

20 BY MS. GEIGER:

21 Q. Mr. Brock, could you please briefly explain for the
22 Commissioners the Settlement that you just identified
23 and that was just marked as "Exhibit 4".

24 A. (Brock) Yes. The Company and Staff have agreed to

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 adjust the carrying charge rate for cash working
2 capital on gas supply costs for Northern. And, we also
3 agreed on an effective date for that change. The
4 effective date that we have agreed to is November 1st,
5 2008. And, we have agreed to change the carrying
6 charge rate from the existing rate of cost of capital
7 to a short-term debt rate, the prime rate.

8 Q. And, could you please explain to the Commissioners this
9 adjustment for Northern Utilities, as well as whether
10 it is, in fact, an adjustment for Unitil Energy
11 Systems?

12 A. (Brock) Unitil Energy Systems' existing practice is to
13 use the prime rate for this carrying charge. So, there
14 is no change to Unitil Energy Systems. It is a change
15 for Northern Utilities.

16 Q. And, Mr. Brock, similar to the calculation or the
17 estimate that Ms. Rosen just provided, have you made an
18 estimate as to the effect that this adjustment, this
19 rate adjustment would be with respect to either
20 Northern's revenues or the rates that its customers
21 would pay?

22 A. (Brock) The adjustment -- the adjustment will cause a
23 rate reduction. I have not performed an estimate.
24 However, Ms. Rosen indicates that, on \$100 million of

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 gas costs, the impact could be up to a half a million
2 dollars. And, using Northern's winter period cost of
3 gas of between 20 and 30 million, it would be a ratable
4 impact on Northern's customers. It would be lower, but
5 it will still be a rate reduction.

6 Q. Mr. Brock, I'd like to turn your attention to Paragraph
7 3.6 in the Settlement Agreement that has been marked
8 for identification as "Exhibit 4".

9 A. (Brock) I have it.

10 Q. Do you have that?

11 A. (Brock) Yes.

12 Q. Okay. And, in that provision, there's a reference made
13 to some prefiled testimony that the parties have agreed
14 to provide to the Commission as background information.
15 Do you see that?

16 A. (Brock) Yes, I do.

17 Q. Okay. I'm going to show you two documents, and ask you
18 whether or not -- well, actually, first to identify
19 these two documents for the record.

20 A. (Brock) Yes. This first document is the prefiled
21 testimony of Mr. Hevert.

22 Q. And, the second document?

23 A. This is the supplemental testimony of Mr. Hevert.

24 Q. Thank you. And, these are the prefiled testimonies

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 that are referenced in Paragraph 3.6 of the Settlement
2 Agreement, correct?

3 A. (Brock) Yes.

4 MS. GEIGER: Okay. And, I've given
5 copies of these to the Clerk. I'd like to ask whether the
6 Commissioners also have copies of these prefiled
7 testimonies?

8 CHAIRMAN GETZ: We do.

9 MS. GEIGER: You do. Thank you. And,
10 so, I would ask that they be marked as the next two
11 exhibits. And, perhaps we could mark the August 29th,
12 2008 prefiled testimony of Mr. Hevert as "Exhibit 5",
13 would that be correct?

14 CHAIRMAN GETZ: Yes.

15 MS. GEIGER: And, then, the other
16 document would be for identification "Exhibit 6".

17 CHAIRMAN GETZ: And, that would be the
18 -- so, Mr. Hevert's testimony would be Exhibit 5. And,
19 I'm sorry, which would be Exhibit 6?

20 MS. GEIGER: Exhibit 6 would be
21 Mr. Hevert's supplemental testimony dated December 5th.

22 CHAIRMAN GETZ: Okay. So marked.

23 (The documents, as described, were
24 herewith marked as Exhibit 5 and

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 Exhibit 6, respectively, for
2 identification.)

3 MS. GEIGER: Thank you.

4 BY MS. GEIGER:

5 Q. And, Mr. Brock, do you have anything else to add with
6 respect to your position on the Settlement Agreement?

7 A. (Brock) No. I reiterate, the Company supports the
8 Settlement Agreement with Staff.

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

11 CHAIRMAN GETZ: Ms. Ross.

12 MS. ROSS: Thank you.

13 BY MS. ROSS:

14 Q. Mr. McCluskey, would you state your name and position
15 for the record please.

16 A. (McCluskey) Yes. My name is George McCluskey. And,
17 I'm an analyst in the Electric Division of the New
18 Hampshire Commission.

19 MS. ROSS: And, before I begin with a
20 couple of questions for Mr. McCluskey, I have asked that
21 the Third Revised Direct Testimony and Schedules of James
22 A. Rothschild be marked as an exhibit for identification.
23 That was dated November 14th, 2008.

24 CHAIRMAN GETZ: Okay. We'll mark that

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 as "Exhibit Number 7".

2 (The document, as described, was
3 herewith marked as Exhibit 7 for
4 identification.)

5 MS. ROSS: And, that Mr. Rothschild's
6 supplemental -- I'm sorry, rebuttal testimony of
7 October 3rd, 2008 also be marked for identification.

8 CHAIRMAN GETZ: That will be marked as
9 "Exhibit Number 8".

10 (The document, as described, was
11 herewith marked as Exhibit 8 for
12 identification.)

13 MS. ROSS: Okay.

14 BY MS. ROSS:

15 Q. And, Mr. McCluskey, could you briefly explain why Staff
16 supports the Settlement Agreement?

17 A. (McCluskey) The Settlement Agreement is the result of
18 negotiations between the parties. The outcome, the
19 prime rate, falls within the interval of the positions
20 argued by the parties. Staff argued for the short-term
21 debt rate; the utilities argued for the overall cost of
22 capital. And, the prime rate is within that interval.
23 And, we think it's, for that reason, it's a reasonable
24 outcome.

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 MS. ROSS: Thank you. I have no further
2 questions.

3 CHAIRMAN GETZ: Mr. Eaton, do you have
4 any questions for the witnesses?

5 MR. EATON: No, I don't. Thank you,
6 your Honor.

7 CHAIRMAN GETZ: Commissioner Below?
8 Commissioner Ignatius?

9 CMSR. IGNATIUS: I do have a question
10 for Mr. McCluskey.

11 BY CMSR. IGNATIUS:

12 Q. The Settlement Agreement refers to "two phases" of this
13 docket. And, as one coming into the case towards the
14 end, without excruciating detail, can you tell me where
15 those two phases -- where it now stands? This is --
16 I'm looking at the Settlement Agreement, 1.2,
17 describing the docket being "divided into two phases"
18 and "the Commission deferring consideration of the
19 scope of the second phase, including the effective date
20 of any new methodology, to the conclusion of the
21 initial phase." Are we now, with the Settlement
22 Agreement, concluding the initial phase?

23 A. (McCluskey) No. The intent of this Settlement is to
24 resolve all of the issues in this proceeding. So,

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[WITNESS PANEL: Rosen|Brock|McCluskey]

1 we've established what the rate or the mechanism, the
2 rate can change from time to time, as the prime rate
3 does on a regular basis. And, so, we've essentially
4 resolved all of the issues in the case with this
5 Settlement Agreement.

6 CMSR. IGNATIUS: Thank you.

7 CHAIRMAN GETZ: Is there anything
8 further for the witnesses?

9 (No verbal response)

10 CHAIRMAN GETZ: Hearing nothing, then
11 you're excused. Thank you very much.

12 Is there any objection to striking
13 identifications and admitting the exhibits into evidence?

14 (No verbal response)

15 CHAIRMAN GETZ: Hearing no objection,
16 they will be admitted into evidence. I'll provide an
17 opportunity for closing statements. We'll begin with
18 Ms. Ross.

19 MS. ROSS: Thank you. Staff supports
20 the Settlement. The Settlement makes the practice of
21 using the prime rate consistent across both the electric
22 and gas companies for their supply-related working -- cash
23 working capital. And, we believe it's a fair compromise.

24 CHAIRMAN GETZ: Thank you. Mr. Eaton,

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1 do you have anything for a closing?

2 MR. EATON: No. I think I have said
3 before, perhaps for Commissioner Ignatius's benefit,
4 Public Service Company handles its fuel and supply in a
5 different manner. But we have been involved in this case
6 and watching it, and we believe the result is reasonable.

7 CHAIRMAN GETZ: Thank you. Ms. Geiger.

8 MS. GEIGER: Thank you, Mr. Chairman.
9 UES and Northern would ask that the Commission approve the
10 Settlement Agreement. And, we would concur with
11 Ms. Ross's statement. Thank you.

12 CHAIRMAN GETZ: And, Mr. O'Neill.

13 MR. O'NEILL: Similarly, National Grid
14 would ask the Commission to approve the Settlement. And,
15 we likewise agree with Ms. Ross's statement.

16 CHAIRMAN GETZ: Okay. Thank you. Then,
17 we'll close the hearing and take the matters under
18 advisement.

19 (Whereupon the hearing ended at 11:45
20 a.m.)

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