

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 17, 2009 - 10:28 a.m.
Concord, New Hampshire

NHPUC JUL20'09 AM 8:15

RE: DE 09-009
UNITIL ENERGY SYSTEMS, INC:
Default Service Request for proposals.
(Hearing seeking approval of 100% of its
Default Service requirements for its G1
customers for the period August 1, 2009
through October 31, 2009)

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
Meredith Hatfield
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.

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

ORIGINAL

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

2 CHAIRMAN GETZ: Okay. Good morning.
3 We'll open the hearing in docket DE 09-009. On June 13,
4 2009, Unitil filed a petition for approval of the Default
5 Service solicitation for its G1 customers for the period
6 August 1, 2009 through October 31, 2009. A secretarial
7 letter was issued on June 15 setting the hearing for this
8 morning.

9 Can we take appearances.

10 MR. EPLER: Yes. Good morning, Mr.
11 Chairman and Commissioners. Gary Epler, on behalf of
12 Unitil Energy Systems, Inc.

13 CHAIRMAN GETZ: Good morning.

14 CMSR. MORRISON: Good morning.

15 CMSR. BELOW: Good morning.

16 MR. TRAUM: Mr. Chairman and
17 Commissioners, the OCA is not intervening. I'm here
18 simply to monitor this proceeding, because there may be
19 some overlap to the next residential Default Service.

20 CHAIRMAN GETZ: So, this is your
21 non-appearance?

22 MR. TRAUM: That is correct. In the
23 future, should I stand up?

24 CHAIRMAN GETZ: I'm not sure that I

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1 could tell.

2 MS. AMIDON: Suzanne Amidon, for
3 Commission Staff, and with me today is George McCluskey, a
4 Utility Analyst with the Electric Division. Good morning.

5 CHAIRMAN GETZ: Good morning.

6 CMSR. MORRISON: Good morning.

7 CMSR. BELOW: Good morning.

8 CHAIRMAN GETZ: Mr. Epler, you ready to
9 proceed?

10 MR. EPLER: Yes, Mr. Chairman. Thank
11 you. A couple of preliminary matters. We have filed, as
12 we usually do, our filing in two pieces. In the red
13 binder, I'd like to premark that as "Exhibit Number 3" in
14 this proceeding.

15 CHAIRMAN GETZ: That's so marked.

16 (The document, as described, was
17 herewith marked as Exhibit 3 for
18 identification.)

19 MR. EPLER: And, then, there's the
20 separate confidential material. I'd like to premark that
21 as "Unitil Exhibit Number 4".

22 CHAIRMAN GETZ: Be so marked.

23 (The document, as described, was
24 herewith marked as Exhibit 4 for

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[WITNESS PANEL: Furino|McNamara]

1 identification.)

2 MR. EPLER: Secondly, I just wanted to
3 note, per the conversation Unitil had with the
4 Commissioners in DG 09-053, we did attempt to copy this
5 two-sided. However, we had some difficulties with the --
6 with the copying equipment, and so we had to stop mid
7 production and went to one-sided. But I believe we have
8 another filing coming in today on our reconciliation, and
9 we hope to do that two-sided. So, we do try to pay
10 attention.

11 CHAIRMAN GETZ: So, you're saying that
12 you made a good faith effort to comply?

13 MR. EPLER: A good faith effort, yes.
14 We did face the question of, "Well, do we throw out this
15 one-sided?" I said "No, that would be contrary to the
16 intent." Thank you.

17 (Whereupon Robert S. Furino and Linda S.
18 McNamara was duly sworn and cautioned by
19 the Court Reporter.)

20 ROBERT S. FURINO, SWORN

21 LINDA S. McNAMARA, SWORN

22 DIRECT EXAMINATION

23 BY MR. EPLER:

24 Q. Starting with Mr. Furino, can you please state your

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1 full name and business position with Unitil?

2 A. (Furino) My name is Robert Steven Furino, Director of
3 Energy Contracts with Unitil Companies. And, my
4 address is 6 Liberty Lane West, Hampton, New Hampshire.

5 Q. And, have you prepared testimony and exhibits that were
6 filed in this proceeding?

7 A. (Furino) Yes, I have.

8 Q. And, can you turn to the document that's been marked as
9 "Exhibit" -- "Unitil Exhibit Number 3", and to the tabs
10 in that exhibit, the tabs marked "Exhibit RSF-1", and
11 then three schedules following that exhibit, "Schedule
12 RSF-1" through "RSF-3"? Were those materials prepared
13 by you or under your direction?

14 A. (Furino) Yes, they were.

15 Q. And, do you have any changes or corrections?

16 A. (Furino) No, I do not.

17 Q. And, do you adopt these as your testimony and exhibits
18 in this proceeding?

19 A. (Furino) Yes, I do.

20 Q. Ms. McNamara, can you please state your full name and
21 business position with Unitil?

22 A. (McNamara) My name is Linda McNamara. I'm a Senior
23 Regulatory Analyst for Unitil Service Corp. The
24 address is 6 Liberty Lane West, in Hampton, New

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[WITNESS PANEL: Furino|McNamara]

1 Hampshire.

2 Q. And, have you prepared testimony and exhibits in this
3 proceeding?

4 A. (McNamara) I have.

5 Q. And, could you -- oh, I apologize. If I can go back to
6 Mr. Furino. Can you also look at the confidential
7 material that's in Exhibit Number 4, and the material
8 Pages 1 through -- stamped "001" through "095". Were
9 these materials, these confidential materials also
10 prepared by you or under your direction?

11 A. (Furino) Yes, they were.

12 Q. Thank you. And, returning to you, Ms. McNamara. Could
13 you turn to, in Exhibit Number 3, the tabs marked
14 "Exhibit LSM-1" and "Schedules LSM-1" through "LSM-6".
15 Were these prepared by you or under your direction?

16 A. (McNamara) Yes, they were.

17 Q. And, can you turn to the stamped page at the very end
18 of the confidential materials, which is in Unitil
19 Exhibit 4, and it's stamped "096"? And, was this page
20 prepared by you or under your direction?

21 A. (McNamara) Yes.

22 Q. And, do you have any changes or corrections at this
23 time?

24 A. (McNamara) No.

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[WITNESS PANEL: Furino|McNamara]

1 Q. And, do you adopt these materials as your testimony and
2 exhibits in this proceeding?

3 A. (McNamara) I do.

4 Q. Now, Ms. McNamara, prior to calling the hearing to
5 session today, did you have a conversation with Staff
6 regarding an exhibit in your testimony?

7 A. (McNamara) I did.

8 Q. And, could you please turn to Exhibit LSM-5, and Page 2
9 of that exhibit. Do you have that in front of you?

10 A. (McNamara) I do.

11 Q. And, could you explain the nature of the conversation
12 with Staff and what the issue was that they raised?

13 A. (McNamara) In Unitil's last Default Service filing, we
14 also filed a 2008 Lead/Lag Study, which had two pieces
15 to it. It was based on supplier charges, and there was
16 also a component related to the purchase of RECs. And,
17 in our last filing, which was a Non-G1 and G1 class
18 filing, the net of those two numbers, the net lead and
19 net lag on both the supplier charges and the RECs
20 purchases, was used to determine the Non-G1 class
21 Default Service rates. Also, in the last hearing, I
22 believe it was, Staff had asked, and I believe
23 Commission directed in their order, to separate the
24 Default Service Charge into two components going

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1 forward; a supplier piece and all the -- I should
2 actually say "the RECs piece", and then all remaining
3 Default Service pieces, primarily made up of supplier
4 charges, with other pieces in there as well, bad debt.

5 And, for this filing, which was a G1
6 class filing, I prepared the G1 class Default Service
7 rates into the two pieces, a RECs components and all
8 the other pieces to Default Service. In order to start
9 a reconciliation process at the same time for both the
10 Non-G1 class and the G1 class, I've also prepared the
11 Non-G1 class Default Service rates that have -- that
12 are in effect, that were approved in our last filing,
13 into the two pieces, into a RECs component and what I
14 call a "supplier charge component".

15 In conversation with Staff, we've
16 decided that the -- going forward, the best approach,
17 in order to calculate working capital on those two
18 components would be to use the separate lead and lag
19 results from the proposed 2008 Lead/Lag Study,
20 awaiting, of course, Staff's report on the 2008
21 Lead/Lag Study. In the meantime, using those results
22 in pieces, the results for the RECs and the results for
23 the supplier charges, rather than the net.

24 For the Non-G1 class, the rates are in

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1 effect already. They have been in effect since May.
2 So, as they have been filed, we've agreed that going
3 forward for the last three months, August, September,
4 and October 2009, to leave the rates as we proposed in
5 this filing.

6 And, for the G1 class, I will be
7 reviewing these schedules, which are actually Schedule
8 LSM-1 and Schedule LSM-2, the G1 class supplier charge
9 and G1 class RECs charge, and using the results of the
10 2008 Lead/Lag Study, the two separate components, the
11 lead results for RECs and the lag results for supplier
12 charges.

13 MR. EPLER: Okay. With that, Mr.
14 Chairman, I have no further questions and tender the
15 witnesses for cross.

16 CHAIRMAN GETZ: Thank you. Ms. Amidon.

17 MS. AMIDON: Thank you. At the outset,
18 I wanted to say that Staff filed testimony, which
19 constituted its report on the Lead/Lag Study, on June 4th,
20 2009. And, I would request that that be marked for
21 identification as "Exhibit 5".

22 CHAIRMAN GETZ: So marked.

23 (The document, as described, was
24 herewith marked as Exhibit 5 for

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[WITNESS PANEL: Furino|McNamara]

1 identification.)

2 MS. AMIDON: Thank you.

3 CMSR. BELOW: Excuse me. Would that be
4 the full version or the redacted version?

5 MS. AMIDON: The redacted version.

6 CMSR. BELOW: Okay.

7 MS. AMIDON: Thank you.

8 CROSS-EXAMINATION

9 BY MS. AMIDON:

10 Q. Mr. Furino, on Page 9 of your testimony, it's Bates
11 stamp 011, you estimate the 2009 price for Class 1,
12 Class 3, and Class 4 Renewable Energy Certificates, is
13 that correct?

14 A. (Furino) Yes. I'm presenting those numbers.

15 Q. Do those dollar values represent the Alternative
16 Compliance Payment level?

17 A. (Furino) They are meant to be representative of it
18 certainly for the Class 1. My review -- My subsequent
19 review of those numbers was that the value for the
20 Class 1 Alternative Compliance price, as issued by the
21 Commission earlier, I believe in January, is \$60.92.
22 Which is a rate that we used, I believe we filed in the
23 last proceeding three months ago.

24 Q. So, where did the "\$60.08" come from?

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[WITNESS PANEL: Furino|McNamara]

1 A. (Furino) The "\$60.08" appears to have come from an
2 earlier draft of or expected value of the value, the
3 level of that Alternative Compliance Payment.

4 Q. What do you mean by "alternative expected value", do
5 you mean --

6 A. (Furino) An earlier -- An earlier expected value. It
7 was an expected value that the Company had calculated
8 at a point in time before the Commission issued its
9 actual alternative compliance price values in January.

10 Q. So, are you saying that this is incorrect as it stands
11 in your testimony? I'm not sure what you're telling me
12 here.

13 A. (Furino) I'm saying that, in spite of the value that
14 we've used, the \$60.08, as opposed to the \$60.92, that
15 we had already calculated rates at the time we noticed
16 the discrepancy. And, that we were willing, this is a
17 cost that flows into a reconciling mechanism. And
18 that, while at this point in time we expect to make
19 Alternative Compliance Payments, that there's every
20 chance that we may be able to buy those actual
21 Renewable Energy Certificates in the markets at a
22 discount to the Alternative Compliance Payment, and did
23 not propose to revise the calculations as we've
24 submitted them.

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- 1 Q. Have you procured any 2009 Renewable Energy Credits for
2 any class?
- 3 A. (Furino) We have not. We have -- We will be making a
4 2008 RPS compliance filing later this month or
5 July 1st. And, we intend to comply primarily with
6 physical purchased Renewable Energy Certificates.
7 We're working with Staff and with the OCA on a process
8 for 2009 and going forward RECs procurements. The idea
9 being that we'll purchase the bulk of our requirements
10 under, you know, for 2009 under two separate RFPs that
11 would be conducted separately from our Default Service
12 procurements.
- 13 Q. And, do you know why there isn't any REC Settlement
14 Agreement available for the Commission's review today?
- 15 A. (Furino) We have been working on the settlement
16 language and have not -- have not completed that
17 process as yet. But I believe we have a basic
18 understanding between us, and it's just a matter of
19 getting it committed to paper.
- 20 Q. But you do acknowledge that Staff sent the attorney for
21 the Company a copy of a proposed agreement back in
22 March, so the Company has not been giving this, how
23 shall I say it, priority attention at this point, but
24 what is your intention in the future?

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[WITNESS PANEL: Furino|McNamara]

1 MR. EPLER: Mr. Chairman, I can clarify.
2 I think it's a little mischaracterization to say we
3 "haven't been giving it priority attention". We have been
4 giving it our attention, and we had intended to get a
5 response to a recent mark-up of the settlement agreement
6 by Staff this Friday. I had committed to do that, but was
7 unable to do that. We have since submitted that mark-up
8 to Staff, and I believe the issues are pretty narrow now
9 between the Staff and the Company, but the Consumer
10 Advocate has not had an opportunity to weigh in. So, it
11 might be premature to say that "we are very close to an
12 agreement", but I believe the issues are pretty narrow,
13 and intend to have that completed as quickly as possible.

14 CHAIRMAN GETZ: Thank you.

15 MS. AMIDON: Okay.

16 BY MS. AMIDON:

17 Q. And, now, Ms. McNamara, I'm looking at LSM-1, Page 1.
18 And, at the bottom of that page, there is a section
19 that is headed "Renewable Portfolio Standard (RPS)
20 Charge". Does this represent the Company's calculation
21 of the RPS charge for the large customers for the
22 period of August through October 2009?

23 A. (McNamara) It does.

24 Q. All right. And, if I look at, and I don't think I'll

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- 1 need to discuss the confidential information, but I'm
2 looking at, in Exhibit Number 4, I'm looking at Bates
3 stamp Page 010. And, this particular exhibit is
4 entitled "UES Default Service RFP Issued May 6, 2009
5 for Loads to be Served Beginning August 1, 2009", --
- 6 A. (McNamara) Uh-huh.
- 7 Q. "UES RPS Compliance Cost Estimates". And, I notice, if
8 you go to the second, I don't know how to characterize
9 it, the second field there, and it says "Class I",
10 "Class II", "Class III", "Class IV". Under "Class I",
11 there's the value of "\$60.08", which is what appears in
12 Mr. Furino's testimony, is that correct?
- 13 A. (McNamara) Yes.
- 14 Q. And, did you use the \$60.08 to derive the RPS charge
15 for Class I Renewable Energy Certificates?
- 16 A. (McNamara) I actually didn't have to derive anything
17 based on this schedule. I went further to the right,
18 second to the last column, and there are the -- it's
19 entitled "G1 RPS Cost".
- 20 Q. So, you didn't use the \$60 --
- 21 A. (McNamara) Well, I used the \$60 in that. I didn't have
22 to derive anything. The derivation had already been
23 done.
- 24 Q. Well, maybe I using --

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[WITNESS PANEL: Furino|McNamara]

- 1 A. (McNamara) Okay.
- 2 Q. -- maybe I'm using the word "derive" in some other way.
- 3 A. (McNamara) Okay.
- 4 Q. So, to calculate the RPS charge, with respect to the
5 Class I costs for the Large G1 customer, you used a
6 \$60.08 cost per Renewable Energy Credit?
- 7 A. (McNamara) Yes.
- 8 Q. And, similarly, with Class III, if you followed along
9 on that, you used 29.46, "\$29.46", which I believe may
10 be close to the Alternative Compliance Payment, but is
11 different from what Mr. Furino has in his testimony for
12 Class III Renewable Energy Credits. And, similarly, in
13 Class IV, you used "\$26", which is different from the
14 "\$27.55" which Mr. Furino uses for Class IV RECs. So,
15 how does this difference affect the calculation of the
16 Renewable Portfolio Standard charge for the large
17 customers?
- 18 A. (McNamara) Unfortunately, this schedule could use some
19 formatting to help with line reading. The August
20 charges that you just stated, you were actually one
21 line up. There, the August charges --
- 22 Q. Oh, I see.
- 23 A. (McNamara) An extra line would be helpful.
- 24 Q. Right. The "29.35" is for August, --

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1 A. (McNamara) And, the 27 --

2 Q. -- and which is what is in his testimony. Okay. Very
3 good. Thank you.

4 A. (McNamara) I'll try to format that a little bit --

5 Q. Yes.

6 A. (McNamara) -- cleaner next time.

7 Q. No, that would be helpful.

8 CHAIRMAN GETZ: Steve, are you getting
9 all this?

10 MR. PATNAUDE: Close enough, yes.

11 CHAIRMAN GETZ: One at a time would be
12 helpful for Mr. Patnaude.

13 BY MS. AMIDON:

14 Q. In Exhibit 3, there is -- this isn't -- there's no page
15 number, but there's a tab that says "Proposed Tariffs".
16 And, if you look at the very last paragraph there,
17 three lines -- are you all there? Okay. It says that
18 "Separate reconciliation of costs and revenues", and
19 I'm skipping some words, "shall be performed on an
20 annual basis effective May 1." Did you intend that to
21 be "August 1" or is it "May 1"?

22 A. (McNamara) No, we intended to keep the current
23 reconciliation date of May 1. This initial year was
24 separating the RPS out from the other Default Service

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1 charges would essentially be a short year, be a
2 catch-up year. So, that every May 1, as we have for
3 the past, I believe, two years, continue to reconcile
4 for May 1.

5 Q. But this year you're reconciling for effective
6 August 1, is that correct?

7 A. (McNamara) Each filing, each Default Service filing
8 will always contain a reconciliation amount.

9 Q. Okay. So, let me ask this a different way. So, you do
10 not intend to do the RPS reconciliation with the filing
11 for reconciliation of stranded costs and External
12 Delivery Charge? It will be done in --

13 A. (McNamara) With Default Service.

14 Q. Okay. Just be mindful of what the Chairman said about
15 --

16 A. (McNamara) I know. I'm sorry.

17 Q. Okay. So, the first annual reconciliation for the RPS
18 charge will be May 1 -- May 2010, is that correct?

19 A. (McNamara) Yes.

20 Q. Okay. And, one final question, this wasn't in the
21 testimony, but consistent with the Commission's order
22 in January in this docket, I believe it was January --
23 no, it was March, when you solicited Default Service
24 supply, you solicited for all-inclusive energy and

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1 capacity fixed price bids, is that correct?

2 A. (Furino) That's correct.

3 MS. AMIDON: Okay. Thank you. I have
4 no further questions.

5 CHAIRMAN GETZ: Anything further for
6 these witnesses?

7 (No verbal response)

8 CHAIRMAN GETZ: Hearing nothing, then
9 you're excused. Thank you.

10 Ms. Amidon, did you want to -- what did
11 you want to do, if anything, with Mr. McCluskey's
12 testimony, other than mark it for identification?

13 MS. AMIDON: Mr. McCluskey's testimony
14 represents his report on the Lead/Lag Study. And, I was
15 expecting that Attorney Epler would be addressing that in
16 his closing. The Company, in its petition, indicated that
17 it was not ready to address Staff's recommendations with
18 respect to the Lead/Lag Study, and propose that those
19 issues be resolved through a settlement or other
20 discussions and be filed with the Commission within the
21 next month. I just wanted to get into the record, because
22 it does constitute the basis for the comment in the
23 petition, and just to make sure the record is complete.

24 CHAIRMAN GETZ: Thank you. Well, then,

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1 is there any objection to striking identifications and
2 admitting the exhibits into evidence?

3 (No verbal response)

4 CHAIRMAN GETZ: Hearing no objection,
5 they will be admitted into evidence.

6 Anything we need to address before
7 opportunity for closings?

8 (No verbal response)

9 CHAIRMAN GETZ: Hearing nothing, then,
10 Mr. Traum?

11 MR. TRAUM: No thank you.

12 CHAIRMAN GETZ: Ms. Amidon.

13 MS. AMIDON: Staff has reviewed the
14 filing, and we believe that the Company followed the
15 solicitation and bid evaluation process, which the
16 Commission previously approved. We believe that the
17 resulting rates are market-based and recommend the
18 Commission approve the petition.

19 CHAIRMAN GETZ: Thank you. Mr. Epler.

20 MR. EPLER: Yes, Mr. Commissioner. Our
21 request for approval are outlined in our petition, and
22 would just direct the Commission's attention to that. I
23 would just note, in our Motion for Confidentiality, there
24 was one additional piece of confidential material, that

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1 was an e-mail that I sent this past Friday, June 12th, to
2 Attorney Amidon, and would request that that e-mail also
3 be included within the Motion for Confidential Treatment.

4 CHAIRMAN GETZ: All right. Thank you.
5 Then, we'll close the hearing and take the matter under
6 advisement.

7 MS. AMIDON: Thank you.

8 (Whereupon the hearing ended at 10:53
9 a.m.)

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