

1 STATE OF NEW HAMPSHIRE

2 PUBLIC UTILITIES COMMISSION

3
4 June 10, 2010 - 9:07 a.m.
5 Concord, New Hampshire

6
7 RE: DE 10-055
8 UNITIL SERVICE CORPORATION:
9 Notice of Intent to File Rate Schedules.
10 *(Hearing regarding temporary rates)*

11 PRESENT: Chairman Thomas B. Getz, Presiding
12 Commissioner Clifton C. Below
13 Commissioner Amy L. Ignatius
14 Sandy Deno, Clerk

15 APPEARANCES: Reptg. Unitil Service Corporation:
16 Gary M. Epler, Esq.
Susan S. Geiger, Esq. (Orr & Reno)
17 Reptg. Residential Ratepayers:
18 Rorie E.P. Hollenberg, Esq.
Kenneth E. Traum, Asst. Consumer Advocate
19 Office of Consumer Advocate
20 Reptg. PUC Staff:
Lynn Fabrizio, Esq.
21 Steven E. Mullen, Asst. Dir. - Electric Div.

22
23 Court Reporter: Steven E. Patnaude, LCR No. 52
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I N D E X

	PAGE NO.
WITNESS PANEL: MARK H. COLLIN	
THOMAS P. MEISSNER	
STEVEN E. MULLEN	

Direct examination by Mr. Epler	4, 19
Direct examination by Ms. Fabrizio	15
Cross-examination by Ms. Hollenberg	17

* * *

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Schedule MHC-13	6
2	Stipulation and Settlement Regarding Temporary Rates (06-04-10)	9

* * *

CLOSING STATEMENTS BY:	
Ms. Hollenberg	20
Ms. Fabrizio	20
Mr. Epler	20

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P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in docket DE 10-055. On April 15, 2010, Unitil Energy Systems filed a petition for authority to implement new permanent distribution rates and temporary rates. An order suspending the proposed tariffs and scheduling a prehearing conference was issued on April 26, 2010. And, subsequent to that prehearing conference, on May 13 a procedural schedule was approved, and it included the hearing on the merits for the temporary rates that will be the subject of the hearing today. And, we have a settlement that was filed in this proceeding on June 4.

Can we take appearances please.

MR. EPLER: Good morning, Mr. Chairman and Commissioners. Gary Epler, on behalf of Unitil Energy Systems, Inc. And, with me this morning is Attorney Susan Geiger, of the firm of Orr & Reno. And, appearing on behalf of the Company, in person in the witness box, is Mark Collin, Chief Financial Officer of Unitil, and Tom Meissner, Chief Operating Officer of the Company. And, behind me is Dan Main, who is the Assistant Controller of the Company.

CHAIRMAN GETZ: Good morning, everyone.

{DE 10-055} [Re: Temporary Rates] {06-10-10}

1 MR. COLLIN: Good morning.

2 MS. GEIGER: Good morning.

3 MS. HOLLENBERG: Good morning. Rorie
4 Hollenberg and Ken Traum, here for the Office of Consumer
5 Advocate.

6 CHAIRMAN GETZ: Good morning.

7 MS. FABRIZIO: Good morning. Lynn
8 Fabrizio, on behalf of Staff. And, with me today is Steve
9 Mullen, Assistant Director of the Electric Division, on
10 the witness stand today.

11 CHAIRMAN GETZ: Good morning. Are you
12 ready to proceed, Mr. Epler?

13 MR. EPLER: Yes, I am, Mr. Chairman.
14 Thank you. Could the witnesses be sworn please.

15 (Whereupon Mark H. Collin, Thomas P.
16 Meissner, and Steven E. Mullen were duly
17 sworn and cautioned by the Court
18 Reporter.)

19 MARK H. COLLIN, SWORN

20 THOMAS P. MEISSNER, SWORN

21 STEVEN E. MULLEN, SWORN

22 DIRECT EXAMINATION

23 BY MR. EPLER:

24 Q. Okay. Starting at my left, could you please introduce
{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 yourself and give your employer and job title please.

2 A. (Collin) Yes. I'm Mark Collin. I am the Treasurer of
3 Unitil Energy Services, Inc. And, I am the Chief
4 Financial Officer of Unitil Corporation, the parent
5 company of Unitil Energy. My address is 6 Liberty Lane
6 West, Hampton, New Hampshire 03862.

7 A. (Mullen) My name is Steven Mullen. I am employed by
8 the New Hampshire Public Utilities Commission as the
9 Assistant Director of the Electric Division.

10 A. (Meissner) I am Thomas Meissner. I'm Senior Vice
11 President of Unitil Energy Systems, Inc., and I am also
12 Chief Operating Officer of Unitil Corporation. My
13 address is 6 Liberty Lane West, Hampton, New Hampshire.

14 Q. Yes. Now, gentlemen, as you're aware, we're here at a
15 hearing to discuss a Temporary Rate Settlement that's
16 been filed on behalf of the Company, the Office of
17 Consumer Advocate, and the Staff of the Commission.
18 Can you each confirm that you have participated
19 directly in the negotiations and the drafting of this
20 Settlement Agreement?

21 A. (Collin) Yes, I did.

22 A. (Mullen) Yes, I did.

23 A. (Meissner) Yes, I did.

24 Q. Okay. Thank you. Mr. Collin, turning to you first, is

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 it correct that the Company filed a temporary rate
2 proposal with its initial petition on April 15th?

3 A. (Collin) Yes.

4 Q. And, did you address that in your prefiled direct
5 testimony?

6 A. (Collin) Yes, I did.

7 Q. And, did you also prepare a schedule presenting the
8 Company's temporary rate proposal in the petition?

9 A. (Collin) Yes. That was Schedule MHC-13 to my
10 testimony.

11 Q. Okay. And, do you have a copy of that schedule in
12 front of you?

13 A. (Collin) Yes, I do.

14 MR. EPLER: Mr. Chairman, I've provided
15 the Bench and the court reporter and clerk with copies.
16 I'd like to have this marked as "Unitil Exhibit 1".

17 CHAIRMAN GETZ: And, this would just be
18 the Schedule MHC-13?

19 MR. EPLER: Right. Three pages.

20 CHAIRMAN GETZ: All right. We'll mark
21 that for identification as "Exhibit Number 1".

22 (The document, as described, was
23 herewith marked as Exhibit 1 for
24 identification.)

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 MR. EPLER: Thank you.

2 BY MR. EPLER:

3 Q. Mr. Collin, could you please summarize what's provided
4 in this schedule.

5 A. (Collin) Yes. In the Company's filing on April 15th,
6 2010, April 15th of this year, the Company also filed a
7 request for temporary rates in the amount of
8 \$6,740,895, to become effective July 1st, 2010.
9 Schedule MHC-13 shows the development of the Company's
10 temporary rate request. Essentially starts out with
11 the typical calculation of the revenue deficiency and
12 the revenue requirement for temporary rates resulting
13 from that deficiency. And, each line, as you go
14 through it, starts out with a rate base, the rate of
15 return, which was set at the -- using the Company's as
16 filed capital structure and the cost rates for debt,
17 debt and preferred stock, as well as the last found
18 rate of return on equity for the Company, to derive the
19 income required based on the Company's five quarter
20 average rate base.

21 We then compared that to a calculated
22 operating income for the Company, adjusted for certain
23 proforma adjustments, which is shown on Page 3 of
24 Schedule MHC-13. The deficiency is then computed

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 inclusive of taxes, and resulted in the little over
2 \$6.7 million deficiency.

3 Q. Okay. And, the amount settled on in temporary rates,
4 that is an amount less than that was requested by the
5 Company, is that correct?

6 A. (Collin) Yes. As indicated in the Settlement, the
7 amount of temporary rates settled to was 5.2 million.
8 And, the primary differences are associated with the
9 proforma adjustments that the Company had proposed in
10 its initial filing relative to what was eventually
11 settled upon. And, I think, as part of the temporary
12 rate proceeding, given the relatively short period of
13 time between the data in the Company's filings and the
14 implementation of temporary rates, I think there was
15 general agreement among the parties that it would have
16 been very difficult in that time frame to fully review
17 and go through the various proforma adjustments that
18 the Company had proposed. And, that it would be, from
19 a temporary rate perspective, it would be better for a
20 more -- what I'll call a more "simplified" calculation
21 that did not delve into all those various proforma
22 adjustments. Although, as we'll discuss, there are a
23 couple that we did make for temporary rate purposes, in
24 part, from the Company's perspective, and I can't speak

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 for Staff, we do believe that, in setting temporary
2 rates, it is important that they will be reflective of
3 the direction or where permanent rates will eventually
4 be set, so that the reconciliation between the
5 permanent rate period and the temporary rate period
6 will be a -- you don't want that to be of such a large
7 size that it causes a significant rate impact just for
8 the reconciliation period.

9 Q. Thank you. Mr. Mullen, do you have a copy with you of
10 the temporary rate filing -- stipulation that was filed
11 on June 4th?

12 A. (Mullen) Yes, I do.

13 MR. EPLER: Mr. Chairman, this was filed
14 on June 4th. If you prefer, I can make it an exhibit?

15 CHAIRMAN GETZ: Well, let's mark it for
16 identification as "Exhibit Number 2".

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

20 MR. EPLER: Okay. Thank you.

21 BY MR. EPLER:

22 Q. Mr. Mullen, can you turn to that exhibit and walk
23 through and provide an explanation of its components?

24 A. (Mullen) Certainly. And, I think I will skip the

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 procedural part at the beginning and the miscellaneous
2 provisions at the end and just concentrate on the meat
3 of the Settlement in Section B, which starts on Page 2.
4 Basically, the Settlement numbers, there's three main
5 components. One is in Section B.1, and approximately
6 4.2 million of the \$5.2 million increase relates to an
7 analysis of Unitil's test year earnings using the
8 agreed upon capital structure and cost of capital
9 that's found in Attachment 1. And, as Mr. Collin
10 previously testified, that does not include the
11 proforma adjustments that Unitil had proposed in its
12 temporary rate request. That simple analysis led to an
13 under earning for the test year of approximately
14 \$4.2 million.

15 To that, there's really two other
16 adjustments that comprise the overall settlement of
17 \$5.2 million. One is in Section B.2, which is \$500,000
18 for UES to begin collecting its costs incurred during
19 the December 2008 ice storm. In 2009, Unitil had
20 requested and received approval from the Commission to
21 defer approximately \$1.9 million of costs associated
22 with that storm. And, what this provision does is it
23 let's them start collecting those dollars now. And,
24 considering that they have a full rate case going on

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 now, the parties deemed it appropriate to, rather than
2 try to determine the recovery period and methodology
3 for those costs on its own, to incorporate that into
4 this rate proceeding so we can take the overall
5 position, financial position of the Company and some of
6 the other recommendations that are going on in that
7 overall rate case and do it all at once, rather than
8 consider them separately. So, what we've done now is
9 provide some money to start collecting, and we'll work
10 out the final recovery methodology and time period
11 during the permanent part of the proceeding.

12 As part of that review of the ice storm
13 and the Commission's after action review, one of the
14 topics that come up -- excuse me -- came up a lot was
15 tree-trimming. And, that brings us to the second
16 adjustment, which is on Page 3 of the Settlement,
17 Section B.3. And, what we've agreed to do there is to
18 provide an additional 500,000 so Unitil could get going
19 now to start increasing its tree-trimming and
20 concentrating on some problem circuits. And, through
21 the permanent part of the proceeding, we will look
22 further at the Company's proposal to essentially come
23 up with a new plan for its tree-trimming. They have
24 hired a consultant to look at their existing plan and

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 what they want to do going forward, and that will
2 require some additional money. And, so, what we
3 decided now is, rather than try and -- rather than
4 postpone until the end of the proceeding the Company
5 being able to start increasing its trimming, we've
6 decided to put some money forward now, and then we can
7 work out the details on that one as well. Mr. Meissner
8 can get more into the details of the tree-trimming.

9 Q. Just to follow up first on the recovery of the storm
10 costs, is it correct that the Company and the Staff and
11 the Consumer Advocate are still reviewing items in that
12 docket, and that docket has not been fully resolved at
13 this time?

14 A. (Mullen) Yes. There is a separate docket, DE 10-001,
15 where the issues are still being discussed. Also,
16 Staff has conducted an audit of costs. And, all of
17 that information will be taken into consideration as we
18 go through this. And, in that separate docket, there
19 will also be some -- I think there's a hearing on that
20 scheduled for next month. And, I think that, rather
21 than deal with the dollar amounts, that one will deal
22 more with operational issues.

23 Q. Okay. And, although those issues are still unresolved
24 at this point, the Staff feels comfortable in

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 recommending the beginning of the recovery of those
2 costs as reflected in the Temporary Rate Settlement?

3 A. (Mullen) That's correct.

4 Q. Okay. And, one last question, Mr. Mullen. With
5 respect to the tree-trimming, is it Staff's
6 understanding that this amount in the Temporary Rate
7 Settlement is targeted specifically for tree-trimming,
8 and the Company is required to show some kind of
9 accounting for that?

10 A. (Mullen) Yes.

11 Q. Thank you. Mr. Meissner, is it correct that Unitil
12 currently does not have a Reliability Enhancement
13 Program or a specific Vegetation Management Program
14 with specific budgets?

15 A. (Meissner) We currently have Reliability Programs and
16 Vegetation Management Programs with specific budgets.
17 We don't have specific recovery mechanisms for those
18 outside the normal cost of service.

19 Q. And, what has the Company proposed in the current
20 filing, in the petition, with respect to tree-trimming?

21 A. (Meissner) We propose to establish a Reliability
22 Enhancement Program that consists of two parts: One is
23 the Vegetation Management Plan, which is an O&M
24 component of the plan, and the other is the Reliability

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 Enhancement Plan, which primarily deals with capital
2 programs of the Company to target reliability
3 improvement to worst performing circuits.

4 Q. And -- Excuse me. What was the total amount of
5 tree-trimming expenses that Unitil is seeking to
6 recover in its April 15th petition?

7 A. (Meissner) 2.25 million.

8 Q. And, is that on an annual basis?

9 A. (Meissner) That's on an annual basis. That's correct.

10 Q. And, since the Company filed its petition on
11 April 15th, has the Company received additional
12 information with respect to recommendations for
13 tree-trimming?

14 A. (Meissner) Yes, we have. Prior to filing our
15 testimony, we had gone through an RFP process and hired
16 a company, the Company's name is "Environmental
17 Consulting, Incorporated", normally referred to as
18 "ECI", to conduct a study for the Company of its
19 tree-trimming program. And, subsequent to our filing
20 of testimony, we did receive that report, which is a
21 very lengthy and detailed report. And, we have since
22 provided that through discovery as part of this
23 proceeding.

24 Q. And, has the Company submitted a revised request based

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 on that report with respect to tree-trimming?

2 A. (Meissner) We have not to date, no.

3 Q. And, what's your -- what's the Company's intention with
4 respect to that?

5 A. (Meissner) We expect there will be a lot of
6 give-and-take during the course of this proceeding on
7 tree-trimming. We understand the Commission has hired
8 a consultant, Mike Cannata, who we know is very well
9 versed in tree-trimming. So, we would expect, through
10 the course of this, that that proposal will be fully
11 vetted, and the parties will agree on an appropriate
12 tree-trimming program for the Company as part of the
13 proceeding.

14 Q. Okay. And, if that requires a revised filing on the
15 part of the Company, is the Company willing to
16 undertake that?

17 A. (Meissner) Yes.

18 MR. EPLER: Mr. Chairman, that's all the
19 questions I have.

20 CHAIRMAN GETZ: Okay. Thank you.

21 Ms. Fabrizio.

22 BY MS. FABRIZIO:

23 Q. Mr. Mullen, I'll ask you first, do you have anything
24 further you'd like to add or comment on on any

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 particular aspect of the Settlement at this point?

2 A. (Mullen) No, nothing in particular. I mean, I could
3 walk through the calculations that are in Attachment 1.
4 But, I think, it's suffice to say that the 500,000 for
5 the ice storm shows up on Page 1 of Attachment 1, and
6 the 500,000 of tree-trimming shows up on Page 7 of
7 Attachment 1, then gets carried forward to Page 6, the
8 income statement. The only other adjustments that show
9 up on Page 6 in the income statement relate to the
10 federal and state tax impacts of the tree-trimming
11 investments.

12 Q. Thank you. And, could you please explain for the
13 record why Staff supports this Settlement as developed
14 by the parties?

15 A. (Mullen) Sure. As you go through, and, like I say,
16 there's three main components to it. The first one
17 being just a straight calculation of the Company's
18 under earnings, without any proforma adjustments, and
19 that uses a five quarter average rate base. I think,
20 just based on that, that uses the last allowed ROE of
21 9.67 and the agreed upon capital structure. So, I
22 think, just based on that, it shows that, okay, there's
23 a need for an increase just on its own. And, related
24 to the two adjustments for the ice storm costs and for

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 tree-trimming, I think we've gone through why we feel
2 that those are appropriate to allow the Company to (a)
3 start collecting the ice storm costs that they have
4 already incurred, and (b) to start now increasing the
5 tree-trimming activities to allow for some increased
6 reliability.

7 MS. FABRIZIO: Thank you. I have no
8 further questions, Mr. Chairman.

9 CHAIRMAN GETZ: Ms. Hollenberg.

10 MS. HOLLENBERG: Thank you.

11 CROSS-EXAMINATION

12 BY MS. HOLLENBERG:

13 Q. Two questions for Mr. Mullen. With regard to the
14 recovery of temporary rates, could you explain how that
15 will occur please.

16 A. (Mullen) Sure.

17 Q. Meaning how they will be applied going forward as of
18 July 1.

19 A. (Mullen) I think I skipped over this in my review of
20 the Settlement. In Section B.1, on Page 2, it explains
21 in the first paragraph that the \$5.2 million will be
22 recovered from Unitil's customers through a uniform per
23 kilowatt-hour surcharge of \$0.00438 per kilowatt-hour,
24 and that will apply evenly to all of Unitil's rate

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 classes.

2 Q. Thank you. And, you participated in a recent PSNH rate
3 case with the OCA. And, in that case, the Settlement
4 on permanent rates dealt with PSNH's 2008 ice storm.
5 Do you recall that?

6 A. (Mullen) Yes, I do.

7 Q. And, is it your understanding that the proposal or the
8 recommendation of the parties in the Settlement
9 Agreement is to treat Unitil's ice storm costs in a
10 similar fashion, as i.e. in the permanent rates, how
11 the permanent rates are revolved?

12 A. (Mullen) Yes. In the PSNH proceeding, we allowed some
13 initial recovery through the temporary rate proceeding,
14 and working out the final details through the permanent
15 part of the proceeding. This is being treated in a
16 similar manner.

17 MS. HOLLENBERG: Thank you. Thank you.

18 No other questions.

19 CHAIRMAN GETZ: Commissioner Ignatius.

20 CMSR. IGNATIUS: Thank you.

21 MR. EPLER: I'm sorry, Mr. Chairman.

22 CMSR. IGNATIUS: Yes.

23 MR. EPLER: Excuse me, Commissioner. If
24 I might, there was one additional item I neglected, I just

{DE 10-055} [Re: Temporary Rates] {06-10-10}

[WITNESS PANEL: Collin ~ Meissner ~ Mullen]

1 wanted to point out.

2 BY MR. EPLER:

3 Q. Mr. Mullen, can you please turn to Attachment 2 of the
4 Settlement. I believe that's the very last page. Just
5 to point out that page, Attachment 2, shows the dollar
6 -- the approximate dollar impact on a typical
7 residential bill?

8 A. (Mullen) Yes.

9 Q. Of \$2.63, is that correct?

10 A. (Mullen) Based on a calculation of 600 kilowatt-hours
11 used in a month.

12 MR. EPLER: Okay. Thank you very much.
13 That's all, Mr. Chairman.

14 CMSR. IGNATIUS: With that question, I
15 have nothing for Mr. Mullen. Thank you.

16 CHAIRMAN GETZ: Any redirect for the
17 panel?

18 (No verbal response)

19 CHAIRMAN GETZ: Okay. Hearing nothing,
20 then the witnesses are excused. Thank you, gentlemen.

21 WITNESS COLLIN: Thank you.

22 CHAIRMAN GETZ: Any objection to
23 striking identifications and admitting the exhibits into
24 evidence?

{DE 10-055} [Re: Temporary Rates] {06-10-10}

1 (No verbal response)

2 CHAIRMAN GETZ: Hearing no objection,
3 they will be admitted into evidence. Is there anything
4 else before opportunity for closings?

5 (No verbal response)

6 CHAIRMAN GETZ: Hearing nothing, we'll
7 begin with Ms. Hollenberg.

8 MS. HOLLENBERG: Thank you. I would
9 just offer that, if you do have any questions for the OCA,
10 I'm happy to make Mr. Traum available. But we thought
11 that these gentlemen could ably carry the morning on all
12 of our behalfs. So, we would just close and say that we
13 support the Settlement Agreement and ask that the
14 Commission approve it. Thank you.

15 CHAIRMAN GETZ: Thank you. Ms.
16 Fabrizio.

17 MS. FABRIZIO: Thank you, Mr. Chairman.
18 Staff believes that this is a just and reasonable result
19 in the Temporary Rate Settlement. And, we look forward to
20 working with the Company to flesh out and resolve the few
21 issues in more detail during the permanent rate phase.

22 CHAIRMAN GETZ: Thank you. Mr. Epler.

23 MR. EPLER: Yes, Mr. Chairman.
24 Similarly, the Company supports this Settlement and

{DE 10-055} [Re: Temporary Rates] {06-10-10}

1 requests that the Commission approve it. And, just want
2 to point out that the effective date is proposed as
3 July 1st, in terms of timing for a Commission order.

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

7 (Whereupon the hearing ended at 9:33
8 a.m.)

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