

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LAURENCE M. BROCK**

New Hampshire Public Utilities Commission

Docket No. DE 11-____

TABLE OF CONTENTS

I.	INTRODUCTION	Page 1
II.	PURPOSE OF TESTIMONY	Page 2
III.	TROPICAL STORM IRENE & OCTOBER SNOW STORM: STORM RESTORATION EXPENDITURES	Page 3
IV.	TROPICAL STORM IRENE & OCTOBER SNOW STORM: UES ACCOUNTING FOR STORM RESTORATION COSTS	Page 7
V.	CONCLUSION	Page 10

LIST OF SCHEDULES

Schedule LMB-1: Costs – Tropical Storm Irene

Schedule LMB-2: Costs – October Snow Storm

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Laurence M. Brock. My business address is 6 Liberty Lane West,
4 Hampton, New Hampshire 03842.

5

6 **Q. For whom do you work and in what capacity?**

7 A. I am Controller and Chief Accounting Officer of Unitil Corporation, Inc.
8 (“Unitil”). I am also the Controller of Unitil’s utility operating subsidiaries,
9 including Unitil Energy Systems, Inc. (“UES” or the “Company”), Northern
10 Utilities, Inc. (“Northern”), Granite State Gas Transmission, Inc. (“Granite”),
11 and Fitchburg Gas and Electric Light Company (“FG&E”). In addition, I am
12 the Vice President and Controller of Unitil Service Corp. (“USC”), which
13 provides centralized management and administrative services to all of Unitil’s
14 affiliates, including UES, Northern, Granite and FG&E.

15

16 **Q. Please describe your business and educational background.**

17 A. I am a Certified Public Accountant in the State of New Hampshire. I graduated
18 from the University of New Hampshire with a Master’s Degree in Business
19 Administration. I completed my Public Accounting work experience requirement
20 at Coopers & Lybrand, in Boston, MA. I have been employed with Unitil since
21 June, 1995.

22

1 **Q. Have you previously testified before the New Hampshire Public Utilities**
2 **Commission ("Commission")?**

3 A. Yes. I have testified before the Commission in various matters on behalf of UES
4 and Northern. In addition, I have also testified before the Maine Public Utilities
5 Commission ("MPUC") and the Massachusetts Department of Public Utilities
6 ("MDPU") in various matters on behalf of Northern and FG&E, respectively, and
7 before the Federal Energy Regulatory Commission ("FERC") on behalf of
8 Granite.

9

10 **II. PURPOSE OF TESTIMONY**

11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. The purpose of my testimony is to support the costs and accounting treatment
13 associated with Tropical Storm Irene ("Irene") which occurred in August 2011
14 and the Nor'easter that occurred in October 2011 ("October Snow Storm").

15

16 **Q. Is UES presenting any other witnesses in this filing?**

17 A. Yes. UES is presenting Ms. Karen M. Asbury, Director of Regulatory Services
18 for USC and Mr. Richard L. Francazio, Director of Emergency Management and
19 Compliance for USC. Ms. Asbury will describe UES' proposal to increase its
20 Storm Recovery Adjustment Factor ("SRAF") effective May 1, 2012 to recover
21 the costs associated with Irene and the October Snow Storm. Mr. Francazio will

1 describe the two storms, the damage the storms caused to the distribution
2 infrastructure of UES, and UES' planning, restoration and recovery efforts.

3

4 **III. IRENE & OCTOBER SNOW STORM: STORM RESTORATION**
5 **EXPENDITURES**

6 **Q. Why and how did UES incur emergency storm restoration costs as a result of**
7 **Irene and the October Snow Storm?**

8 A. As discussed in the testimony of Mr. Francazio, during Irene, 31,355 of UES'
9 customer were without service at the storm's peak and over the course of the 36
10 hour restoration period, a cumulative total of 42,300 customers experienced
11 interruptions. Also as discussed in the testimony of Mr. Francazio, during the
12 October Snow Storm, 51,262 of UES' customer were without service at the
13 storm's peak and over the course of the 84 hour restoration period, a cumulative
14 total of 71,973 customers experienced interruptions. During both of these storm
15 events, UES incurred significant incremental storm restoration expenditures for
16 outside contractor crews, incremental payroll, and material & supplies costs and
17 transportation costs to perform the restoration of electric utility service to UES
18 customers who were interrupted during the storm events.

19

20 **Q. What are the total costs which UES incurred attributable to Irene and the**
21 **October Snow Storm for the emergency storm restoration expenditures.**

1 A. As shown on Schedule LMB-1 and Schedule LMB-2 attached hereto, the total
2 costs which UES incurred for the emergency storm restoration expenditures
3 attributable for Irene are estimated to be \$2,478,000 and for the October Snow
4 Storm are estimated to be \$3,090,000.

5

6 **Q. Please identify the specific cost categories and amounts attributable to Irene**
7 **and the October Snow Storm for the emergency storm restoration**
8 **expenditures.**

9 A. The specific cost categories of emergency storm restoration expenditures include
10 1) Contractor & Related Services, 2) Incremental Payroll & Expenses, 3)
11 Materials & Supplies, 4) Transformers and 5) Transportation. A summary of
12 UES' emergency storm restoration expenditures in the specific cost categories
13 listed above and attributable to Irene are presented on Schedule LMB-1, attached
14 hereto. A summary of UES' emergency storm restoration expenditures in the
15 specific cost categories listed above and attributable to the October Snow Storm
16 are presented on Schedule LMB-2, attached hereto.

17

18 **Q. Please describe the amount and nature of Contractor & Related Services**
19 **costs incurred by UES during the emergency storm restoration efforts in**
20 **Irene and the October Snow Storm.**

1 A. As shown on Schedule LMB-1 and Schedule LMB-2, the amounts of Contractor
2 & Related Services costs incurred by UES during the emergency storm restoration
3 efforts are estimated to be \$2,270,000 for Irene and are estimated to be
4 \$2,998,000 for the October Snow Storm. The costs principally represent amounts
5 expended by UES during the emergency storm restoration efforts to acquire and
6 compensate local and non-local utility line crews, trees crews and damage
7 assessment and wires down personnel to complete the restoration.

8

9 **Q. Please describe the amount and nature of Incremental Payroll &**
10 **Expenses incurred by UES during the emergency storm restoration**
11 **efforts in Irene and the October Snow Storm.**

12 A. As shown on Schedule LMB-1 and Schedule LMB-2, the amounts of Incremental
13 Payroll & Expenses incurred by UES during the emergency storm restoration
14 efforts are estimated to be \$257,000 for Irene and are estimated to be \$222,000 for
15 the October Snow Storm. The costs principally represent amounts expended by
16 UES for regular pay and overtime paid to UES crews, overtime paid to exempt
17 employees at UES and USC and overtime paid to non-exempt employees at UES
18 and USC (in accordance with the Company's Storm Pay Policy) to complete the
19 restoration.

20

1 **Q. Please describe the amount and nature of Materials & Supplies costs**
2 **incurred by UES during the emergency storm restoration efforts in Irene**
3 **and the October Snow Storm.**

4 A. As shown on Schedule LMB-1 and Schedule LMB-2, the amounts of Materials &
5 Supplies costs incurred by UES during the emergency storm restoration efforts
6 are estimated to be \$5,000 for Irene and are estimated to be \$25,000 for the
7 October Snow Storm. The costs principally represent materials and supplies
8 issued from inventory and charged to the respective Construction Work Orders
9 (“CWO”) by UES during the emergency storm restoration efforts to complete the
10 restoration.

11

12 **Q. Please describe the amount and nature of Transformers costs incurred by**
13 **UES during the emergency storm restoration efforts in Irene and the**
14 **October Snow Storm.**

15 A. As shown on Schedule LMB-1 and Schedule LMB-2, the amounts of
16 Transformers costs incurred by UES during the emergency storm restoration are
17 estimated to be \$7,000 for Irene and are estimated to be \$0.00 for the October
18 Snow Storm. The costs principally represent purchases of transformers by UES
19 during the emergency storm restoration efforts to complete the restoration.

20

1 **Q. Please describe the amount and nature of Transportation costs incurred**
2 **by UES during the emergency storm restoration efforts in Irene and the**
3 **October Snow Storm.**

4 A. As shown on Schedule LMB-1 and Schedule LMB-2, the amounts of
5 Transportation costs incurred by UES during the emergency storm restoration
6 efforts are estimated to be \$15,000 for Irene and are estimated to be \$20,000 for
7 the October Snow Storm. The costs principally represent the cost of Company-
8 owned vehicles and equipment used by UES during the emergency storm
9 restoration efforts to complete the restoration.

10

11 **IV. IRENE & OCTOBER SNOW STORM: UES ACCOUNTING FOR STORM**
12 **RESTORATION COSTS**

13 **Q. How did the Company track and compile the emergency storm**
14 **restoration costs associated with Irene and the October Snow Storm?**

15 A. The emergency storm restoration costs for Irene and the October Snow Storm
16 have been captured in CWO's in the Unitil Plant Accounting System. When the
17 CWO's are closed, all final expenditures will be categorized as capitalized utility
18 plant additions for assets that were replaced during the storm events or as
19 Deferred Storm Expenses for repairs that were performed during the storm events
20 to be recovered through the SRAF.

21

1 **Q. Have all of the costs attributable to Irene and the October Snow Storm**
2 **been accumulated in the CWOs and paid by the Company?**

3 A. As of December 16, 2011, the Company has paid the majority of the costs
4 associated with Irene and expects to pay the remaining costs by year-end.
5 With regard to the October Snow Storm, the Company has, to date, paid
6 approximately two-thirds of the estimated costs and expects to pay the
7 remaining costs by the end of the first quarter of 2012 as more invoices are
8 received and processed.

9

10 **Q. For accounting purposes, has the Company calculated the emergency**
11 **storm restoration costs attributable to Irene and the October Snow**
12 **Storm? If so, please explain how the Company calculated those costs and**
13 **how they are classified for accounting purposes.**

14 A. The total emergency storm restoration costs associated with Irene are
15 estimated to be approximately \$2,554,000, which includes \$76,000 of costs
16 capitalized as utility plant additions for plant units replaced during the storm
17 event and \$2,478,000 of Deferred Storm Expenses for repairs that were
18 performed during the storm event. The Deferred Storm Expenses have been
19 recorded as a Regulatory Asset in account #10-20-00-47-182-86-00 to be
20 recovered through the UES SRAF. The total emergency storm restoration
21 costs associated with the October Snow Storm are estimated to be
22 approximately \$3,265,000, which includes \$175,000 of costs capitalized as

1 utility plant additions for plant units replaced during the storm event and
2 \$3,090,000 of Deferred Storm Expenses for repairs that were performed
3 during the storm event. The Deferred Storm Expenses have been recorded as a
4 Regulatory Asset in account #10-20-00-47-182-86-00 to be recovered through
5 the UES SRAF.

6 **Q. How did the Company identify and calculate the amount of emergency storm**
7 **restoration costs to be capitalized as utility plant additions for plant units**
8 **replaced during the storm event?**

9 A. The Company's method to identify the amount of storm costs to be capitalized
10 was to use the average install cost of similar plant units for 2010, to calculate the
11 amount to be capitalized for all individual plant units installed during the storm
12 event. This method normalizes the impact of higher emergency storm restoration
13 costs, including labor and contractor rates, during the events.

14

15 **Q. How did the Company identify and calculate the amount of emergency storm**
16 **restoration costs to be recognized as Deferred Storm Expenses for repairs**
17 **that were performed during the storm event to be recorded as a Regulatory**
18 **Asset in account #10-20-00-47-182-86-00 to be recovered through the UES**
19 **SRAF?**

20 A. All emergency storm restoration costs remaining in the CWO after the
21 capitalization of utility plant additions for plant units replaced during the storm

1 event were recognized as Deferred Storm Expenses for repairs that were
2 performed during the storm event and recorded as a Regulatory Asset in account
3 #10-20-00-47-182-86-00 to be recovered through the UES SRAF.

4

5

6 **V. CONCLUSION**

7 **Q. Does that conclude your testimony?**

8 **A.** Yes, it does.