

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

March 6, 2012 - 9:58 a.m.
Concord, New Hampshire

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RE: DE 11-277
UNITIL ENERGY SYSTEMS, INC.:
Petition to Increase Storm Recovery
Adjustment Factor.
(Prehearing conference)

PRESENT: Marcia A. B. Thunberg,
(Presiding as Hearing Examiner)

Sandy Deno, Clerk

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

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

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

ORIGINAL

I N D E X**PAGE NO.****STATEMENTS OF PRELIMINARY POSITION BY:**

Mr. Epler

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Ms. Amidon

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1 P R O C E E D I N G

2 MS. THUNBERG: Good morning. We'll open
3 this prehearing conference in Docket Number DE 11-277.
4 It's a petition by Unitil to increase Storm Recovery
5 Adjustment Factor. On December 16th, 2011, Unitil Energy
6 Systems, Inc., filed a petition to increase its Storm
7 Recovery Adjustment Factor to recover the costs of
8 repairing damage associated with Tropical Storm Irene,
9 which occurred in August 2011, and the October 2011
10 snowstorm. Unitil proposes to recover the costs of its
11 expenses associated with these two storms over a
12 three-year period, and carrying charges will be calculated
13 at the Company's overall cost of capital. The Storm
14 Reserve and Storm Reserve -- Storm Recovery Adjustment
15 Factor were created in Unitil's last rate case, which was
16 Docket DE 10-055, and was approved by Order Number 25,214.

17 An order of notice was issued on
18 February 16th setting a prehearing conference for today.
19 And, I understand that the affidavit of publication was
20 filed today?

21 MR. EPLER: Yes, that's correct, madam
22 Hearing Officer. Thank you.

23 MS. THUNBERG: Thank you, Mr. Epler. I
24 noted in the record that there are no -- or, note from the

1 record in the docketbook that there are no motions to be
2 dealt with at today's prehearing. It doesn't look like
3 there is any member of the public that is here attending
4 today. There have also been no petitions for
5 intervention. And, being no other parties here, I am
6 going to note in the Hearing Examiner's report that there
7 are no oral motions to intervene here as well.

8 Can I start with appearances please?

9 MR. EPLER: Yes. Good morning, madam
10 Hearing Officer. My name is Gary Epler, Chief Regulatory
11 Counsel of Unitil Service Corp., appearing on behalf of
12 Unitil Energy Systems, Inc.

13 MS. THUNBERG: Thank you.

14 MR. EPLER: And, with me, to my right,
15 are Lawrence Brock, Controller and Chief Accounting
16 Officer of Unitil Corporation; Richard Francazio, the
17 Director of Emergency Management & Compliance, Unitil
18 Service Corp.; and Karen Asbury, Director of Regulatory
19 Services, Unitil Service Corp., all are here on behalf of
20 Unitil Energy Systems. Thank you.

21 MS. THUNBERG: Thank you, Mr. Epler.

22 MS. AMIDON: Good morning, madam Hearing
23 Officer. I'm Suzanne Amidon. I'm here representing
24 Commission Staff. And, to my left is Grant Siwinski, an

1 Analyst with the Electric Division.

2 MS. THUNBERG: Thank you. I'd like to
3 move on to brief positions from the parties. Mr. Epler,
4 do you have one?

5 MR. EPLER: Yes, I do. Thank you. As
6 the Hearing Officer stated, I'll repeat some of the
7 material that you set forth. In the Company's position,
8 Unitil proposes to increase its Storm Recovery Adjustment
9 Factor, SRAF, effective May 1, 2012, to recover the costs
10 associated with Tropical Storm Irene, which occurred in
11 August 2011, and the snowstorm, which occurred in
12 October of 2011. Unitil proposes to recover these costs
13 over a three-year period, with carrying charges calculated
14 at the Company's overall cost of capital.

15 UES has submitted with its petition a
16 revised tariff, Schedule SRAF. On August 28th, 2011,
17 Tropical Storm Irene caused extraordinary damage across
18 New Hampshire, including a substantial amount of damage to
19 Unitil's electrical system. UES estimates that it
20 incurred approximately \$2.5 million of incremental
21 storm-related emergency costs to respond to Tropical Storm
22 Irene.

23 On October 29th through 30th, 2011, New
24 England was impacted by the October snowstorm, which

1 deposited significant amounts of heavy, wet snow on trees,
2 which still had leaves, adding extra weight to the trees
3 and branches, which collapsed and caused significant
4 damage to Unitil's electrical system. Unitil estimates
5 that it incurred approximately \$3,090,000 in incremental
6 -- incremental storm-related emergency costs related to
7 the October snowstorm.

8 Pursuant to the Settlement Agreement
9 approved by the Commission in Docket DE 10-055, the
10 Company has in place a SRAF surcharge, which provides for
11 the recovery of the December 2008 ice storm and
12 February 2008 wind storm costs. The Settlement Agreement
13 also granted Unitil a Storm Reserve, to allow for the
14 recovery of costs associated with qualifying major storms.
15 The Storm Reserve, however, was not designed to include
16 low frequency storms that are extraordinary in magnitude,
17 such as these two storms. If the costs of these storms,
18 which are estimated to be approximately \$5.6 million, were
19 added to the reserve, the reserve would be in significant
20 deficit. Accordingly, the Company is proposing to recover
21 these costs through an adjustment to its SRAF tariff.

22 The Petition includes a proposed tariff,
23 which is redlined, as Schedule KMA-2. This is an
24 informational purposes tariff, and we'll file a final SRAF

1 in compliance as directed by the Commission. The proposed
2 rate calculations are also shown on Schedule KMA-1. Bill
3 impacts are provided in Schedule KMA-3. And, assuming the
4 request is approved as filed, a residential customer on
5 Default Service using 600 kilowatt-hours of electricity
6 will see a bill increase of \$1.04, or 1.2 percent. Thank
7 you.

8 MS. THUNBERG: Okay. Thank you,
9 Mr. Epler. Ms. Amidon.

10 MS. AMIDON: Thank you. Staff has begun
11 to review the filing. We have no dispute that these are
12 major, unusual, and extraordinary events that occurred in
13 2011. What is pending is a Staff audit of the costs,
14 which I don't believe is an impediment to granting the
15 Company's request to have rates in effect for May 1. I
16 know that the Company has other rate changes that also
17 take affect May 1. So, the fact that a proposed rate
18 increase would coincide with these other rates makes
19 sense.

20 I think one issue that the Staff will
21 explore a little further is the issue of carrying costs,
22 whether they should be at the Company's cost of capital or
23 some other rate.

24 Having said that, we have proposed a

1 hearing date to the Company, and plan, at the technical
2 session, to discuss discovery, which was issued last month
3 on this filing, and to discuss other parameters of a
4 proposed way to proceed with presenting this to the
5 Commission. Thank you.

6 MS. THUNBERG: Ms. Amidon, one other
7 question. I assume, in the technical session, if the
8 parties have not already -- or, Staff and Unitil have not
9 already done so, that you have a proposed procedural
10 schedule that will be developed and filed with the
11 Commission?

12 MS. AMIDON: Yes, that's true.

13 MS. THUNBERG: I know, in prehearing
14 conferences, simplification of the issues can occur, but
15 this seems to be a docket that's pretty narrow in its
16 focus. So, I don't know if, in your -- in the procedural
17 schedule letter, if there's any further issue
18 simplification that can be done, I just put that out there
19 on the "to do" list.

20 MS. AMIDON: I'll take that as
21 direction, and we'll attempt to further define the scope
22 of the issues in the procedural schedule recommendation.

23 MS. THUNBERG: With respect to a
24 proposed hearing date that Unitil and Staff have been

1 working on, have you already put a hold for an April date
2 with the Commission?

3 MS. AMIDON: That's true, madam Hearing
4 Examiner. April 12th has been held for a hearing on this
5 date, with the idea that the order would be, if it was --
6 an order is issuing, it would be for effect May 1. Given
7 the fact that the filing was made in December, and there
8 had been some delay in getting this prehearing conference,
9 we feel it's appropriate at this point to hold a hearing
10 date to try to grant the Company's request, as they did
11 file this some months ago.

12 MS. THUNBERG: The reason I'm asking is
13 I have to write a report to the Commissioners, and it
14 seems like you already have a lot of the items covered.
15 So, I'll just make note of them in summary in my report.
16 Which will be that there are no motions to make a
17 recommendation on, there are no petitions for intervention
18 to make a recommendation on, that a procedural schedule
19 will be forthcoming from the parties, and that Staff has
20 already secured a potential hearing date for the
21 Commission.

22 MS. AMIDON: Thank you.

23 MS. THUNBERG: Are there any other
24 issues to raise at the prehearing today?

(No verbal response)

MS. THUNBERG: No? Given how quick this is, this prehearing today, we're going to close the prehearing. But, please feel free to track me down, directing this to Ms. Amidon, that if any member of the public has -- wants to come and make a statement on the record, I can come back down. And, I don't know Mr. Patnaude's ability to stay as a transcriber. But, given that we've only been seven minutes past, that, if a member of the public shows up, I just want to afford them some kind of opportunity to make a comment, if they came to do so.

MS. AMIDON: Duly noted.

MS. THUNBERG: So, with that, I'll file a brief recommendation with the Commission, and thank you.

(Whereupon the prehearing conference ended at 10:08 a.m. and a technical session was held thereafter.)