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**STATE OF NEW HAMPSHIRE**

**PUBLIC UTILITIES COMMISSION**

**March 14, 2012** - 10:10 a.m.  
Concord, New Hampshire

RE: **DE 12-003**  
**UNITIL ENERGY SYSTEMS, INC.:**  
*Default Service for the period*  
*May 1, 2012 through July 31, 2012*  
*for the Large Customer (G1)*  
*requirements, and May 1, 2012*  
*through April 30, 2013 for the*  
*Small Customer (Non-G1) requirements.*

**PRESENT:** Chairman Amy L. Ignatius, Presiding  
Commissioner Michael D. Harrington  
  
Clare Howard-Pike, Clerk

**APPEARANCES:** **Reptg. Unitil Energy Systems, Inc.:**  
Gary M. Epler, Esq.  
  
**Reptg. Residential Ratepayers:**  
Rorie E. P. Hollenberg, Esq.  
Office of Consumer Advocate  
  
**Reptg. PUC Staff:**  
Suzanne G. Amidon, Esq.

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

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**I N D E X**

**PAGE NO.**

**WITNESS PANEL:**            **TODD M. BOHAN**  
                                   **LINDA S. McNAMARA**  
                                   **KRISTINA M. GUAY**  
                                   **(Sworn in @ P.40) ROBERT S. FURINO**

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	UES Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs, including Petition, proposed Tariff pages, testimony & exhibits (03-09-12)	6
2	<b>Confidential</b> materials - Bid Evaluation Report <b>(CONFIDENTIAL &amp; PROPRIETARY)</b>	6
3	Schedule LSM-8 (17 pages)	6

**P R O C E E D I N G**

1  
2 CHAIRMAN IGNATIUS: I would like to open  
3 the docket in DE 12-003, which is the first of Unitil's  
4 Default Service filings for 2012. As the Order of Notice  
5 made clear, this is something that happens four times a  
6 year on a schedule that Unitil submitted on January 6,  
7 2012. And, according to that schedule, Unitil, and, more  
8 technically, Unitil Energy Systems, Inc., UES, will be  
9 issuing RFPs on January 31, 2012, for a three-month power  
10 supply for its large commercial and industrial G1  
11 customers and one one-year block of power for its  
12 residential and small commercial Non-G1 customers, for  
13 service beginning May 1, 2012, which it did. So, we have  
14 the results of that RFP to be heard today.

15 So, let's take appearances.

16 MR. EPLER: Good morning, Chairman  
17 Ignatius, Commissioner Harrington. My name is Gary Epler.  
18 I'm the Chief Regulatory Counsel of Unitil Service Corp.,  
19 appearing on behalf of Unitil Energy Systems, Inc. Thank  
20 you.

21 CHAIRMAN IGNATIUS: Good morning.

22 MS. HOLLENBERG: Good morning, Chairman  
23 Ignatius and Commissioner Harrington. My name is Rorie  
24 Hollenberg, and I'm here with Donna McFarland, appearing

1 on behalf of the OCA. We have not filed a Letter of  
2 Participation at this point. I'm happy to do that, if  
3 you'd like. Or, if you would just orally recognize our  
4 authority to participate pursuant to our enabling statute,  
5 RSA 363:28, subparagraph II.

6 CHAIRMAN IGNATIUS: That's fine. I  
7 don't think there's a need to file a letter.

8 MS. AMIDON: Good morning. I'm Suzanne  
9 Amidon. I'm here for Commission Staff. And, with me  
10 today is Grant Siwinski, an Analyst in the Electric  
11 Division.

12 CHAIRMAN IGNATIUS: Great. Thank you.  
13 Do we have any procedural matters before we begin? Looks  
14 like an affidavit of publication has been submitted?

15 MS. HOWARD-PIKE: That's correct.

16 CHAIRMAN IGNATIUS: Thank you. Any  
17 other matters before we begin with testimony?

18 MR. EPLER: Yes, Chairman Ignatius.  
19 There are a couple of things, if I may. The first is, if  
20 we could premark several exhibits. In the green binder is  
21 the Petition, proposed tariffs, testimony and exhibits of  
22 the panel. And, then, there is -- if that could be  
23 premarked as "Unitil Exhibit 1"?

24 CHAIRMAN IGNATIUS: All right. So

1 marked.

2 (The document, as described, was  
3 herewith marked as **Exhibit 1** for  
4 identification.)

5 MR. EPLER: The second document is the  
6 confidential material. And, that includes confidential  
7 material from all -- from each of the three witnesses. If  
8 that could be premarked as "Unitil Exhibit 2"?

9 CHAIRMAN IGNATIUS: So marked.

10 (The document, as described, was  
11 herewith marked as **Exhibit 2** for  
12 identification.)

13 MR. EPLER: And, then, the third item is  
14 a document that I've placed on the Bench. It's Schedule  
15 LSM-8. And, this is a new document that had not been  
16 filed, and I can explain what that is. But if that could  
17 be premarked as "Unitil Exhibit 3"?

18 CHAIRMAN IGNATIUS: Is there any  
19 objection from the parties on this new schedule?

20 MS. AMIDON: No, Madam Chair.

21 MS. HOLLENBERG: No, ma'am.

22 CHAIRMAN IGNATIUS: So, let's mark that  
23 as "Exhibit 3" for identification.

24 (The document, as described, was

1 herewith marked as **Exhibit 3** for  
2 identification.)

3 MR. EPLER: Okay. And, before I get to  
4 an explanation of that, just one other thing. I  
5 apologize, but I incorrectly filed this Petition and the  
6 confidential materials under the interim rules, which my  
7 understanding now is that they have expired. So, I did  
8 file a Motion for Confidential Treatment this morning.  
9 And, I'm not sure if you have that in front of you or not?

10 CHAIRMAN IGNATIUS: We do.

11 MR. EPLER: And, then, it was just  
12 recently pointed out to me that there is actually a typo  
13 on that motion. Page 2 of 7, Paragraph 1, third line in,  
14 it should be "beginning May 1st, 2012".

15 CHAIRMAN IGNATIUS: All right. Thank  
16 you. Are the new rules -- are the new rules not yet in  
17 effect?

18 MS. AMIDON: May I answer?

19 CHAIRMAN IGNATIUS: Please.

20 MS. AMIDON: No. The new rules have  
21 received conditional approval from the Joint Committee on  
22 Administrative Rules. But it requires a public meeting of  
23 the Commission to accept those conditions and then move to  
24 final adoption. So, that is the status of the current

1 rulemaking.

2 CHAIRMAN IGNATIUS: Close. They're  
3 never quite done, it seems, in the rules process, but  
4 we're so close. Thank you.

5 MR. EPLER: And, now, if I can just  
6 briefly address the substance of this, what's been  
7 premarked as "Unitil Exhibit 3". If you notice, both in  
8 the cover letter and in the Petition, we point out that,  
9 as filed, the proposed Default Service Charge includes  
10 recovery of two particular amounts. One is the amounts  
11 that the Company has requested recovery of and that's  
12 outstanding in Docket DE 11-105. And, the other is the  
13 remaining costs of our Smart Grid Pilot Program.

14 So, the reason we did that, in  
15 particular, with both those costs, is because this is  
16 where those costs would be recovered, through the Default  
17 Service Charge. So, last year -- well, earlier, when we  
18 were in discussions in DE 11-105, there was some  
19 discussion about that we would seek recovery when we had  
20 our March filing in 2012. So, we filed it here to  
21 preserve those rights.

22 We certainly recognize that that matter  
23 is still outstanding. The parties have not -- I don't  
24 think they have taken a formal position on it. There has

1 continued to be some discussions, some discovery. So, we  
2 understand if the Commission decides to suspend that  
3 portion of this filing. And, to accommodate that, we've  
4 provided two additional calculations, so that the filing,  
5 as filed, includes recovery. In the filing, Schedule  
6 LSM-7 is the filing with both those costs removed; the  
7 amounts in 11-105 and the Smart Grid costs. This new  
8 exhibit that's been premarked as "Unitil Exhibit 3" is  
9 just the amounts from 11-105 removed. It includes Smart  
10 Grid.

11 CMSR. HARRINGTON: Excuse me, just -- I  
12 must have misunderstood what you said.

13 MR. EPLER: Sure.

14 CMSR. HARRINGTON: I'm trying to make  
15 sure I got this straight.

16 MR. EPLER: Yes.

17 CMSR. HARRINGTON: You're saying, in the  
18 filing that you made, which is Exhibit 1, it does or does  
19 not include the DE 11-05 [11-105?] remaining Smart Grid  
20 charges?

21 MR. EPLER: We actually provide both.

22 CMSR. HARRINGTON: Both. In the green  
23 book.

24 MR. EPLER: We provide a calculation of

1 both. So, in the filing, there's a calculation with both  
2 items included and a calculation at LSM-7 with both  
3 removed. This new docket [document?] has just one of them  
4 removed, just the 11-05 [11-105?]. So, you see the  
5 difference, we thought that that would be helpful, and  
6 it's also based on some conversations we've had with the  
7 Staff.

8 So, I just wanted to make that clear.  
9 It's not our intent to get into the substance of either  
10 issue in this hearing. We understand we're asking for a  
11 quick turnaround on approval of the Default Service rates.  
12 We don't want to weigh that down with extraneous matters.  
13 And, these matters can be reviewed in their appropriate  
14 docket. So, we're not trying to bring in these things  
15 here. We just wanted to kind of preserve the Company's  
16 rights with respect to that.

17 CHAIRMAN IGNATIUS: Thank you.  
18 Commissioner Harrington.

19 CMSR. HARRINGTON: Just so I'm clear on  
20 this. The Exhibit 3 includes only one of those.

21 MR. EPLER: Yes.

22 CMSR. HARRINGTON: Which one?

23 MR. EPLER: It includes the Smart Grid  
24 costs.

[WITNESS PANEL: Bohan~McNamara~Guay]

1 CMSR. HARRINGTON: Smart Grid costs  
2 only.

3 MR. EPLER: It does not include the  
4 amounts in 11-105.

5 CMSR. HARRINGTON: Thank you.

6 CHAIRMAN IGNATIUS: And, I think, during  
7 the hearing, if Ms. McNamara wants to walk us through and  
8 get a sense of the magnitude of those different options,  
9 both in, both out, or just the Smart Grid in, that would  
10 be helpful.

11 MR. EPLER: Okay.

12 CHAIRMAN IGNATIUS: So, anything further  
13 before we begin with the panel?

14 MR. EPLER: I think -- I think that's  
15 it.

16 (Whereupon *Todd M. Bohan, Linda S.*  
17 *McNamara*, and *Kristina M. Guay* were duly  
18 sworn by the Court Reporter.)

19 **TODD M. BOHAN, SWORN**

20 **LINDA S. McNAMARA, SWORN**

21 **KRISTINA M. GUAY, SWORN**

22 **DIRECT EXAMINATION**

23 BY MR. EPLER:

24 Q. Okay. Mr. Bohan, can you please state your full name?

{DE 12-003} {03-14-12}

[WITNESS PANEL: Bohan~McNamara~Guay]

1 A. (Bohan) Todd M. Bohan.

2 Q. And, where are you employed and in what position?

3 A. (Bohan) I'm employed at Unutil Service Corp. as an  
4 Energy Analyst in the Energy Contracts Department.

5 Q. And, can you briefly describe your responsibilities?

6 A. (Bohan) Certainly. My primary responsibilities involve  
7 electric market operations. I have administrative  
8 responsibilities for daily and monthly electric  
9 reporting. And, in addition, management of electric  
10 market contracts for Default Service supplies,  
11 including procurement, cost estimation, and  
12 reconciliation. And, in addition, I'm also responsible  
13 for the administrative responsibilities associated with  
14 competitive suppliers for Unutil Energy Systems.

15 Q. And, could you please turn to the document that's been  
16 premarked as "Unutil Exhibit 1", and the tabs that are  
17 labeled "Exhibit TMB-1" and the schedules labeled  
18 "TMB-1" through "TMB-7". And, also, the confidential  
19 materials that have been premarked in Exhibit -- Unutil  
20 Exhibit 2, and the pages there stamped "001" through  
21 "088". Were all these prepared by you or under your  
22 direct supervision?

23 A. (Bohan) Yes, they were.

24 Q. And, do you have any changes, updates, or corrections

[WITNESS PANEL: Bohan~McNamara~Guay]

1 to any of this material?

2 A. (Bohan) I do not at this time.

3 Q. And, Mr. Bohan, if I were to ask you the same questions  
4 today as appear in your prefiled direct testimony,  
5 would your answers be the same?

6 A. (Bohan) Yes, they would.

7 Q. Ms. McNamara, could you please state your full name and  
8 your position with Unitil.

9 A. (McNamara) Linda S. McNamara, Senior Regulatory Analyst  
10 for Unitil Service Corp.

11 Q. Thank you. And, could you please also refer to the  
12 document that's been premarked "Unitil Exhibit 1", and  
13 refer to the tabs "LSM" -- "Exhibit LSM-1" and the  
14 Schedules "LSM-1" through "7". And, also, the  
15 confidential material that are stamped "089" through  
16 "090" in Unitil Exhibit 2. And, the 17-page document  
17 that's been premarked as "Unitil Exhibit 3". Were  
18 these prepared by you or under your direct supervision?

19 A. (McNamara) Yes.

20 Q. And, do you have any changes or corrections to any of  
21 these?

22 A. (McNamara) I have a slight correction.

23 Q. Okay.

24 A. (McNamara) On Schedule LSM-7.

{DE 12-003} {03-14-12}

[WITNESS PANEL: Bohan~McNamara~Guay]

1 Q. Okay. That's in Unutil Exhibit 1?

2 A. (McNamara) Yes. Schedule LSM-7, Page 2, which is  
3 stamped Page "142". The footnote on that page,  
4 Footnote (1), is not accurate. This particular  
5 schedule, Schedule 7, is the scenario in which both the  
6 Smart Grid costs and the customer billing adjustments  
7 were removed. And, I, unfortunately, did not correct  
8 the footnote. So, the footnote, where it says the  
9 "amount is further modified to remove the remainder of  
10 Smart Grid expenses in order to recover over the period  
11 May to October." And, then, at the end of that  
12 sentence -- I'm sorry, at the end of the next sentence  
13 it says "with remaining Smart Grid expenses added to  
14 May to October 2012", that should be stricken. There  
15 is no Smart Grid costs in that scenario.

16 Q. Okay. So, just to be clear, we are striking the --  
17 which part of the third sentence in that footnote?

18 A. (McNamara) It should just say: "The figure is then  
19 allocated between [the] rate periods (May to  
20 October 2012 and November to May" -- I'm sorry,  
21 "November to April)".

22 Q. Period, after the paren., the closed paren.?

23 A. (McNamara) I'm sorry, no. With just from the word  
24 "with", through "2012", should be taken out. It should

[WITNESS PANEL: Bohan~McNamara~Guay]

1 then go on to say: "and then to each month, May through  
2 October 2012".

3 Q. Oh, I see. All right. Just so the record is clear, in  
4 the third sentence in the footnote, you are striking  
5 the words "with remaining Smart Grid expenses added to  
6 May-October 2012"?

7 A. (McNamara) Correct.

8 Q. Thank you. Any other changes or corrections?

9 A. (McNamara) No.

10 Q. And, if you were asked the same questions as appeared  
11 in your prefiled direct testimony, would your answers  
12 be the same?

13 A. (McNamara) They would.

14 Q. Ms. Guay, could you please state your full name.

15 A. (Guay) Kristina M. Guay.

16 Q. And, can you describe the position you hold at Unitil?

17 A. (Guay) I am a Senior Financial Analyst in the Finance  
18 Department. In this capacity, I perform complex  
19 financial planning, forecasting, and analysis and  
20 generate high quality and analytical information and  
21 reports.

22 Q. Okay. And, could you please turn to what's been  
23 premarked as "Unitil Exhibit 1", and the tabs "Exhibit  
24 KG-1" and "Schedules KG-1" through "2". And, also, the

[WITNESS PANEL: Bohan~McNamara~Guay]

1 confidential materials that's been premarked "Unitil  
2 Exhibit 2", and the stamped pages "091" through "099".  
3 Were these prepared by you or under your supervision?

4 A. (Guay) Yes, they were.

5 Q. And, do you have any changes, corrections, or updates  
6 to those?

7 A. (Guay) No, I do not.

8 Q. And, if you were asked the same questions today as  
9 appear in your prefiled direct testimony, would your  
10 answers be the same?

11 A. (Guay) Yes, they would.

12 Q. Okay. Mr. Bohan, could you please briefly describe the  
13 process Unitil used to solicit Default Service power  
14 for the G1 class for the three-month period May 2012  
15 through July 2012, and, then, for the Non-G1 classes  
16 for the 12-month period May 2012 through April 2013?

17 A. (Bohan) Yes. On January 31st, we issued an RFP for our  
18 Default Service supplies, a 100 percent share for G1  
19 and a 25 percent share for the Non-G1 class.  
20 Communication was made to a list of roughly 30  
21 suppliers and other industry participants that  
22 expressed interest in receiving notification of our  
23 RFP. During the solicitation process, we contacted  
24 potential bidders through e-mail and telephone

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 communications, to gather their interest and address  
2 any questions and so forth that they might have had.

3 On February 21st, UES received proposals  
4 from respondents that included contract terms,  
5 background information, and indicative pricing.

6 Subsequent to that, all bidders were invited to submit  
7 final bids. And, on March 6, 2012, UES received final  
8 pricing from bidders and conducted its evaluation.

9 Q. And, as a result of this process, who did Unitil select  
10 as the winning bidders?

11 A. (Bohan) UES selected DTE Energy Trading, Inc., as the  
12 winning bidder for the G1 Default Service supply, and  
13 selected Dominion Energy Marketing, Inc., as the  
14 winning bidder for the Non-G1 Default Service supply,  
15 both for service commencing on May 1st, 2012.

16 MR. EPLER: Chairman Ignatius, I have a  
17 few questions that will go into some of the confidential  
18 material. So, I don't think there's a need to close the  
19 hearing, as there's no members of the public present.  
20 And, I will -- we will work with the court reporter to  
21 mark the transcript when it's prepared.

22 CHAIRMAN IGNATIUS: Thank you.

23 BY MR. EPLER:

24 Q. Mr. Bohan, can you please explain why DTE was selected

{DE 12-003} {03-14-12}

[WITNESS PANEL: Bohan~McNamara~Guay]

1 as the winning bidder for the G1 Default Service  
2 supply?

3 A. (Bohan) In our analysis, DTE provided the lowest  
4 overall cost of service for the G1 Default Service  
5 supply.

6 Q. And, how does this, the pricing that they're providing,  
7 compare to the weighted average cost of power for the  
8 current period?

9 A. (Bohan) If we could turn to Exhibit 2, and if we would  
10 go to Bates stamp page 008. You will see on this page,  
11 Bid E is DTE. And, the weighted average price for DTE  
12 is \$43.47. And, if we were to hop over a couple pages,  
13 if we come over to Bates stamp page 010, you'll see  
14 here that that weighted average price of \$43.47 is just  
15 under 28 percent less than the weighted average price  
16 currently in effect for the G1 class. And, in  
17 addition, that's just over 29 percent less than the  
18 weighted average price in effect in the same period the  
19 year before.

20 Q. Okay. And, that's -- you show that on the last row of  
21 that chart on Page 010?

22 A. (Bohan) Yes. I'm sorry, I should walk through that  
23 briefly. The 29 percent decrease from the prior year  
24 is the comparison of \$43.47 to the \$61.45 price for May

{DE 12-003} {03-14-12}

[WITNESS PANEL: Bohan~McNamara~Guay]

1 '11 through July '11.

2 Q. Okay. And, could you also now compare the average cost  
3 of power for the 12 month period under consideration  
4 compared to the weighted average cost of power in the  
5 current period?

6 A. (Bohan) Okay. The winning bidder for the Non-G1  
7 Default Service supply was Dominion. And, if we turn  
8 to Bates stamp page 009, you'll see "Bid C", and "Bid  
9 C" is "Dominion". And, that overall weighted average  
10 price is \$51.01. And, then, if we turn to Bates stamp  
11 page 011, the weighted average price for the six-month  
12 period starting on May 1st, 2012 is \$58.60. And, this  
13 includes a 25 percent share for Dominion. That price  
14 is a little over 17 percent less than rates, the  
15 weighted average rate currently in effect, which is  
16 \$70.77. In comparison to the same period the year  
17 before, this price, this weighted average price is just  
18 under 9 percent less. That is \$58.60, in comparison to  
19 \$64.35, in the six-month period beginning May 2011.

20 Q. Okay. And, just to briefly just walk through these  
21 schedules, if we turn to Bates stamp page 008, this  
22 shows that there were five bidders for the -- providing  
23 service to the G1 customers?

24 A. (Bohan) That is correct. We received five bids for the

[WITNESS PANEL: Bohan~McNamara~Guay]

1 G1 Default Service supply.

2 Q. Okay. And, then, on the next page, 009, it shows a  
3 total of nine bidders for the Non-G1 supply. Is that  
4 correct?

5 A. (Bohan) That's correct. We received nine bids for the  
6 Non-G1 Default Service supply.

7 Q. And, then 010, stamp pages 010 and 011 provides some  
8 kind of historical context in comparison to the pricing  
9 for these services?

10 A. (Bohan) That's correct.

11 Q. Thank you. Now, just a couple of questions on the  
12 Renewable Portfolio Standards, or the "RPS". Are you  
13 aware that, in accordance with the Commission's 2500  
14 rules, the requirement for Class I and II change from  
15 2011 to 2012?

16 A. (Bohan) Yes. Effective January 1st, 2012, the Class I  
17 RPS increased from 2 percent to 3 percent, and the  
18 Class II RPS requirement increase from 0.08 percent to  
19 0.15 percent.

20 Q. And, do the RPS estimates included in your testimony  
21 and exhibits reflect this?

22 A. (Bohan) Yes, they do.

23 Q. And, which schedule would they be found on?

24 A. (Bohan) That would be shown on Schedule TMB-4.

[WITNESS PANEL: Bohan~McNamara~Guay]

1 Q. And, can you generally describe the market price  
2 assumptions you used to calculate the estimated RPS  
3 costs?

4 A. (Bohan) Certainly. In Schedule TMB-4, you see the  
5 price assumptions.

6 CHAIRMAN IGNATIUS: What page are you  
7 on?

8 WITNESS BOHAN: Oh, I'm sorry. Bates  
9 stamp 080.

10 CHAIRMAN IGNATIUS: In confidential or  
11 --

12 WITNESS BOHAN: In non-confidential.

13 CHAIRMAN IGNATIUS: Non-confidential.

14 WITNESS BOHAN: In Exhibit 1, the green  
15 binder.

16 CHAIRMAN IGNATIUS: All right. Page  
17 080?

18 WITNESS BOHAN: Yes.

19 CHAIRMAN IGNATIUS: Thank you.

20 **BY THE WITNESS:**

21 A. (Bohan) And, it also follows on 081. On 081 is the G1  
22 class, on 080 is the Non-G1 class. And, you'll see the  
23 market price assumptions; for Class I is \$46, Class II  
24 is 100, Class III is 31.39, and Class IV is \$27.50.

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 The Class I price of \$46 is based on a weighted average  
2 of prices paid to date and a projected price for  
3 remaining purchases. For Class II, the projected price  
4 has been increased to \$100 as the market for Class II  
5 RECs has become extremely tight. For Class III, we've  
6 used the 2012 ACP rate of \$31.39. And, the Class IV  
7 price of \$27.50 is based on an average of prices paid  
8 to date in the ACP for 2012.

9 BY MR. EPLER:

10 Q. And, just to clarify the record, the "ACP" is the  
11 acronym for "Alternative Compliance Payment"?

12 A. (Bohan) That's correct.

13 Q. One last area of inquiry. Is the Company proposing  
14 changes to the Renewable Source Option charge rate at  
15 this time?

16 A. (Bohan) Yes.

17 Q. Could you briefly describe those changes.

18 A. (Bohan) Yes. If we could turn to Schedule TMB-7.

19 Q. And, that's in the green binder?

20 A. (Bohan) That's in Exhibit 1, the green binder, Bates  
21 stamp page 087. And, this schedule provides proposed  
22 RSOC rates, for the 25 percent plan, 50 percent plan,  
23 and 100 percent plan. And, the 25 percent rate  
24 proposed is 0.01214 per kilowatt-hour; the 50 percent

[WITNESS PANEL: Bohan~McNamara~Guay]

1 plan proposed rate is 0.02429 cents per kilowatt-hour  
2 -- or, dollars per kilowatt-hour; and the 100 percent  
3 plan is 0.04857 per kilowatt-hour.

4 Q. And, do these rates include any reconciliation  
5 adjustment for either over- or undercollection?

6 A. (Bohan) They do not. And, just to elaborate briefly on  
7 that, as discussed in my written testimony. While the  
8 tariff indicates that a reconciliation should be  
9 included with the May 1 rates, in preparing this, there  
10 were two items of note. First of all, the full cost  
11 for 2011 compliance will not be known until probably  
12 July of this year. So, at that time, we would know  
13 what our actual costs are going to be and provide a  
14 complete reconciliation. And, secondly, in an effort  
15 to at least show the Commission roughly where we are  
16 at, we provided a preliminary reconciliation, which  
17 shows a projected under recovery of about \$1,800. If  
18 that were included in this filing, the rate increase,  
19 as proposed right now, is on the order of 67 percent,  
20 including that reconciliation balance would put it at  
21 almost a 200 percent increase. And, consistent with  
22 our tariff, which allows us to not include that if that  
23 is the case, we've opted not to include that at this  
24 point.

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 MR. EPLER: That's all the questions I  
2 have for Mr. Bohan. Moving on to Ms. McNamara.

3 BY MR. EPLER:

4 Q. Ms. McNamara, can you please summarize your testimony?

5 A. (McNamara) Yes. My testimony is presenting the Default  
6 Service rates that are generated based on the power  
7 supply costs presented by Mr. Bohan. They also include  
8 a REC component, again, based on costs that Mr. Bohan  
9 represented. These are summarized best by looking at  
10 Schedule LSM-1, which is Bates stamped page 107 in the  
11 green binder. The Company has proposed a Default  
12 Service Charge of \$0.07085 per kilowatt-hour, which is  
13 comprised of a REC piece of \$0.00316 per kilowatt-hour  
14 and a power supply portion of \$0.06769 per  
15 kilowatt-hour.

16 CMSR. HARRINGTON: I'm sorry, could you  
17 repeat the previous numbers? I just -- I'm trying to find  
18 them on the page. I found the last one.

19 WITNESS McNAMARA: They're in the bottom  
20 section of the page, on the far right side.

21 CMSR. HARRINGTON: Uh-huh.

22 WITNESS McNAMARA: "0.06769" for  
23 purchased power, power supply.

24 MR. EPLER: That's in row number 8?

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 WITNESS McNAMARA: Yes.

2 CMSR. HARRINGTON: Yes.

3 WITNESS McNAMARA: In row 16, "0.00316".

4 MR. EPLER: And, that's the "RPS  
5 Charge".

6 WITNESS McNAMARA: Correct.

7 MR. EPLER: And, then, the total is in  
8 Line 18?

9 WITNESS McNAMARA: Yes.

10 MR. EPLER: Thank you.

11 BY MR. EPLER:

12 Q. If you recall earlier, Commissioner -- Chairman  
13 Ignatius asked you to perhaps walk through the  
14 different proposed Default Service charges with the  
15 costs of DE 11-105 included and the Smart Grid  
16 included, and compare that to the two other  
17 alternatives that you proposed, to be able to show the  
18 differences in the charges. Could you do that now  
19 please.

20 A. (McNamara) Yes. As we just discussed, Page 107, Bates  
21 stamp page 107 in the green binder, presents the rates  
22 with both the customer billing adjustment included and  
23 Smart Grid costs included. Schedule LSM-7, which  
24 starts on Bates stamp page 141, shows a total Default

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1 Service rate for the Non-G1 class, on Line 18, of  
2 \$0.06847 per kilowatt-hour. And, that amount excludes  
3 both the customer billing adjustment and associated  
4 interest and Smart Grid costs. The difference between  
5 those two scenarios, one being all-in/one being both  
6 out, is \$0.00238 per kilowatt-hour.

7 MS. AMIDON: Pardon me. Is that cents  
8 or dollars per kilowatt-hour?

9 WITNESS McNAMARA: Dollars per  
10 kilowatt-hour. That's taken, the difference --

11 MS. AMIDON: Understood.

12 WITNESS McNAMARA: Oh. Okay.

13 MS. AMIDON: I understand now. My math  
14 is bad. Thank you for letting me interrupt.

15 **BY THE WITNESS:**

16 A. (McNamara) The third scenario, marked as "Exhibit 3",  
17 which is also marked as "Schedule LSM-8". On the first  
18 page, Page 1 of 17, again, on Line 18, shows the total  
19 Non-G1 Default Service rate of "\$0.06913" per  
20 kilowatt-hour. And, this scenario removes the customer  
21 billing adjustment and associated interest. The impact  
22 on a dollar per kilowatt-hour basis is approximately  
23 \$0.00172 per kilowatt-hour, versus the proposed rate  
24 with both the costs in.

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 BY MR. EPLER:

2 Q. Okay. Thank you. I have no further questions for you,  
3 Ms. McNamara. Ms. Guay -- okay, I already -- I was  
4 just going to introduce you again, but I realized that  
5 I've already done that. Could you please summarize  
6 your testimony.

7 A. (Guay) Yes. My testimony presents and supports the UES  
8 2011 Default Service and Renewable Energy Credits  
9 Lead/Lag Study. The 2011 Study follows the same  
10 methodology as in the UES 2010 Default Service and  
11 Renewable Energy Credit Lead/Lag Study that was  
12 submitted in Docket DE 11-028. The study determines  
13 the number of days between the time funds are required  
14 to pay for Default Service purchased power and  
15 renewable energy credit purchases, and the time that  
16 those funds are available from the payments of customer  
17 bills.

18 The 2011 Study presented in this filing  
19 as "Schedule KG-1" is based upon data for the period  
20 January 1, 2011 through December 31st, 2011, and  
21 calculates the net lead period for G1 customers to be  
22 0.85 days, and the net lag period for non-G1 customers  
23 to be 12.21 days. For G1 customers, the net lead in  
24 the 2011 Study of 0.85 days represents a difference of

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1 9.45 days from the net lead in the 2010 Study of 10.3  
2 days. The difference was driven by a decrease in  
3 Default Service and Renewable Energy Credit expense  
4 lead of 8.51 days, and by an overall revenue lag  
5 increase of 0.94 days. For Non-G1 customers, the net  
6 lag in the 2011 Study of 12.21 days is 1.51 days less  
7 than the net lag in the 2010 Study of 13.72 days. The  
8 decrease in the net lag is attributable to a 0.52 day  
9 increase in revenue lag and 2.03 day increase in the  
10 Default Service and Renewable Energy Credit expense  
11 lead.

12 Q. Okay. And, the calculation of the leads and the lags  
13 you're showing on -- in Unitil Exhibit 1, the green  
14 binder, stamp page 174, that's your Schedule KG-1, Page  
15 4, is that correct?

16 A. (Guay) Yes.

17 MR. EPLER: Chairman Ignatius, I have no  
18 further questions.

19 CHAIRMAN IGNATIUS: Thank you.  
20 Ms. Hollenberg.

21 MS. HOLLENBERG: Thank you. If it  
22 pleases the Commission, Staff has agreed to do their  
23 cross-examination first, and the Company wouldn't oppose  
24 that. It's only because of my newness to the case. Thank

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 you.

2 CHAIRMAN IGNATIUS: That's fine.

3 Ms. Amidon.

4 MS. AMIDON: Thank you. Good morning.

5 WITNESS GUAY: Good morning.

6 **CROSS-EXAMINATION**

7 BY MS. AMIDON:

8 Q. Ms. Guay, so, I'll address the Lead/Lag Study first.

9 A. (Guay) Sure.

10 Q. Am I correct in stating that the new Lead/Lag results  
11 were used in calculating the Default Service rate in  
12 this filing?

13 A. (Guay) Yes.

14 Q. And, you are -- you understand that Staff has not had a  
15 chance to review the Lead/Lag Study, correct?

16 A. Yes. I understand.

17 Q. Is it your understanding that the Company would accept  
18 that, subject to Staff's review, if there were any  
19 calculations that needed revision, based on Staff's  
20 review, that this would be on a reconciling basis?

21 A. (Guay) Yes.

22 Q. I probably didn't state that as artfully as I could  
23 have, so I appreciate your understanding. Thank you.

24 And, you understand that that may be within -- Staff

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1 may be able to complete its review by the time of the  
2 next Default Service filing?

3 A. (Guay) Yes, I do.

4 Q. Okay. Thank you. Mr. Bohan, I wanted to talk about  
5 the Renewable Service Option. Do you recall a  
6 technical session that was held by Staff and the OCA  
7 with your company, PSNH, and National Grid, regarding  
8 the Renewable Service Option offerings by each of the  
9 companies?

10 A. (Bohan) Yes, I do. And, I was a participant in that  
11 meeting.

12 Q. And, if you recall then, the Staff identified an  
13 opportunity for Unitil to improve its website access to  
14 the Renewable Service Option. Do you recall that?

15 A. (Bohan) I do recall that.

16 Q. And, also, as a result of that technical session, the  
17 Company was going to examine other low-cost options to  
18 advertise the program. Could you describe any  
19 activities of the Company to date in that regard?

20 A. (Bohan) Certainly. Just to briefly recap. Two things  
21 that were asked of the Company were, one, would we be  
22 able to put an announcement sort of on the front page  
23 of our website? And, secondly, if there were a way to  
24 do e-mail communication to all our customers to notify

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[WITNESS PANEL: Bohan~McNamara~Guay]

1           them of this potential option for them. Subsequent to  
2           that meeting, I had inquired with a couple of different  
3           departments at Unitil. And, the difficulty was the  
4           website is not something that can easily just be  
5           changed. It was -- there was going to be a problem  
6           just putting -- getting an announcement on the front  
7           page of the website. And, secondly, we do not have,  
8           or, at least to date, we do not have a complete e-mail  
9           list of all eligible customers. That's something that  
10          the group is working on.

11                         What we have done since then is looked  
12          around and see what we could do to enhance  
13          participation. And, one of the things we're doing is  
14          there will be a change to the website made. That will  
15          probably be in June, we'll have a banner on there that  
16          will, you know, identify the Renewable Source Option  
17          for eligible customers.

18                         Secondly, in our May newsletter, there  
19          will be a piece going out that will specify, you know,  
20          the Renewable Source Option Program and its  
21          availability.

22                         And, thirdly, we expect to have two bill  
23          messages between now and the end of the year. In terms  
24          of bill messages, it's fairly crowded right around now

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 through April, and then once we get into the latter  
2 part of fall. So, we expect at least one of those to  
3 be in the summertime, and then maybe again late  
4 summer/early fall.

5 Q. And, would you please just identify for the Commission  
6 the exhibit that depicts the participation in the  
7 Renewable Service Option?

8 A. (Bohan) Certainly. If we can turn to Schedule TMB-6,  
9 which is in Exhibit 1, the green binder, is Bates stamp  
10 -- I'm sorry. Schedule TMB-7, Bates stamp page, starts  
11 on 088 and goes through 090. No, I --

12 Q. I think you were correct the first time.

13 A. (Bohan) I was correct.

14 Q. That it was Exhibit TMB-6. Bates stamp 083?

15 A. (Bohan) Yes. My apologies.

16 Q. No. No problem.

17 A. (Bohan) I saw dollars and thought I was looking at the  
18 reconciliation.

19 Q. And, Page 083 depicts the residential customer  
20 participation, is that correct?

21 A. (Bohan) That is correct. And, if we look at the latest  
22 line there, for "February 2012", and we add across,  
23 there's three different options; there's the  
24 25 percent, 50 percent, and 100 percent participation

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1 level. If we add up those numbers on the right-hand  
2 side, the third column from the right, we have 25  
3 residential customers participating. And, if we go  
4 then to Page 84, same reference, the last line,  
5 "February 2012", in the third column from the right we  
6 have one G2 customer that's currently participating.

7 Q. Thank you. Ms. McNamara, I think you've done a very  
8 thorough job in preparing your revised exhibit. And,  
9 as you know, Staff does not usually offer a witness in  
10 this proceeding. But would you explain to the  
11 Commission what caused you to prepare Exhibit C, which  
12 -- Exhibit 3, which excludes the amounts from DE  
13 11-105, but includes the amounts related to the costs  
14 for the Time-of-Use Pilot Program?

15 A. (McNamara) I believe Staff and Mr. Epler had a  
16 conversation, and Staff had requested that data.  
17 Therefore, I prepared it.

18 Q. Right. I know you weren't part of the conversation,  
19 Ms. McNamara, but was it conveyed to you that Staff had  
20 taken the position that, while we haven't had a chance  
21 to review the costs associated with the Time-of-Use  
22 Pilot Project, that recovery could begin with rates  
23 effective May 1, subject to any reconciliation based on  
24 Staff's final review? Is that your understanding?

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1 A. (McNamara) That was briefly explained to me, yes.

2 Q. Okay. And, that is the correct understanding?

3 A. (Witness McNamara nodding in the affirmative).

4 Q. Okay. Thank you. In connection with your preparation  
5 of Exhibit 3, would you explain what -- how much was  
6 removed that was attributable to this Docket 11-105?

7 A. (McNamara) In terms of dollars, it is, in the period  
8 May through October 2012, it's approximately \$668,000  
9 was removed. And, that is based on the total customer  
10 billing adjustment, which was approximately  
11 \$1.1 million, and an interest adjustment of  
12 approximately \$180,000.

13 Q. And, is the practice of the Company, when addressing  
14 these reconciliation amounts, to allocate it to the  
15 six-month rate periods established by the Commission  
16 for purposes of billing the Non-G1 customers, is that  
17 correct?

18 A. (McNamara) Correct. The reconciliation amount for the  
19 non-G1 class is split in approximately half. It's  
20 actually based on forecasted purchases for the year.  
21 So, in this instance, it is 49.77 percent has been --  
22 of the reconciliation amount was allocated to the May  
23 through October portion.

24 Q. And, in connection with the reconciliation, leaving

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1           aside the smart use and the 11-105 docket, were there  
2           any other reconciliation amounts that were calculated  
3           for at, I guess, at the end of the last calendar year?

4   A.   (McNamara) I'm not sure I completely understand your  
5           question, but --

6   Q.   Well, maybe at the last payment, maybe at the last, as  
7           of April 30th, whether you would have any  
8           reconciliation at that point that you would apply to  
9           the Non-G1 customer rate for the period May through  
10          October 2012?

11   A.   (McNamara) Yes. I'm sorry. Okay. Thank you.

12   Q.   Thank you.

13   A.   (McNamara) There would be, aside from these other two  
14          amounts, the Company would expect to have  
15          reconciliation amounts in all four portions of its  
16          rates; the Non-G1 power supply, the Non-G1 REC, the G1  
17          power supply, and the G1 REC.

18   Q.   Are any of those in this, in the rates for this  
19          proposed period?

20   A.   (McNamara) They are.

21   Q.   Okay. And, approximately, how much is that portion of  
22          the reconciliation?

23   A.   (McNamara) I actually don't have that number, without  
24          -- on the power supply piece? I didn't subtract the --

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1 Q. Okay.

2 A. (McNamara) I could do it quickly.

3 MS. AMIDON: It's not necessary, madam  
4 Chairman. I just was trying to illustrate to the  
5 Commission that there are these two category of costs,  
6 that there are other reconciliation amounts that are  
7 included in these rates. So, I don't need a record  
8 request on that.

9 CHAIRMAN IGNATIUS: All right.

10 MS. AMIDON: And, that concludes our  
11 questions. Thank you, madam Chairman.

12 CHAIRMAN IGNATIUS: Ms. Hollenberg, any  
13 questions?

14 MS. HOLLENBERG: Thank you. Yes,  
15 please. Thank you. Just a few.

16 BY MS. HOLLENBERG:

17 Q. Starting with you, Mr. Bohan. I would like to ask if  
18 you -- you talked about, on direct, the methodologies  
19 used by the Company to solicit the Default Service  
20 product. And, I wondered if there are any changes with  
21 this solicitation from any prior -- from the prior, the  
22 last solicitation?

23 A. (Bohan) In the methodology?

24 Q. Yes.

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1 A. (Bohan) No, there is not.

2 Q. Okay. And, in terms of the evaluation and analysis by  
3 the Company of the RFP responses, were there any  
4 changes in methodologies used by the Company in this  
5 solicitation versus the last solicitation?

6 A. (Bohan) To the best of my knowledge, no.

7 Q. Okay. Thank you. You discussed Exhibit 2, I believe  
8 that must have been pages 010 and 011, which we talked  
9 about as being the differences -- I think you talked  
10 about the differences in the weighted average price for  
11 the current solicitation versus the current price or  
12 the current Default Service rate and the Default  
13 Service rate a year ago, is that correct?

14 A. (Bohan) Correct.

15 Q. And, I just wondered if you could -- do you have a  
16 sense of why the prices are so much lower with this,  
17 the results of this solicitation, compared to those two  
18 periods?

19 A. (Bohan) Well, just in general, that energy prices are  
20 down. Gas prices are down, electric prices are down,  
21 so wasn't surprised to see this result. But it is what  
22 it is, and it's quite a bit of a drop.

23 Q. Okay. Thank you. Do you have a sense of why the  
24 magnitude of the reduction for the G1 customers is so

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1 much greater than the magnitude of the reduction for  
2 the Non-G1?

3 A. (Bohan) Well, the G1 customer class, that calculation  
4 is based on 100 percent share of the price.

5 Q. Uh-huh.

6 A. (Bohan) And, as you see, the price -- the price  
7 decrease is fairly significant. On the Non-G1 side,  
8 even though there is a price decrease, it is only a  
9 25 percent share of the rate that's being proposed.  
10 So, that's going to have an impact there.

11 Q. Okay. Thank you. That's very helpful. And, one other  
12 question for you, Mr. Bohan. You talked about efforts  
13 to increase the participation in the Renewable Source  
14 Option, and talked about doing some additions to the  
15 website, doing a notice in the newsletter, and doing  
16 some bill messages. Does the Company -- I presume the  
17 Company uses online billing or electronic billing at  
18 this point in time?

19 A. (Bohan) I am not 100 percent sure on that. I mean, I  
20 believe we have electronic bill payment.

21 Q. I just wondered if that --

22 A. (Bohan) But I don't think that's for all customers.

23 Q. Okay. I guess I just wondered if that was something  
24 that the Company had considered as a resource or a

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1 vehicle for outreach to customers for the Renewable  
2 Source Option?

3 A. (Bohan) It is not yet, but that's something that I can  
4 mention.

5 Q. Okay. I was just curious. Thank you. Ms. McNamara,  
6 you talked about the removal, the schedule, that LSM-8,  
7 which reflects the Company's proposed Default Service  
8 Charge without the recovery of the overbilling, that's  
9 the issue of DE 11-105, is that correct?

10 A. (McNamara) Yes.

11 Q. Thank you. And, the question I have is, why is the  
12 Company proposing to recover that overbilling from  
13 resident -- or, from Non-G customer -- Non-G1 customers  
14 only?

15 A. (McNamara) I'm smiling, only because --

16 MR. EPLER: Yes. Chairman Ignatius,  
17 with me today here at the table is Rob Furino. He could  
18 speak to that. I don't think it's a subject that  
19 Ms. McNamara has knowledge of. If you would like a  
20 response, we can have Mr. Furino sworn in and he could  
21 briefly explain it.

22 CHAIRMAN IGNATIUS: I'm fine with that.  
23 Is there any objection from any of the participants to  
24 having Mr. Furino add his information?

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1 MS. AMIDON: No.

2 CHAIRMAN IGNATIUS: Then, I'd like to  
3 have him sworn.

4 (Whereupon **Robert S. Furino** was duly  
5 sworn by the Court Reporter.)

6 **ROBERT S. FURINO, SWORN**

7 MR. EPLER: Mr. Furino, did you hear the  
8 question that was put to Ms. McNamara?

9 WITNESS FURINO: As I understand the  
10 question, Ms. Hollenberg is asking "why apply the  
11 adjustment that results from the proceeding in DE 11-105,  
12 why apply that adjustment to the Non-G1 customer group?"

13 MS. HOLLENBERG: "Only".

14 WITNESS FURINO: Right, "only". Excuse  
15 me. The answer for that relates to the nature of the  
16 meter reading error that occurred and to the Company's  
17 load reporting process. As a brief review, what happened  
18 in that proceeding or what led to that proceeding was a  
19 long-lived meter error that applied the wrong multiplier  
20 to a G1 customer's loads for a period of approximately  
21 seven years. The Company became aware of this in February  
22 of 2011. The Company has since compensated the customer  
23 in question. So, this was a G1 customer. G1 customers  
24 all have -- what they have in common is they all have

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1 interval meters. And, because of this, the Company has a  
2 history of 15-minute interval data for all of these G1  
3 customers. The Company consolidates those 15-minute reads  
4 into hourly reads, adjusts those reads for distribution  
5 losses on its system, and reports those to ISO-New  
6 England. And, those values become the load obligations  
7 for suppliers of those customers. And, that includes some  
8 Default Service customers, as well as third party supply  
9 customers.

10 Now, the other type of customer on our  
11 system are customers who have -- who do not have interval  
12 metering. These customers, the Company receives one meter  
13 read per month. And, in order to report the hourly load  
14 obligations to ISO-New England for each of these  
15 customers, so that the proper supply obligations can be  
16 met by any retail supplier and the Company's Default  
17 Service supplier, the Company applies a load allocation  
18 process. This process utilizes load profiles that vary by  
19 customer rate class. It also applies usage factors that  
20 distinguish one customer from another. So, how much of  
21 that profile is applied. And, it also subjects the total  
22 aggregate that's reported to ISO-New England, such that it  
23 matches in every hour the measurement of power coming into  
24 Unutil's system. So, the Company measures -- the Company

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1 measures the total power coming into its system, including  
2 generation that occurs within its system, and all of the  
3 load reporting that is done has to match that in every  
4 hour. Now, for the G1 customers, we know what those  
5 values are, because we have the interval data. We know,  
6 you know, what customers use. And, that's reflected in  
7 the load reporting.

8                   However, for the Non-G1 customers, these  
9 customers, you know, the load profiles get adjusted, we  
10 call it "reconciling", in order to match the total system  
11 power that flows into the system.

12                   Now, in the case of this billing  
13 adjustment that we needed to make for the G1 customer that  
14 was overbilled, you have a case where one customer is  
15 billed twice as much as they should have been, for that  
16 entire period, because the aggregate is held in check, the  
17 Non-G1 customers' loads were under-reported by the same  
18 amount.

19                   Because of this, what essentially  
20 happened is the Non-G1 customers free rode, essentially,  
21 on the back of this G1 customer. The Company has since,  
22 you know, compensated that G1 customer for its losses.  
23 And, the value -- for the value of that power that that  
24 customer paid for. And that, you know, that adjustment

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1 really should have gone to, had all the metering worked  
2 properly, that adjustment would have gone to the Non-G1  
3 customers.

4 So, you take those factors into play.  
5 The fact that the total system aggregate loads are  
6 reported, so that, you know, every -- every customer bears  
7 its share of the total system. Systematically, the Non-G1  
8 customers' load obligations were reduced by the amount of  
9 this G1 customer's overbilling. So, we're just bringing  
10 this adjustment in, so that customers end up paying, at  
11 the end of the day, what they would have paid, but for the  
12 error.

13 MS. HOLLENBERG: Thank you. And, not to  
14 belabor the point, because I realize the Company has  
15 stated at the beginning that they would -- they have an  
16 openness to not beginning the recovery of these amounts at  
17 this point in time. Is the reason that the Non-G1, I  
18 mean, in really simple terms, is the reason that the  
19 Non-G1 customers are -- have a reconciliation due to the  
20 fact that the G1 customers have this more timely, actual  
21 use and cost justification process done, so they have  
22 already had -- I guess I still am having a little  
23 difficulty understanding the distinction. I understand  
24 what you've said is that, because of the overbilling, this

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1 total system load obligation was inaccurate, and the  
2 Non-G1 customers' load obligation was less than what it  
3 should have been. Is that what you've said?

4 WITNESS FURINO: Right. So, what I said  
5 is that the total system obligation is correct, it's  
6 fixed, --

7 MS. HOLLENBERG: Uh-huh.

8 WITNESS FURINO: -- it's known. And,  
9 then, one piece of it was overstated for one customer, a  
10 G1 customer. And, that those customers who were subject  
11 to residual loads, how we refer to it, those customers,  
12 their obligations were reduced as a result of the  
13 overbilling of this one customer. But the system, in  
14 total, was the same.

15 MS. HOLLENBERG: And, does it follow  
16 from that that the other G1 customers also have known load  
17 obligations, and, so, as a result, their known  
18 obligations, plus the known obligation of the inaccurately  
19 billed G1 customer, you knew that amount, and then, as a  
20 result, that's why you're seeking to collect it from the  
21 Non-G1?

22 WITNESS FURINO: That's fair to say,  
23 yes.

24 MS. HOLLENBERG: Okay. Okay.

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1 WITNESS FURINO: I think we can say  
2 that, you know, we do see that we do have a G1  
3 reconciliation.

4 MS. HOLLENBERG: Uh-huh.

5 WITNESS FURINO: As well as a Non-G1  
6 reconciliation. But, at root level, and there could be  
7 timing, you know, differences. I mean, the Company does  
8 maintain interval metering for all G1 customers, but it  
9 doesn't read them all on a daily basis. Some of them we  
10 read once a month, and then we report once a month what  
11 the monthly total values were. In the meantime, since you  
12 need a report every, you know, following business day, in  
13 the meantime, there is an estimation process that's used  
14 even for G1 customers, but that is trued up.

15 MS. HOLLENBERG: Uh-huh. Okay. Thank  
16 you.

17 CHAIRMAN IGNATIUS: Ms. Hollenberg, can  
18 I mention one thing before we move off this?

19 MS. HOLLENBERG: Yes.

20 CHAIRMAN IGNATIUS: I think everyone  
21 understands. But these are open issues in the Docket  
22 11-105, correct?

23 MS. AMIDON: Yes.

24 CHAIRMAN IGNATIUS: So, what ultimately

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1 is found to be the fair or the correct allocation is yet  
2 to be worked through, yes?

3 MS. HOLLENBERG: Yes. Thank you. I was  
4 only trying to clarify kind of the Company's position and  
5 how they got to the amount. Thank you, though, for  
6 clarifying that.

7 BY MS. HOLLENBERG:

8 Q. Ms. McNamara, I'm wondering if either you or Mr. Furino  
9 could tell me how the Company calculated the interest  
10 on that amount of the adjustment for the overbilling?  
11 What was the process and what was the rate? And, just  
12 if you could give me some general information about the  
13 interest that was included in your calculations of that  
14 amount?

15 A. (McNamara) Mr. Furino may speak better to that.

16 MS. HOLLENBERG: Okay. Thank you.

17 WITNESS FURINO: Unfortunately, I did  
18 not perform those calculations.

19 MS. HOLLENBERG: Okay.

20 WITNESS FURINO: Someone else in our  
21 Rate Department did.

22 MS. HOLLENBERG: Okay.

23 WITNESS FURINO: But, as I understand  
24 it, the Company applied its internal borrowing rate, or it

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1 was the prime rate. The same rate that you see reflected  
2 in Ms. McNamara's schedules, over that period of seven  
3 years, once it was applied.

4 MS. HOLLENBERG: Okay. Thank you. One  
5 moment please.

6 (Short pause.)

7 BY MS. HOLLENBERG:

8 Q. Actually, Mr. Bohan, one other question. We talked  
9 about the Renewable Source Option Charge, or you talked  
10 about it, and how the reconciliation is not proposed  
11 for effect May 1?

12 A. (Bohan) Correct.

13 Q. And, your explanation was that actual costs will not be  
14 known before sometime in July. And, so, it would be at  
15 that point in time that you'd be in a position to  
16 propose a reconciliation for that. Is that correct?

17 A. (Bohan) That's correct. That's part of the reasoning.

18 Q. And, you stated something to the effect that your sense  
19 or your estimate of the projected increase for that is  
20 approximately 67 percent?

21 A. (Bohan) That's correct. It's in my testimony.

22 Q. But that it could be as high as 200 percent?

23 A. (Bohan) In this calculation right now, if I were to  
24 include that projected undercollection of \$1,857, it

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1 would result in rates that would be just under a  
2 200 percent increase from those that are currently in  
3 effect.

4 Q. Okay. And is that is the is the magnitude of that  
5 increase related to the fact that the participation is  
6 so low or just the I guess what is that what is your  
7 sense of what the magnitude of that increase is related  
8 to?

9 A. (Bohan) Well, I think part of that is, I mean, it's  
10 costs that are involved. But, yes, the low  
11 participation means that there's less revenue coming in  
12 as well.

13 MS. HOLLENBERG: Okay. Thank you. I  
14 don't have any other questions. Thank you.

15 CHAIRMAN IGNATIUS: Thank you.  
16 Commissioner Harrington.

17 CMSR. HARRINGTON: Yes. Good morning.  
18 A few questions.

19 BY CMSR. HARRINGTON:

20 Q. Starting on Page 80 of the green book, I'll just refer  
21 to it as that, it's the easiest what to do it. Mr.  
22 Bohan, my question, I guess it was -- I'm sorry, it  
23 wasn't Page 80. This was on the RECs. And, I think  
24 you stated that coming up with the cost for the -- the

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1 assumptions for the cost of the RECs, that, for Class  
2 III, you based it on the Class III ACP, was that  
3 correct?

4 A. (Bohan) That's correct.

5 Q. And, yet, the other three, I'm assuming, were not based  
6 on the ACP?

7 A. (Bohan) Some had ACP included. To give you an answer  
8 to the Class III, we just do not see any of these  
9 available in the market. So, our expectation is that  
10 we're going to be paying the ACP rate.

11 Q. By default?

12 A. (Bohan) By default.

13 Q. And, the other ones, like the Class II, off the top of  
14 my head I don't remember, what's the ACP for Class II?  
15 Is it somewhat higher than \$100?

16 A. (Bohan) Yes. The ACP for Class II is \$168.13. Our  
17 estimation includes some purchases we've already made,  
18 plus incorporating the fact that the ACP is that much  
19 higher.

20 Q. Okay. Okay. Moving onto the pink book, since I guess  
21 we've decided we can discuss confidential things  
22 because of the audience. One thing that I noticed here  
23 that I thought was maybe a little unusual, but maybe  
24 you can help me to understand it, is that the costs

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- 1 associated with the -- and I'll get to the specific,  
2 let's go to, say, Page 9 for the Non-G1 customers.  
3 Over the period we're talking about here, the bid  
4 prices were pretty consistent from all bidders, showing  
5 up as higher in the wintertime, peaking it looked like  
6 in February for the selected bidder, as compared to the  
7 other times of the year, looking back to, you know,  
8 July and August, where August has the highest load, and  
9 typically the highest LMPs in New England. And, yet,  
10 can you explain why consistently all the bidders seem  
11 to come in at higher prices for the winter months?
- 12 A. (Bohan) Other than the fact that, you know, this is  
13 their pricing, I think it's important to note that, in  
14 the environment right now, prices are down. So, I'm  
15 not surprised to see that, at least for the near  
16 future, into the summer period, those prices being  
17 less.
- 18 Q. Okay. Let's just -- just staying, staying on that  
19 trend for a second, if we go back to, again, staying in  
20 the pink book, --
- 21 A. (Bohan) Uh-huh.
- 22 Q. -- if we go back to Page 10, where -- and, I'll make an  
23 assumption here and ask a question, I guess. It  
24 appears, by looking down at the figures on -- where you

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1 say "G1 purchases", they're fairly consistent from time  
2 of year to time of year, going back to November '10,  
3 it's "5,125"; November '11, it's "5,322", which is a  
4 slight increase; if you look at the summer months,  
5 there's somewhat of a slight decrease, but not very  
6 much. So, it appears that there has not been a lot of  
7 migration of people leaving to become, you know, just  
8 distribution customers only and not buying their energy  
9 from Unitil?

10 A. (Bohan) That's correct. There hasn't been a  
11 significant shift in migration.

12 Q. And, again, looking at the prices for October,  
13 November, and December of 2011, the real-time LMPs for  
14 the hub in New England were cleared at less than \$40 a  
15 megawatt-hour for each of those three months. And, in  
16 fact, that trend continued into January of this year.  
17 Which shows a fairly significant difference between  
18 what people were paying, be paying from you, from what  
19 they could have bought on the wholesale market if they  
20 choose to take that option. It doesn't appear that  
21 you've had much of a decrease in migration or increase  
22 in migration. Do you anticipate that type of a spread  
23 leading to future migration? Or, do you just think  
24 you're kind of catching up with your new lower rate

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1 that you are projecting now?

2 A. (Bohan) I don't necessarily anticipate a lot higher  
3 migration due to this. But, one thing I would like to  
4 do is, if we could turn to Schedule TMB-3, in the green  
5 book.

6 Q. Green book.

7 A. (Bohan) Which is, actually, if you go to Page 78,  
8 you'll see there, this is really our Customer Migration  
9 Report, shows that this is, at least on a kilowatt-hour  
10 basis on Page 78, you'll see that these rates have been  
11 fairly stable over the last, you know, here we show a  
12 rolling year average.

13 Q. So, you wouldn't anticipate, because of this, you know,  
14 this recent fairly large spread over those three-month  
15 periods there, you know, we're looking at, for example,  
16 in January, of \$40 on the wholesale, and your rate was  
17 close to 75. That you wouldn't anticipate that to be  
18 prompting more people to start looking at that option?

19 A. (Bohan) I guess I would say that, if that were the  
20 case, it would have happened, --

21 Q. Okay. That's fair.

22 A. (Bohan) -- you know, right after that. And, then, you  
23 know, coming into where we are now with prices down.

24 Q. And, following up to the OCA's question on the cost

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1 associated with the -- I think it's called "RSOC", you  
2 had stated it was a 67 percent increase. And, if the  
3 1,857 was added in, it would be around a 200 percent  
4 increase. There was some discussion on whether this  
5 was due to a small level of participation. But I'm  
6 going to assume, the numbers we're looking at here are  
7 very, very small, it's a total of like 24 or 25  
8 customers, that there wasn't 300 customers the last  
9 time this was looked at. So, the small number of  
10 participants I don't think could be a major factor in  
11 the increase in cost, would that be correct?

12 A. (Bohan) Well, there has not been a significant change  
13 in the number of customers. It's been pretty stable,  
14 at about 25 or 26. But there are costs associated with  
15 the program that are in there. And, with the small  
16 number of customers, there's just not going to be that  
17 much revenue coming into the program.

18 Q. But those same costs would have been in there for the  
19 last period that we're talking about, too, before the  
20 67 percent increase?

21 A. (Bohan) Yes.

22 Q. Okay. So, it must be that the cost of obtaining the  
23 renewable energy is what's driving the major increases  
24 here?

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- 1 A. (Bohan) That's correct. I stated that in my testimony.
- 2 Q. Okay. And, so, we're looking at somewhere in the
- 3 vicinity of a 200 percent increase in the cost of
- 4 obtaining renewable energy from the last reporting
- 5 period, is that correct? It strikes me as a very, very
- 6 high number.
- 7 A. (Bohan) I'd like to back up. The 200 percent figure
- 8 here that I mention in my testimony had to do with
- 9 including that under collected balance, projected under
- 10 collected balance.
- 11 Q. From before?
- 12 A. (Bohan) Correct.
- 13 Q. So, the 67 percent would be the more accurate figure to
- 14 use?
- 15 A. (Bohan) Yes.
- 16 Q. Okay.
- 17 A. (Bohan) The 67 percent is what is being driven by the
- 18 increase in REC prices.
- 19 Q. Okay. And, just one more question on that. There was
- 20 a lot of discussion on advertising and so forth, and I
- 21 think that there is 25 for Non-G1 customers, it looked
- 22 like there was one G1 customer involved, and, with a
- 23 very small amount of kilowatts, I was surprised how
- 24 little it was. But do you think this is what -- is

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1 this just lack of getting the word out? I'll be honest  
2 with you, I mean, I've got an electric company,  
3 obviously. I never go to the website, because the only  
4 time I'm only interested in getting in touch with them  
5 is when the power goes out, and my computer is probably  
6 not working either, so I couldn't get to the website if  
7 I wanted to. How effective -- is this a lack of  
8 effective advertising, because it's just so difficult?  
9 Or, is it just that people have seen these notices and  
10 they say "My electric bill is high enough. I don't  
11 want to pay any more"?

12 A. (Bohan) My professional opinion as an economist is  
13 that, in this environment, with, granted, prices are  
14 coming down now, but with prices having been fairly  
15 high, and having an adder that is of a fairly  
16 significant magnitude, it's difficult for a consumer to  
17 say "I think I'm going to spend extra money on this  
18 Renewable Source Option."

19 Q. Okay. So, having the Company spend at least a  
20 substantial amount of money on additional advertising  
21 revenue would probably not increase the participation  
22 in your opinion, it sounds like?

23 A. (Bohan) That is correct.

24 CMSR. HARRINGTON: Thank you. That's

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1 all the questions I had.

2 CHAIRMAN IGNATIUS: Thank you.

3 BY CHAIRMAN IGNATIUS:

4 Q. Sticking with the Renewable Service Option, Mr. Bohan.  
5 On one of your exhibits, Page 083 in the green book,  
6 Exhibit 1, can you explain why, in November 2011, the  
7 kilowatt-hours and revenue go into the negative, and  
8 across the board for the various different levels of  
9 participation. Why is that?

10 A. (Bohan) Yes. My apologies. What this represents is,  
11 in a reconciliation, I guess, in a full reconciliation,  
12 this would be more clearly spelled out. But, at that  
13 point in time, we had a billing error, an adjustment  
14 that we had to make. The short story is, for the  
15 customers that we had enrolled, we had some that were  
16 enrolled at the 25, 50 percent, and 100 percent level.  
17 And, our billing system was billing all of those  
18 customers at the 100 percent level. So, in order to  
19 correct that, we had to make billing adjustments. And,  
20 that's why you see that reflected here. And, you only  
21 see that odd result just for the month of November in  
22 the schedule here.

23 Q. Why would there be any adjustment then of the  
24 100 percent level, if they were correctly being billed?

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1 A. (Bohan) I don't know. I would have to -- I'd have to  
2 research that.

3 Q. And, the 50 percent you would think would be in the  
4 negative, if they were being adjusted? Well it's,  
5 obviously, a very small amount of money. But, as for  
6 the individual customers, they would be concerned  
7 about. So, I guess I ask, not to hold up this  
8 proceeding, but maybe take a look at that. And, if  
9 there needs to be a further adjustment the next time  
10 out, to let us know.

11 A. (Bohan) Okay.

12 Q. I've forgotten in that program, how long is one  
13 committed to it, if they decide it's just getting to be  
14 more than they want to undertake? Can they get off  
15 month to month or is there a longer notice period?

16 A. (Bohan) I don't know.

17 CHAIRMAN IGNATIUS: Mr. Furino, do you  
18 know?

19 WITNESS FURINO: Yes, I can speak to  
20 that. Customers are free to leave that program at any  
21 time.

22 CHAIRMAN IGNATIUS: All right. So, if  
23 they just, you know, after seeing the order that results  
24 from this case say "I think that's it for us", they could

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1 just call up and no longer be at that rate?

2 WITNESS FURINO: That's right.

3 BY CHAIRMAN IGNATIUS:

4 Q. Ms. Guay, the Lead/Lag Study, does that provide any  
5 indication of where things are on collectibles or are  
6 they uncollectibles? Or, are they really so different  
7 that you can't draw any inference about the level of  
8 uncollectibles from the Company looking at a lead/lag  
9 study?

10 A. (Guay) Yes. I don't know if we'd be able to tell that  
11 from this study. This just more reflects just how long  
12 it takes to get the payment in, once they receive  
13 service. So, it doesn't really reflect the  
14 uncollectibles.

15 Q. So, the changes, I take it, some of it would have to do  
16 with the efficiency of the Company on the expense side,  
17 but, on the revenue side, that really falls to the  
18 customer response to their billing, correct?

19 A. (Guay) Correct.

20 Q. Do you see any trend year to year? Is it getting  
21 better or worse or the same, for the revenue side?

22 A. (Guay) On the revenue side. Let's just take a look at  
23 my schedule, KG-1, in the green book, page 174. So, we  
24 have billing to collection, for the G1, was "24.73

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1 days". I'm just going to refer back to my testimony,  
2 because I think I mentioned what it was last year, so  
3 we can just see. I'm fairly certain that there's not a  
4 big difference year to year. Let me just find it. So,  
5 for the -- I'm looking at Page 168 Bate stamp in the  
6 green book, in Exhibit KG-1. For the G1 customers, the  
7 2011 Study shows "24.73 days", compared to "23.93  
8 days". So, it was an increase of less than a day, it's  
9 0.8 for the G1. So, that's fairly consistent. And,  
10 for the Non-G1, billing to collection was approximately  
11 0.38 days higher -- oh, no, I'm sorry, am I -- yes,  
12 0.38 days higher than last year. So, it's fairly  
13 consistent. I don't see a big swing either way.

14 CHAIRMAN IGNATIUS: Thank you. I guess,  
15 I don't know if this is to Mr. Bohan, or maybe to  
16 Mr. Epler in closing, but, and I'll let him -- he may want  
17 to weigh in on this.

18 WITNESS FURINO: Sorry. Was there a  
19 question?

20 CHAIRMAN IGNATIUS: That's okay. That's  
21 okay. Obviously, there's something you need to talk  
22 about, so don't -- I'm not troubled by that.

23 WITNESS FURINO: No. No. We're open,  
24 I'm sorry.

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1 CHAIRMAN IGNATIUS: Okay. I was going  
2 to ask, and maybe, Mr. Epler, you want to weigh in on this  
3 or hold it for closing. We've got three different  
4 approaches presented and the numbers worked through on  
5 what to include with the two issues that are still  
6 unresolved. What is the Company's preference of the three  
7 different approaches, you know, what to include and what  
8 not to include, for this period?

9 MR. EPLER: I think I can address that.  
10 I think, since we've had discussions with Staff on this  
11 matter, I think what is indicated in Unitil Exhibit 3, it  
12 include the Smart Grid costs, and not include the costs  
13 associated with the 11-105. With the understanding that,  
14 by doing this, the Company hasn't waived any rights and so  
15 on, and that matter is still fully pending. I think  
16 that's probably the simplest and least controversial thing  
17 to do.

18 On the Smart Grid costs, we've had a  
19 discussion with an understanding that, since those costs  
20 are reconciling, and there also is some history there,  
21 where previous invoices were reviewed by the Staff, so  
22 there's -- I think there's more comfort there, in terms of  
23 those costs. So, I think that's -- I don't want to speak  
24 for Staff, but my guess would be that's part of the reason

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1 why there was a willingness to go ahead and allow recovery  
2 of those costs, subject to reconciliation. It's just a  
3 smaller, less controversial issue to understand and to be  
4 able to track. So, that's -- I think the preference is to  
5 do that, what's provided in Unutil Exhibit 3.

6 CHAIRMAN IGNATIUS: All right. Thank  
7 you. And, in closing, if Staff or OCA have a view on that  
8 as well, it would be interesting to hear it. I have no  
9 other questions. Thank you. Oh, Mr. Harrington.

10 CMSR. HARRINGTON: One, just one quick  
11 follow-up.

12 BY CMSR. HARRINGTON:

13 Q. I know it's probably in here someplace, but what are  
14 the total numbers of the G1 and Non-G1 customers? Can  
15 you direct me to where it is?

16 A. (Bohan) I believe, if we turn to one of my exhibits, I  
17 think it's Schedule TMB-3, in the green book.

18 Q. Got it.

19 A. (Bohan) Page 079. And, there's a listing of customer  
20 accounts by class.

21 Q. Oh. Okay.

22 A. (Bohan) And, over to the right-hand side, in the  
23 right-hand column, you can see totals.

24 CMSR. HARRINGTON: All right. Thank

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1 you. I knew I had it somewhere, I just didn't know where.  
2 Thanks.

3 CHAIRMAN IGNATIUS: All right. Any  
4 redirect, Mr. Epler?

5 MR. EPLER: Yes. Basically, one  
6 particular topic area.

7 **REDIRECT EXAMINATION**

8 BY MR. EPLER:

9 Q. Mr. Bohan, if you recall, there was a couple of  
10 questions and answers between you and Commissioner  
11 Harrington with regard to the price differentials for  
12 Default Service between the winter months as compared  
13 to the summer months. Even though, in the summer,  
14 electric usage is greater or at least comparable to the  
15 winter. Would another reason for that price  
16 differential be the fact that during the winter natural  
17 gas, which is the driving cost factor for electric use,  
18 is also a heating fuel. And, so, that would tend to  
19 drive the price of gas -- the price of natural gas  
20 higher, and, therefore, the price of electricity higher  
21 in the New England region?

22 A. (Bohan) That is correct.

23 Q. Okay. And, in the confidential portion, there is some  
24 pages that show the NYMEX prices for gas, in

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1 particular, stamped page 017. Do you have that page in  
2 front of you?

3 A. (Bohan) Yes. Page 017 in the confidential section?

4 Q. Yes. And, so, if you were to look at the NYMEX  
5 futures, actually, for the period in question, May '12  
6 through April '13, you can see the difference, summer  
7 months the pricing at, for example, July '12,  
8 "\$2.77", the following month "2.81", the following  
9 month "2.82", and compare that to the winter months,  
10 and you see there's a fairly significant difference,  
11 January '013 "3.48", February "3.50", and March "3.47"?

12 A. (Bohan) That's correct. There's almost a dollar  
13 magnitude in difference between those two time periods.

14 Q. And, on a percentage basis, that's approximately a  
15 40 percent difference?

16 A. (Bohan) Correct.

17 MR. EPLER: Okay. Thank you. I have no  
18 further questions.

19 CHAIRMAN IGNATIUS: And, you just  
20 totally baffled me.

21 MR. EPLER: Oh, I'm sorry.

22 CHAIRMAN IGNATIUS: You were almost  
23 done. You were almost out of here.

24 (Laughter.)

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1 MR. EPLER: I did not mean to do that.  
2 I apologize.

3 CHAIRMAN IGNATIUS: I'll tell you what  
4 my question was, still looking at this Page 017. You were  
5 showing that the projected pricing, NYMEX pricing, May  
6 2012 through April 2013, were showing an increase in the  
7 winter months. Although, it seemed to be at sort of -- it  
8 was just an increase. It kind of started in May and went  
9 up, more or less, and continued to stay up through April.  
10 So, it wasn't really showing a winter month spike the way  
11 the bidding showed. So, that was my first question. And,  
12 the second is that, if you compare to the middle of the  
13 page, in the column from November 1, 2011, and I assume  
14 those are actuals, not projected, correct? Maybe not.  
15 Those seem to show the winter months being pretty close to  
16 the summer months. So, again, those weren't showing any  
17 spike for the winter, as the bids showed. So, it may be,  
18 the market changes and you can't take one year and compare  
19 it to the next, and assume they're the same. But I still  
20 don't understand why the winter bid prices for this  
21 solicitation are so much higher? At least this document  
22 doesn't seem to help me understand that.

23 MR. EPLER: If I might have Mr. Furino  
24 respond to that?

{DE 12-003} {03-14-12}

[WITNESS PANEL: Bohan~McNamara~Guay]

1 CHAIRMAN IGNATIUS: Thank you.

2 WITNESS FURINO: I'll take a shot at  
3 that. First of all, all these are, these two pieces on  
4 this exhibit, are snapshots at a point time of the futures  
5 strip that was taken the same day that bidders submitted  
6 their bids. The one to the right was, you know, six  
7 months ago, and that was prices that were reflective of  
8 September 6th. I agree that the summer period, which is  
9 on the lower part of that, that column that we're looking  
10 at, the "NYMEX natural gas" futures prices, the third  
11 column in that segment. The prices don't drop off  
12 dramatically. That was the outlook six months ago. But,  
13 if you look at where we are right now, the outlook for the  
14 current summer is very low prices, sub \$3.00 prices. And,  
15 then, you've got prices for the Jan./Feb. period at the  
16 3.50 mark. And, if you flip the page to Page 018, which  
17 is the next page in the attachment, this shows a  
18 comparable schedule that's actually looking at the NYMEX  
19 futures strip. And, this puts it more in terms of the  
20 electric pricing. So, if you look first to the pricing,  
21 let's say, taken that six months ago, what we can see is  
22 that, you know, indeed January/February '12, you see that  
23 the NYMEX future prices reflected a \$73.00 Jan./Feb.  
24 price, which is comparable to the \$75 that the Company

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[WITNESS PANEL: Bohan~McNamara~Guay]

1       procured in that procurement. And, then, if you look at  
2       the, you know, grouping on the left, the current pricing,  
3       this is from March 5th, and work your way down, you can  
4       see that the summer prices are at the \$40 range, below  
5       \$40, and then all of a sudden spike up to \$55 in January  
6       and February. So, that's the type of adder in that we  
7       think is reflected in the bids. And, wanted to at least  
8       point out that these schedules are here and available for  
9       our review, your review.

10                   CHAIRMAN IGNATIUS: Thank you. That's  
11       helpful.

12                   MS. HOLLENBERG: Excuse me.  
13       Commissioner Ignatius, may I just ask one question that I  
14       think might clarify something further?

15                   CHAIRMAN IGNATIUS: All right.

16                   MS. HOLLENBERG: Mr. Furino, would you  
17       agree that one of the reasons that you would expect the  
18       costs of the supply for Default Service to be higher in  
19       the winter than in the summer is because gas is something  
20       that's used to generate electricity, and, in the winter,  
21       there's more competition for gas, because of the heating  
22       needs of customers?

23                   WITNESS FURINO: That's absolutely  
24       right. I think Mr. Epler was trying to make that point.

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 It's becoming a major industrywide issue, in my view. The  
2 competition for natural gas among LDCs who are using gas  
3 for heating and customers who are using gas to heat their  
4 homes, and the gas that's demanded for power generation.  
5 And, as we pointed out, it's the marginal fuel in New  
6 England. And, that's a very interesting dynamic. And, I  
7 think we'll see some interesting debate over, you know,  
8 the winter issues and natural gas/electric inter-industry  
9 coordination.

10 CHAIRMAN IGNATIUS: Mr. Harrington.

11 CMSR. HARRINGTON: Yes, that's an  
12 interesting point. That's why I wanted to kind of focus  
13 on this. This is the first evidence I've seen of I guess  
14 what people have been talking about. Because of the high  
15 reliance on natural gas, we're going to get that  
16 competition between space heating usage and manufacturing  
17 usage and the production of electricity, especially in the  
18 winter months. And, it's an issue that, you know, ISO New  
19 England has put up high on their list of things to look  
20 at. But this is the first actual evidence of seeing this.

21 Normally, the higher demand for gas in  
22 the winter is mitigated by the fact that electric demand  
23 is substantially lower than in the summer. So, in the  
24 summertime, when you have the higher electric demand,

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 you're moving to less efficient plants, which drives the  
2 cost up. It would almost seem like here that, and I'll  
3 just ask for your opinion, are we going to see the return  
4 to a potential winter peak for electric rates in New  
5 England?

6 WITNESS FURINO: Certainly not from  
7 demand, but, from a rate standpoint, it's possible. The  
8 price separation between gas and other fuels are leading  
9 to increased conversion to natural gas, both for heating  
10 and for generation. And, so, I think that competition is  
11 going to bear itself out in pricing.

12 CMSR. HARRINGTON: Thank you. That's  
13 very interesting. Because that has some major impacts on  
14 like the capacity markets and how we assess capacity  
15 charges and so forth. Thank you.

16 CHAIRMAN IGNATIUS: Thank you. If  
17 nothing further, is there any objection to striking the  
18 identification from the exhibits and making them full  
19 exhibits?

20 MS. HOLLENBERG: No.

21 CHAIRMAN IGNATIUS: Seeing none. So,  
22 closings. Ms. Hollenberg.

23 MS. HOLLENBERG: Thank you.

24 Understanding that the Company has agreed to exclude the

1 recovery of the costs associated with DE 11-105, the OCA  
2 has no objection to their proposed Default Service rates.

3 CHAIRMAN IGNATIUS: So, working with  
4 that Exhibit 3 calculation?

5 MS. HOLLENBERG: Yes. Yes, ma'am.  
6 Thank you.

7 CHAIRMAN IGNATIUS: Ms. Amidon.

8 MS. AMIDON: Thank you. At the outset,  
9 I would say that Staff has reviewed the filing, and we  
10 believe that the bid solicitation process, the bid  
11 evaluation, and the selection of the final Default Service  
12 providers was consistent with the Commission's order in  
13 Docket DE 05-064, that's Order Number 24,511. And, we  
14 believe that the resulting rates are market-based. And,  
15 therefore, we would recommend that the Commission approve  
16 the Petition. That includes the adjustments to the RSO,  
17 Renewable Service Option, calculations as well.

18 We appreciate very much the Company's  
19 work on preparing Exhibit 3, which was the result of  
20 conversations between myself, some consultation with the  
21 OCA, and with Mr. Epler. Having said that, the Company --  
22 I mean, the Commission Staff clearly supports removing the  
23 costs associated with Docket DE 11-105, but we have no  
24 objection to commencing recovery -- or, continuing

1 recovery, I should say, of the costs associated with the  
2 Time-of-Use Pilot Project.

3 And, finally, we appreciate the  
4 Company's willingness to allow Staff additional time to  
5 review the Lead/Lag Study, so that we can make a final  
6 evaluation of whether that comports with our prior  
7 discussions.

8 Finally, we have no objection to the  
9 Company's Motion for Confidential Treatment, because  
10 that's consistent with matters that the Commission has  
11 found confidential in prior filings. Thank you.

12 CHAIRMAN IGNATIUS: Thank you for  
13 reminding me of that. And, OCA, any objection to the  
14 Motion for Confidential --

15 MS. HOLLENBERG: I'm going to take no  
16 position, only because I haven't had a chance to look at  
17 it. But, I imagine that, if it's structured as similar  
18 motions have been in prior Default Service filings, that  
19 it would be consistent with the Commission's practice.

20 CHAIRMAN IGNATIUS: Thank you.

21 MS. HOLLENBERG: Thank you.

22 CHAIRMAN IGNATIUS: Mr. Epler.

23 MR. EPLER: Yes, madam Chairman. I  
24 won't belabor the record at this point. I think the

1 Company has made its position clear, and won't take the  
2 opportunity to do that, and to work with the Staff and the  
3 OCA on this.

4 One point, just to enlighten the  
5 Commission. In a couple of previous Default Service  
6 filings, there's been some talk about the Company possibly  
7 changing its methodology, making some adjustments. And,  
8 we have prepared a proposal that's in draft stage that we  
9 have, at this point, shared with the OCA and with the  
10 Staff. And, we are starting our discussions on that.  
11 And, we hope to be able to submit a proposal to the  
12 Commission shortly. And, I think, hopefully, the  
13 Commission will be intrigued by some of what we want to  
14 put forward to try to simplify the process, to try to get  
15 more market prices to customers, and so on. So, we'll be  
16 moving ahead with that. But we first want to have  
17 discussions with the parties before we file that formal  
18 proposal.

19 CHAIRMAN IGNATIUS: All right. That  
20 sounds intriguing. Thank you. Anything further?

21 (No verbal response)

22 CHAIRMAN IGNATIUS: If not, we will take  
23 the matter under advisement. I understand the agreed upon  
24 deadline is March 16th, is that right, for the order to

1 issue?

2 MR. EPLER: Yes.

3 MS. AMIDON: That is the Company's  
4 request, as I understand it.

5 MR. EPLER: That's correct.

6 CHAIRMAN IGNATIUS: Thank you. We'll  
7 take it under advisement.

8 **(Whereupon the hearing ended at 11:47**  
9 **a.m.)**

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