

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

June 13, 2012 - 9:12 a.m.
Concord, New Hampshire

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(for public use)

NHPUC APR29'14 AM10:26

RE: DE 12-003
UNITIL ENERGY SYSTEMS, INC.:
Default Service for the period
August 1, 2012 through October 31, 2012
for the Large Customer (G1)
requirements.

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Michael D. Harrington

Sandy Deno, Clerk

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

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
George R. McCluskey, Electric Division

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

ORIGINAL

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WITNESS PANEL:	
LINDA S. MCNAMARA	
TODD M. BOHAN	

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4	UES Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs, including Petition, proposed Tariff pages, testimony & exhibits (06-07-12)	4
5	<i>Confidential</i> materials - Tab A <u>Confidential</u> Attachment Default Service RFP Bid Evaluation Report (CONFIDENTIAL & PROPRIETARY)	4

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P R O C E E D I N G

CHAIRMAN IGNATIUS: I'd like to open the hearing in Docket DE 12-003. This is the Unitil Energy Systems Default Service docket that we go through periodic proceedings under the same docket number. This today is to address the results of the RFP for Unitil's large customers.

So, let's begin with appearances please.

MR. EPLER: Good morning, madam Chairman. Gary Epler, Chief Regulatory Counsel, Energy -- Unitil Energy Systems, appearing on behalf of -- I'm sorry. I'll start again.

(Laughter.)

CMSR. HARRINGTON: That's preparing yourself for these.

MR. EPLER: I did a quick -- a quick slap.

Gary Epler, Chief Regulatory Counsel, Unitil Service Corporation, appearing on behalf of Unitil Energy Systems. Thank you.

CHAIRMAN IGNATIUS: Very good.
Ms. Amidon.

MS. AMIDON: Good morning. Suzanne Amidon, for Commission Staff. With me today is George

1 McCluskey, an Analyst in the Electric Division. Thank
2 you.

3 CHAIRMAN IGNATIUS: Good morning,
4 everyone. Are there any procedural matters before we
5 begin?

6 MR. EPLER: Yes. As we've done
7 procedurally in past hearings of this nature, if we could
8 have -- we've got two documents to have premarked, if we
9 could. There's a binder with a green cover, if we can
10 have that premarked as "Unitil Exhibit 4"? And, then,
11 there's confidential material that was in a separate
12 envelope, that's held with a binder clip, and if we can
13 have that premarked as "Unitil Exhibit 5"?

14 CHAIRMAN IGNATIUS: All right. And, I
15 assume there's no objection to that?

16 MS. AMIDON: No.

17 CHAIRMAN IGNATIUS: All right. They
18 will be marked for identification.

19 (The documents, as described, were
20 herewith marked as **Exhibit 4** and
21 **Exhibit 5**, respectively, for
22 identification.)

23 MR. EPLER: And, we have two witnesses
24 on the panel today.

[WITNESS PANEL: McNamara~Bohan]

1 CHAIRMAN IGNATIUS: All right. And, am
2 I correct that issues regarding change in methodology are
3 to be taken up in a later proceeding and not to be
4 addressed today, other than maybe a reference to it, but
5 we're not here to resolve that today, correct?

6 MR. EPLER: Yes. That's correct. We
7 did file it in this docket. And, I understand there may
8 be some notice requirements going forward. And, that's
9 fine. And, we're available, at the Commission's pleasure,
10 in terms of having a proceeding on that. So -- But, no,
11 we don't intend to address it here today.

12 CHAIRMAN IGNATIUS: All right. Thank
13 you.

14 CMSR. HARRINGTON: Excuse me, Mr. Epler.
15 When would you need, if there was an approval granted,
16 when would you need that in order to go forward with the
17 new RFP methodology per your schedule on it?

18 MR. EPLER: Assuming that it meets with
19 approval, we would like to start implementing the changes
20 with service November 1st. What that means, if you then
21 kind of rewind the clock from that date, we would need to
22 issue the RFP in August with the changes. So, an order,
23 you know, by the end of July/beginning of August would be
24 helpful.

[WITNESS PANEL: McNamara~Bohan]

1 CMSR. HARRINGTON: Thank you.

2 CHAIRMAN IGNATIUS: All right. Mr.
3 Patnaude.

4 (Whereupon **Linda S. McNamara** and
5 **Todd M. Bohan** were duly sworn by the
6 Court Reporter.)

7 **LINDA S. McNAMARA, SWORN**

8 **TODD M. BOHAN, SWORN**

9 **DIRECT EXAMINATION**

10 BY MR. EPLER:

11 Q. Mr. Bohan, could you please state your full name and by
12 who you're employed and position that you hold.

13 A. (Bohan) Todd M. Bohan. And, I'm employed with Unitil
14 Service Corporation as an Energy Analyst in the Energy
15 Contracts Department.

16 Q. And, could you please turn to the two documents that
17 have been premarked as "Unitil Exhibit Number 4" and
18 "Unitil Exhibit Number 5". And, opening up Exhibit
19 Number 4, could you turn to what's been -- the tabs in
20 there and the material behind the tabs of Exhibit TMB-1
21 through Schedule TMB-6. And, were these materials
22 beneath the tabs prepared by you or under your
23 direction?

24 A. (Bohan) Yes, they were.

{DE 12-003} [REDACTED - for public use] {06-13-12}

1 Q. And, do you have any changes or corrections to these
2 today?

3 A. (Bohan) I do not.

4 Q. And, if asked the same questions in the testimony at
5 TMB-1, would your answers be the same?

6 A. (Bohan) Yes, they would.

7 Q. And, do you adopt all this material as your testimony
8 and exhibits here today?

9 A. (Bohan) Yes, I do.

10 Q. Okay. Thank you. And, Ms. McNamara, could you please
11 state your full name and who you're employed with?

12 A. (McNamara) My name is Linda S. McNamara. I'm a Senior
13 Regulatory Analyst for Unitil Service Corp.

14 Q. And, could you also please turn to -- actually, I may
15 have neglected, Mr. Bohan, if I can just turn back to
16 you again. What's been premarked as "Exhibit Number
17 5", the confidential material, which has stamped
18 numbers at the bottom, "001" through "059", was this
19 prepared by you or under your direction?

20 A. (Bohan) Yes, it was.

21 Q. And, again, do you have any changes or corrections to
22 this?

23 A. (Bohan) I do not.

24 Q. Okay. And, do you adopt this as your exhibits or

1 schedules in this proceeding?

2 A. (Bohan) Yes, I do.

3 Q. Okay. Thank you. And, I apologize, Ms. McNamara.

4 Turning back to you. Could you please turn to what's
5 been premarked as "Exhibit Number 4". And, if you
6 could open that up and look at the material behind the
7 tabs "Exhibit LSM-1", and then the Schedules LSM-1
8 through LSM-4. Were these prepared by you or under
9 your direction?

10 A. (McNamara) They were.

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

12 A. (McNamara) No.

13 Q. And, if you were asked the same questions in the
14 testimony under Exhibit LSM-1, would your answers be
15 the same today?

16 A. (McNamara) Yes.

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

19 A. (McNamara) I do.

20 Q. And, can you turn to the last page of Unitil Exhibit
21 Number 5, the confidential material, that's stamped
22 "060". And, was this prepared by you?

23 A. (McNamara) It was.

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

1 A. (McNamara) No.

2 Q. Okay. Mr. Bohan, I have a few questions for you.

3 Could you please briefly describe the process UES used
4 to solicit default service power supply for the G1
5 class for three-month period of August 1st, 2012
6 through October 31st, 2012?

7 A. (Bohan) Yes. On May 8th, 2012, UES issued its RFP for
8 G1 default service supply for the three-month period
9 commencing August 1st, 2012. Communication of the RFP
10 was made to a list of 28 suppliers that have previously
11 expressed interest in receiving UES's solicitations.
12 During the solicitation process, UES contacted
13 potential bidders through regular telephone and e-mail
14 communications to respond to questions, research bidder
15 qualifications, and address any outstanding issues.

16 On May 29th, 2012, UES received
17 proposals from respondents that included contract
18 terms, background information and indicative pricing.
19 All bidders were invited to submit final bids. On
20 June 5th, 2012, UES received final pricing from its
21 bidders and conducted its evaluation. UES computed
22 weighted average pricing, and compared -- and compared
23 the bids received. And, this information is provided
24 in "Tab A Confidential" portion, Bates stamp Page 008.

[WITNESS PANEL: McNamara~Bohan]

1 Q. And, as a result of this process, who did UES select as
2 the winning bidder?

3 A. (Bohan) UES selected Dominion Energy Marketing, Inc.,
4 as the winning bidder for the G1 default service supply
5 beginning August 1st, 2012.

6 MR. EPLER: Madam Chairman, I have a
7 couple of questions that will go into some of the
8 confidential material now. As we've done in the past,
9 we'll work with the court reporter to mark the transcript
10 appropriately. But I don't see any member of the public
11 here, so there's no need to go into an executive type
12 session?

13 CHAIRMAN IGNATIUS: All right. Proceed.

14 BY MR. EPLER:

15 Q. Mr. Bohan, could you explain why Dominion was selected
16 as the winning bidder?

17 A. (Bohan) Yes. Dominion provided the lowest overall cost
18 for the provision of this service.

19 Q. And, how does the weighted average cost of power for
20 the three-month period under consideration compare to
21 the weighted average cost of power in the current
22 period?

23 A. (Bohan) If we could turn to the confidential piece,
24 Bates stamp Page 009. We have a schedule there that

1 shows this. And, if we look at the middle column at
2 the bottom of the page, the weighted average price for
3 this three-month period for G1 default service is
4 \$45.51. That is an increase of 4.7 percent in
5 comparison to the weighted average price currently in
6 effect, which is \$43.47. In comparison to a year ago,
7 this is a decrease of just over 30 percent.

8 Q. Okay. I'd like to ask you a few questions regarding
9 the Renewable Portfolio Standard, or the RPS. Does
10 your testimony include an estimate for the RPS
11 obligation associated with the proposed contract?

12 A. (Bohan) Yes, it does. And, that's provided in Schedule
13 TMB-4 of Exhibit 4. And, that's actually what we refer
14 to, I guess, as the "green book" here.

15 Q. Okay.

16 A. (Bohan) And, the RPS estimates are included in that
17 schedule.

18 Q. And, could you please provide a summary of the
19 Renewable Source Option, the RSO Program participation?

20 A. (Bohan) Certainly. Staying in the same book, if we
21 were to go to Schedule TMB-6. And, if we look at Bates
22 stamp Page 080 and 081, this shows the current activity
23 for the Renewable Source Option Program. And, in the
24 lower right-hand corner of each of those pages, you'll

1 see the first page, on Page 080, is the residential
2 classes. And, we currently have 24 customers enrolled.
3 And, if we look at Page 081, we have one Small General
4 customer enrolled. And, I would just add that over the
5 last year to a year and a half of this program's
6 operation, the enrollment or subscription has been
7 relatively stable, at these levels.

8 Q. Okay. Mr. Bohan, that's all the questions I have for
9 you. Ms. McNamara, could you please summarize your
10 testimony?

11 A. (McNamara) I am here to present the variable default
12 service rates for the G1 class for the months of
13 August, September, and October 2012. Those rates can
14 be found by looking at Schedule LSM-1 in the green
15 binder, which is on Bates stamp Page 092. For the
16 months of August, September, and October, the rates are
17 \$0.045 per kilowatt-hour, \$0.04081 per kilowatt-hour,
18 and \$0.04368 per kilowatt-hour, respectively, for the
19 power supply portion. And, the RPS portion is \$0.00205
20 per kilowatt-hour for each of the three months. In
21 total, the proposed default service rates are \$0.04705,
22 \$0.04286, and \$0.04573 per kilowatt-hour.

23 Q. So, the RPS charge has not changed from the prior
24 period, is that correct?

[WITNESS PANEL: McNamara~Bohan]

1 A. (McNamara) That's correct.

2 Q. Okay. Thank you. And, how do these total rates
3 compare to rates currently in effect?

4 A. (McNamara) Compared to current rates, --

5 Q. Based on a three-month average.

6 A. (McNamara) -- as shown on Schedule LSM-4, Page 1, the
7 three-month average rate has increased by \$0.00213 per
8 kilowatt-hour, which means approximately a 2.6 percent
9 increase on a typical bill for a G1 customer.

10 Q. Okay. So, if I'm looking at LSM-4, Page 1 of 3, I'm
11 looking at the next to the last line, it says "Default
12 Service Charge", and the first column is the "Current
13 Rate", and the next column over is the "Proposed Rate"?

14 A. (McNamara) Correct.

15 Q. Okay. And, then, the third column is the "Difference"?

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

17 Q. Okay. Thank you. What are the bill impacts of the
18 proposed rates?

19 A. (McNamara) Schedule LSM-4, Pages 1, 2, and 3 show the
20 impact of the proposed rate versus the current rate, on
21 Pages 1 and 2, and Page 3 shows the proposed rates
22 versus rates that were in effect last August.

23 MR. EPLER: Okay. All right. Thank
24 you. I have no further questions for the witnesses.

1 CHAIRMAN IGNATIUS: Thank you.

2 Ms. Amidon.

3 MS. AMIDON: Thank you. Good morning.

4 WITNESS BOHAN: Good morning.

5 **CROSS-EXAMINATION**

6 BY MS. AMIDON:

7 Q. Mr. Bohan, my questions I think are primarily directed
8 at you. I'm looking at Exhibit 5, which is the
9 confidential filing.

10 A. (Bohan) Okay.

11 Q. And, I just want to run through a couple of things. If
12 we go to Page 6 of that document, that shows the number
13 of bidders that you had for this particular RFP, is
14 that correct?

15 A. (Bohan) Yes. That is correct. But let me clarify that
16 for everyone. Here we show a total of _____ final
17 bidders, and that is what we had in the final round.
18 In the indicative round, we had _____ bidders.

19 Q. Okay.

20 A. (Bohan) _____ did not respond. And, the
21 rationale for that, provided to us, it was just an
22 administrative issue on their end, that they missed the
23 boat with somebody out on vacation. Just there wasn't
24 a real good reason for them not responding.

[WITNESS PANEL: McNamara~Bohan]

1 Q. Thank you. That was helpful. If we go to Page 8, as
2 you indicated before, this shows what the bid responses
3 were for these various suppliers, is that correct?

4 A. (Bohan) That is correct.

5 Q. I notice Bid E is significantly higher than the other
6 bids. And, you may not know the answer to this
7 question, but I want to find out if you do. Do you
8 have any idea why this bid was so out of line with the
9 other bids?

10 A. (Bohan) Yes. This raised a red flag to us when we saw
11 the numbers come in, because the similar result was
12 present in the indicative round. And, we worked with
13 them and we talked with them and explained that there
14 bid was on the order of _____ higher than the rest
15 of the pool. This bidder happens to be _____
16 _____. And, at least for our experience, they're kind
17 of new to bidding in the default service arena. So,
18 our suspicion is they're bidding retail prices and not
19 wholesale prices. And, their final bidding seemed to
20 confirm that. Again, it was on the order of ____ -- I
21 think, well, you can see right here, it's ____ percent
22 higher than the lowest bid we received, and all the
23 other bids are relatively tight, in the \$45 to \$46
24 range.

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[WITNESS PANEL: McNamara~Bohan]

1 Q. Okay. That helps. Thank you. If we go to -- if we go
2 to Page 009, which you previously called to the
3 Commission's attention, that shows how the bid results
4 from the current bid compare with the prior period, and
5 over time, including a change from the prior year. Is
6 that correct?

7 A. (Bohan) That is correct.

8 Q. By looking at this and noticing the change over the --
9 from the prior year, is it -- what is the reason that
10 you think for these -- the continued decline of prices?
11 Is it the continued decline in prices of natural gas or
12 other prices? Or, is there some other -- some other
13 influence that's keeping these prices low or keeping
14 this downward trend actually?

15 A. (Bohan) My understanding is that this is really driven
16 by the decline in natural gas prices over the last
17 year. And, we've seen that fairly consistently.

18 MR. McCLUSKEY: If I could just ask a
19 follow-on question.

20 BY MR. McCLUSKEY:

21 Q. It's my understanding that natural gas prices have,
22 within the last month or so, have actually started to
23 climb, relative to the low points, perhaps six months
24 ago. Would that recent increase in natural gas prices

1 not be reflected in the bids for this particular RFP?

2 A. (Bohan) I would suggest that they are in there, as this
3 price is slightly higher than what we've seen over the
4 last couple of months. Our electric -- our current
5 price is about 4.7 percent higher than what we
6 currently have in effect -- our current proposed price
7 is 4.7 percent higher than the weighted average price
8 currently in effect. So, those price increases on the
9 natural gas side I think are starting to feed into
10 wholesale electric prices now.

11 MR. McCLUSKEY: Okay. Thank you.

12 MS. AMIDON: Thank you.

13 BY MS. AMIDON:

14 Q. On Page 12 of your testimony, which is in Exhibit 4, in
15 the green binder, Mr. Bohan, you talk about the RPS
16 compliance. And, in particular, at Line 7, you state
17 that, "For the 2011 RPS compliance, you completed an
18 RFP in October of last year, and a second RFP in
19 January of this year." Then, you refer us to "Tab A",
20 which "includes an exhibit that summarizes the REC
21 purchases for 2012"?

22 A. (Bohan) That's correct.

23 Q. And, if we look at Page 011 of Exhibit 5, the
24 confidential exhibit, it references -- there's a table

[WITNESS PANEL: McNamara~Bohan]

1 there. And, the first header is "Transaction Date",
2 and in three instances it references "1/25/2012". The
3 second heading is a "Process", and it says "REC RFP 2".
4 So, I was confused. Was the RFP that you referenced in
5 your testimony, did that include a request for 2012 REC
6 compliance as well? And, I was confused by the "RFP 2"
7 also.

8 A. (Bohan) Let me back up and see if I can explain, and
9 maybe that will help.

10 Q. Thank you.

11 A. (Bohan) What we normally do is we run two REC RFPs
12 annually to meet compliance. We do one in the fall, in
13 the October time range, and then we do one in the
14 spring. Typically, we wouldn't, for 2012 compliance,
15 our first RFP pertaining to 2012 REC compliance would
16 likely be in the fall, and then the second one would be
17 in the Spring of 2013. Because of the way the process
18 works, we have until the following June, we would have
19 until June of 2013 to complete all our REC requirements
20 for 2012. In this RFP, we just happened to be out
21 there trying to complete things for 2011, we found it
22 advantageous to make some purchases for 2012, so we
23 conducted those transactions.

24 Q. Okay. And, we can see the volume and the prices here?

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1 A. (Bohan) That's correct.

2 BY MR. McCLUSKEY:

3 Q. So, the reference to "REC RFP 2" is actually the second
4 RFP for 2011 compliance, is that correct?

5 A. (Bohan) That is correct.

6 MR. McCLUSKEY: Okay. Thank you.

7 BY MS. AMIDON:

8 Q. If we -- I was interested in this, because, if you look
9 at the REC prices in the confidential section,
10 Page 011, and compare that to TMB-4, which is Page 078
11 of the -- of Exhibit 4, which is the public filing, the
12 prices are different, particularly insofar as it
13 relates to Class II and the assumptions there. Do you
14 see the difference?

15 A. (Bohan) Yes, I do.

16 Q. And, while we're on TMB-4, which is the RPS compliance
17 cost, at the far right it depicts a cost per
18 megawatt-hour of \$3.85, is that correct?

19 A. (Bohan) That is correct.

20 Q. And, if this was converted to kilowatt-hour, it would
21 be 3.85 mills, is that fair? Is that correct?

22 A. (Bohan) That's fair.

23 Q. So, if we turn to LSM-1, which is Page 092 of the
24 public filing, it shows that the RPS adder, for the

[WITNESS PANEL: McNamara~Bohan]

1 three-month period August through October 2012 for the
2 Large Customer Group, is 2.05 mills, is that correct?

3 A. (McNamara) Correct.

4 Q. Why is there such a large difference between the adder
5 that you composed in TMB-4, which will be 3.85 mills,
6 and then the result here, which is 2.05 mills? Is that
7 for you, Ms. McNamara?

8 A. (McNamara) Yes. Well, I'll answer it.

9 Q. Thank you.

10 A. (Bohan) Thank you.

11 A. (McNamara) My suspicion, without doing the math, is
12 that the retail rate that is calculated on Schedule
13 LSM-1, which is detailed on Schedule LSM-3, includes
14 negative amounts, negative working capital. So, it --
15 if you turn to Schedule LSM-3, on Bates stamp Page 096,
16 the very first column, Column (a), "Renewable Energy
17 Credits", you see three amounts, "\$22,000", "\$22,000"
18 and "\$19,000" approximately, for a total of "\$64,000",
19 those three amounts correspond to the amounts on Bates
20 stamp Page 078, the second to last column.

21 However, on Schedule LSM-3,
22 approximately \$1,500 negative amount is added into that
23 total renewable energy credit related to working
24 capital, reflecting the fact that revenue is coming in

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1 on a monthly basis and the REC's requirement purchases
2 are not necessary until -- well, it's done, you know,
3 throughout the year, but it's not necessary until well
4 after the revenue is received.

5 Q. Yes. Well, I had one more question, going back to
6 Page 092. Are you saying that there are no
7 reconciliation amounts in the RPS?

8 A. (McNamara) Oh, I'm sorry. I also missed that one.
9 There is also another negative amount, \$28,000. Thank
10 you.

11 Q. And, to what do you attribute the \$28,000?

12 A. (McNamara) If I recall from our last filing, where we
13 provided the full reconciliation, I believe a majority
14 of that had to do with the fact that the purchase price
15 for the 2010, I believe, period REC's compliance period
16 ended up being lower than what we had estimated in our
17 rates, in the rate-setting process.

18 Q. And, it appears, from looking at the results for the
19 2012, particularly Class II, that the estimate of the
20 cost, as prepared by Mr. Bohan in TMB-4 of \$100, versus
21 what you were actually able to -- at the rate that
22 you're actually able to procure Class II REC's, there's
23 a significant difference there of about \$40, is that
24 correct?

[WITNESS PANEL: McNamara~Bohan]

1 A. (Bohan) That is correct. But I'd like to caution here
2 that the reason we made the purchases of these 350
3 Class II RECs at \$62 is we deemed them as a bargain in
4 light of what's going on in the REC markets. For Class
5 II, we're seeing prices that are up over \$100. So, to
6 get these, we've acted quickly to take advantage of
7 that. But this market seems to be relatively tight.
8 So, I don't expect we're going to be able to go out and
9 purchase more to meet these requirements in that price
10 range.

11 Q. At this point, then do you -- does the Company think
12 they need to update their assumptions on the REC
13 pricing?

14 A. (Bohan) Well, the prices that we included here in this
15 filing, we kept them the same as what we had in the
16 previous default service filing. But, going forward
17 for the next filing, that may be something that we need
18 to look at again.

19 Q. Okay. Okay, then I just have one more question,
20 related to customer migration. It looks like that
21 pretty consistently, over the past year, about
22 80 percent of the G1 sales have been met by competitive
23 suppliers. Is that fair to say? Do you think that's
24 correct? It's been relatively stable?

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[WITNESS PANEL: McNamara~Bohan]

1 A. (Bohan) That is correct.

2 Q. Do you think that the result has been a noticeable
3 impact on the price premiums demanded by default
4 service suppliers for this group?

5 A. (Bohan) Can you restate the question?

6 MS. AMIDON: If I may, Mr. McCluskey
7 would like to ask that question.

8 CHAIRMAN IGNATIUS: That's fine.

9 MR. McCLUSKEY: Yes. I could give a
10 little bit of background for the question.

11 WITNESS BOHAN: Appreciate it.

12 BY MR. McCLUSKEY:

13 Q. One would expect that, as the percentage of G1
14 customers that migrate to the competitive market
15 increases, and as it becomes a significant percentage,
16 which I would think 80 percent is, leaving a very small
17 default service load for competitive suppliers, one
18 would expect that the competitive suppliers might be
19 looking to add a price premium to providing that
20 default service load, that remaining default service
21 load, given the risks of further migration. Has the
22 Company seen any uptick in the prices bid by
23 competitive suppliers for this load?

24 A. (Bohan) I don't think we've seen a marked increase in

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[WITNESS PANEL: McNamara~Bohan]

1 prices. But this is an issue that we've been
2 discussing. And, it's also something that's I think
3 part of the filing that we've made before the
4 Commission that we look to address in the changes to
5 default service.

6 Q. But you haven't actually seen a marked increase in
7 prices relative to presumably competitive market
8 prices?

9 A. (Bohan) That's correct.

10 MR. McCLUSKEY: Okay. Thank you.

11 MS. AMIDON: That concludes our
12 questions. Thank you.

13 CHAIRMAN IGNATIUS: Thank you.
14 Commissioner Harrington.

15 CMSR. HARRINGTON: Yes. Good morning.

16 WITNESS BOHAN: Good morning.

17 BY CMSR. HARRINGTON:

18 Q. Some of my questions were already covered by Staff, so
19 it will shorten this up a little bit, and some of it is
20 just on the way of trying to figure out some of these
21 various charts and stuff. So, if you can go to
22 Page 008 of the confidential exhibit, it's Exhibit 5.
23 I'm looking at the "Bid A", which was the winning bid.
24 And, the prices they go down from August to October.

{DE 12-003} [REDACTED - for public use] {06-13-12}

[WITNESS PANEL: McNamara~Bohan]

1 And, I'm trying to find another spot, but it seemed to
2 me as if they didn't match up on the -- for each of the
3 months there. Maybe you can help me. Where is the
4 information that actually shows the rates? What
5 schedule is that in? The new proposed rates is what
6 I'm trying to find.

7 A. (Bohan) The retail rates?

8 Q. Yes.

9 A. (Bohan) That would be in LSM --

10 A. (McNamara) Schedule LSM-1 --

11 Q. Okay.

12 A. (McNamara) -- is probably the best place to look.

13 A. (Bohan) So, it would be Bates stamp Page 092.

14 Q. Okay. Okay, these numbers, if you look at the bottom
15 of that page, thank you for the help, that's what I was
16 looking for, under like for "August-12", it's
17 "0.04705", which is slightly different than the August
18 '12 for Bid A. And, if you go across, you'll see, for
19 "September-12" and for "October-12", they're very
20 close, but they're not the same. How come those are
21 different?

22 A. (McNamara) The stream that would be best to look at is
23 actually about halfway up that page on Schedule LSM-1.

24 Q. Okay.

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[WITNESS PANEL: McNamara~Bohan]

1 A. (McNamara) The default service rate is broken into two
2 pieces, power supply and RPS. The numbers on the very
3 bottom represent the total default service, which is
4 the combination of power supply and RPS. So, about
5 halfway up the page, where you see "0.045" --

6 Q. Uh-huh.

7 A. (McNamara) and "0.04081", that stream right there, that
8 corresponds or has built into it the amounts that you
9 see on Bates stamp Page 008. There's also other
10 changes. We have working capital, for instance, you
11 know, things like that, and also a reconciliation
12 amount. So, the numbers will not correspond,
13 obviously, perfectly, but the amounts that are on Page
14 -- Bates stamp Page 008 are embedded in that stream of
15 numbers.

16 Q. Yes, I understand where I missed that on the RPS, but
17 that should have come out. But, normally, you would
18 think that, if you're paying somebody a certain amount
19 for August, that the retail rate would be higher,
20 because you've got to add in other administrative
21 charges and so forth, but it appears to be lower. Am I
22 just missing something?

23 A. (McNamara) Well, there is a prior period overcollection
24 as shown there, "\$84,700". And, this particular group,

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[WITNESS PANEL: McNamara~Bohan]

1 the G1 group, there is, if you turn to the confidential
2 package, Exhibit 5, the very last page, that actually
3 might be helpful, because it shows all of the costs
4 that contribute to the power supply rate. The very
5 first column, the \$792,000, --

6 Q. Uh-huh.

7 A. (McNamara) -- that amount corresponds to the amounts
8 that were on Bates stamp Page 008. Or, I should say,
9 those costs, the --

10 Q. The kilowatt-hour costs are embedded in there.

11 A. (McNamara) Exactly. Then, you can see that there is,
12 summing real quickly, you know, approximately another
13 \$30,000 -- I'm sorry, another -- is that right?

14 A. (Bohan) Yes.

15 A. (McNamara) No, I'm not adding that up correctly. You
16 don't add in the 19,000. Another \$10,000 of
17 administrative costs, which is Column (b), (f), and
18 (h).

19 Q. (b), (f), and (h). Okay.

20 A. (McNamara) So, there's not a lot of administrative
21 costs, but there is a -- I don't know if it's fairly
22 large, but an overcollection in that group, which
23 brings the rate down.

24 Q. Okay. So, if we go from the first number there on --

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1 let's stay "August-12", Column (a), we have a figure,
2 and then you go all the way across to get the total
3 cost, the total cost figure is higher, by not a lot,
4 but by a little bit?

5 A. (McNamara) Uh-huh.

6 Q. And, the reason that, even though the total costs are
7 higher, in other words, when you account for what
8 you're paying per megawatt-hour to the supplier that
9 was selected, and you add in all the additional costs,
10 it comes out slightly higher than what you're paying
11 them on a total basis. So, there's something else that
12 accounts for the actual rate being slightly lower, and
13 that's this reconciliation you're talking about --

14 A. (McNamara) Correct.

15 Q. -- for overcollection from the past?

16 A. (McNamara) If you take the \$802,000 --

17 Q. Okay.

18 A. (McNamara) -- from that page, and you refer to Schedule
19 LSM-1, you can see, on the very far right, the farthest
20 column to the right, the second number down is the
21 \$802,000.

22 Q. Okay.

23 A. (McNamara) As well as the credit for an \$84,000
24 overcollection.

[WITNESS PANEL: McNamara~Bohan]

1 Q. Okay. Thank you. This has to go with kind of the same
2 thing. And, I think most of it is just that I just
3 don't -- I'm not quite sure how to read all this stuff,
4 there's so many numbers here. But, on Exhibit 5, Bates
5 stamp Page 009, there's a chart, and this gives you the
6 prices. And, in there it says "Change from Prior
7 Period", and it says "4.7 percent" increase, and
8 "Change from Prior Year" was "minus 30.7 percent".
9 Looking at the 4.7, what am I missing as compared to
10 LSM-4, Page 1 of 3, where, in the very lower right-hand
11 corner it says "Rate Component Impact to Total Bill
12 2.6 percent"? Or, is this just the -- maybe I can
13 answer my own question. Does the 4.7 having to do with
14 the bids alone and the 2.6 has to do with the effect on
15 the actual rate charge, which is different, as we just
16 discussed?

17 A. (McNamara) No.

18 Q. No? Okay.

19 A. (McNamara) The "4.7" is --

20 Q. Damn it.

21 (Laughter.)

22 **BY THE WITNESS:**

23 A. (McNamara) -- you are correct on that part. That is
24 just a comparison of that particular rate. It's

[WITNESS PANEL: McNamara~Bohan]

1 comparing, my understanding, the "45.51" to the
2 "43.47". The "2.6 percent" amount is a typical bill
3 impact. So, I don't -- I don't know the exact
4 percentage of distribution to supply right now. I
5 always like to use about 50 percent, --

6 BY CMSR. HARRINGTON:

7 Q. Okay.

8 A. (McNamara) -- for my own, you know?

9 Q. All right.

10 A. (McNamara) So, when you see a rate increase of
11 5 percent, it should have approximately a two and a
12 half percent impact on a bill.

13 Q. So, that's total bill, including transmission and
14 distribution costs?

15 A. (McNamara) Exactly.

16 Q. All right. Well, that helps quite a bit. Thank you
17 very much. Getting back to the migration issue for a
18 second. You said it's been "fairly steady", about
19 80 percent of the large customers obtain their energy
20 from a competitive supplier, is that correct?

21 A. (Bohan) In terms of volume, yes.

22 Q. And, is that -- how long has that been stable, around
23 80 percent? Because, obviously, there was a time when
24 it was zero, and now it's gone to 80. So, is that

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1 something that's leveled off two years ago? Three
2 years ago?

3 A. (Bohan) I don't have all of that information in front
4 of me. But it has certainly been at least over the
5 last year, year and a half, in that vicinity.

6 Q. And, is -- and, getting back to the price that's
7 happened in the last year, the bid prices have gone
8 down 30 percent, due to the cost of natural gas, as you
9 discussed earlier. Do you think that's making the
10 default service more competitive? Is that why there's
11 been no more migration? Or, you just saturated the
12 migration market, and the people left just don't want
13 to deal with switching?

14 A. (Bohan) I think it, at the moment, it appears that it's
15 just that customer group has gotten to a level where
16 they're comfortable that default service is not
17 unreasonably priced, it's fairly attractive, so there's
18 not a big incentive for migration to change, if
19 customers aren't that sensitive to energy prices.

20 Q. Okay. And, you had talked about look -- maybe at least
21 inferred looking at this, what would be the reaction
22 you think from your customers if the default service
23 was eliminated, if they were given like a six-month
24 notice saying "you have to go out and pick a

[WITNESS PANEL: McNamara~Bohan]

1 competitive supplier now"? I'm talking on these, this
2 level of customers only.

3 A. (Bohan) I don't know. That's a good question. But I
4 would think that most of those customers could go out
5 and find competitive supply.

6 Q. Okay. And, just a couple of other questions. On the
7 Renewable Portfolio Standard compliance, one thing from
8 the previous discussions, I realize it gets very
9 complicated with this, almost buying RECs as a hedge,
10 as the best time to buy them and so forth and so on.
11 And, apparently, they can even create revenue at times
12 or at least allow you to -- you get the revenue
13 collected from the ratepayers, and then you buy the
14 RECs at a later time, and you can collect interest on
15 that money, and that was some of the positive inflow
16 that we saw on that sheet. So, when I look at this on
17 Page 092, Bates stamp 092 in the green book, and I see
18 that the RPS changes -- charges under, I can't see the
19 line number here, Line 14, are exactly the same as they
20 were three months ago. What can I infer from that?
21 Have the prices stayed exactly the same? Gone up? Not
22 gone up? Or, does it mean anything?

23 A. (Bohan) Well, in terms of ratemaking here, the prices
24 have stayed the same because we did not change our

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1 price assumptions in this filing in comparison to what
2 we did before we talked about. I think in my exhibit
3 Schedule TMB-4, the cost in dollars per megawatt-hour
4 is \$3.85. So, we don't expect the retail rates to
5 change, because we're employing the same weighted
6 average price. And, the reason we did that in this
7 case is we did not see a big change in the REC market
8 that suggest that we should be changing our
9 assumptions. But, as we had discussed before, you
10 know, going forward, things can change. And, if that's
11 the case, in the next default service filing, those
12 prices may certainly need to be revised.

13 Q. Okay. And, the reason I bring this up is, because if
14 you remember back to, I forget what round we're on
15 here, but the last round of this docket, where I think
16 we were dealing with retail rates. And, I believe the
17 compliance with RPS had gone up fairly substantially,
18 like around 50 percent or something like that. And,
19 that's the same RECs you're buying, just, you know,
20 different quantities. So, what changed from now to
21 then? Or, do you just have a different methodology for
22 the different rate cases?

23 A. (Bohan) Well, in terms of the requirement, the
24 requirement changed January 1st, 2012. Class I

[WITNESS PANEL: McNamara~Bohan]

1 increased from 2 percent to 3 percent, and the Class II
2 requirement increased by 100 percent, up to I think it
3 was 0.15 percent. So, we're required to go out and buy
4 more in order to meet those requirements.

5 Q. Well, this was -- this was this year, we had the one I
6 think it was for retail customers, and the new rate
7 that you requested for compliance with RPS was quite a
8 bit higher than the one you had before that. And, now
9 you're saying, maybe it's because of the length of time
10 of that, I think that's a longer stretch of time, it's
11 not just three months?

12 A. (Bohan) May I back up and ask for a clarification here?
13 Are we referring to the Renewable Source Option
14 Program?

15 Q. No.

16 A. (Bohan) Or are you just talking RECs?

17 Q. I was just talking RECs, I thought there was an
18 increase last time?

19 A. (Bohan) There was. Yes.

20 Q. And, is it the length of time that you're purchasing
21 them over, is that what makes the difference, because
22 the retail one is a longer period of time, or
23 "residential", I mean?

24 A. (Bohan) Well, in the previous filing, we established

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[WITNESS PANEL: McNamara~Bohan]

1 retail rates for residential and, well, Non-G1
2 customers for a six-month period that will take us
3 through the end of October 2012. Here we're just
4 setting rates for the Large Customers for August
5 through October.

6 Q. Okay.

7 A. (Bohan) So, in that sense, we're within the same
8 period.

9 Q. But it's a shorter period of time?

10 A. (Bohan) Correct.

11 CMSR. HARRINGTON: Yes. Okay. Thank
12 you. That's all the questions I had. That was very
13 helpful. Thank you for the explanations.

14 BY CHAIRMAN IGNATIUS:

15 Q. One other question about changing REC obligations. Are
16 either of you familiar with Senate Bill 218 that was
17 passed by both Houses of the Legislature this year? It
18 changes REC obligations, if it's enacted into law, and
19 presumably will be signed by the Governor. So, I think
20 it would be important for the next series of
21 calculations you do to study the impacts of Senate
22 Bill 218, what they do to class obligations, what they
23 change for Alternative Compliance Payments and for the
24 solar class, in particular, and how that may change

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1 your assumptions going forward. But I don't believe
2 that would have any impact on this round, on the period
3 that this bidding covers. It really is a bit further
4 out. But it's going to change everybody's analysis for
5 a while, again, trying to figure out what kind of
6 impact those changes up and down have made.

7 CHAIRMAN IGNATIUS: I have no other
8 questions. Any redirect, Mr. Epler?

9 MR. EPLER: Yes, I have a couple of
10 questions.

11 **REDIRECT EXAMINATION**

12 BY MR. EPLER:

13 Q. Mr. Bohan, are you familiar with the experience of
14 Unitil's affiliate company, Fitchburg Gas & Electric,
15 with respect to its large customer penetration of
16 competitive suppliers?

17 A. (Bohan) Yes, I am.

18 Q. Okay. And, is it, just anecdotally, to compare to
19 what's happening here in New Hampshire, is the
20 percentage of participation higher among the large
21 customers, with respect to purchases from competitive
22 suppliers in Fitchburg?

23 A. (Bohan) Yes, it is. And, it's in the mid to high '90s.

24 Q. Okay. And, is it your experience, your understanding

[WITNESS PANEL: McNamara~Bohan]

1 that there is still, even though you have such a high
2 percentage, there is still a certain number of
3 customers that seem resistant to participating in the
4 competitive market, even though there have been overt
5 attempts by the Company to introduce them to that
6 market and to explain the dynamics of it and its
7 availability and so on?

8 A. (Bohan) That is correct.

9 Q. Okay. And, also, similarly, and again just
10 anecdotally, is it your understanding or experience
11 that, once the level of customer participation reaches
12 such a high level, as you indicated, in the mid to high
13 90 percent, that the company has, and by "the company",
14 I mean "Fitchburg", has experienced a marked drop off
15 in the number of bidders that are responding to RFPs
16 for provision of default service for that customer
17 class?

18 A. (Bohan) That is correct. And, that number has been
19 very low. We've had -- we've had _____ for that
20 category consistently for the last well over a year
21 period providing the default service for that class.

22 MR. EPLER: Okay. That's all I have.

23 Thank you.

24 CHAIRMAN IGNATIUS: Thank you.

[WITNESS PANEL: McNamara~Bohan]

1 Witnesses are excused. Thank you for your testimony.

2 Is there any objection to striking the
3 identification on Exhibits 4 and 5 and making them full
4 exhibits?

5 (No verbal response)

6 CHAIRMAN IGNATIUS: Seeing none, we'll
7 do that. So, I think, unless there's anything further, we
8 have opportunity for closings. Ms. Amidon.

9 MS. AMIDON: Thank you. Staff has
10 reviewed the Petition and determined that UES has complied
11 with the Settlement Agreement approved by the Commission
12 in Order Number 24,511, in conducting the bid
13 solicitation, the bid evaluation process, and in selecting
14 the final bidder. Staff also believes that the resulting
15 rates are market-based. And, we recommend the Commission
16 approve the Petition.

17 As a holdover matter, Staff has also
18 reviewed the lead/lag study that was performed by the
19 Company and submitted with its March 2012 filing, and
20 recommend that the Commission allow the Company to use
21 those results in its default service filings.

22 And, finally, this is just an
23 observation. This is the -- we do not have a motion for
24 confidential treatment from the Company. And, the reason

1 for that is the newly adopted rules, I believe it's Puc
2 201.06, which allows the Company to submit certain
3 information related to its default service filing as
4 confidential. And, so, we have no -- we can take no
5 position on that from now forward. Thank you.

6 CHAIRMAN IGNATIUS: Thank you.
7 Mr. Epler.

8 MR. EPLER: Thank you. The Company's
9 request for approvals are in its Petition, so I don't
10 think there's a need to go into detail there. Just to
11 point out, as I -- as was evident in some of the last
12 questions that I asked Mr. Bohan on redirect. The Company
13 does have some experience, again, it's anecdotal, in a
14 neighboring jurisdiction that might be helpful to the
15 Commission, and these are issues that we could get into
16 when we are before you on the -- on our proposals. So,
17 we'll be prepared to answer those types of questions.
18 Thank you.

19 CHAIRMAN IGNATIUS: Thank you. Unless
20 there's anything further, we will take this under
21 advisement. We understand that an order is required as of
22 what date?

23 MS. AMIDON: Friday, June 15th.

24 CHAIRMAN IGNATIUS: All the time in the

1 world. All right. So, thank you for a very orderly
2 presentation. It makes the rapid turnaround very -- it
3 makes it work. So, we appreciate all the work that
4 everyone does up front.

5 So, with that, we'll stand adjourned.

6 Thank you.

7 **(Whereupon the hearing ended at 10:04**
8 **a.m.)**