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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 24, 2013 - 10:08 a.m.
Concord, New Hampshire

NHPUC MAY14'13 PM 4:23

RE: DE 13-063
GRANITE STATE ELECTRIC COMPANY
d/b/a LIBERTY UTILITIES:
Notice of Intent to File Rate Schedules.
(Prehearing conference)

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

Clare Howard-Pike, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. Mary Hitchcock Memorial Hospital
and Dartmouth-Hitchcock:
Daniel M. Deschenes, Esq. (Hinckley Allen...)

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.

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

ORIGINAL

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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 13-063, which is Granite State Electric Company, or Liberty Utilities, Petition for Distribution Rate Adjustments. The Company filed on March 29th a petition for authority to implement new permanent distribution rates beginning April 29th, 2013, to change tariff pages, and implement other tariff changes, including a step adjustment to reflect investment in certain additions to rate base in 2013, and to set temporary rates until a final determination.

By order dated April 11th, 2013, we suspended the tariff and scheduled a prehearing conference for this morning.

So, let's begin first with appearances.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. And, I'm here today on behalf of Granite State Electric Company, which does business under the name of "Liberty Utilities". And, with me from the Company today are the Company's two revenue requirement witnesses, ChristiAne Mason and Michael Schmidt.

CHAIRMAN IGNATIUS: Good morning.
Ms. Chamberlin.

1 MS. CHAMBERLIN: Susan Chamberlin,
2 Consumer Advocate for the residential ratepayers.

3 CHAIRMAN IGNATIUS: Good morning.

4 MR. DESCHENES: Good morning. I'm Dan
5 Deschenes, from Hinckley, Allen & Snyder, here on behalf
6 of Dartmouth-Hitchcock. With me -- we have filed a
7 Petition to Intervene in this matter. With me today is
8 Steven Cutter. He is the Director of Engineering Services
9 for Dartmouth-Hitchcock.

10 CHAIRMAN IGNATIUS: Thank you. And,
11 we'll take up the intervention request in a moment.

12 MS. AMIDON: Thank you. Suzanne Amidon,
13 for Commission Staff. With me today is the Assistant
14 Director of the Electric Division, Steve Mullen, and
15 additional Staff from the Commission, and, in the back of
16 the room, you'll see that we have a couple of members of
17 our Audit Division Staff with us today.

18 CHAIRMAN IGNATIUS: Good morning. So,
19 we do, Mr. Deschenes, we have received the Petition for
20 Intervention from Mary Hitchcock Memorial Hospital and
21 Dartmouth-Hitchcock. Is there any -- maybe first just
22 ask, is there any opposition to the intervention request?

23 MS. KNOWLTON: The Company has none.

24 MS. CHAMBERLIN: I have no objection.

1 CHAIRMAN IGNATIUS: Seeing nothing.
2 Then, is there anything, Mr. Deschenes, you wanted to add
3 to your Petition? We have it, obviously. So, you don't
4 need to restate it.

5 MR. DESCHENES: Yes. The only thing I
6 would add is that even among your commercial/industrial
7 customers, we're in a little different scenario, in that
8 we understand that the increase could be in excess of
9 \$500,000 a year to Dartmouth-Hitchcock. Because the major
10 source of our revenue is Medicaid and Medicare, we do not
11 have the ability, even if we wished, to pass the majority
12 of those costs onto consumers, even if we wanted to. And,
13 I don't think that point was flagged as much as it could
14 have been in the Petition, so, I just raise it again for
15 the Commission.

16 CHAIRMAN IGNATIUS: All right. Well, we
17 will -- I'm sorry, Ms. Chamberlin.

18 MS. CHAMBERLIN: And, just for the
19 record, I wanted to disclose that my sister is a doctor at
20 Dartmouth-Hitchcock. I don't see that as a conflict, but,
21 if anyone else does, I wanted to put it on the record.

22 CHAIRMAN IGNATIUS: I guess it depends
23 on whether they would take the increased rates out of her
24 salary.

1 MS. CHAMBERLIN: Exactly.

2 CHAIRMAN IGNATIUS: But, other than
3 that --

4 MS. CHAMBERLIN: Exactly.

5 MR. DESCHENES: I can't promise that.
6 But I did reference to Ms. Chamberlin that everyone in the
7 Upper Valley either works for Dartmouth-Hitchcock or
8 Dartmouth College. So, we have no objection.

9 CHAIRMAN IGNATIUS: All right. One
10 moment.

11 (Chairman and Commissioners conferring.)

12 CHAIRMAN IGNATIUS: All right. We will
13 grant the Motion for Intervention.

14 MR. DESCHENES: Thank you.

15 CHAIRMAN IGNATIUS: Is there anything,
16 other than attending to statements of initial positions in
17 the case?

18 (No verbal response)

19 CHAIRMAN IGNATIUS: Doesn't appear
20 anything. So, Ms. Knowlton.

21 MS. KNOWLTON: Thank you. Good morning.
22 On July 19th, 1995, Granite State Electric filed its last
23 distribution rate case with this Commission. So, we're
24 here nearly 18 years later asking that the Commission

1 update the Company's rates to reflect the Company's
2 current cost of doing business, which has increased over
3 the past nearly two decades. These costs reflect
4 increases in operating expense, as well as an approximate
5 \$94 million increase or investment in the Company's
6 distribution system in the past 18 years.

7 The Company's need for a rate increase
8 should not come as a surprise. It certainly was something
9 that was discussed in DG 11-040, the docket involving the
10 sale of the Company. The Company is currently authorized
11 to earn a return of 8.61 percent, but is actually earning
12 a negative return of negative 0.75, which is about 936
13 basis points below its allowed return.

14 So, we're here today to start the
15 process of examining the Company's request for a change in
16 its rates. As part of this request, what we're seeking is
17 a \$14.2 million increase in permanent distribution rates,
18 which represents approximately an 18 percent increase in
19 operating revenues for the Company. We're seeking to
20 update the amount of -- that's included in the Company's
21 rates for responses to major storms, and to recover
22 pre-staging costs associated with those storms, so that
23 the Company can have adequate resources in place to
24 respond to those storms, and to have some level of

1 assurance for qualifying storms that it can recover those
2 costs, which would be consistent with provisions that are
3 allowed for both PSNH and Unitil.

4 The Company is also seeking recovery
5 mechanisms for property tax expense and pension expense; a
6 step adjustment to reflect approximately \$9 million in
7 capital investment that is occurring this year; updates to
8 the Company's tariff to bring the tariff in line with the
9 Company's current way of doing business and its current
10 cost structure. Again, you know, some of these things are
11 really, you know, the tariff hasn't, you know, had a
12 general overhaul in many, many years. And, so, we've made
13 a comprehensive effort to go through the tariff and try to
14 bring it up-to-date.

15 And, lastly, the Company is proposing to
16 eliminate the GreenUp Program, which, you know, it's
17 really struggled to get traction with this program over
18 the years, despite a multitude of creative marketing
19 efforts to, you know, let customers know about the
20 availability of this program and to participate.

21 We have also filed a Petition for
22 Temporary Rates, asking that we be granted an increase in
23 operating revenues of about \$9.2 million on a
24 service-rendered basis as of July 1st of this year. And,

1 given that the Company has a negative return, this is very
2 critical to us that temporary rates be put in effect, in
3 order for the Company to have a reasonable opportunity to
4 return its -- to earn its currently authorized return,
5 based on the property that's used and useful and provides
6 service to the Company's customers. And, we very much
7 appreciate that the Commission set a date for the
8 temporary rate hearing in the order of notice. I know
9 that that's not something that the Commission, you know,
10 necessarily does. And, we noticed that, and we appreciate
11 it. And, we feel like that is a critical step to get the
12 temp. rates in place, so that the Staff and the Consumer
13 Advocate and the Parties to the case can begin to examine
14 all of the issues, of which we know there are many, that
15 will be considered.

16 So, with that, we very much look forward
17 to working with the Staff and the Consumer Advocate and
18 the Parties to develop an appropriate procedural schedule
19 that will allow everyone a chance to examine all of these
20 issues, and, you know, look forward to working
21 cooperatively with everybody as we move forward through
22 this process.

23 CHAIRMAN IGNATIUS: Thank you
24 Mr. Deschenes.

1 MR. DESCHENES: I believe our position
2 is laid out in our Petition to Intervene. I would note
3 that our concern, obviously, is with respect to the C&I
4 rates. At this point, we have concerns, obviously, both
5 with respect to the temporary rates and the request for
6 permanent rates. And, until we have additional
7 information, I'm not prepared to give a further comment on
8 our exact position on those rates at this moment.

9 I would say that we are also committed
10 to working with OCA, Staff, and Liberty to develop an
11 appropriate procedural schedule.

12 CHAIRMAN IGNATIUS: All right. Thank
13 you.

14 MR. DESCHENES: Thank you.

15 CHAIRMAN IGNATIUS: Ms. Chamberlin.

16 MS. CHAMBERLIN: Thank you. I am also
17 looking forward to working with Staff and the Parties on
18 this case. Undoubtedly, there will be some changes, since
19 it's been such a long time. I will point out that that's
20 within the Company's control. And, so, that my concern,
21 while I'm working through this, is rate shock for
22 customers, among other concerns. But we will work through
23 that. So, thank you.

24 CHAIRMAN IGNATIUS: Thank you.

1 Ms. Amidon.

2 MS. AMIDON: Thank you. Staff has only
3 begun looking through the material that was provided by
4 the Company in connection with both its request for
5 temporary and permanent rates. But we're committed to
6 work with the Company and the parties to have a productive
7 hearing before the Commission on June 4th, so that we can
8 determine the appropriate level of temporary rates that
9 the Company should be allowed to receive.

10 There were some other sort of -- how do
11 I describe it -- other ancillary matters that were
12 discussed in the Petition, such as a request for waiver
13 and a request for confidential treatment. And, we're not
14 prepared to offer any observations on those items at this
15 point. But Staff will be filing a recommendation
16 regarding the request for waiver of various filing
17 requirements.

18 CHAIRMAN IGNATIUS: All right. And, the
19 confidentiality, everyone I think knows this, but it's
20 always good to remember that our rules provide that, until
21 there's a determination on confidentiality, things that
22 have come in marked as "proposed for confidential
23 treatment" be treated as such. And, just ask everybody to
24 be mindful of that.

1 So, I understand there will be a
2 technical session following this and development of a
3 procedural schedule?

4 MS. AMIDON: Yes.

5 CHAIRMAN IGNATIUS: Are there any
6 questions from the Bench at this point?

7 (No verbal response)

8 CHAIRMAN IGNATIUS: All right. Anything
9 else that we should be aware of or you want our
10 involvement in or should we send you to the -- to the hard
11 work of the technical session?

12 MS. KNOWLTON: Liberty has nothing
13 further.

14 CHAIRMAN IGNATIUS: All right.

15 MS. AMIDON: I think we're all set.
16 Thank you.

17 CHAIRMAN IGNATIUS: Then, thank you for
18 getting everything underway. The temporary rate hearing
19 is scheduled for June 4th, at 10:00. And, we await the
20 rest of the schedule to be developed to work through the
21 entire case. Thank you. We're adjourned.

22 **(Whereupon the prehearing conference**
23 **ended at 10:20 a.m. and a technical**
24 **session was conducted thereafter.)**