

1 **STATE OF NEW HAMPSHIRE**
2 **PUBLIC UTILITIES COMMISSION**

3
4 **June 20, 2016 - 10:05 a.m.**
5 Concord, New Hampshire

NHPUC JUL05'16 PM12:18

6
7 **RE: DE 16-384**
8 **UNITIL ENERGY SYSTEMS, INC.:**
9 **Request for Change in Rates.**
10 **(Hearing on Temporary Rates)**

11
12 **PRESENT:** Chairman Martin P. Honigberg, Presiding
13 Commissioner Robert R. Scott
14 Commissioner Kathryn M. Bailey

15 Sandy Deno, Clerk

16
17 **APPEARANCES:** **Reptg. Unitil Energy Systems, Inc.:**
18 Gary Epler, Esq.

19 **Reptg. Residential Ratepayers:**
20 Nicholas Cicale, Esq.
21 Pradip Chattopadhyay, Asst. Cons. Adv.
22 James Brennan, Finance Director
23 Office of Consumer Advocate

24 **Reptg. PUC Staff:**
 Suzanne G. Amidon, Esq.
 Paul B. Dexter, Esq.
 Thomas C. Frantz, Dir./Electric Div.
 Richard Chagnon, Electric Division
 Jay Dudley, Electric Division

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

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I N D E X

PAGE NO.

STATEMENTS BY:

Mr. Epler	4, 10, 11
Ms. Amidon	7, 8, 12
Mr. Cicale	9, 12

QUESTIONS BY:

Chairman Honigberg	6, 8
Cmsr. Scott	10

P R O C E E D I N G

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2 CHAIRMAN HONIGBERG: We're here this
3 morning in Docket DE 16-384, which is Unitil's
4 rate filing. We have a temporary rate hearing.
5 We have a Settlement that was filed a few days
6 ago.

7 And, before we do anything else,
8 let's take appearances.

9 MR. EPLER: Good morning, Mr.
10 Chairman, Commissioners. My name is Gary
11 Epler, the Chief Regulatory Counsel for Unitil.
12 And with me this morning is Mark Collin, the
13 Chief Financial Officer and Senior Vice
14 President for Unitil; David Chong, Director of
15 Finance; immediately behind me is George
16 Simmons, Manager of Regulatory Affairs; and
17 next to him is Doug Debski, who's a Senior
18 Regulatory Analyst. Thank you.

19 MR. CICALÉ: Good morning, Chairman
20 and Commissioners. Nicholas Cicale, here with
21 the Office of Consumer Advocate, on behalf of
22 residential ratepayers. To my left is Pradip
23 Chattopadhyay, Assistant Consumer Advocate; and
24 the Director of Finance, Jim Brennan.

1 MS. AMIDON: Good morning. Suzanne
2 Amidon, for Commission Staff. Rich Chagnon, an
3 Analyst with the Electric Division, is to my
4 left; Tom Frantz, to his left, he's the
5 Director of the Electric Division; and
6 Co-Counsel Paul Dexter, to Tom's left; and
7 behind Paul is Mr. Jay Dudley, who is also
8 working on this case.

9 CHAIRMAN HONIGBERG: All right. Are
10 there any preliminary matters before you
11 present the Settlement?

12 *[No verbal response.]*

13 CHAIRMAN HONIGBERG: Didn't think so.
14 All right. Are we going to have a panel of
15 witnesses on the Settlement?

16 MR. EPLER: Mr. Chairman,
17 Commissioners, I've had discussions with
18 representatives of the Staff and the Consumer
19 Advocate. And I'm prepared to present the
20 Settlement on behalf of the Settling Parties.

21 We are not proposing to present a
22 panel. Although, there are witnesses in the
23 room available to answer any questions that the
24 Commission may have.

1 The Settlement Agreement before you
2 is a product of negotiations. The Parties met
3 in two technical sessions, one right after the
4 first prehearing conference and the second a
5 week ago, on June 13th. There were also two
6 rounds of data requests, one from the Staff to
7 the Company and from the OCA to the Company.
8 And, last week, we then engaged in settlement
9 negotiations. And we basically arrived at a
10 number that the Parties thought that, on the
11 basis of the Company's filing and the
12 presentation in the filing and on the data
13 requests, that it was a reasonable settlement
14 amount. There's no particular methodology to
15 that amount. You know, it took into
16 consideration what the Company proposed, and we
17 negotiated the amount.

18 So, it's kind of a black box, which
19 is why we're not presenting a witness to
20 describe it. The Parties understand that it
21 sets no precedent. That it's fully
22 reconcilable, once permanent rates are set.

23 And, so, we offer it for your
24 consideration. And, again, we have witnesses

1 available, if you have any questions.

2 CHAIRMAN HONIGBERG: Thank you, Mr.
3 Epler. I guess I would ask both -- all three
4 of you -- wait a minute, Mr. Cicale, you're on
5 the Settlement, too, right?

6 CMSR. BAILEY: Yes.

7 MR. CICALÉ: That's right.

8 CHAIRMAN HONIGBERG: I guess I would
9 ask all three of you to confirm that, in your
10 view, this is a reasonable result? And there's
11 nothing else we've got, and can you --

12 (Short pause)

13 MS. AMIDON: Shall one of us proceed
14 or --

15 CHAIRMAN HONIGBERG: So, under
16 378:27, we're supposed to be willing to fix
17 temporary rates that are "sufficient to yield
18 not less than a reasonable return of the cost
19 of the property of the utility used and useful
20 in the public service less accrued
21 depreciation, as shown in the reports of the
22 utility filed with the Commission, unless there
23 appears to be reasonable ground for questioning
24 the figures in such reports", and the rates

1 have to be "reasonable temporary rates".

2 How are we to know if these are
3 reasonable temporary rates?

4 Ms. Amidon.

5 MS. AMIDON: Well, from Staff's
6 perspective, we reviewed the filing, the books
7 and records of the Company on file with the
8 Commission, and determined that the amount
9 that -- of revenue increase that is in the
10 Settlement Agreement does reflect the --
11 fairly, to both the utility shareholders and to
12 customers. I believe that the increase is on
13 the attachment to the Settlement Agreement on
14 the last page. I believe, if I recall
15 correctly, it was in the neighborhood of a
16 dollar -- what is -- I'm sorry, Gary --
17 Mr. Epler, do you have that provision?

18 CHAIRMAN HONIGBERG: It's in the
19 Settlement. It's the last page, as you said.
20 It's a temporary rate increase to recover
21 revenue of 2.4 million, and the impact on the
22 average residential bill, 600 kilowatts, is
23 \$1.19.

24 MS. AMIDON: Right. I was thinking

1 it was \$1.19 per month. And I thought that
2 that was reasonable, and we know that it's
3 temporary.

4 To be quite honest, Staff's main
5 issue with this is the permanent rate case.
6 The filing came in on April 29th, we have to
7 complete our work within a year of that date.
8 And we wanted to move forward with the
9 permanent rate case, while recognizing that
10 there was support for temporary rate relief for
11 the Company in the interim.

12 CHAIRMAN HONIGBERG: Although neither
13 of you has used the phrase "offer of proof". I
14 feel like what you're doing is making offers of
15 proof that, if your witnesses were put under
16 oath and called to testify, they would testify
17 that this is a reasonable result and produces a
18 reasonable temporary rate. Am I correct?

19 MS. AMIDON: That is correct. If we
20 put the -- and Mr. Chagnon is available to --
21 on the stand, if you wish to ask him directly.
22 But we do believe that the Settlement Agreement
23 is a just and reasonable resolution of the
24 issues. It's supported by the Company's

1 filing, and it results in reasonable rates to
2 the customers, pending the resolution of the
3 permanent rate case. The rates are
4 reconciling.

5 And one of the concerns Staff had
6 was, with respect to this filing, was to avoid
7 rate shock at the end of the permanent rate
8 case. I mean, that assumes, of course, that
9 the Commission might grant an increase to the
10 Company. But we prefer phasing in a rate for
11 the customers to avoid that rate shock.

12 CHAIRMAN HONIGBERG: Understood.
13 And, Mr. Epler, you look like you were ready to
14 confirm that you were essentially making an
15 offer of proof along the lines of what I said?

16 MR. EPLER: Yes.

17 CHAIRMAN HONIGBERG: Mr. Cicale?

18 MR. CICALÉ: The main crux for the
19 Consumer Advocate agreeing to the Settlement
20 was the Company came forth with a full
21 disclosure of their capital projects and the
22 investments made pertaining to those capital
23 projects. And a lot of the Company's revenue
24 requirement in this case hinges on those

1 capital investments.

2 The temporary rate increase that is
3 reflected here is a fair one to the Company,
4 it's fair to the consumers. It makes the
5 Company temporarily whole for their current
6 investment in those projects. And it also is
7 not overly harmful for the residential
8 customers. We find it to be just and
9 reasonable. So, the overall cost of equity is
10 low with this Settlement. And, so, we fully
11 support it.

12 CMSR. SCOTT: Thank you. Mr. Epler,
13 can you remind me the outreach to ratepayers
14 for this temporary rate, the bill inserts,
15 *etcetera*?

16 MR. EPLER: Yes. This was part of
17 the notice that the Company was required to
18 publish after the order of notice was issued by
19 the Commission. And the description of the
20 Company's rate request and the details of it
21 has been part of a bill insert.

22 CMSR. SCOTT: Thank you.

23 CHAIRMAN HONIGBERG: All right. One
24 other topic. I don't think there's any other

1 questions on the Settlement, is there?

2 *[No verbal response.]*

3 CHAIRMAN HONIGBERG: We did receive a
4 motion from one of the prospective intervenors
5 seeking clarification, that's the phrase they
6 used, although it looked like perhaps a motion
7 for reconsideration. Are you going to be
8 responding to that, Mr. Epler?

9 MR. EPLER: Yes, I am.

10 CHAIRMAN HONIGBERG: All right. Is
11 there anything else we need to do before we
12 adjourn and take this under advisement?

13 MR. EPLER: There was one minor
14 matter outstanding --

15 CHAIRMAN HONIGBERG: Uh-huh.

16 MR. EPLER: -- before the Commission,
17 and that was a waiver of the -- I think it's
18 the bill insert requirement.

19 CHAIRMAN HONIGBERG: Uh-huh.

20 MR. EPLER: Because of the timing of
21 when we filed and when we received approval
22 from the Consumer Division of our bill insert,
23 we didn't quite get everyone within the rules
24 requirement, and we required an additional

1 period of I think one week, but certainly no
2 more than two weeks for people to receive
3 notice. I can report to you that people have
4 received notice now, but we did ask for a
5 waiver of that provision.

6 CHAIRMAN HONIGBERG: Did either the
7 OCA or Staff have a position on the motion?

8 MS. AMIDON: We didn't file an
9 objection to the motion. We take no position
10 on it. It seemed a reasonable request.

11 MR. CICALÉ: The OCA shares Staff's
12 sentiment in that regard.

13 CHAIRMAN HONIGBERG: That motion is
14 granted.

15 Anything else we need to do?

16 MR. EPLER: No. No, Mr. Chairman.

17 CHAIRMAN HONIGBERG: All right.
18 Thank you all. We will adjourn.

19 ***(Whereupon the hearing was***
20 ***adjourned at 10:16 a.m.)***