

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

March 1, 2017 - 10:12 a.m.  
Concord, New Hampshire

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RE: **DE 16-384**  
**UNITIL ENERGY SYSTEMS, INC.:**  
**Request for Change in Rates.**

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

Sandy Deno, Clerk

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

**Reptg. Residential Ratepayers:**  
D. Maurice Kreis, Esq., Consumer Adv.  
Pradip Chattopadhyay, Asst. Cons. Adv.  
James Brennan, Finance Director  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Suzanne G. Amidon, Esq.  
Paul B. Dexter, Esq.  
Thomas Frantz, Director/Electric Div.  
Leszek Stachow, Asst. Dir./Elec. Div.  
Jay Dudley, Electric Division  
Richard Chagnon, Electric Division

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

**CERTIFIED  
ORIGINAL TRANSCRIPT**

**I N D E X**

**PAGE NO.**

1		
2		
3		
4	<b>WITNESS PANEL:</b>	
5		<b>DAVID CHONG</b>
6		<b>JAMES BRENNAN</b>
7		<b>PRADIP CHATTOPADHYAY</b>
8		<b>RICHARD CHAGNON</b>
9		
10	Direct examination by Mr. Epler	10
11	Direct examination by Mr. Kreis	25
12	Cross-examination by Mr. Kreis	41
13	Direct examination by Ms. Amidon	43
14	Interrogatories by Cmsr. Scott	47, 62
15	Interrogatories by Cmsr. Bailey	50, 51
16	Follow-up question by Mr. Epler	51
17	Interrogatories by Chairman Honigberg	59
18	Redirect examination by Mr. Epler	63

*(Also sworn in with above witnesses  
for possible questions: Mark Collin,  
Douglas Debski, George Simmons and  
Kevin Sprague)*

\* \* \*

**CLOSING STATEMENTS BY:**

19		
20		
21	Mr. Kreis	66
22	Ms. Amidon	67
23	Mr. Epler	68
24		

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

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Three Volumes of UES Initial Filing (04-29-16)	6
2	Supplemental page to Witness Norman's Testimony, Supplemental Pages 000476 - 000477 (05-05-16)	6
3	Addition to Supplemental Filing, PUC 1604.01(a)-13, Attachment 1 (05-05-16)	6
4	Revised Bill Insert (05-12-16)	6
5	Appendix A to Witness Overcast's testimony (07-01-16)	6
6	UES Updated Revenue Requirement Schedules (09-19-16)	6
7	NH PUC Staff Testimony & Exhibits (11-16-16)	6
8	NH OCA Testimony & Exhibits (11-16-16)	6
9	Omitted attachments of James Cunningham (11-17-16)	6
10	Corrections to Testimony of Pradip Chattopadhyay, corrected Page 83 (12-02-16)	6
11	UES Updated Revenue Requirement Schedules (01-06-17)	6
12	Settlement Agreement (02-22-17)	6

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

1  
2 CHAIRMAN HONIGBERG: Good morning,  
3 everyone. We're here in Docket DE 16-384,  
4 which is Unutil Energy Systems' rate case. We  
5 have a Settlement filed. I see we have a panel  
6 of witnesses already in place.

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

9 MR. EPLER: Good morning,  
10 Commissioners, Mr. Chairman. My name is Gary  
11 Epler. And I'm the attorney representing  
12 Unutil Energy Systems. Nice to see you.

13 MR. KREIS: Good morning, Mr.  
14 Chairman, Commissioners. I'm D. Maurice Kreis,  
15 sometimes referred to as "Don Kreis". I'm the  
16 head of the Office of the Consumer Advocate.  
17 We represent the interests of residential  
18 utility customers.

19 MS. AMIDON: Good morning. Suzanne  
20 Amidon, for Commission Staff. Rich Chagnon, an  
21 analyst with the Electric Division, is all part  
22 of the witness panel. And with me today is Tom  
23 Frantz, the Director of the Electric Division;  
24 Les Stachow, Director -- Assistant Director of

1 the Electric Division; Jay Dudley, who is an  
2 Analyst in the Electric Division; and my  
3 colleague, Paul Dexter, who's part of the Legal  
4 staff here at the Commission.

5 Thank you.

6 CHAIRMAN HONIGBERG: All right. How  
7 are we going to proceed this morning?

8 MS. AMIDON: Well, we have a couple  
9 of administrative issues to address at the  
10 outset, if I may.

11 Earlier in this proceeding, Unitil  
12 had filed a Motion for Confidential Treatment  
13 of certain information related to rate case  
14 expense, I believe, and subsequently withdraw  
15 that. The withdrawal is part of -- has been  
16 filed in the docketbook. And there are no  
17 other pending motions at this time. I believe  
18 the Company can confirm that, if you want  
19 confirmation of that.

20 Secondly, the OCA, Staff, and the  
21 Company have agreed to what you see in front of  
22 you, which is a list of proposed exhibits, and  
23 that these exhibits be admitted as evidence in  
24 this record. There are no changes to any of

1 the documents that are referenced in that list  
2 of exhibits. And I have also provided a copy  
3 of the list to the Clerk and to the court  
4 reporter. I have, in those two -- in those two  
5 documents that I provided them, I included the  
6 appropriate tab number referencing the  
7 docketbook and where these documents appear so  
8 they can easily retrieve them.

9 And, finally, I'm trying to think if  
10 there is anything else. We do have the panel  
11 in place and propose to present the Settlement  
12 through the panel.

13 CHAIRMAN HONIGBERG: And the Parties  
14 have stipulated that all the exhibits are going  
15 to be full exhibits? We don't have to go  
16 through the two-step process of marking and  
17 then later admitting?

18 MS. AMIDON: That's correct.

19 CHAIRMAN HONIGBERG: All right.

20 MR. EPLER: That's correct.

21 (The documents, as described  
22 within the List of Proposed  
23 Exhibits, were herewith marked  
24 as **Exhibit 1** through **Exhibit 12**,

1                   respectively, and entered as  
2                   full exhibits.)

3                   CHAIRMAN HONIGBERG: All right. If  
4                   there's nothing else, then we can proceed with  
5                   the panel. Mr. Patnaude.

6                   Oh, Mr. Epler, sorry.

7                   MR. EPLER: Yes. Just one thing.  
8                   What I thought, just to try to be efficient  
9                   here, is at the same time that the panel is  
10                  sworn in, there are several other individuals  
11                  from Unitil here this morning that I'm not  
12                  planning to put on, but, in case there are  
13                  additional questions that touch on their  
14                  particular expertise, I thought we would swear  
15                  them all in at the same time, if that's  
16                  agreeable?

17                  CHAIRMAN HONIGBERG: I assume there's  
18                  no objection to that from Ms. Amidon or Mr.  
19                  Kreis?

20                  MR. KREIS: None.

21                  MS. AMIDON: That's correct.

22                  CHAIRMAN HONIGBERG: All right.  
23                  Fine. Then, when Mr. Patnaude addresses the  
24                  witnesses who are in the box, the others should

1 follow along.

2 (Whereupon **David Chong, James**  
3 **Brennan, Pradip Chattopadhyay,**  
4 and **Richard Chagnon,** as well as  
5 **Mark Collin, Douglas Debski,**  
6 **George Simmons,** and **Kevin**  
7 **Sprague,** were all duly sworn by  
8 the Court Reporter.)

9 CHAIRMAN HONIGBERG: All right.

10 Mr. Epler.

11 MR. EPLER: Okay. Thank you, Mr.  
12 Chairman. I will start by addressing the  
13 witness being sponsored by Unitil, and allow my  
14 companion attorneys to address their witnesses  
15 in turn.

16 Just as an overview here, although  
17 I'm sure the Commission is well aware of this,  
18 just to give you some background, on  
19 April 29th, Unitil Energy filed for a permanent  
20 distribution revenue increase of \$6.3 million,  
21 and a five-year rate plan, certain rate design  
22 changes, including increases to customer  
23 charges, new distributed energy resources, and  
24 LED tariffs, and a temporary annual revenue

1 increase of 3 million.

2 At a prehearing companies on  
3 June 1st, the Commission heard oral argument on  
4 whether the tariff should be undertaken in the  
5 base rate case. On June 9th, the Commission  
6 ordered a suspension of the tariff in the base  
7 rate case and that it should be undertaken in  
8 the generic net metering investigation, DE  
9 16-576.

10 Effective July 1, 2016, the  
11 Commission approved a temporary rate increase  
12 of \$2.4 million.

13 The Commission's Audit Staff  
14 completed its final audit dated August 5th,  
15 2016. And, on September 16th, 2016, the  
16 Company filed the revised revenue requirement  
17 incorporating the Audit Staff's  
18 recommendations. A second revised revenue  
19 requirement was filed by the Company on  
20 January 6th, 2017 incorporating further  
21 adjustments revealed during discovery and the  
22 technical sessions. During the course of  
23 discovery, Staff issued ten sets of discovery  
24 and the Office of Consumer Advocate issued six

1 sets.

2 The Settling Parties met in technical  
3 sessions in June, September, and November of  
4 2016. And, on November 16th, Staff and the  
5 Office of Consumer Advocate submitted their  
6 prefiled direct testimonies. Settlement  
7 discussions took place in January of 2017 and  
8 ultimately led to this Settlement Agreement.

9 **DAVID CHONG, SWORN**

10 **DIRECT EXAMINATION**

11 BY MR. EPLER:

12 Q. Turning now to the witnesses, the witness  
13 sponsored by Unitil. Please state your name  
14 and the position you hold with Unitil.

15 A. (Chong) My name is David Chong. My Position is  
16 Director of Finance and Treasurer for Unitil  
17 Service Corp.

18 Q. And can you please describe the  
19 responsibilities you have in your position?

20 A. (Chong) My responsibilities are primarily in  
21 the areas of financial planning and analyses,  
22 regulatory projects, treasury operations, bank  
23 relationships, and insurance and claims  
24 administration.

1 Q. And can you please --

2 CHAIRMAN HONIGBERG: Wait, Mr. Epler.

3 Off the record.

4 *[Brief off-the-record discussion*

5 *ensued.]*

6 BY MR. EPLER:

7 Q. And can you please confirm that you submitted  
8 prefiled direct testimony in this docket  
9 regarding the requested increase in base  
10 distribution rates based on 2015 test year  
11 revenues and expenses and year-end rate base,  
12 with pro forma adjustments for known and  
13 measurable changes consistent with Commission  
14 precedent?

15 A. (Chong) That is correct.

16 Q. And your testimony also described the process  
17 and mechanics of the Company's requested  
18 multi-year rate plan, is that correct?

19 A. (Chong) That is correct.

20 Q. Now, during the course of this docket you also  
21 answered numerous data requests and tech  
22 session requests, and you also participated  
23 directly in the tech sessions and negotiating  
24 sessions that resulted in the Settlement

1 Agreement, which was filed with the Commission  
2 on February 22nd?

3 A. (Chong) That is correct.

4 Q. And, so, as a result, you're familiar with the  
5 details of the Settlement Agreement and are  
6 able to discuss and describe its various  
7 adjustments?

8 A. (Chong) Yes.

9 Q. Okay. Thank you. Could you please turn to  
10 what has been marked on the List of Exhibits as  
11 "Exhibit No. 12", which is the Settlement  
12 Agreement and its various attachments. Can you  
13 please provide an overview of the Agreement?

14 A. (Chong) Sure. The Settlement Agreement is a  
15 19-page document covering a distribution  
16 revenue increase; a series of three step  
17 adjustments and reporting requirements, and a  
18 rate case stay-out or moratorium provision; the  
19 recovery of rate case expenses and other  
20 regulatory expenses; the cost of capital and  
21 capital structure used to determine rates; an  
22 earnings sharing provision; rate design and  
23 anticipated bill impacts; several changes to  
24 certain tariffs and other changes; a new LED

1 tariff; and, finally, a recommendation to the  
2 Commission to open a docket to investigate the  
3 recovery of bad debt expense for uncollectible  
4 accounts receivable due from Active Hardship  
5 Protected Accounts, and a provision allowing  
6 rate changes upon the occurrence of certain  
7 exogenous events.

8 Q. And could you also please briefly describe the  
9 attachments to the Agreement.

10 A. (Chong) Sure. There are six attachments to the  
11 Settlement Agreement. Attachment 1 is the "May  
12 1, 2017 Step Adjustment Revenue Requirement".  
13 Attachment 2 is the "Calculation of  
14 Recoupment". Attachment 3 is "Rate Design -  
15 Permanent Rates". Attachment 4 is "Rate Design  
16 - Step Adjustment and Recoupment". Attachment  
17 5 is "Summary of Bill Impacts Based on Average  
18 Use". And, finally, Attachment 6 is "Typical  
19 Bill Impacts Based on Various Uses".

20 Q. Okay. So, could you now turn to Page 4 of the  
21 Settlement Agreement, and the section entitled  
22 "Distribution Rate Changes". Could you please  
23 review in a little more detail what's in this  
24 section?

1 A. (Chong) Sure. The Settlement Agreement  
2 provides for a permanent annual distribution  
3 revenue increase of \$4.1 million, or 65 percent  
4 of the Company's original request. While the  
5 Settling Parties could not agree on every  
6 individual component of the revenue  
7 requirement, the Parties were able to agree on  
8 an overall deficiency.

9 The Settlement Agreement also provides for  
10 a long-term rate plan with three step  
11 adjustments to rates on May 1st, 2017, 2018,  
12 and 2019. These step adjustments operate  
13 nearly identically to the Company's rate plan  
14 established in its 2010 rate case Docket DE  
15 10-055, which continued through 2015. These  
16 step adjustments recover the revenue  
17 requirement associated with 80 percent of the  
18 change in net utility plant for the preceding  
19 calendar year. There is an overall cap on the  
20 three step adjustments, totaling \$4.5 million  
21 over the three-year term.

22 The May 1st, 2017 step adjustment totals  
23 \$0.9 million and represents the revenue  
24 requirement associated with 80 percent of the

1 change in net utility plant during calendar  
2 year 2016. Also, the May 1st, 2017 step  
3 adjustment reflects recoupment of \$1.4 million.

4 Q. And just to clarify that last point, the  
5 recoupment, that's the difference between the  
6 temporary rates and the permanent rates?

7 A. (Chong) That is correct.

8 Q. Okay. Thank you. Can you now refer to the  
9 next page in the Agreement at Table 5 -- to the  
10 table on Page 5. And if you could walk through  
11 that calculation?

12 A. (Chong) Yes. The table has four components to  
13 it. The net rate change on May 1st, 2017  
14 reflects the permanent revenue increase of  
15 \$4.1 million, less the temporary increase of  
16 \$2.4 million, plus the first step adjustment of  
17 \$0.9 million, plus recoupment of \$1.4 million,  
18 for a total net change on May 1st, 2017 of  
19 \$4.0 million.

20 Also, I note that the second step increase  
21 effective May 1st, 2018 will eliminate the  
22 recoupment.

23 Q. And, briefly, what is the result of these  
24 increases?

1 A. (Chong) Yes. The average -- the average  
2 residential customer will see a 3.6 percent  
3 annual bill impact effective May 1st, 2017, and  
4 commercial/industrial customers will see  
5 impacts ranging from 0.8 percent to  
6 4.1 percent. The bill impacts are shown in  
7 detail in Attachments 5 and 6.

8 Q. Could you turn to those attachments. First,  
9 Attachment 5. And that's a one-page schedule.  
10 Could you describe it please.

11 A. (Chong) Yes. It shows, for average use, the  
12 current rates versus May 1st, 2017 permanent  
13 rates, plus step adjustment and recoupment.

14 Q. Okay. So, looking at that, the sixth column is  
15 the resulting Settlement rates, and the seventh  
16 column is the difference, and then the eighth  
17 column is the percentage change, is that  
18 correct?

19 A. (Chong) That is correct.

20 Q. Okay. Thank you. Could you now just turn the  
21 page and go to Attachment 6. And please  
22 describe that.

23 A. (Chong) Yes. It shows typical bill impacts in  
24 rates for each customer class across a range of

1 usage levels.

2 Q. Now, turning back to Page 6 of the Agreement,  
3 how did the Settling Parties address the  
4 recovery of rate case expenses and related  
5 docket expenses?

6 A. (Chong) The Settling Parties agree that rate  
7 case expenses will be amortized over a one-year  
8 period, and that outside regulatory costs  
9 incurred in DE 16-576 will be recovered over a  
10 three-year period.

11 Q. Okay. And that's Paragraphs 2.7 and 2.8 of the  
12 Agreement?

13 A. (Chong) That is correct.

14 Q. Now, the Agreement does not provide for  
15 automatic recovery of these expenses, is that  
16 correct?

17 A. (Chong) Yes. The Settlement Agreement only  
18 describes the categories of expenses that the  
19 Settling Parties agree to be eligible for  
20 recovery. The burden is on the Company to show  
21 in a separate filing, and supported by  
22 sufficient documentation, that the expenses it  
23 seeks for recovery are just and reasonable.

24 Q. And the term "just and reasonable", are you

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 familiar that that's the standard that's in the  
2 Commission's 1900 rules for recovery of rate  
3 case expenses?

4 A. (Chong) Yes.

5 Q. Okay. Thank you. Okay. Continuing with the  
6 Settlement Agreement, Section 3, could you  
7 please describe the cost of capital and capital  
8 structure that was agreed to.

9 A. (Chong) Yes. The capital structure agreed to  
10 reflects the actual capital structure of Unitil  
11 Energy Systems as of December 31st, 2015. The  
12 common equity ratio is 51 percent. The agreed  
13 upon ROE is 9.5 percent. Resulting in an  
14 overall return on rate base of 8.34 percent.

15 Q. Now, from your perspective as a representative  
16 of the Company, are there any provisions that  
17 you would describe as "ratepayer protections"  
18 in this Agreement?

19 A. (Chong) Yes. The Settlement Agreement has  
20 numerous features to protect ratepayers.

21 First, the Company has a stay-out  
22 provision and is obligated to not file a base  
23 rate case with the Commission before  
24 December 31st, 2019. Although, I do note that

1           there is an off-ramp to this provision in the  
2           event Unitil's return on equity is less than  
3           7 percent.

4           Second, the Settlement provides for an  
5           earnings sharing agreement. If Unitil's return  
6           on equity for any of the calendar years 2016,  
7           '17 or '18 exceed 10.5 percent, then excess  
8           annual earnings will be shared equally between  
9           the Company and ratepayers.

10           Third, the sum of the May 1st, 2017, 2018,  
11           and 2019 step adjustments shall not exceed  
12           \$4.5 million.

13           Fourth, the Settlement Agreement provides  
14           for exogenous events to provide for adjustments  
15           to distribution rates either upwards or  
16           downwards. The threshold for any singular  
17           event is \$200,000.

18   Q.   Now, you previously discussed the bill impacts,  
19       and we briefly looked at Attachments 5 and 6,  
20       which show the bill impacts. Can you describe  
21       how the rate increases were allocated among the  
22       rate classes?

23   A.   (Chong) Yes. The overall revenue deficiency  
24       was allocated to the residential and outdoor

1 lighting classes at 125 percent of the overall  
2 average distribution increase. The remainder  
3 of the deficiency was allocated on an equal  
4 percentage basis to the commercial and  
5 industrial classes.

6 The residential customer charge is  
7 increased to \$15 to better reflect the fixed  
8 costs incurred to serve them, such as meter,  
9 overhead lines and service costs.

10 Q. And, now, can you -- could you turn to  
11 Section 7, which is on Page 12 of the  
12 Agreement, the Miscellaneous Fees and Charges"  
13 section. And briefly describe what's in this  
14 section?

15 A. (Chong) Yes. As you can see, miscellaneous  
16 service fees and charges were updated to better  
17 reflect the costs of providing such. These  
18 changes are in Paragraph 7.1.

19 Further along, you can see that future  
20 vegetation management and reliability  
21 enhancement expenditures will be reconciled to  
22 an amount of \$4.9 million, which is the test  
23 year annual expense level. Yesterday, the  
24 Company filed its Vegetation Management and

1 Reliability Enhancement Report for calendar  
2 year 2016. This continues the reporting  
3 requirement that began under the Settlement  
4 Agreement in Docket DE 10-055, and shows the  
5 reconciliation of these costs through the EDC.  
6 The Company was over collected in this filing.  
7 The report was docketed as DE 17-033. And the  
8 Company will continue to make these annual  
9 filings under this Agreement.

10 Next, an LED lighting tariff was agreed  
11 upon with provisions to allow customers the  
12 opportunity to have LED installations performed  
13 by a private line contractor. Municipal  
14 customers also have the opportunity to have  
15 maintenance performed by a private line  
16 contractor.

17 Unitil withdrew its request for Active  
18 Hardship Protected Accounts. Instead, the  
19 Settling Parties recommend a general proceeding  
20 undertaken by the Commission in the next six  
21 months.

22 Finally, the Company, Staff, and the OCA  
23 agree to hold a series of working meetings in  
24 the second half of 2017 to develop a data

1 sharing plan for the collection, management,  
2 and reporting of granular energy data from a  
3 dedicated database.

4 MR. EPLER: And, Commissioners, just  
5 looking at that section, that's Section 7.7 on  
6 Page 14, there may be some somewhat obscure  
7 technical language in that section. And the  
8 reason I want to speak to that is because I was  
9 deeply involved in drafting that language with  
10 the representative from the Office of Consumer  
11 Advocate.

12 And the intent is recognizing that we  
13 are moving towards a utility model through the  
14 smart grid process, with the grid modernization  
15 process, towards one where there will be more  
16 data sharing between the utility and its  
17 customers. The intent here is to meet, to look  
18 at the data that is collected by the Company,  
19 and a means to try to set up models where that  
20 data can be shared with the Company's  
21 customers, third parties, and so on.

22 So, it's -- and there was certain  
23 technical commitments that were agreed to here  
24 that we will try to meet and try to model out

1           how that data can be shared.

2                       CHAIRMAN HONIGBERG:  Mr. Epler, on  
3           this section, when I read it, what was missing  
4           was maybe what you just supplied, which was the  
5           "what is the purpose of collecting this data?"  
6           Because, when you read the paragraph, it really  
7           just talks, it seems anyway, to talk about the  
8           collection and management of data as an end to  
9           itself.  There's no other purpose.  And maybe  
10          you just supplied it, which is planning for the  
11          future needs to be able to -- for people to  
12          access information.

13                      MR. EPLER:  That's -- I think that's  
14          the long-range intent.  I think part of this is  
15          going to be an education process.  So, to, as I  
16          said, invite the Consumer Advocate and the  
17          Staff to look at what we have and how it's  
18          collected, and some of the technical challenges  
19          that we face in trying to be able to  
20          disseminate that data and so on.

21                      But the intent is kind of a  
22          forward-looking intent, realizing that there  
23          are these other dockets going on that are  
24          talking about data sharing and so on.  So, it's

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 an attempt to start working in that direction.

2 CHAIRMAN HONIGBERG: All right. So,  
3 we've had a little interlude on this. And  
4 maybe some of the witnesses, when they're  
5 questioned, will offer up some of their  
6 thoughts on the purposes and how they think  
7 this might go.

8 Do you have further questions for Mr.  
9 Chong?

10 MR. EPLER: Just a last kind of  
11 clean-up question.

12 BY MR. EPLER:

13 Q. Mr. Chong, is there anything else that you'd  
14 like to add at this time?

15 A. (Chong) Yes. I just want to thank the  
16 Commission's Staff and the Office of Consumer  
17 Advocate for their professionalism throughout  
18 this process. Rate cases are challenging  
19 undertakings, with very large amounts of data  
20 to review and question, within a limited time  
21 frame. Our experience is that this process was  
22 handled very efficiently and effectively in New  
23 Hampshire, which allows all parties to get to  
24 the large issues and engage in serious

1 negotiations to resolve the case. We  
2 appreciate their time and effort.

3 MR. EPLER: That's all I have. Thank  
4 you.

5 CHAIRMAN HONIGBERG: All right.  
6 Thank you. Mr. Kreis, perhaps you'd like to  
7 pick up the chase.

8 MR. KREIS: Thank you, Mr. Chairman.  
9 And maybe it would make sense just to continue  
10 the thread that you started in your colloquy  
11 with Mr. Epler. So, therefore, I think I'll  
12 start with Mr. Brennan.

13 **JAMES BRENNAN, SWORN**

14 **PRADIP CHATTOPADHYAY, SWORN**

15 **DIRECT EXAMINATION**

16 BY MR. KREIS:

17 Q. Mr. Brennan, would you be kind enough to  
18 identify yourself for the record.

19 A. (Brennan) My name is Jim Brennan. I'm Finance  
20 Director for the Office of Consumer Advocate.

21 Q. And you have filed prefiled direct testimony in  
22 this proceeding, have you not?

23 A. (Brennan) That's correct.

24 Q. And that testimony is part of what has been

1 marked and admitted as "Exhibit No. 8",  
2 correct?

3 A. (Brennan) Correct.

4 Q. Mr. Brennan, you presumably were listening a  
5 moment ago when Mr. Epler was testifying about  
6 Paragraph 7.7 of the Settlement Agreement,  
7 correct?

8 A. (Brennan) Yes.

9 Q. It would be fair, would it not, to say that  
10 that paragraph in the Settlement Agreement  
11 relates to your prefiled testimony?

12 A. (Brennan) That's correct.

13 Q. What were the recommendations in your prefiled  
14 testimony that that paragraph relates to?

15 A. (Brennan) The purpose of my testimony and the  
16 spirit of Section 7.7 was to propose a data  
17 project that will reduce risk associated with  
18 multi-year rate plans in this specific  
19 instance. Where you have forward plant,  
20 property, and equipment investments occurring  
21 going into the out years. Over that same  
22 period, technology advancements are enabling  
23 new services, in some cases new least cost  
24 services, such as, in addition to energy

1 efficiency, demand response, distributed  
2 generation, storage, and collectively referred  
3 to as "distributed energy resources". And, to  
4 evaluate these potentially lower cost services,  
5 you need customer data and other types of data  
6 to perform the evaluation. And, without that  
7 data available to evaluate a potential project,  
8 you would not be able to have a robust set of  
9 alternative DER projects to potentially pick  
10 from going forward in your plant, property and  
11 equipment.

12 So, in the spirit of us agreeing -- the  
13 OCA agreeing to the Company's multiyear rate  
14 plan, the Company, the Staff, and the OCA have  
15 agreed to initiate this project to begin the  
16 process of planning and designing a data  
17 sharing platform to help analyze other types of  
18 alternative investments.

19 Q. Mr. Brennan, you just referred to the  
20 evaluation of certain, I guess, opportunities  
21 or technologies. And when you were discussing  
22 that, who specifically were you contemplating  
23 would be conducting those evaluations?

24 A. (Brennan) The evaluations of alternative -- of

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 distributed energy resources, who would be  
2 evaluating that?

3 Q. Yes.

4 A. (Brennan) The potential alternative projects  
5 for -- it could be distributed generation or a  
6 micro grid or whatever the type of project is,  
7 could be proposed by a third party and  
8 evaluated by the Company in its distribution  
9 planning model as a potential solution to solve  
10 a problem. So, it's just adding alternative  
11 types of investments to consider in building  
12 out the distribution grid.

13 Q. And you alluded in your initial answer to  
14 "reduced risk". How do these analytical  
15 efforts reduce risk and whose risk are you  
16 talking about?

17 A. (Brennan) The risk is, if there is -- if a  
18 alternative solution could solve a identified  
19 problem at a lower cost, but that solution is  
20 not presented because of a lack of customer  
21 data to evaluate it, the risk is that a higher  
22 cost asset could be put into rate case and that  
23 passes through to the customer in their rates.

24 Q. So, just to be clear, it's risk of higher rates

1 for customers than otherwise would apply if a  
2 more thorough and rigorous analysis were  
3 undertaken?

4 A. (Brennan) Correct.

5 Q. Could you -- well, let me ask you this  
6 question. Ultimately, what the Settlement  
7 Agreement contemplates in Paragraph 7.7 is a  
8 series of working meetings to develop a data  
9 sharing plan. Would you agree with me that an  
10 advantage of this particular approach is that  
11 it allows those working meetings, and  
12 ultimately the data sharing plan that emerges  
13 out of them, to be consistent with and be  
14 informed by whatever emerges from the grid  
15 modernization docket that has not yet been  
16 concluded?

17 A. (Brennan) Yes. I would agree that that is a  
18 benefit of it. And I would also point out that  
19 an additional consideration in our  
20 recommendation for Unitil to embark on this  
21 study, and hopefully have it result eventually  
22 in building out a platform, is that Unitil  
23 currently has the capability, technical  
24 capability, with its advanced metering

1 infrastructure, to collect the data that would  
2 be discussed in this project. So, you have a  
3 case where you have -- the three requirements  
4 needed for a successful technology project are  
5 a valid business case, and there's plenty of  
6 business cases out there that DER can be a  
7 lower cost alternative; you have a company that  
8 has the technical capability to do it; and you  
9 have a group of people, between Staff, OCA, and  
10 the Company, that would be able to conduct that  
11 study and plan the model.

12 Q. That Paragraph 7.7 refers to the term "Logical  
13 Data Model". And those three words are  
14 capitalized, which I interpret as a lawyer to  
15 mean that they have a specialized meaning.  
16 Could you help the Commission understand  
17 exactly what a "Logical Data Model" is?

18 A. (Brennan) A "Logical Data Model" is a tool used  
19 to design a data architecture. Essentially, it  
20 is how you represent a company in a software  
21 application or a database. So, this logical  
22 model will be built by sitting down with  
23 business experts at the Company and discussing  
24 what are called "entities" that we want to

1 model in the software world. And, as an  
2 example, one of the entities would be a  
3 customer, which becomes a table in this  
4 database. A second entity may be a meter. And  
5 there would be discussions on "what is the  
6 relationship between a customer and a meter?"  
7 Does one customer have one meter? Can one  
8 customer have multiple meters? So, you get  
9 into relationships between entities.

10 And, if you introduce address, does one  
11 customer have one address or multiple  
12 addresses? At an address, is there one meter  
13 or multiple meters?

14 So, this is the type of entity  
15 relationship modeling that gets done with the  
16 business experts of the Company. And it's a  
17 well-known tool. It uses UML, Unified Modeling  
18 Language, to do this. And the end result is  
19 the ability to create a database that would  
20 exactly mirror the logic that the Company and  
21 all other agree that this is how Unitil's  
22 energy data actually exists in reality. So,  
23 that is the outcome, one of the outcomes in  
24 this data study is to produce a Logical Data

1 Model.

2 Q. And, finally, with respect to this paragraph,  
3 Mr. Brennan, would you agree with me that, even  
4 though the central issue in a rate case is  
5 always "what is the Company's revenue  
6 requirement?", an issue that is very important  
7 to residential utility customers obviously,  
8 it's the data and planning issues that are  
9 captured and discussed in Paragraph 7.7 that  
10 are critically important to making sure that a  
11 utility, this utility, any utility, any  
12 electric utility, provide the kind of service  
13 that residential customers need at the  
14 appropriate cost in the future?

15 A. (Brennan) I would agree.

16 Q. Okay. Then, we can move on to a couple of  
17 other little topics. You know that, although  
18 Mr. Chattopadhyay is sitting next to you, the  
19 OCA has a third witness, Mr. Rubin, who is not  
20 here today. The subject of his testimony,  
21 which is part of Exhibit 8, is rate design. In  
22 his testimony, you would agree with me,  
23 Mr. Brennan, Mr. Rubin expressed some concerns  
24 at Page 7 of his testimony about "disparate

1 bill impacts", correct? Meaning disparate  
2 impacts of the rate increases on different  
3 customer classes in the Company's original  
4 filing?

5 A. (Brennan) Yes.

6 Q. And would you also agree with me that the  
7 Settlement Agreement addresses that issue in an  
8 adequate and appropriate fashion, does it not?

9 A. (Brennan) I would agree.

10 Q. And would you also agree with me that it does  
11 that via Paragraph 6.2 of the Settlement  
12 Agreement, which provides for the proportional  
13 adjustment of the revenue -- or, it applies the  
14 revenue requirement increase in a proportional  
15 manner to all customer classes, correct?

16 A. (Brennan) Yes. That's correct.

17 Q. And you would agree with me that that is an  
18 effort to address the concerns in Mr. Rubin's  
19 testimony?

20 A. (Brennan) Yes. I agree.

21 Q. And Mr. Rubin also addressed the question of  
22 the "returned check fee" in his testimony. Do  
23 you recollect that?

24 A. (Brennan) Yes.

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 Q. And that issue is likewise adequately and  
2 appropriately addressed in the Settlement  
3 Agreement, is it not?

4 A. (Brennan) I agree.

5 Q. And would you agree with me that the Settlement  
6 Agreement, in essence, adopts the Company's  
7 perspective on what the cost of a returned  
8 check is to the Company, and basically applies  
9 that to the returned check charge going  
10 forward?

11 A. (Brennan) Yes. That's correct.

12 Q. Okay. I think that I can now move on to your  
13 colleague, Mr. Chattopadhyay, sitting next to  
14 you. Mr. Chattopadhyay, would you be kind  
15 enough to identify yourself for the record.

16 A. (Chattopadhyay) Yes. I am the Assistant  
17 Consumer Advocate for the Office of Consumer  
18 Advocate.

19 Q. And could you confirm that you submitted  
20 prefiled direct testimony in this proceeding?

21 A. (Chattopadhyay) Yes, I did.

22 Q. And that prefiled direct testimony is included  
23 as a part of Exhibit 8?

24 A. (Chattopadhyay) That is correct.

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 Q. And the subject of your prefiled direct  
2 testimony is the Company's cost of capital, is  
3 it not?

4 A. (Chattopadhyay) Yes. More specifically, I  
5 focused on the cost of equity.

6 Q. Do you recollect what your recommendation with  
7 respect to a just and reasonable cost of equity  
8 was?

9 A. (Chattopadhyay) I had recommended a point  
10 estimate of 8.5 percent, and a range that was  
11 from 8.2 to 8.6 percent.

12 Q. And how does that compare with the return on  
13 equity figure in the Settlement Agreement?

14 A. (Chattopadhyay) That is lower than what we  
15 agreed in the Settlement.

16 Q. Your range of reasonable returns on equity is  
17 lower than what's agreed to in the Settlement  
18 Agreement?

19 A. (Chattopadhyay) That is correct.

20 Q. And the figure in the Settlement Agreement is  
21 9.5 percent?

22 A. (Chattopadhyay) That is correct.

23 Q. Could you explain to the Commission what  
24 accounts for the difference between your

1 original recommendation and the 9.5 percent  
2 figure that the Parties agreed upon?

3 A. (Chattopadhyay) Sure. For cost of capital  
4 witnesses, there's always the issue of sort of  
5 looking at data differently and having their  
6 own opinions about what is the correct approach  
7 to come to a DCF-based cost of equity measure.  
8 And --

9 Q. And, by "DCF-based", you mean a calculation  
10 based on the Discounted Cash Flow?

11 A. (Chattopadhyay) Cash Flow approach, yes. The  
12 primary difference that I'm going to talk about  
13 is really what the Company's witness had and  
14 what I had, was essentially driven by the --  
15 I'm using earnings growth, I'm using book value  
16 per share growth, I'm using dividends per share  
17 growth as an estimate of the growth variable  
18 that goes into the estimation, the DCF-based  
19 estimation of cost of equity.

20 Other than that, it's also true that the  
21 Company's witness was relying on other  
22 approaches, meaning, you know, the CAPM, and  
23 then the risk premium modeling. So, he also  
24 looked at the history. And, so, he -- as he

1 put it, as I understand it, his recommendation  
2 was based on consideration of all of that.  
3 While my approach largely relied on the DCF  
4 approach. And his recommendation was  
5 10.3 percent. And, so, mine was very lower  
6 than that.

7 Q. Have there been any changes in the economy  
8 since both you and he filed your testimony that  
9 might have had a bearing on this determination?

10 A. (Chattopadhyay) Yes. Even though I haven't  
11 gone back and estimated or reestimated the  
12 number right -- as I would recommend right now,  
13 because we have a settlement here, but the  
14 reality is that, even after, for example,  
15 November 8th, the bond yields went up quite a  
16 bit, and then the stock markets always change.  
17 So, there is a general sense that the returns,  
18 you know, the expected returns have gone up.

19 Q. Because it's basically bond yields that form  
20 the foundation on which these return on equity  
21 calculations are made by you and your fellow  
22 return on equity wizards?

23 A. (Chattopadhyay) It is sort of a barometer to  
24 assess where the market returns are going

1 currently.

2 Q. And, overall, are you satisfied that a 9 --  
3 well, can you compare this 9.5 figure at all to  
4 what other utilities around the country in the  
5 electric field are currently receiving?

6 A. (Chattopadhyay) I have looked at a publication  
7 that comes out of SNL, and they kind of report  
8 the average return on equity across the years.  
9 And, for delivery-only companies, for example,  
10 in 2016, the average was around 9.3 percent.  
11 And that report shows that how the numbers have  
12 been going down, but you have to keep in mind  
13 that cost of capital or cost of equity, both  
14 are forward-looking. So, when I'm speaking at  
15 this point, this is 2017, just because there  
16 has been a downward trend doesn't mean that  
17 it's going to continue or anything. But, for a  
18 general sense, in 2016, the average was  
19 9.3 percent, roughly speaking.

20 Q. So, in light of that 9.3 percent average you  
21 just referred to, the fact that there have been  
22 some changes in the economy since the prefiled  
23 testimony was prepared that have tended to  
24 nudge the cost of capital upward in the economy

1 generally as a matter of reasonableness, and  
2 the fact that your estimate was significantly  
3 different than the estimate provided by the  
4 Company's expert witness, you would agree that  
5 overall this compromised figure of 9.5 percent  
6 is a "just and reasonable" number, would you  
7 not?

8 A. (Chattopadhyay) I absolutely agree with that.

9 MR. KREIS: So, I think those are all  
10 the questions I have on direct examination. We  
11 offered Mr. Chattopadhyay because he is the  
12 only ROE expert present in the hearing room  
13 today, and we thought that the Commissioners  
14 might have some questions on that subject  
15 possibly, when it's their turn.

16 I have a couple of questions to ask  
17 Mr. Chong, really literally a couple, when it's  
18 time to do cross-examination. But I think  
19 that's everything I have on direct for my  
20 witnesses.

21 CHAIRMAN HONIGBERG: Well, would it  
22 be more efficient to do that, to ask your  
23 questions of Mr. Chong now? I mean, Mr. Epler,  
24 are you going to want to ask questions of the

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 OCA's witness or the Staff's witness?

2 MR. EPLER: I don't believe so. But  
3 it's fine with me for Don -- Mr. Kreis to  
4 continue.

5 CHAIRMAN HONIGBERG: Off the record.

6 *[Brief off-the-record discussion*  
7 *ensued.]*

8 CHAIRMAN HONIGBERG: And, Ms. Amidon,  
9 it's okay with you --

10 MS. AMIDON: Yes.

11 CHAIRMAN HONIGBERG: -- if we just  
12 have Mr. Kreis finish his questions?

13 MS. AMIDON: Yes. Yes. I'm  
14 indifferent to the process on that. Sorry.

15 CHAIRMAN HONIGBERG: All right. Mr.  
16 Kreis, why don't you continue then.

17 MR. KREIS: Thank you. I just wanted  
18 to ask Mr. Chong a couple of questions about  
19 Paragraph 2.8. And I think that Mr. Epler  
20 covered this with more than adequacy, but I  
21 just wanted to make sure that this is clear,  
22 because this is slightly unusual, at least in  
23 my experience.

24 **CROSS-EXAMINATION**

{DE 16-384} {03-01-17}

1 BY MR. KREIS:

2 Q. Mr. Chong, Paragraph 2.8 provides somewhat  
3 unusually for the Company to recover expenses  
4 that look like rate case expenses but really  
5 relate to dockets other than this rate case,  
6 correct?

7 A. (Chong) This Paragraph 2.8 provides for  
8 recovery of the net metering costs that the  
9 Company initially filed in its direct testimony  
10 in this docket. So, since it was part of the  
11 initial proposal, the Settling Parties agreed  
12 that this would be reasonable to recover.

13 Q. Thank you. That was the question I was going  
14 to ask you. I guess my question was going to  
15 be, isn't it particularly appropriate for those  
16 costs arising out of the net metering docket to  
17 be not -- well, to be recovered pursuant to  
18 Section 2.8 as a result here, because  
19 originally the Company endeavored to raise  
20 certain rate design issues in this docket, and  
21 the Commission decided to take those issues and  
22 transfer them over to the net metering docket?

23 A. (Chong) That is correct. The portion of  
24 testimony that was for net metering from this

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 original base rate case was transferred to the  
2 net metering docket, yes.

3 Q. Right. And you would also agree with me that  
4 some of the expenses that we're talking about  
5 in Section 2.8 were actually incurred by the  
6 Staff of the Commission and the Office of the  
7 Consumer Advocate in connection with the net  
8 metering docket and will be assessed to  
9 utilities via the special assessment process,  
10 true?

11 A. (Chong) That is correct.

12 Q. And you would also agree with me that Unitil  
13 will pay only its ratable share of those  
14 expenses as assessed to Unitil?

15 A. (Chong) That is correct.

16 Q. And I believe that you adequately covered with  
17 Mr. Epler, but I just want to highlight and  
18 reconfirm, that the same standards that would  
19 govern scrutiny of rate case expenses will also  
20 apply to the recovery of the Company's expenses  
21 in connection with the net metering and grid  
22 modernization dockets?

23 A. (Chong) That is correct.

24 MR. KREIS: Thank you. Those are all

1 the questions I have, Mr. Chairman.

2 CHAIRMAN HONIGBERG: Ms. Amidon.

3 MS. AMIDON: Thank you.

4 **RICHARD CHAGNON, SWORN**

5 **DIRECT EXAMINATION**

6 BY MS. AMIDON:

7 Q. Good morning, Mr. Chagnon. Would you please  
8 for the record state your name and your  
9 position here with the Commission.

10 A. (Chagnon) Good morning. My name is Rich  
11 Chagnon. And I'm a Utility Analyst here at the  
12 Public Utility Commission.

13 Q. Have you previously testified before the  
14 Commission?

15 A. (Chagnon) Yes, I have.

16 Q. Would you please briefly describe your role in  
17 investigation of this rate case.

18 A. (Chagnon) Yes. I served as Lead Analyst on  
19 this rate case, and handled all of the data  
20 requests and the communication back and forth.  
21 And --

22 Q. And, essentially, and pardon me for  
23 interrupting, but you oversaw and are familiar  
24 with all the testimony filed by Staff in this

1 case that is part of Exhibit 7, is that  
2 correct?

3 A. (Chagnon) That is correct. I have a full  
4 understanding.

5 Q. And you filed your own testimony as well, is  
6 that right? You prepared your own testimony?

7 A. (Chagnon) That's correct.

8 Q. And, as you discussed, you participated in all  
9 the discovery and the technical sessions, and  
10 you participated in the development and  
11 discussions leading to the Settlement  
12 Agreement, is that right?

13 A. (Chagnon) Yes, I did.

14 Q. And, as such, you're familiar with all of the  
15 provisions in the Settlement Agreement, is that  
16 right?

17 A. (Chagnon) I am.

18 Q. And do you understand, as I do, that the  
19 Settlement Agreement is a global settlement of  
20 all the issues in the case, including return on  
21 equity and the rate expense recovery provision  
22 that was referenced by the Consumer Advocate?

23 A. (Chagnon) Yes. That's correct.

24 Q. Thank you. I have three specific questions.

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 One of them does relate to the recovery of rate  
2 expense. In your work with the Commission,  
3 would you agree with me that it's customary for  
4 the Audit Division for the Commission to review  
5 the costs associated with rate case expense?

6 A. (Chagnon) Yes. They would do a full audit on  
7 those expenses.

8 Q. And the same would apply, would it not, to the  
9 expenses incurred in connection with  
10 Commission-initiated investigations, such as  
11 net metering and grid modernization?

12 A. (Chagnon) That's correct.

13 Q. Thank you. Mr. Chong referenced a recent  
14 report that was filed representing Unitil's  
15 RMP -- REP/VMP filing and update?

16 A. (Chagnon) Yes.

17 Q. And, even if you personally do not review this  
18 filing, you understand that this filing will be  
19 reviewed by the Electric Division to determine  
20 whether -- how the costs were incurred and  
21 whether the costs were appropriately incurred?

22 A. (Chagnon) That is correct.

23 Q. Okay. Thank you. And, finally, I don't know  
24 if anyone has mentioned this, but on Page 13,

1 at Section 7.4, and you can tell me when you  
2 get there.

3 A. (Chagnon) Okay. I'm there.

4 Q. Okay. And this really -- this provision has to  
5 do with electric vehicle recharging, is that  
6 correct?

7 A. (Chagnon) That's correct.

8 Q. And could you explain your understanding of  
9 what this provision accomplishes in this  
10 Agreement?

11 A. (Chagnon) Yes. What this does is it aligns  
12 this clause equal or similar to other utilities  
13 in New Hampshire, and does allow for third  
14 parties to have recharging stations without  
15 implying that it's a resale of energy.

16 Q. Okay. Thank you. And that's uniform with the  
17 provisions that Eversource has or is it  
18 Liberty, I forget?

19 A. (Chagnon) Both of them, yes.

20 Q. Okay. Thank you.

21 A. (Chagnon) You're welcome.

22 Q. And you were also able to answer any questions  
23 that the Commission might have on Paragraph  
24 7.3, on the LED Outdoor Lighting tariff, is

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1           that right?

2   A.       (Chagnon) Yes.   Correct.

3                   MS. AMIDON:   Okay.   Thank you.   That  
4   concludes my questions.

5                   CHAIRMAN HONIGBERG:   Commissioner  
6   Scott.

7                   CMSR. SCOTT:   Good morning.   And my  
8   usual caveat, whoever is best to answer, though  
9   I may perhaps direct some questions at a  
10   particular person.

11                   First, I want to thank everybody.  
12   This seems to be a very comprehensive  
13   Settlement.   So, thank you for all the work you  
14   put into it.

15   BY CMSR. SCOTT:

16   Q.       Since we left off at -- almost left off at 7.4,  
17   I want to go back there and ask the Company.   I  
18   was just curious, as alluded to in the  
19   questioning of Staff, the PUC had already ruled  
20   on the treatment regarding resale for electric  
21   vehicles in an earlier docket.   I was curious  
22   if Unitil is seeing any customers asking about  
23   this at this point?   Do you have much uptake on  
24   that yet?

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 A. (Chong) The Company has not received any  
2 applications so far. But we do have one Tesla  
3 charging station in Seabrook.

4 Q. And this is one station, meaning one charger or  
5 one --

6 A. (Chong) I don't know the specifics. I know  
7 it's a station.

8 Q. Okay. That's fair enough. Thank you.  
9 Probably for Mr. Chong also. On Section 8, I  
10 was curious, which is under the -- under "State  
11 Initiated Cost Changes", I was curious if you  
12 had any thought at this point, will the grid  
13 mod, net metering or EERS dockets have any  
14 impact, any triggering impact in your mind?

15 A. (Chong) Not in my mind. Those have more to do  
16 with the rate design aspects. And I don't  
17 think that it would be impact the Company from  
18 an expense level, *per se*. So, I can't think of  
19 anything right now.

20 Q. And, similarly, not new to this year, but we  
21 have a very active Legislature. So, they spend  
22 a lot of time thinking up things to do I'm  
23 hearing. And do you -- and, first of all, I'm  
24 assuming you're aware of many of the bills that

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 are currently in the Legislature. Do you  
2 expect any of them would have an impact like  
3 this?

4 A. (Chong) Yes, I am. I am generally aware that  
5 there's different tax reform proposals.  
6 There's proposals to reduce the corporate  
7 income tax rate. There's potential to lose  
8 interest expense deductibility on debt.  
9 There's also capital expensing, 100 percent  
10 capital expensing.

11 I believe that all of those would be  
12 covered under the exogenous events. So, in the  
13 event that this tax reform does go through,  
14 corporate tax change, reduction in corporate  
15 taxes would flow through to ratepayers.

16 Q. Thank you. I know you don't have a crystal  
17 ball, but --

18 A. (Chong) Yes.

19 Q. -- sometimes I like to try to look anyways.

20 A. (Chong) Sure.

21 Q. On Section 7.5, I was curious, I understand the  
22 intent is to open a generic docket within six  
23 months. I was curious if I could get an idea  
24 what -- approximately what the current balance

1 is on that account?

2 A. (Chong) That was in Mr. Dan Main's prefiled  
3 testimony. I can't remember the exact amount  
4 on the top of my head. It is \$1.7 million.

5 Q. Okay. So, it's pretty constant. It didn't  
6 fluctuate a lot since the testimony was filed  
7 then?

8 A. (Chong) It was 1.7 as of the filing. I do  
9 believe that it's increased since then. I do  
10 believe it goes up a few hundred thousand every  
11 year. It's a growing balance.

12 CMSR. SCOTT: Okay. Thank you.  
13 Well, I think you've covered everything else  
14 already. So, thank you.

15 CHAIRMAN HONIGBERG: Commissioner  
16 Bailey.

17 CMSR. BAILEY: Thank you. Good  
18 morning.

19 WITNESS CHAGNON: Good morning.

20 BY CMSR. BAILEY:

21 Q. I guess I'll pick up on the exogenous costs.  
22 You've said "100 percent capital as an  
23 expense"? Is there a bill in the Legislature  
24 that they want to change capital investment to

1 an expense?

2 A. (Chong) Yes. That goes hand-in-hand with lost  
3 interest expense deductibility. The offset to  
4 that would be to allow 100 percent expensing of  
5 capital. That it's -- it's preliminary. And I  
6 don't think that there's -- it definitely  
7 hasn't been -- it's not further along than just  
8 proposals right at this point.

9 CHAIRMAN HONIGBERG: Mr. Epler, you  
10 want to say something?

11 MR. EPLER: Just a clarification, if  
12 I could ask the witness a question please?

13 CHAIRMAN HONIGBERG: Sure. Why not.

14 BY MR. EPLER:

15 Q. The bill that you're referencing that's before,  
16 that's a federal matter, not a state matter?

17 A. (Chong) It's a federal matter.

18 MR. EPLER: Okay. Thank you.

19 BY CMSR. BAILEY:

20 Q. So, the federal law may change to say that any  
21 capital investment that you make is going to be  
22 expensed, not earn a return?

23 A. (Chong) For tax purposes, it would be expensed.  
24 So, it would create a deferred income tax.

1 Q. Okay.

2 A. (Chong) Which would reduce rate base. So, we  
3 would still earn a return on the capital,  
4 because it would go into plant in service, but  
5 there would be a deferred income tax that would  
6 offset that partially. So, it would be -- the  
7 way to think about it, it would be a reduction  
8 to rate base from current law in the future.

9 Q. Okay. Thank you. Okay. Can you turn to  
10 Page 7? I want to talk about earnings sharing.  
11 The sentence in Paragraph 4.1 that talks about  
12 the "ROE collar", says that you'll share the  
13 earnings "if Unitil's earned ROE for each of  
14 the three reporting calendars is greater than  
15 10.5 percent". Did you mean "for any of" those  
16 three years? Or, do you have to earn  
17 10.5 percent in each one of those years in  
18 order to share?

19 A. (Chong) For any of those years. So, if any  
20 year exceeds 10.5 percent, then that year's  
21 earnings, in that sense, will be shared.

22 Q. Okay. Thank you. You, in this section, say  
23 that you will file your earnings report 60 days  
24 after the calendar quarter. Did you file the

1 one for 2016?

2 A. (Chong) Yes, we did.

3 Q. What was the ROE for 2016?

4 A. (Chong) I don't have it in front of me. I  
5 believe it was -- I think Mr. Epler could  
6 probably --

7 Q. Well, do you know if it was more than ten and a  
8 half percent?

9 A. (Chong) It was not.

10 Q. Okay. Was it 9.5 percent?

11 A. (Chong) I believe it was 8.1 percent, but that  
12 is subject to check.

13 Q. Okay. That's fine. Thank you. A question  
14 about when the -- about the stay-out provision.

15 A. (Chong) Okay.

16 Q. On Page 4, at the bottom of Paragraph 2.1, you  
17 say that "the Company may not file with the  
18 Commission a rate case before December 31st,  
19 2019". And, on Page 7, Paragraph 4.1.2, in the  
20 middle of the paragraph there, it says you  
21 "shall not propose a rate change to permanent  
22 rates for effect prior to December 31st, 2019".  
23 So, which is it? Is it the rates -- you can't  
24 file a rate case until December 2019 or are

1           you --

2   A.     (Chong) So, we are obligated to not file a rate  
3           case before December 31st, 2019, unless our ROE  
4           is under 7 percent.

5   Q.     No, I understand that part.

6   A.     (Chong) Okay.

7   Q.     But this seemed to be a little bit -- the  
8           wording in Paragraph 4.1.2 seemed to be a  
9           little different, so that you can't propose a  
10          change to permanent rates for effect prior to  
11          December 31st, 2019. So, you could have a rate  
12          case in 2018 -- well, no, you wouldn't have a  
13          rate case in 2018 for 2019. So, this language  
14          would imply that, even if you filed a rate case  
15          on December 31st, 2019, you could have those  
16          rates go into effect on December 31st, 2019, at  
17          the end of the rate case?

18   A.     (Chong) The intent of the language was to  
19          mirror Page 4, "would not file a distribution  
20          rate case before December 31st, 2019". So, my  
21          understanding is we could file on January 1,  
22          2020, and as soon as we could have rates is  
23          temporary rates, which would be three months  
24          thereafter.

1 Q. Okay. So, rates not in effect December 31st,  
2 2019?

3 A. (Chong) No.

4 Q. Okay. Thank you. On Page 10, I don't  
5 understand what you mean, and I think you said  
6 it in your oral testimony this morning about  
7 "125" -- "residential ratepayers will have no  
8 more than 125 percent of the overall average  
9 distribution increase". So, you have settled  
10 on a 6 -- oh, my gosh. Was it 4.2? 4.1?  
11 \$4.2 million rate increase?

12 A. (Chong) \$4.1 million, correct.

13 Q. And residential ratepayers, how does the  
14 125 percent relate to that?

15 A. (Chong) So, the \$4.1 million increase is  
16 roughly 7 percent of distribution revenues  
17 across all classes. That 7 percent then gets  
18 multiplied by 1.25, to result in 9.9 percent  
19 increase to the residential class only.

20 Q. So that would mean that you could increase --  
21 you could recover all of the 4.1 million from  
22 the residential class?

23 A. (Chong) Well, no, the theory behind capping the  
24 residential class is that the residential

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 class -- the cost of service for the  
2 residential class far exceeds what the  
3 ratepayers are currently paying, they're  
4 essentially being subsidized. And, so, we are  
5 trying to limit the rate shock on the  
6 ratepayer -- on the residential class at  
7 125 percent of the overall increase. So, it's  
8 a way of limiting the impact to the residential  
9 ratepayers.

10 Q. Mr. Chagnon, maybe you can help me out. It  
11 sounds like you can get 125 percent of the  
12 total of -- how much of the \$4.1 million then  
13 gets allocated to residential customers?

14 A. (Chong) Well, the increase to the residential  
15 customer is 9.9 percent on a distribution  
16 basis. So, I don't have the numbers in front  
17 of me. But, if it was -- if it was  
18 \$20 million that the distribution -- that the  
19 residential ratepayers were paying, it would be  
20 20 million times 10 percent, essentially. So,  
21 they would go up to \$22 million. So, --

22 Q. Twenty -- Oh. So, they would recover 2 -- in  
23 your example, \$2 million of the 4.1 million?

24 A. (Chong) Of the 4.1 million, correct. But they

1 would not end up paying the entire 4.1.

2 Q. Okay.

3 A. (Chagnon) And if I may?

4 Q. Please.

5 A. (Chagnon) Currently, residential customers are  
6 being subsidized, as Mr. Chong stated. And,  
7 so, this is a way of bringing more of the  
8 dollars back to the cost-causer, which is the  
9 residential, and in a slow pace. So, even  
10 after having a higher increase, the residential  
11 customers are still going to be subsidized by  
12 commercial customers.

13 Q. Okay. The fixed charge that's going to \$15,  
14 what's the current equivalent right now?

15 A. (Chong) If you give me one second, it is in the  
16 attachments.

17 Q. Is that the \$10 and something change rate, down  
18 on the bottom of Page -- Attachment 6, Page 1?  
19 The "Customer Charge"?

20 A. (Chong) Yes. Yes, that is correct. \$10.27.

21 Q. So, it goes from 10.27 to \$15.24?

22 A. (Chong) To 15.24, yes.

23 Q. Okay. Thank you. And that's included in part  
24 of the 9.9 percent --

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 A. (Chong) Yes.

2 Q. -- cap on the increase?

3 A. (Chong) Yes.

4 Q. Okay. On the Active Hardship Protected  
5 Accounts recovery, your proposal was to  
6 establish a regulatory asset?

7 A. (Chong) Yes.

8 Q. Would that include a return on investment of  
9 that \$1.7 million or would it just amortize  
10 the --

11 A. (Chong) Just amortize that return.

12 Q. Okay. Why did you call it a "regulatory  
13 asset"?

14 A. (Chong) It's a cost -- it's a deferred cost  
15 that gets put on the balance sheet, so the  
16 Company doesn't have to expense it immediately.  
17 It's a deferred item. So, we have looked for  
18 regulatory approval to recover that as a  
19 regulatory asset.

20 Q. So, it doesn't -- I mean, a regulatory asset --  
21 okay. I guess I'm just confused by the term  
22 "regulatory asset". It just means that it's an  
23 amount of money that you seek to recover  
24 through regulation?

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 A. (Chong) Correct.

2 Q. Okay.

3 A. (Chong) Correct. Right. But, just to clarify,  
4 it is not in the Agreement.

5 Q. Yes. I understand that. Thank you. And the  
6 reason that you can't collect that in  
7 uncollectibles is because those customers are  
8 still connected?

9 A. (Chong) Correct.

10 Q. And they will remain connected, but not pay?

11 A. (Chong) Correct.

12 CMSR. BAILEY: Okay. I think that's  
13 all I have. Thank you.

14 WITNESS CHONG: Thank you.

15 BY CHAIRMAN HONIGBERG:

16 Q. Mr. Chong, I want to make sure I understand  
17 something you testified to in response to  
18 questions from Mr. Epler. You talked about the  
19 recoupment, and that on -- as of May 1, 2018,  
20 the step increase, I think I wrote it down as  
21 you said it, would "eliminate the recoupment".  
22 Is what you mean that "by May 1, 2018, the  
23 recoupment will be done"?

24 A. (Chong) That's essentially what I meant, yes.

1 Q. All right. That's what I thought.

2 A. (Chong) Yes.

3 CHAIRMAN HONIGBERG: When Mr. Chong  
4 was being questioned by Commissioner Bailey, he  
5 testified to his understanding regarding  
6 Section 4.1, and in the fourth line of Section  
7 4.1 the word "each" should really be read as  
8 "any". I want to get confirmation from counsel  
9 to the Parties that that is, in fact, the  
10 correct way to read Section 4.1.

11 Mr. Epler?

12 MR. EPLER: Yes. That's correct.

13 CHAIRMAN HONIGBERG: Mr. Kreis?

14 MR. KREIS: Yes. It's correct.

15 CHAIRMAN HONIGBERG: Ms. Amidon?

16 MS. AMIDON: I agree. That's the  
17 correct interpretation. Thank you.

18 CHAIRMAN HONIGBERG: The other thing  
19 that Mr. Chong clarified, and this may be more  
20 in the nature of clarification, was with  
21 respect to a section I can't currently  
22 remember, having to do with when or to what  
23 effect a rate change could be filed. Does  
24 everyone agree that Mr. Chong's testimony here

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 on the stand reflects the Parties' intent?

2 Mr. Epler?

3 MR. EPLER: Yes. That's correct.

4 CHAIRMAN HONIGBERG: Mr. Kreis?

5 MR. KREIS: Yes, sir.

6 CHAIRMAN HONIGBERG: Ms. Amidon?

7 MS. AMIDON: Yes.

8 CHAIRMAN HONIGBERG: Would it make  
9 sense perhaps for the Parties to prepare  
10 modified pages to reflect the wording changes?  
11 So that someone who comes to this a year from  
12 now or two years from now, who doesn't go back  
13 and read the transcript of the hearing, would  
14 be able to see what the Parties mean?

15 MR. EPLER: We can certainly do that  
16 after the hearing.

17 CHAIRMAN HONIGBERG: All right. I  
18 think that, without objection from the others,  
19 I think that makes sense for you all to do.

20 MS. AMIDON: Uh-huh.

21 CHAIRMAN HONIGBERG: I don't have  
22 anything else. Commissioner Scott I believe  
23 has an additional question or two.

24 CMSR. SCOTT: For whoever wants to

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 answer. I believe I know the answer to this,  
2 but I just want to make sure we get it on  
3 the -- in my mind and on the record.

4 BY CMSR. SCOTT:

5 Q. We had other intervenors at the beginning of  
6 this proceeding. When we culled out the net  
7 metering issue to a separate docket, am I  
8 correct that those other intervenors, meaning  
9 the people not in this room, didn't have any  
10 interest in this docket, as far as intervening  
11 moving forward, that's why they're not on the  
12 Settlement Agreement? Is that a fair  
13 statement?

14 CHAIRMAN HONIGBERG: Is that a  
15 question for the witnesses or is that a  
16 question for counsel?

17 CMSR. SCOTT: Well, maybe counsel, if  
18 he's willing to answer that.

19 MR. EPLER: My understanding is that  
20 those parties had an opportunity to seek to  
21 continue in this docket, if they desired. And  
22 there was, as far as I'm aware, no expression  
23 of that desire. They were content with the  
24 issue that they had raised and the ruling of

1 the Commission on that issue, and they did not  
2 continue their participation or proceed to  
3 continue their intervention.

4 CMSR. SCOTT: Thank you.

5 CHAIRMAN HONIGBERG: All right. Do  
6 any of the lawyers have further questions for  
7 their witnesses?

8 Mr. Epler.

9 MR. EPLER: I did have a question  
10 that -- an issue that I wanted to follow up on.  
11 I would like to ask the questions, though, of  
12 Mr. Doug Debski, who is a Senior Regulatory  
13 Analyst with the Company. He was previously  
14 sworn in.

15 CHAIRMAN HONIGBERG: You may proceed.

16 MR. EPLER: Okay. Mr. Debski, do you  
17 have a microphone?

18 WITNESS DEBSKI: I do.

19 MR. EPLER: Okay. And the court  
20 reporter can hear him?

21 MR. PATNAUDE: Yes.

22 **REDIRECT EXAMINATION**

23 BY MR. EPLER:

24 Q. Mr. Debski, do you recall that there were

1 several questions from Commissioner Bailey to  
2 Mr. Chong regarding the allocation of the  
3 revenue increase to the domestic class or the  
4 residential rate paying class? Do you recall  
5 those questions?

6 A. (Debski) Yes, I do.

7 Q. Okay. Can you please turn to the Settlement  
8 Agreement, to the attachments, Attachment 3?  
9 And if you could, first, if you were looking at  
10 Page 4 -- I'm sorry, Page 1 of 4, what does  
11 this show, on Page 1?

12 A. (Debski) I think the point we're trying to make  
13 here was the allocation that the Domestic class  
14 and the Outdoor Lighting classes would receive  
15 no more than 125 percent of the overall  
16 distribution rate increase. So, this schedule,  
17 down on Line 14, demonstrates that the overall  
18 increase was 7.93 percent. And, if you take  
19 that, and multiply it times 1.25, the cap is  
20 9.91 percent. And this schedule shows that  
21 both the Domestic and the Outdoor lighting  
22 classes are capped at the 9.91 percent.

23 Q. Okay. So, basically, you're applying the  
24 9.91 percent to the current rates, is that

1 correct?

2 A. (Debski) That's correct.

3 Q. To reach the cap?

4 A. (Debski) Yes.

5 Q. And, so, the increase then is shown on -- the  
6 actual dollar increase is shown on Line 13?

7 A. (Debski) Correct. So, the \$4.1 million  
8 increase, 2.6 million and change is allocated  
9 to the Domestic class.

10 Q. Okay. And, then, so -- and to see the  
11 difference is you're looking at the difference  
12 between Line 1, under "Domestic", and Line 15,  
13 and that shows you what the end result is of  
14 the dollars that are allocated to the Domestic  
15 class?

16 A. (Debski) Correct.

17 Q. Okay. And is that further broken out on Page 2  
18 of that attachment?

19 A. (Debski) It is. Page 2, 3, and 4 just go  
20 further to allocate those dollars to the  
21 different rate classes. For example, Outdoor  
22 Lighting, the dollars are allocated to each of  
23 the individual light types.

24 MR. EPLER: That's all the questions

[WITNESS PANEL: Chong~Brennan~Chattopadhyay~Chagnon]

1 I have. Thank you.

2 CHAIRMAN HONIGBERG: All right. Are  
3 there any other questions for any of the  
4 witnesses?

5 MS. AMIDON: No.

6 MR. KREIS: None for me.

7 CHAIRMAN HONIGBERG: All right. I  
8 think then we are done with the witnesses.  
9 Although, I suspect that it's going to make  
10 sense for them to stay where they are.

11 Is there any other business we need  
12 to transact before we allow the Parties to sum  
13 up?

14 *[No verbal response.]*

15 CHAIRMAN HONIGBERG: Didn't think so.  
16 Mr. Kreis, why don't you lead us off.

17 MR. KREIS: I would like to reiterate  
18 the thanks that Mr. Chong expressed to all of  
19 the Parties and employees of the Parties who  
20 participated in much discovery and many hours  
21 of discussion of the terms that are reflected  
22 in the Settlement Agreement.

23 In our opinion, they result not only  
24 in just and reasonable rates, but also create a

1 climate in which Unitil is committed to  
2 collaborating with the Staff of the Commission  
3 and the Office of the Consumer Advocate and  
4 other stakeholders on moving forward into the  
5 future in a way that will make sure that  
6 service provided to customers is safe and  
7 reliable, at the lowest possible cost.

8 And, so, therefore, I recommend that  
9 the Commission adopt the terms reflected in the  
10 Settlement Agreement and close the case  
11 forthwith.

12 CHAIRMAN HONIGBERG: Thank you, Mr.  
13 Kreis. Ms. Amidon.

14 MS. AMIDON: Thank you. I think you  
15 can see from the volume of Exhibit 7 and the  
16 testimony of Mr. Chagnon today that Staff  
17 thoroughly investigated this filing. And we  
18 believe that our participation in the  
19 Settlement Agreement resulted in a just and  
20 reasonable settlement, which is fair to  
21 ratepayers and appropriately balances  
22 ratepayers' interests with those of the  
23 shareholders and getting a return on their  
24 investment. And it's a global settlement, and

1 we believe that the Commission should approve  
2 the Settlement in its entirety.

3 I would like to, you know, and since  
4 we're thanking people, I would like to thank  
5 the Company for its professionalism and for its  
6 honesty in dealing with the Staff. But I have  
7 my warmest thanks to the Electric Division  
8 staff, headed by Tom Frantz. Because, without  
9 their hard work, and I know many of these  
10 people are in the room, my job would be much  
11 harder. And they made it very easy for me to  
12 work with the Company using the information and  
13 the analysis that they provided. So, I wanted  
14 them to know I appreciated their work. Thank  
15 you.

16 CHAIRMAN HONIGBERG: Thank you,  
17 Ms. Amidon. And I know that Staff appreciates  
18 your expressing that on the record.

19 Mr. Epler.

20 MR. EPLER: Yes. Thank you. I  
21 really just want to echo the comments of the  
22 Staff counsel and the Consumer Advocate. This  
23 was a challenging effort. But, I think, from  
24 the Company's perspective, it yields a just and

1 reasonable result. And we urge the Commission  
2 to adopt it.

3 CHAIRMAN HONIGBERG: All right.  
4 Thank you all for the work you did on this.  
5 It's apparent that there was a tremendous  
6 amount of work done, and done with cooperative  
7 spirit, which is always nice to see.

8 So, with that, we will close the  
9 hearing, take the matter under advisement,  
10 issue an order as quickly as we can. We are  
11 adjourned.

12 ***(Whereupon the hearing was***  
13 ***adjourned at 11:31 a.m.)***