

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

July 24, 2017 - 1:35 p.m.
Concord, New Hampshire

7 AUG '17 PM 1:19

RE: DG 17-070
NORTHERN UTILITIES, INC.:
Request for Change in Rates.
(Hearing regarding Temporary Rates)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Sandy Deno, Clerk

APPEARANCES: Reptg. Northern Utilities, Inc.:
Gary Epler, Esq.

Reptg. Residential Ratepayers:
Brian Buckley, Esq.
Pradip Chattopadhyay, Asst. Cons. Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Paul B. Dexter, Esq.
Stephen Frink, Asst. Dir./Gas & Water

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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I N D E X

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WITNESS PANEL:

DAVID L. CHONG
PRADIP CHATTOPADHYAY
STEPHEN P. FRINK

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here in Docket 17-070, which is Northern's rate case. We're here for a temporary rate hearing. There is a settlement on file. Something else that's been placed in front of us.

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

MR. EPLER: Good afternoon, Commissioners. Gary Epler, attorney for Northern Utilities. And with me today are David Chong, who's the Director of Finance and Treasurer for Unitil, and also the Treasurer of the utilities. And next to him is George Simmons, who's the Manager of the Regulatory Division of Unitil. Thank you.

MR. BUCKLEY: Good afternoon, Commissioners. Brian Buckley, staff attorney with the Office of the Consumer Advocate, to my left is Dr. Pradip Chattopadhyay, here representing the interests of residential ratepayers.

MR. DEXTER: I'm Paul Dexter, appearing on behalf of the Commission Staff.

1 With me is Stephen Frink, the Assistant
2 Director of the Gas & Water Division.

3 CHAIRMAN HONIGBERG: All right. How
4 are we proceeding this afternoon?

5 Mr. Epler.

6 MR. EPLER: Yes, Mr. Chairman. The
7 Company proposes to put on one witness to
8 describe a Settlement Agreement that's been
9 reached between the Company, the Staff, and the
10 Office of Consumer Advocate.

11 We have two documents that we would
12 propose -- sorry. We have two documents that
13 we would propose to be entered into as
14 exhibits. The first one is a document that's
15 been placed before you and labeled as "Exhibit
16 1". And what that is is, in the Company's
17 initial filing, Mr. Chong's testimony contained
18 both testimony for permanent rates and also
19 temporary rates, and exhibits for both
20 permanent rates and temporary rates. And what
21 we've done with this document is we've taken
22 out the portion of his testimony that relates
23 to temporary rates, and as well as the
24 attachment, and made it a separate exhibit.

1 So, it can be entered now, if you agree,
2 without putting in the rest of the filing.
3 There are no substantive changes. It is
4 exactly what was prefiled.

5 And then we would propose, as the
6 second exhibit, would be the Settlement
7 Agreement itself, along with the cover letter
8 and the attachments to the settlement
9 Agreement.

10 CHAIRMAN HONIGBERG: Is there any
11 objection -- is there going to be any objection
12 to the admission of Exhibit 1, as Mr. Epler has
13 described it?

14 MR. DEXTER: Staff has no objection.

15 MR. BUCKLEY: Neither does OCA.

16 CHAIRMAN HONIGBERG: All right. So,
17 then I also take it then there's no objection
18 to striking ID now on Exhibits 1 and 2, and
19 they are full exhibits. We won't have to go
20 through some of the stuff that we normally do.
21 Correct?

22 MR. DEXTER: That's correct.

23 CHAIRMAN HONIGBERG: All right.

24 (The documents, as described,

1 were herewith marked as
2 **Exhibit 1** and **Exhibit 2**,
3 respectively, and entered as
4 full exhibits.)

5 CHAIRMAN HONIGBERG: Are there any
6 other preliminary matters before Mr. Chong
7 testifies?

8 MR. DEXTER: Staff would --

9 CHAIRMAN HONIGBERG: Mr. Dexter.

10 MR. DEXTER: Staff would propose that
11 Stephen Frink testify in support of the
12 Settlement. And I recommend that they do it at
13 the same time for efficiency reasons.

14 CHAIRMAN HONIGBERG: That's fine.
15 Mr. Buckley, is Dr. Chattopadhyay also going to
16 testify?

17 MR. BUCKLEY: That is correct.

18 CHAIRMAN HONIGBERG: All right. Is
19 there anything else then before the three
20 witnesses are impaneled?

21 *[No verbal response.]*

22 CHAIRMAN HONIGBERG: All right. Why
23 don't we have that done.

24 (Whereupon **David L. Chong**,

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 **Pradip Chattopadhyay**, and
2 **Stephen P. Frink** were duly sworn
3 by the Court Reporter.)

4 CHAIRMAN HONIGBERG: Mr. Epler.

5 MR. EPLER: Thank you, Mr. Chairman.
6 If it's all right, I will just do the direct of
7 the Company's witness.

8 **DAVID L. CHONG, SWORN**

9 **PRADIP CHATTOPADHYAY, SWORN**

10 **STEPHEN P. FRINK, SWORN**

11 **DIRECT EXAMINATION**

12 BY MR. EPLER:

13 Q. Mr. Chong, you've testified before the
14 Commission previously, is that correct?

15 A. (Chong) Yes.

16 Q. And, in your capacity as the Director of
17 Finance for Unitil and Treasurer for Unitil,
18 and also Treasurer for Northern Utilities, did
19 you participate in settlement negotiations in
20 this docket?

21 A. (Chong) Yes.

22 Q. And did you also, as part of your participation
23 in the case, respond to several data requests
24 that were propounded by the Staff regarding

{DG 17-070} [Hearing on Temporary Rates] {07-24-17}

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 temporary rates?

2 A. (Chong) Yes.

3 Q. Could you please turn to what has been marked
4 as "Exhibit No. 2", the Settlement Agreement?

5 A. (Chong) Okay.

6 Q. And could you turn to that document, and
7 briefly describe the Settlement Agreement.

8 A. (Chong) Certainly. Section A of the Settlement
9 Agreement, on Page 1, describes the Company's
10 initial filing on June 5th, 2017, the various
11 witnesses, and the Company's request for
12 approximately \$2.0 million of temporary rates.

13 The Company met in a technical session
14 following the prehearing conference on
15 July 6th. And the Company responded to several
16 different data requests, which were responded
17 to on June 29th. The ultimate settlement
18 agreed upon was \$1.6 million above the current
19 revenue level, that's a distribution revenue
20 increase only. And we agree that that would
21 become effective on August 1st, 2017.

22 Section B of the Settlement Agreement
23 describes how the surcharge will be applied.
24 It is \$0.0229, which will be applied to all of

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 Unitil's current rate schedules on a uniform
2 per therm -- per therm basis.

3 There are -- Section C is "Miscellaneous
4 Provisions". They're more or less legal
5 boilerplate language. I won't go into that.
6 But I will describe the attachments very
7 briefly.

8 Attachment 1 to the Settlement Agreement
9 is the "Calculation of the Temporary Rate
10 Adjustment". The revenue requirement of
11 \$1.6 million is divided by 69.9 million
12 weather-normalized therms, and that results in
13 a \$0.0229 per therm.

14 Attachment 2 is a "Report of Proposed Rate
15 Changes". Column (H) shows the percent change
16 in revenue, in total revenue. As you can see,
17 for residential, on a whole, it's a 1.4 percent
18 change in revenue on a total bill impact basis.

19 Attachment 3 is 18 pages, and it shows the
20 winter and summer delivery and supply and
21 delivery only bill impacts at varying
22 consumption rates. And it goes through that
23 for every different class that the Company has.

24 And, finally, Attachment 4 has an annual

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 bill impact for the typical residential
2 customer, for all three different classes of
3 the residential customers. And, as you can
4 see, for the typical, on Attachment 4, Page 1,
5 for the typical residential heating customer,
6 it is a 1.4 percent annual impact, or \$17
7 annually.

8 And that is a brief summary of the
9 Settlement Agreement.

10 Q. And, as a representative of the Company, do you
11 believe that the settlement of temporary rates,
12 and given the amount and the proposed recovery
13 on a uniform per therm basis, do you believe
14 that this results in a reasonable level of
15 rates for the Company?

16 A. (Chong) I do. It's a little bit lower than the
17 Company's request, but I believe it is just and
18 reasonable.

19 MR. EPLER: Thank you very much.

20 CHAIRMAN HONIGBERG: Mr. Buckley.

21 BY MR. BUCKLEY:

22 Q. Dr. Chattopadhyay, did you participate in the
23 Settlement Agreement marked as "Exhibit 2"?

24 A. (Chattopadhyay) Yes, I did.

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 Q. Can you tell me a little bit about the impact
2 on residential ratepayers within that
3 Settlement Agreement?

4 A. (Chattopadhyay) Sure. As the previous witness
5 discussed, overall, for the residential
6 customers, the increase is 1.4 percent over the
7 current rates. Generally, the customer charge
8 has not been changed. The per therm rate has
9 been changed by the amount that was also
10 mentioned previously, which is 0.0229 per
11 therm. So, that's how it is.

12 Q. Thank you. And do you see the rates embodied
13 within this Settlement Agreement as just and
14 reasonable?

15 A. (Chattopadhyay) Yes, I do.

16 MR. BUCKLEY: No further questions.

17 CHAIRMAN HONIGBERG: Mr. Dexter.

18 MR. DEXTER: Thank you.

19 BY MR. DEXTER:

20 Q. Mr. Frink, would you identify yourself please
21 for the record.

22 A. (Frink) My name is Stephen Paul Frink.

23 Q. And what's your position with the Commission?

24 A. (Frink) I'm the Assistant Director of the Gas &

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 Water Division.

2 Q. And you've provided testimony before this
3 Commission in the past, is that correct?

4 A. (Frink) Many times.

5 Q. Could you describe the responsibilities you
6 have with respect to the temporary rate phase
7 of this proceeding?

8 A. (Frink) Yes. I reviewed the Petition, the
9 testimony related to temporary rates and the
10 schedules. I prepared some data requests and
11 reviewed the responses. Participated in a
12 technical session and settlement discussions,
13 and am sponsoring the Settlement for Staff.

14 Q. Do you believe that the rate settlement agreed
15 upon results in a reasonable return on the
16 Company's investment dedicated to public
17 service?

18 A. (Frink) Yes, I do.

19 MR. DEXTER: That's all the questions
20 I have for Mr. Frink.

21 CHAIRMAN HONIGBERG: Commissioner
22 Bailey.

23 CMSR. BAILEY: Thank you. Good
24 afternoon. And whoever feels most adequate to

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 answer these questions, please don't hesitate
2 to do so.

3 BY CMSR. BAILEY:

4 Q. Can somebody tell me what Northern's currently
5 authorized rate of return is?

6 A. (Frink) It's -- 9.5 percent is the return on
7 equity. The actual return on overall rate of
8 return, I'm not sure. I have the filing here,
9 so --

10 Q. Okay. Well, while your looking, my next
11 question is going to be what their achieved
12 rate of return was for the test year?

13 A. (Frink) Okay. Actually, what I do have is I
14 have the quarterly rate of return calculation
15 that Northern files for December 31, 2016. So,
16 basically, that's an unadjusted -- well, it
17 includes a weather-normalization. And, on
18 that, it actually provides the allowed,
19 authorized return on equity, and it has the
20 return on rate base actual. And, according to
21 that report, the return for 2016 was an actual
22 return of 7.35, based on a updated cost of
23 capital using a 9.5 percent return on equity of
24 7.89. So, the overall rate of return updated

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 for the current capital structure shows
2 7.89 percent, and an earnings of 7.35. And,
3 again, very few adjustments, the one major
4 adjustment, of course, for
5 weather-normalization.

6 Q. So, they're authorized to earn a return on rate
7 base of 7.89?

8 A. (Frink) That would be correct, based on the
9 current cost of capital.

10 Q. Okay.

11 A. (Frink) I don't know if this current cost was
12 what was the existing cost structure in 2013.

13 Q. I understand. And, so, they were authorized
14 7.89, they achieved 7.35. Is that right, Mr.
15 Chong?

16 A. (Chong) That is correct.

17 Q. Okay.

18 A. (Chong) The return on equity may be helpful to
19 you. Steve, if you want to cite those.

20 A. (Frink) Right. The return on equity, the
21 authorized return on equity is 9.5. And the
22 actual return on equity is 8.47.

23 Q. And what is the rate of return that you expect
24 to achieve by the Settlement?

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 A. (Chong) The Settlement Agreement reflected --
2 the Company's request in the Settlement
3 Agreement of the 2.0 million requested a rate
4 of return of last authorized of 9.5 percent.
5 Of course, we didn't agree to every different
6 agreement in the -- in the Temporary Rate
7 Petition. So, depending on how you look at it,
8 the actual ROE could be lower than that or it
9 could be equal to that, depending on which
10 adjustments were accepted.

11 Q. You said the "rate of return was 9.5"?

12 A. (Chong) Return on equity, I'm sorry.

13 Q. The return on equity?

14 A. (Chong) Yes.

15 Q. So, what you're attempting to achieve with
16 \$1.6 million increase in temporary rates is a
17 rate of return that would achieve an ROE of
18 9.5 percent?

19 A. (Chong) That was the Company's request with the
20 2.0 million. At 1.6 million, it would be
21 9.5 percent ROE or less.

22 Q. Okay. And, Dr. Chattopadhyay and Mr. Frink, do
23 you believe that the Company is under earning?

24 A. (Frink) I believe the Company is, as their

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 actual report shows, they were under earning
2 slightly. And, again, there were very few
3 adjustments. So, yes, I do think they are
4 under earning.

5 As to what's a fair temporary rate
6 increase to allow for a reasonable return, how
7 you determine a reasonable return doesn't
8 necessarily have to be a 9.5, the Company's
9 temporary rate proposal, well, it was based on
10 a 9.5, but their permanent request is 10.3. I
11 expect Staff will be well below that.

12 So, the 1.6 isn't necessarily trying to
13 achieve the 9.5 return. It's trying to achieve
14 a reason return. One important consideration
15 to Staff is that the Petition asked for a
16 permanent rate increase, a step increase that's
17 going to take place on the same date, and also
18 there will be rate case expenses to be
19 recovered at that point in time. So, the
20 thought in approve -- whether 1.6 is reasonable
21 or not is, for rate continuity and to avoid
22 rate shock, it seemed reasonable, that it would
23 produce a reasonable return at 1.6. And, so,
24 that's where we wound up.

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 Q. Okay. Is the reason that the increase to low
2 income customers is higher than the percentage
3 increase to standard residential customers
4 simply because the rate per therm increase is
5 the same between those two classes?

6 A. (Frink) Right. The driver would be, because
7 it's a per therm charge, the low income users
8 use fewer therms. So, if you were to adjust
9 the rates using the current rate design,
10 prorate it, then the low income users would
11 have seen -- wouldn't have seen as big an
12 increase. But it's a relatively small increase
13 for all customer classes. And, so, yes. That
14 would be the reason.

15 A. (Chattopadhyay) I also think that, generally
16 speaking, given the base being smaller, that
17 also has a tendency to increase the percentage
18 amount.

19 For us, we -- just speaking for the OCA,
20 one of the issues we will be looking at is rate
21 design. And, so, this is -- we have agreed to
22 what we have right now. But we are going to be
23 carefully looking at the rate design in
24 general, and we will definitely look at the low

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 income class very closely as well.

2 Q. Okay. And, then, I just have one, I think it's
3 a non-substantive question. In Attachment 3,
4 on Page -- starting on Page 3, the column
5 heading in the fourth column from the left,
6 should that say "Monthly Bills at Proposed
7 Rates"?

8 A. (Chong) It should.

9 Q. Okay. And I think the same -- the same issue
10 is on 4, 5, and 6, but not the other pages.
11 And, so, I just want to -- you don't have to
12 correct it, but I just want to make sure that
13 that's what I understand.

14 A. (Chong) Yes. As noted, that is correct.

15 CMSR. BAILEY: Okay. All right.

16 Thank you. That's all I have.

17 BY CHAIRMAN HONIGBERG:

18 Q. Dr. Chattopadhyay, do you recall Mr. Frink's
19 answer to Commissioner Bailey's question about
20 returns and how these rates work in
21 relationship to those returns, anything in
22 Mr. Frink's answer that you disagree with?

23 A. (Chattopadhyay) No, there isn't anything.

24 CHAIRMAN HONIGBERG: All right. I

[WITNESS PANEL: Chong~Chattopadhyay~Frink]

1 have no further questions.

2 Do any of the lawyers have questions
3 for their witnesses?

4 MR. EPLER: I have no questions.

5 Thank you.

6 CHAIRMAN HONIGBERG: All right. If
7 there's nothing else, then I think all we have
8 left is for the Parties to sum up, since we've
9 already struck ID on the exhibits.

10 Mr. Buckley, why don't you begin.

11 MR. BUCKLEY: Thank you. So, given
12 the context that these rates will be fully
13 reconcilable upon completion of the permanent
14 rates section of this proceeding, that gives
15 the Office of the Consumer Advocate enough
16 comfort to support this agreement and see it as
17 just and reasonable.

18 Thank you.

19 CHAIRMAN HONIGBERG: Mr. Dexter.

20 MR. DEXTER: Staff takes a position
21 very similar to the OCA. Our witness testified
22 that the overall Settlement will result in just
23 and reasonable rates and a reasonable return on
24 the Company's investment on a temporary basis.

1 And on that, on the basis of that finding, we
2 recommend that the Commission approve the
3 Settlement.

4 CHAIRMAN HONIGBERG: Mr. Epler.

5 MR. EPLER: The Company agrees with
6 the statements that have been made by counsel
7 for the OCA and for Staff, and it has nothing
8 to add.

9 Thank you.

10 CHAIRMAN HONIGBERG: All right.
11 Then, if there is nothing further, we will
12 adjourn, take the matter under advisement, and
13 issue an order as quickly as we can.

14 Thank you.

15 MR. EPLER: Thank you very much.

16 ***(Whereupon the hearing was***
17 ***adjourned at 1:57 p.m.)***