

**DE 05-178**

**UNITIL ENERGY SYSTEMS, INC.**

**Petition for Permanent Rate Increase and for Temporary Rates**

**Prehearing Conference Order**

**ORDER NO. 24,572**

**December 30, 2005**

**APPEARANCES:** LeBoeuf, Lamb, Greene & MacRae by Scott Mueller, Esq. for Unitil Energy Systems, Inc.; Gerald Eaton, Esq. for Public Service Company of New Hampshire; F. Anne Ross, Esq. of the New Hampshire Office of Consumer Advocate, on behalf of New Hampshire ratepayers; and Amy Ignatius, Esq. for the Staff of the New Hampshire Public Utilities Commission.

**I. PROCEDURAL HISTORY**

On November 4, 2005, Unitil Energy Systems, Inc. (UES) filed with the New Hampshire Public Utilities Commission (Commission) a petition for authorization to 1) implement new permanent rates for electric service beginning December 4, 2005; 2) replace UES's current tariff, NHPUC No. 1, with its proposed revised tariff, designated NHPUC Tariff No. 2; 3) implement an annual Pension/Adjustment Charge (PAC) for recovery of UES's pension and post-retirement benefits other than pension (PBOP) costs; 4) implement a Step Adjustment for certain future rate base additions; and 5) implement temporary rates beginning December 4, 2005, for electric service at current rate levels in accordance with Supplement No. 1 to UES's existing tariff for electric delivery service, NHPUC No. 1-Electricity Delivery. The petition was filed pursuant to RSA 378:7, 8, 27 and 28.<sup>1</sup> Direct testimony, exhibits, workpapers and supplementary information accompanied the petition. Order No. 24,553 (December 2, 2005), discusses in further detail UES's petition.

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<sup>1</sup> The filing was preceded by UES's filing of a notice of intent to file rate schedules dated September 30, 2005 pursuant to N.H. Code Admin. Rules Puc 1604.05.

On November 9, 2005, the Commission received from a residential customer, Ms. Carol Clark, a request that UES's petition be denied. On November 17, 2005, the Office of Consumer Advocate (OCA) filed its intent to participate in this docket on behalf of residential utility consumers pursuant to the powers and duties granted to the OCA under RSA 363:28 II. On December 16, 2005, PSNH filed a petition to intervene for monitoring purposes.

On December 2, 2005, the Commission issued Order No. 24,553 suspending the tariff and establishing a Prehearing Conference, which was held at the Commission on December 20, 2005. Staff objected at that time to PSNH's request to intervene. UES and the OCA stated they would have no objection if PSNH were granted intervenor status on a limited basis. Following the Prehearing Conference, the Parties and Staff met in a Technical Session, the outcome of which established a proposed procedural schedule and defined the nature of PSNH's intervention. On December 22, 2005, Staff filed with the Commission a letter which proposed a procedural schedule and detailed the agreement reached by the Parties regarding PSNH's intervention.

During the Technical Session held on December 22, 2005, the Parties and Staff agreed that PSNH should be a full intervenor in this docket, entitled to receive all pleadings and other documents, all discovery that is not confidential, and all e-mails and other correspondence among the Parties and Staff, with the exception of materials relating to settlement negotiations and/or confidential matters. PSNH may attend and participate in technical sessions but should not be entitled to attend settlement conferences or negotiations, even in a monitoring roll. PSNH may make a public statement at the hearings on temporary and permanent rates, but should not be entitled to present or cross-examine witnesses or file closing briefs. The limitations agreed

upon by the Parties and Staff would be subject to the right of PSNH to petition the Commission to modify them for good cause.

## **II. PRELIMINARY POSITIONS OF THE PARTIES AND STAFF**

### **A. Unitil Energy Systems, Inc.**

UES states that, since its last base rate case in 2002, growth in operating expenses and rate base has significantly exceeded sales and revenues. UES claims that the Company has continued to experience earnings attrition and requires a rate adjustment to balance its revenues with its increased expenses. UES also requests implementation of temporary rates equivalent to its existing rates pending a final order on permanent rates.

### **B. Public Service Company of New Hampshire**

PSNH takes no position at this time and states it will continue to monitor the docket.

### **C. Office of Consumer Advocate**

The OCA is just beginning its review of UES's petition and attachments. At this juncture, the OCA believes UES should retain the Lifeline service and maintains that the program is essential for low-income customers. The OCA also stated that for a company the size of UES, rate case expense of over \$1 million, as projected, is troubling.

### **D. Staff**

Staff intends to conduct a thorough review of all the issues in this docket. Initially, Staff expects to explore a number of requests by UES that are not standard, such as attrition allowances for earnings erosion, use of year-end rate base, inflation adjustment for operation and maintenance expenses, and grossing up of revenue requirement for bad debt as well as for the standard adjustment for taxes. In addition, Staff will scrutinize the requested 11%

return on equity (ROE), compared to the last-found ROE of 9.67%<sup>2</sup> and pension and PBOP adjustments, as well as step adjustments for certain rate base additions.

### III. PROCEDURAL SCHEDULE

Following the Prehearing Conference, the parties and Staff met in a Technical Session and agreed upon the following schedule, which was submitted to the Commission by letter from Staff dated December 22, 2005:

Discovery on Temporary and Permanent Rates	begins December 20, 2005
Responses to all Discovery Requests	within 10 business days of receipt
Hearing on Temporary Rates	January 24, 2006, 10 A.M.
Final Delivery of 1 <sup>st</sup> Round of Data Requests	February 24, 2006
Final UES Responses to 1 <sup>st</sup> Round of Requests	March 17, 2006
Commission Audit Begins	March 20, 2006
Technical and Settlement Sessions	March 28 & 29, 2006
2 <sup>nd</sup> Round of Data Requests to UES	through April 14, 2006
Final UES Responses to 2 <sup>nd</sup> Round of Requests	April 28, 2006
Technical and Settlement Sessions	May 11 & 12, 2006
Draft Audit Report issued	May 12, 2006
Final Audit Report issued	May 24, 2006
Staff and Intervenor Testimony	June 9, 2006
Data Requests on Staff and Intervenor Testimony	June 23, 2006
Data responses from Staff and Intervenors	within 10 business days of receipt
Final Staff and Intervenor Data Responses	July 10, 2006
Technical and Settlement Sessions	July 13 & 14, 2006
Rebuttal Testimony of UES	July 28, 2006
Settlement Sessions	August 8 & 9, 2006
Filing of Settlement, if any	August 16, 2006
Hearing on Merits	August 22-24; 29-31, 2006, 10 A.M.
Briefs from all Parties and Staff	September 21, 2006
Reply Briefs, if necessary	September 29, 2006
Anticipated Commission Order	October 27, 2006

### IV. COMMISSION ANALYSIS

We have reviewed Staff's letter to the Commission dated December 22, 2005, setting forth the agreed upon limitations on PSNH's role in this docket and find those limitations to be reasonable. We will, therefore, grant PSNH's petition to intervene, subject to the terms and

<sup>2</sup> UES and Staff disagree on whether that "last found" ROE should be 9.67% or 10%, which was the effective ROE after certain agreed-upon adjustments.

conditions agreed upon by the Parties and Staff. In the event PSNH wishes to take a more active role than outlined above, it must file a formal request with the Commission with a detailed statement of good cause. We also find the Procedural Schedule as proposed herein to be reasonable and will approve it as filed.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the procedural schedule as proposed herein is reasonable and is hereby adopted; and it is

**FURTHER ORDERED**, that the motion to intervene filed by Public Service Company of New Hampshire is **GRANTED**, subject to the limitations set forth herein.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of December, 2005.

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Clifton C. Below  
Commissioner

Attested by:

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Kimberly Nolin Smith  
Assistant Secretary