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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 15, 2010 - 10:14 a.m.
Concord, New Hampshire

NHPUC JAN28'11 PM 2:16

RE: DE 10-028
UNITIL ENERGY SYSTEMS, INC.:
Default Services for Large Customers
for the Period February 1, 2011
through April 30, 2011.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:
Susan S. Geiger, Esq. (Orr & Reno)

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division

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

ORIGINAL

I N D E X

PAGE NO.

WITNESS PANEL: ROBERT S. FURINO
 LINDA S. McNAMARA

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Interrogatories by Chrmn. Getz 11

* * *

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
12	Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs (12-10-10)	4
13	Document entitled "Tab A Confidential Attachment" (12-10-10) {CONFIDENTIAL & PROPRIETARY}	4

* * *

CLOSING STATEMENTS BY:	PAGE NO.
Ms. Amidon	15
Ms. Geiger	15

P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning.

We'll open the hearing in Docket DE 10-028. On December 10, 2010, Unitil filed a petition for approval of Default Service solicitation and proposed Default Service rates for the three month period beginning February 1, 2011 for 100 percent of its Default Service for large commercial and industrial customers. A secretarial letter was issued on December 10 setting the hearing for this morning.

Can we take appearances please.

MS. GEIGER: Yes. Good morning, Mr. Chairman, Commissioner Below, and Commissioner Ignatius. I'm Susan Geiger, from the law firm of Orr & Reno, representing Unitil Energy Systems, Inc.

CHAIRMAN GETZ: Good morning.

MS. AMIDON: Good morning. Suzanne Amidon, for Commission Staff. With me today is Grant Siwinski, who is an Analyst in the Electric Division.

CHAIRMAN GETZ: Good morning. Are you ready to proceed, Ms. Geiger?

MS. GEIGER: Yes, I am. Thank you, Mr. Chairman. The witnesses have been impaneled and I would just ask that they be sworn.

[WITNESS PANEL: Furino~McNamara]

1 (Whereupon *Robert S. Furino* and
2 *Linda S. McNamara* was duly sworn and
3 cautioned by the Court Reporter.)

4 MS. GEIGER: Thank you. As a
5 preliminary matter, Mr. Chairman, I've asked the Clerk --
6 I've given her copies of two documents, and I would ask
7 that we premark them for identification as "Exhibits 12"
8 and "13" respectively. Exhibit 12 would be the filing
9 made by Unitil Energy Systems, Inc., on December 10th.
10 And, it's comprised of prefiled testimony, a petition,
11 confidentiality motion, and several schedules. And, then,
12 the other document that I would ask be marked for
13 identification is confidential information that is labeled
14 "Tab A Confidential Attachment", and the file date is
15 December 10th, 2010.

16 CHAIRMAN GETZ: Okay. They will be
17 marked as "Exhibits 12" and "13".

18 (The documents, as described, were
19 herewith marked as **Exhibit 12** and
20 **Exhibit 13**, respectively, for
21 identification.)

22 MS. GEIGER: Thank you.

23 ROBERT S. FURINO, SWORN

24 LINDA S. McNAMARA, SWORN

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1 DIRECT EXAMINATION

2 BY MS. GEIGER:

3 Q. We'll start with Mr. Furino. Could you please state
4 your name for the record.

5 A. (Furino) Yes. Robert Furino.

6 Q. And, where are you employed?

7 A. (Furino) I am employed with Unitil Service Corp.

8 Q. And, what is your position there?

9 A. (Furino) I'm the Director of Energy Contracts for the
10 Unitil Companies.11 Q. And, Mr. Furino, turning to the material that's been
12 premarked for identification as "Exhibits 12" and "13",
13 were those documents, which have been -- let's start
14 with Exhibit 12 first, tabbed with the label "RSF-1"
15 and the schedules that follow, as well as the material
16 that's been marked as "Exhibit 13", exclusive of the
17 last page of that document, prepared by you or under
18 your direction or supervision?

19 A. (Furino) Yes, they were.

20 Q. And, do you have any changes or updates or corrections
21 to that information?

22 A. (Furino) No, I do not.

23 Q. And, if I were to ask you the same questions today
24 under oath as those that are contained in your prefiled

[WITNESS PANEL: Furino~McNamara]

1 testimony, would your answers be the same as what has
2 been given in your prefiled?

3 A. (Furino) Yes, they would be.

4 Q. Thank you. And, Ms. McNamara, please state your name
5 for the record.

6 A. (McNamara) Linda McNamara.

7 Q. And, where are you employed?

8 A. (McNamara) Unitil Service Corp.

9 Q. And, what is your position there?

10 A. (McNamara) I'm a Senior Regulatory Analyst.

11 Q. And, Ms. McNamara, turning your attention to what has
12 been marked as "Exhibit 12", with the -- starting with
13 the tab that is "LSM-1", and the schedules thereafter,
14 was that information in those documents prepared by you
15 or under your direction or supervision?

16 A. (McNamara) They were.

17 Q. And, with respect to what's been marked for
18 identification as "Exhibit 13", turning to the last
19 page of that exhibit, which is labeled "Schedule LSM-2,
20 Page 2 of 2", was that document prepared by you or
21 under your direction or supervision?

22 A. (McNamara) It was.

23 Q. And, do you have any changes to make to any of the
24 documents that you've just indicated were prepared by

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[WITNESS PANEL: Furino~McNamara]

1 you?

2 A. (McNamara) No, I don't.

3 Q. Okay. Thank you. And, if I were to ask you the same
4 questions that are contained in your prefiled testimony
5 today under oath, would your answers be the same?

6 A. (McNamara) Yes.

7 MS. GEIGER: Thank you. Mr. Chairman, I
8 don't have any further questions and the witnesses are
9 available for cross.

10 CHAIRMAN GETZ: Thank you. Ms. Amidon.

11 MS. AMIDON: Thank you. Good morning.

12 **CROSS-EXAMINATION**

13 BY MS. AMIDON:

14 Q. Mr. Furino, I wanted to ask you some questions about
15 the calculation of the RPS adder. If we turn to
16 Exhibit 12, and look at your testimony, Page 12 of your
17 testimony, which is also Bates stamp 012, the first
18 question, beginning at Line 2, you describe the
19 estimates of the RPS compliance costs. Have you
20 purchased all of the necessary REC requirements for
21 compliance with calendar year 2010?

22 A. (Furino) No, we have not.

23 Q. But you have gone out to bid for 50 percent of that
24 supply, is that correct?

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[WITNESS PANEL: Furino~McNamara]

1 A. (Furino) Yes, that's correct.

2 Q. When do you intend to go out to bid for the remaining
3 requirements for 2010?

4 A. (Furino) I don't have the specific date before me. But
5 I believe later in the first quarter of 2011.

6 Q. Okay. Right. I just wanted to get that information in
7 the record. So, at Line 6 through 8 in your testimony,
8 you say that the Company "cost estimates are based on
9 current market prices", as well as "recent purchases".
10 Are those recent purchases reflected in Exhibit 13?

11 A. (Furino) Yes, they are.

12 Q. And, if I'm right, it's at Bates stamp 011?

13 A. (Furino) Yes, that's correct.

14 Q. Okay. And, these prices, obviously, are confidential.
15 But these reflect the costs that the Company has
16 incurred with respect to the 2010 RPS requirements, is
17 that correct?

18 A. (Furino) Yes, these are 2010 costs.

19 Q. And, could you explain for us the difference between or
20 what other matters you take into account that result in
21 the different price assumptions that appear on Page 77,
22 Bates stamp 077 of your testimony. It's "Schedule
23 RSF-4 Page 1". And, I'm looking at the market price
24 assumptions for the four classes of RECs.

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[WITNESS PANEL: Furino~McNamara]

1 A. (Furino) Yes. So, we go out and obtain broker sheets
2 from multiple brokers and assess those in light of our
3 experience with those brokers and how liquid their
4 activity seems to be in these markets. And, we also,
5 obviously, have had recent experience purchasing 2010
6 requirements for these renewable energy credits. We do
7 consider the degree to which the annual requirement
8 increases. And, so, that's also a part of our review.
9 So, if, in 2010, the Class I requirement may have been
10 for 1 percent of sales, and, in 2011, we can clearly
11 see on Schedule 4 that it's 2 percent, we recognize
12 that there's an increase in demand, and we try to
13 factor in all that information in establishing what we
14 should be seeking for a RPS adder from customers during
15 this rate period we're looking at here, February
16 through April 2011.

17 Q. Thank you. And, when do you -- when does the Company
18 present its reconciliation of its RPS costs, whether
19 over-collection or under-collection, to the Commission?

20 A. (McNamara) The Company will file a reconciliation with
21 its next Default Service filing, which is I believe
22 March 11th of 2011, or thereabouts.

23 Q. Okay. Thank you. Mr. Furino, Schedule RSF-3 of your
24 testimony, Page 1 of -- I'm looking at Page 1 of 2, and

[WITNESS PANEL: Furino~McNamara]

1 I just want to make sure I understand this exhibit.

2 This exhibit, if I'm correct, and please tell me if I'm
3 wrong, presents customer migration by class, is that
4 correct?

5 A. (Furino) Yes, by customer rate class.

6 Q. Okay. Where on this exhibit would I find the total
7 amount of supply or -- that has migrated to competitive
8 supply? In other words, I'm trying to figure out if
9 it's the bottom of this, it's the third table, if you
10 will, in this page where it says "Retail Sales Customer
11 Class" -- "(kilowatt-hours) by Customer Class". And,
12 I'm trying to understand where I can find that?

13 A. (Furino) Yes. So, that is the section, and if you look
14 at the little sublabel there, it reads "Competitive
15 Generation Sales as a Percentage of Total Sales". And,
16 it will show us on, you know, if you were looking at a
17 large customer, large general customers, we can see
18 that during the past 12 months over 80 percent of sales
19 have been supplied by competitive marketers, retail
20 marketers. And that, on a company total basis, roughly
21 a third, 30 percent, most recently 35 percent for the
22 month of October 2010, were supplied by retail
23 marketers.

24 Q. Okay. Thank you. Ms. McNamara, I looked at the

[WITNESS PANEL: Furino~McNamara]

1 resulting rates of the energy service component of the
2 rate for the customer costs. Am I correct that the
3 energy service component, including the RPS adder, will
4 be under 7 cents per kilowatt-hour for the three month
5 period, February through April?

6 A. (McNamara) Yes.

7 MS. AMIDON: Okay. Thank you. One
8 moment please.

9 (Atty. Amidon conferring with Mr.
10 Siwinski.)

11 MS. AMIDON: Thank you. We have no
12 further questions.

13 CHAIRMAN GETZ: Thank you. Commissioner
14 Below?

15 CMSR. BELOW: No questions.

16 CHAIRMAN GETZ: Commissioner Ignatius?

17 CMSR. IGNATIUS: I have none.

18 BY CHAIRMAN GETZ:

19 Q. I have just a very general question, Mr. Furino.
20 Looking at your RSF-3 in Exhibit 12, the Migration
21 Reports, and then just focusing on the bottom, the
22 "Competitive Generation Sales as a Percentage of Total
23 Sales". And, well, I guess two questions. The first
24 is, it looks like the total has gone up from a year ago

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[WITNESS PANEL: Furino~McNamara]

1 it was 30 percent and it's 35 percent now. That's from
2 competitive generation sales. So, Default Service is
3 supplying roughly two-thirds --

4 A. (Furino) Correct.

5 Q. -- of the sales. Do you have any reason to think that
6 that's going to grow at some steady rate or any
7 expectation that the suppliers will conclude that or we
8 may see some changes in pricing over time as that
9 grows? So, that's maybe three questions in that one
10 part.

11 A. (Furino) Right. So, it's difficult to predict what
12 retail supplier activity is going to be. If we look at
13 the Large General Group, you know, we're now at
14 85 percent virtually of Large General sales being
15 provided by retail marketers. So, you know, the
16 potential for additional retail marketer activity from
17 that group is limited. You can only go to 100 percent.
18 The Regular General and Outdoor Lighting Groups appear
19 to have had the biggest increase over those 12 months.
20 The Regular General being our small commercial
21 customers. We were looking at 16 to 17 percent a year
22 ago, and are up over 25 percent now. So, that's a fair
23 amount of growth. And, similarly, the Outdoor Lighting
24 was in the upper teens, it is now pushing 30 percent.

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[WITNESS PANEL: Furino~McNamara]

1 So, you know, the potential for additional activity
2 there, you know, may be there. But it's a question of
3 whether the retail marketers find themselves -- how far
4 they can delve into those customer groups.

5 Q. Well, and I guess that's kind of what -- another part
6 of what I was wondering. And, you can see in
7 "Domestic", as you call it, it's gone from 0.2 to 0.6,
8 I mean, it's still a small percentage, but it's
9 tripled. But have you observed greater efforts by
10 competitive suppliers to move into these other
11 categories, in terms of marketing, or is that something
12 you wouldn't be able to observe?

13 A. (Furino) Right. We typically just see transactions
14 come in, and don't have a, you know, a very strong
15 connection to the marketers, sort of on a, you know,
16 one-to-one basis, where they're talking about, you
17 know, their strategies, their plans, customers that
18 they're seeking, that kind of thing. We do see when
19 they come and seek customer data. So, you know, that
20 can be an indication. But I can't say that I have any
21 ideas on or any direct feedback from the marketers in
22 our service territory about their goals for, you know,
23 the coming year.

24 CHAIRMAN GETZ: All right. Thank you.

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[WITNESS PANEL: Furino~McNamara]

1 Anything further, Ms. Geiger?

2 MS. GEIGER: No thank you, Mr. Chairman.

3 CHAIRMAN GETZ: Then, the witnesses are
4 excused. Thank you.

5 Is there any objection to striking the
6 identifications and admitting the exhibits into evidence?

7 (No verbal response)

8 CHAIRMAN GETZ: Hearing no objection,
9 they will be admitted into evidence. Is there anything we
10 need to address before providing an opportunity for
11 closings?

12 MS. GEIGER: Yes, Mr. Chairman. We have
13 an outstanding Motion for Confidentiality for the
14 information contained in Exhibit 13. And, I believe, as
15 has been the past practice in these similar dockets or
16 similar -- the earlier hearings in this particular docket,
17 that those motions have been granted. And, I think the
18 arguments for protecting the confidentiality of that
19 information have been well laid out in the past, both in
20 motions filed by Attorney Epler, as well as in Commission
21 orders. So, I would simply draw the Commission's
22 attention to the fact that we do have an outstanding
23 Motion for Confidential Treatment. And, the other thing,
24 too, that I noted in the filing, that there has been a

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1 request made in the Company's petition for an order by
2 December 17th.

3 So, those are the only two things.

4 Thank you.

5 CHAIRMAN GETZ: Thank you. Ms. Amidon,
6 do you have any position on the Motion for
7 Confidentiality?

8 MS. AMIDON: I believe that Attorney
9 Geiger represented correctly that, similar to the motions
10 that we've seen in the past, and, you know, subject to one
11 area where the FERC releases information at a period in
12 time, the Commission has granted those motions for
13 confidential treatment as Attorney Geiger said.

14 CHAIRMAN GETZ: Closing?

15 MS. AMIDON: Closing. Staff has
16 reviewed the filing, and we believe that the Company
17 followed the solicitation and bid evaluation process that
18 the Commission approved in Order Number 24,511, in docket
19 DE 05-064, which established the process by which Unitil
20 would seek Default Service supply for its customers. And,
21 we recommend that the Commission approve the filing.

22 CHAIRMAN GETZ: Thank you. Ms. Geiger.

23 MS. GEIGER: Thank you, Mr. Chairman.

24 Unitil would simply request that the Commission make the

1 findings that have been outlined in the second to last
2 page of the Company's petition, as it has in similar cases
3 in the past. Thank you.

4 CHAIRMAN GETZ: Thank you. Then, we'll
5 close the hearing and take this matter under advisement.

6 (Whereupon the hearing ended at 10:31
7 a.m.)
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