

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

3
4 **April 8, 2015** - 11:06 a.m.
5 Concord, New Hampshire

6
7 RE: **DE 15-079**
8 **UNITIL ENERGY SYSTEMS, INC.:**
9 ***2015 Default Service for the Period***
10 ***June 1, 2015 through November 30, 2015.***

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

14 Sandy Deno, Clerk

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

17 **Reptg. Residential Ratepayers:**

18 Wayne Jortner, Esq.
19 Pradip Chattopadhyay
20 Office of Consumer Advocate

21 **Reptg. PUC Staff:**

22 Suzanne G. Amidon, Esq.
23 Les Stachow, Asst. Director/Electric Div.
24 Grant Siwinski, Electric Division
 Amanda O. Noonan, Dir./Consumer Affairs Div.

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

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We are here this morning in Docket 15-079, which is related to Unitil's Default Energy Service rates. We issued an Order -- two Orders of Notice, actually, in this docket, to cover the rates themselves for the six-month period starting June 1, and we also understand, from the Order of Notice, that there's an issue related to billing for customers who leave default service for a competitive supplier. We know there was a settlement filed this morning, which we've seen, and I assume we'll be hearing about.

There's also an issue related to confidentiality that I'm aware of, and I assume we'll be picking that up first or second.

So, before we proceed further, why don't we take appearances.

MR. EPLER: Good morning. Gary Epler, appearing on behalf of Unitil Energy Systems, Inc. Thank you.

MR. JORTNER: Wayne Jortner, for the Office of Consumer Advocate. With me is Pradip Chattopadhyay. Thank you.

MS. AMIDON: Suzanne Amidon, for Commission Staff. I have a full table here. I have Grant

1 Siwinski, an Analyst with the Electric Division; Amanda
2 Noonan, who's the Director of the Consumer Affairs
3 Division; and Les Stachow, who is the Assistant Director
4 of the Electric Division.

5 CHAIRMAN HONIGBERG: All right. What
6 issue do we want to deal with first? Mr. Epler.

7 MR. EPLER: Thank you, Mr. Chairman.
8 What I thought first is we would just address the
9 confidentiality, so that it's clear what we're presenting
10 on the record. Before you, I've placed a corrected color
11 copy. There's one redacted and one color. So, they're
12 not the same. If you turn to the color copy, which is a
13 confidential binder, and if you turn to Bates stamp 00023,
14 you'll see we have come up with a method to clearly
15 identify, in the confidential version, what is
16 confidential. And, then, there's a similar then redaction
17 in the redacted version, where we more specifically block
18 out only the confidential text.

19 CHAIRMAN HONIGBERG: Uh-huh.

20 MR. EPLER: So, we tried to do that
21 throughout. There are other exhibits towards the end that
22 have shading. We were having some challenges with the
23 printing of these. So, some are shaded, some have the
24 redlines around it. But, clearly, I believe, if you look

1 at the confidential version, you will be able to see
2 precisely what we're requesting confidential treatment of.

3 CHAIRMAN HONIGBERG: Is there something
4 about this process that's too difficult or complicated?
5 Because we do seem to have an inordinate number of
6 problems with confidential filings. I mean, I guess I'd
7 ask you and I'd ask Staff as well if this is a bigger
8 issue than today?

9 MR. EPLER: I think, understanding now,
10 I think, in part, there was a transition in our office
11 administratively with someone who had been doing these
12 filings for a while leaving, and someone who had not done
13 these filings in a long time coming on. So, that was part
14 of it.

15 There is a little bit of a challenge,
16 when you're dealing with a very large document like we
17 have, where there are multiple sections that are
18 confidential. So, it's just you've got to set the time
19 aside to do that, and sometimes, because of how the
20 bidding works and getting the filing in, that time is kind
21 of narrow for us.

22 So, I think we understand what's
23 required now. And, so, I think the next time should be a
24 lot smoother.

1 CHAIRMAN HONIGBERG: And, you need to
2 have the employee who's doing it train someone else to do
3 it as well, it sounds like.

4 MR. EPLER: That's -- exactly. And,
5 then, there is also the -- there are some printing issues,
6 because sometimes, particularly when you're doing
7 two-sided printing, what you think is shaded, it shows up
8 shaded in Word or in a pdf version, doesn't come out
9 shaded. Either it will be completely shaded, so you can't
10 read it, or it's not shaded enough and you can't tell what
11 you meant to shade. So, those kind of challenges you
12 don't see until somebody brings it up from the printing
13 section and gets a look at it. So, --

14 CHAIRMAN HONIGBERG: Okay. Ms. Amidon,
15 do we think that this is more a broader problem that needs
16 to be dealt with some way? And, by the way, both of you
17 can sit down. You don't need to stand up.

18 MS. AMIDON: I don't think it is a big
19 problem. I think that, unfortunately, this situation
20 occurred in this filing. We generally haven't had that
21 experience. For example, Liberty is able to accommodate
22 it. It is -- it does, I think, make it difficult for the
23 Company to get the filing in after so -- after just
24 signing the contract. I think that's the problem. I

1 guess we could revisit some of the timing.

2 But, hopefully, some of these issues
3 could be addressed in 14-338, the docket looking at
4 alternatives for default service.

5 CHAIRMAN HONIGBERG: And, I guess the
6 issue that I'm remembering happened recently really wasn't
7 a technical problem. It was more of a scope of what was
8 truly confidential. That the motion requesting
9 confidential treatment was a little different from what
10 the party actually redacted, as I recall.

11 MS. AMIDON: That's right.

12 CHAIRMAN HONIGBERG: Is that consistent
13 with your memory?

14 MS. AMIDON: Yes. Uh-huh.

15 CHAIRMAN HONIGBERG: All right.

16 MS. AMIDON: So, I don't think there's a
17 problem. And, you may be asking parties anyway, but, with
18 this redacted filing, which I received electronically
19 yesterday, and in paper copy today, I believe that the
20 information for which the Company has requested
21 confidential treatment is the information typically
22 accorded confidential treatment by the Commission in these
23 filings.

24 CHAIRMAN HONIGBERG: You did anticipate

1 my next question. Mr. Jortner, do you have any objection
2 to the granting of the Motion for Confidential Treatment?

3 MR. JORTNER: No, I do not. Thank you.

4 CHAIRMAN HONIGBERG: Commissioner Scott.

5 COMMISSIONER SCOTT: Mr. Epler, just to
6 confirm. So, what you gave us, the only difference is not
7 any words, *per se*, it's the marking for confidentiality,
8 is that correct?

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

10 COMMISSIONER SCOTT: Thank you.

11 MR. EPLER: And, also, just to advise
12 you, the electronic version of both, it more precisely
13 indicates it. So, if there is at any point any question,
14 the electronic version, I mean, it's just clearer how it
15 shows up electronically, because of the nature of the
16 documents and how they're created.

17 CHAIRMAN HONIGBERG: Okay. All right.
18 So, we'll grant the Motion for Confidential Treatment.

19 Next issue we want to deal with, is it
20 the Settlement, is that what we're going to deal with
21 next?

22 MR. EPLER: That would be our
23 preference.

24 CHAIRMAN HONIGBERG: Go for it.

1 MR. EPLER: Okay. As the Commission has
2 indicated in opening, in the notice, there was a consumer
3 issue that arose because of what's required in the
4 Company's tariff, and how that -- how customers have
5 either become aware of it or not become aware of it.

6 The bottom line, to get to what's in the
7 Settlement before you, is that the -- in discussions with
8 the Staff and the OCA, we've determined that the best
9 result would be to credit all the customers since
10 December 1, who have been charged an additional amount for
11 their default service, to have that charge reversed and a
12 credit on their bill. We hope to be able to issue those
13 credits in the upcoming May billing, so all those
14 customers would be held harmless, no additional charges.

15 The history of this goes back to when we
16 first, you know, the Company first started with default
17 service, this was part of the tariff that was put in place
18 back in 2005. However, at the time, we didn't have, for
19 the -- particularly, for the Non-G1 customers, there
20 weren't alternatives. So, there wasn't a reason for the
21 language at the time. It was, there was a fear or a
22 concern that there may be some manipulation in the market
23 of customers going back and forth, and costs that that
24 would impose. And, so, this provision was put in. And,

1 the reason being is, because we actually are charged
2 default service on a variable basis, and then we come up
3 with the average price. And, if the charges during the
4 initial months are higher, and you're on the average
5 price, then, when you leave, you will have paid less than
6 what the actual costs were. It could go the other way.
7 So, you could either get a credit or an additional charge.

8 The difficulty is, on one hand, is an
9 administrative difficulty, particularly for the Company,
10 when a large number of customers switch. We are in the
11 process of revamping our billing system and having a new
12 billing system coming into place the end of this year,
13 beginning of next year, that will be able to do this
14 automatically. For now, it's been a manual process. We
15 had a work-around that we put in place starting
16 December 1st, and that's when this issue arose.

17 The other difficulty is that, when most
18 of our customers switch, they don't do it through Unitil,
19 they do it through the third party supplier. So, we're
20 not advised of it. And, in turn, the customer is not
21 advised of -- was not advised of the recalculation. If
22 they had done it through the Company, our Customer Service
23 Reps have been advised to let the customers know what the
24 recalculation is and why, and be able to walk them through

1 that. So, you had customers who are switching, had no
2 idea that this recalculation was out there, and had no --
3 and, also, even if they knew about it, didn't have a way
4 to estimate it.

5 Because of that, we feel that the most
6 reasonable thing to do is to give them the bill credit.
7 And, as I said, we've discussed this with the Staff.
8 We've provided Staff a list of those customers. We do
9 have a full list, when they switched, the amounts that are
10 involved, and we will be able to track that. And, as the
11 Settlement says, we will report on that, once we finish
12 going through the bill recalculations and the crediting.
13 We'll work with Staff's Consumer Division to make sure
14 that they understand what we've done and when it's
15 finished.

16 CHAIRMAN HONIGBERG: Commissioner Scott.

17 COMMISSIONER SCOTT: On those same
18 lines, what will you be doing to provide outreach to the
19 impacted customers? How will they know this has happened?

20 MR. EPLER: They will receive a notice
21 on their bill, the bill statement, and a clear credit, so
22 they understand what happened and what it's for.

23 COMMISSIONER SCOTT: So, it would be a
24 separate -- a specific notice on their bill just -- sorry,

1 Steve -- just for them?

2 MS. BELLINO: Yes.

3 MR. EPLER: Yes.

4 COMMISSIONER SCOTT: Okay. Thank you.

5 CHAIRMAN HONIGBERG: Mr. Epler, do you
6 have a number, roughly, how many customers are affected by
7 this?

8 MR. EPLER: Through February, it was
9 about a thousand customers. And, the amounts really vary,
10 from 25 cents, to a couple of hundred dollars. It really
11 depends on the size of the customer and how much they use.
12 And, in particular, how much they used each month, because
13 it's a -- the fixed rate is a weighted average.

14 CHAIRMAN HONIGBERG: A couple questions
15 that actually might be for the others, Mr. Jortner or
16 Ms. Amidon. Treating Mr. Epler's statements as an offer
17 of proof, essentially, does either of you have any issues
18 with his description of what happened? Because, I think,
19 normally, when we were hearing a settlement, we'd be
20 hearing from a witness for the Company. But, I
21 understand, the way this came up, it may not be as
22 practical.

23 So, does either of you have any comments
24 or concerns about Mr. Epler's description of the events?

1 Mr. Jortner.

2 MR. JORTNER: The OCA does not, as far
3 as we understand the issue. It seems that the Company is
4 doing all we could ask, if we had pursued this, you know,
5 in a more formal setting. There -- my understanding is,
6 there will be a refund to all customers, not just
7 customers who complained about this. And, that's about
8 all we could ask. We appreciate Unitil's cooperation on
9 the Settlement.

10 CHAIRMAN HONIGBERG: Ms. Amidon.

11 MS. AMIDON: Thank you. Ms. Noonan
12 participated in discussions with the Company on how to
13 resolve this particular issue and the customer complaints
14 that resulted. And, we support the Settlement Agreement.
15 We -- and, Mr. Epler correctly characterized the
16 Settlement, and we hope the Commission supports it.

17 CHAIRMAN HONIGBERG: Do you need a rule
18 waiver? Because I believe there's a rule that says
19 settlements have to be filed a certain number of days
20 before the hearing. As part of -- assuming that this
21 Settlement were approved, would we need to waive that rule
22 in the course of doing that?

23 MS. AMIDON: That's correct. I think
24 it's -- I think it's 203.20, or something like that. But,

[WITNESS PANEL: Bohan~McNamara~Coons]

1 yes. I would request that the Commission waive that rule
2 and allow the Settlement to be approved. And, we
3 certainly would appreciate it, and think it's the best
4 result for customers.

5 CHAIRMAN HONIGBERG: All right. I have
6 nothing further on that.

7 So, we can, I guess, proceed then to the
8 next issue, which is the issue we all thought we were
9 going to be here on for most of us. So, Mr. Epler.

10 MR. EPLER: Yes. Thank you very much.
11 If I could have the witnesses sworn please?

12 (Whereupon **Todd M. Bohan,**
13 **Linda S. McNamara,** and **Benjamin C. Coons**
14 were duly sworn by the Court Reporter.)

15 MR. EPLER: Mr. Chairman, we have
16 requested that the Clerk mark the confidential as "Exhibit
17 Number 1", the confidential binder.

18 CHAIRMAN HONIGBERG: Uh-huh.

19 MR. EPLER: The redacted binder as
20 "Exhibit Number 2". And, then, the item we just spoke
21 about, the Settlement Agreement, would be marked as
22 "Exhibit Number 3".

23 CHAIRMAN HONIGBERG: All right. It
24 looks like they have been marked for us. So, I assume

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1 they have been marked for everybody else, too.

2 (The documents, as described, were
3 herewith marked as **Exhibit 1, Exhibit 2,**
4 and **Exhibit 3,** respectively, for
5 identification.)

6 CHAIRMAN HONIGBERG: All right. So, go
7 ahead.

8 MR. EPLER: Thank you.

9 **TODD M. BOHAN, SWORN**

10 **LINDA S. McNAMARA, SWORN**

11 **BENJAMIN C. COONS, SWORN**

12 **DIRECT EXAMINATION**

13 BY MR. EPLER:

14 Q. I would ask the witness panel to identify themselves,
15 starting with the gentleman closest to me.

16 A. (Bohan) Todd Bohan. And, I'm employed as a Senior
17 Energy Analyst with Unitil Service Corporation.

18 A. (McNamara) Linda McNamara. I'm a Senior Regulatory
19 Analyst for Unitil Service Corp.

20 A. (Coons) Benjamin Coons. I'm a Senior Financial Analyst
21 for Unitil Service Corp.

22 Q. Starting with you, Mr. Bohan, could you please turn to
23 what's been premarked as "Exhibit Number 1", the
24 confidential material. And, could you please turn to

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1 the tabs marked "Exhibit TMB-1", and then the schedules
2 following that, "Schedule TMB-1" through "TMB-5". Were
3 these prepared by you or under your direction?

4 A. (Bohan) Yes, they were.

5 Q. And, do you have any changes or corrections?

6 A. (Bohan) I do not at this time.

7 Q. And, do you adopt these materials as your testimony in
8 this proceeding?

9 A. (Bohan) I do.

10 Q. Thank you. And, Ms. McNamara, can you also refer to
11 the same Exhibit Number 1. And, turn to the tabs that
12 are marked "Exhibit LSM-1" and "Schedules LSM-1"
13 through "LSM-6". And, were these prepared by you or
14 under your direction?

15 A. (McNamara) They were.

16 Q. And, do you have any changes or corrections?

17 A. (McNamara) I have a couple of small changes,
18 typographical errors, reference errors. On Bates stamp
19 Page 000158, Line 6, it references "Schedule LSM-1,
20 Page 4 of 5". It should say "Pages 3 and 4 of 5". On
21 Bates stamp Page 000161, Line 4, the line begins with
22 "November", and it should be "December". And, just one
23 more, 000166 Bates stamp, Line 3, "Schedule LSM-1,
24 Page 2", not "Page 3".

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1 Q. Okay. And, with these changes, do you adopt these
2 materials as your testimony in this proceeding?

3 A. (McNamara) I do.

4 Q. Thank you. And, now, finally, Mr. Coons. Could you
5 please refer to the same exhibit, Exhibit Number 1.
6 And, turn to the tabs marked "Exhibit BC-1", and the
7 "Schedule BC-1" and "Schedule BC-2". And, were these
8 prepared by you or under your direction?

9 A. (Coons) Yes, they were.

10 Q. And, do you have any changes or corrections?

11 A. (Coons) I do not.

12 Q. And, do you adopt these as your testimony in this
13 proceeding?

14 A. (Coons) I do.

15 MR. EPLER: Okay. Thank you. I have no
16 further direct. The witnesses are available.

17 I would note, as we indicated in the
18 Petition, in this cycle, for the last several years, this
19 is where the Company presents its lead/lag study. And,
20 given the short timeframe for when the filing is done, we
21 don't expect the Staff and the OCA to have reviewed those
22 materials. So, we ask for its approval, subject to
23 further investigation and review, and reconciliation, if
24 necessary.

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[WITNESS PANEL: Bohan~McNamara~Coons]

1 CHAIRMAN HONIGBERG: Understood. Thank
2 you. Mr. Jortner, do you have any questions for the
3 witnesses?

4 MR. JORTNER: Yes. Thank you very much.
5 These are just in the nature of clarifications, so we
6 understand a little bit better on a couple of issues. The
7 OCA is not going to be objecting to the default rates.

8 **CROSS-EXAMINATION**

9 BY MR. JORTNER:

10 Q. Starting with the Lead/Lag Study, could you, just on a
11 high level, explain the results of the Lead/Lag Study.

12 A. (Coons) Sure. On a -- as a high level, the net lead
13 period for G1 customers is calculated at 21.22 days,
14 and the net lag period for the Non-G1 customers was
15 5.65 days.

16 Q. And, what was the effect on rates of the Lead/Lag
17 Study?

18 A. (McNamara) I didn't prepare a calculation in that
19 sense. I can tell you, in net, for the Non-G1 class,
20 the power supply lead/lag, the net is currently 7.41 --
21 48 days -- 7.48 days. And, I believe that is -- make
22 sure I have the right page reference -- that number is
23 referenced on Bates stamp Page 000181, in a footnote.

24 Q. Okay.

[WITNESS PANEL: Bohan~McNamara~Coons]

1 A. (McNamara) If it saves you the time, in fact, it's on
2 all of the schedules where I calculated the individual
3 rates, which would be Schedules LSM-2, 3, 4, and 5. In
4 the "Costs" section, each of the lead/lag numbers are
5 footnoted, to show not only in either Mr. Coons or, in
6 prior filings, Ms. Guay's testimony where the pages --
7 where the numbers come from.

8 Q. So, as you sit here now, do you have handy what the
9 effect for each class is, in terms of the rates,
10 compared to the rate that would exist if there were no
11 lead/lag study analysis?

12 A. (McNamara) If the lead/lag hadn't been revised, you
13 mean?

14 Q. Yes.

15 A. (McNamara) For the Non-G1 class, the number of days
16 went up. So, therefore, the working capital would have
17 increased. For the G1 class, the number of days
18 decreased. So, the amount, which is actually a credit
19 for that class anyway, is more of a credit.

20 Q. All right. And, the magnitude, could you --

21 A. (McNamara) I couldn't even --

22 Q. Okay.

23 A. (McNamara) -- begin.

24 Q. Okay. We'll have to take a look at that.

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[WITNESS PANEL: Bohan~McNamara~Coons]

1 MR. JORTNER: And, as counsel for Unitil
2 indicated, I understand this will be subject to further
3 investigation by the Commission. I'm not sure what docket
4 that will be in. And, we'd be interested in participating
5 in that.

6 CHAIRMAN HONIGBERG: Ms. Amidon.

7 MS. AMIDON: Yes. Just for your
8 information, typically, that's in the same docket.
9 Generally, the Commission will ask that the OCA and Staff
10 review be completed within some period of time before the
11 next default service filing, so, say, the end of August.
12 And, certainly, the OCA can be -- is welcome to join that
13 investigation.

14 MR. JORTNER: Thank you.

15 CHAIRMAN HONIGBERG: Thank you,
16 Ms. Amidon. Mr. Jortner, you may continue.

17 MR. JORTNER: Thank you. So, I take it
18 that won't be one of the issues involved in the 14-338
19 docket affecting default service policies?

20 (Ms. Amidon indicating in the negative.)

21 MR. JORTNER: Okay.

22 BY MR. JORTNER:

23 Q. We also had a question about the loss factor and how
24 that was calculated. Could you also describe on a high

1 level how we calculate the loss factors.

2 A. (McNamara) The loss factors come out of the Company's
3 tariff, and have been there for many years, when the
4 last loss factor study was done. I believe, if we took
5 a look at this, it's in maybe the distribution terms
6 and conditions, it lists out the different loss factors
7 by classes. For the Non-G1 group, we use an average, I
8 believe the number in the filing is 6.4 percent. And,
9 if you reviewed the tariff, you would see that those --
10 the percentages for the Non-G1, the Residential, the
11 G2, Outdoor Lighting, is right around that number. The
12 G1 class of 4.591 percent is straight from the tariff.
13 It's the only class in there.

14 Q. And, those are related to distribution only, as opposed
15 to transmission?

16 A. (McNamara) Yes.

17 Q. Now, in your analysis where you compare the default
18 rates to the futures markets, you -- we noted that
19 there's a higher ratio of the new rates to the futures
20 market than there was in 2014?

21 A. (Bohan) I didn't want to interrupt you. Could we have
22 a page reference please? Just it would be easier to
23 make sure everyone is on the same page.

24 Q. Sure. Stand by one second.

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1 A. (Bohan) Sure. You're looking in the area of Bates
2 stamp Page 36, I think?

3 Q. I think we're -- I think we're referring to Page 36.

4 A. (Bohan) Okay.

5 Q. So, just comparing the 2014 to 2015 ratios.

6 A. (Bohan) Yes.

7 Q. Could you comment on the reasons for the higher ratio
8 this year?

9 A. (Bohan) I don't have anything particular that's
10 suggesting why that will be the case. But what this is
11 showing is that the ratio of the final bids received in
12 this round, in comparison to the ratio of the final
13 bids received in the prior round for last June, those
14 are a little bit higher. So, that's suggesting that
15 the wholesale -- the bids that we have received are
16 slightly higher in comparison to ISO futures today,
17 compared to last year at this time.

18 Q. And, are you aware of any reason for that? Is that a
19 trend that we should be aware of? Or, is it just a
20 data point that you don't see as significant?

21 A. (Bohan) It's tough to -- thinking about what's happened
22 the last couple of winters, you know, there's been some
23 issues. And, this period, though, under consideration
24 doesn't involve any winter periods. But there are some

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[WITNESS PANEL: Bohan~McNamara~Coons]

1 developments in New England over the last couple of
2 years that are impacting the wholesale prices. And,
3 one of those, in particular, is the constraints in the
4 pipeline system within the region.

5 But I don't -- I don't think this is
6 suggesting there's any particular trend that going
7 forward we would see this to start to diverge, if
8 that's your question.

9 MR. JORTNER: Thanks. That's all we
10 have. Thank you very much.

11 CHAIRMAN HONIGBERG: Ms. Amidon.

12 MS. AMIDON: Thank you. Good morning.

13 WITNESS BOHAN: Good morning.

14 BY MS. AMIDON:

15 Q. I'm going to begin with Mr. Coons. Is this the first
16 year that you have prepared the Lead/Lag Study for
17 Unitil in this filing?

18 A. (Coons) That's correct.

19 Q. Did you follow the same methodology that was previously
20 approved by this Commission when you developed this
21 study?

22 A. (Coons) Yes, I did.

23 Q. Thank you. That's all I had for you. Ms. McNamara, on
24 Bates 158, I eliminated the three zeros, of your -- and

[WITNESS PANEL: Bohan~McNamara~Coons]

1 which is Page 2 of your testimony, beginning at Line
2 11, you discuss a change to the Default tariff that
3 relates to the annual assessment. Could you just
4 provide a high-level, brief description -- a brief
5 description of why that change is here?

6 A. (McNamara) Sure. As referenced in that section that
7 Ms. Amidon just brought up here, right around Line,
8 say, 14, it mentions "RSA 363", that, effective July 1,
9 2014, competitive suppliers will be assessed part of
10 the PUC assessment of \$10,000 each year. And,
11 incorporated into this filing for the first time, as
12 well as the change to the tariff that is being
13 proposed, we've included part of the \$10,000, half,
14 because this is six months, --

15 Q. Uh-huh.

16 A. (McNamara) -- for the competitive supply portion of the
17 says assessment.

18 Q. You may not know the answer to this, but it just
19 occurred to me to ask this question. How do you
20 recover that sum from the competitive suppliers?

21 A. (McNamara) I don't know the answer to that.

22 Q. Okay. That's fine. And, just like I said, it just
23 occurred to me. On Page 160 of your testimony, at Line
24 22, you reference an amount of \$8.5 million, roughly.

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1 Could you explain what this amount represents and what
2 the impact on customers is?

3 A. (McNamara) Sure. If you could actually turn to Bates
4 Stamp Page 179, where that amount is shown and
5 calculated, a little bit more detail on there. Towards
6 the bottom, there's a line that starts with "e".

7 Q. I see that.

8 A. (McNamara) Okay. And, if you read across, you can see
9 the credit for the \$8.5 million. The Company has
10 actual data in this filing through February. And,
11 through February, there's an under-collection of
12 \$8.1 million. That under-collection is the result of,
13 over the winter, power supply costs being much higher
14 in December, January, and February, in comparison to
15 March, April, and May, which make up the remaining
16 three months of this current six-month period. Most
17 customers, however, pay, so, revenue, will come in on
18 the fixed Default Service rate, which is the average.
19 The power supply costs are going to decline for the
20 next three months, the revenue will stay steady.
21 Therefore, the 14.4 million is an estimate of the
22 remaining power supply costs for this current six-month
23 period, 14.4 million represents March, April, and May
24 estimated power supply costs. Revenue is estimated to

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1 come in at 22.9 million. Therefore, the \$8 million
2 under-collection will be -- will be wiped out by
3 actually a little bit more, by an estimate of
4 \$8.5 million.

5 Q. I see. Okay. Great. That was helpful. Thank you.
6 In addition, I notice in your testimony that the RPS
7 adder is being reduced, I think it's to 0.218 cents for
8 non-G1 customers. And, I believe that it was set at
9 something about nearer 0.4 cents in the prior filing.
10 Could you explain the reason for the decrease in this
11 forthcoming period? And, if, Mr. Bohan, if you are
12 more familiar with the reasons for the decrease, then,
13 Ms. McNamara, please feel free to answer.

14 A. (Bohan) Well, while Ms. McNamara is looking for some
15 numbers, I will, you know, briefly explain that we've
16 had a change to the RPS requirements implemented by the
17 Commission that reduce, in particular, the Class III
18 requirement from I believe it was 5 percent for 2014
19 and 8 percent for 2015, down to 0.5 percent. So, that
20 has reduced the requirements for those periods. While,
21 until this time, the rates that were established were
22 established based on prior requirements. So, we were
23 setting a rate that was going to capture more revenue
24 to provide for those costs. Now, we're at a stage

1 where we're not going to have as high of costs. So,
2 that's part of the reasoning.

3 A. (McNamara) And, I was just verifying that, in fact, the
4 change in the prior period balance wasn't causing a big
5 part of that. And, Mr. Bohan's reason is why it's a
6 decrease.

7 Q. Thank you. And, then, my remaining questions are very
8 few for Mr. Bohan. And, this -- on Page 17, which is I
9 think the introduction of your Bid Evaluation Report,
10 you characterized the response to this RFP as
11 "adequate". Could you explain, is that intended to
12 convey that there was not a robust response or is it
13 intended to convey that the Company was satisfied with
14 the response?

15 A. (Bohan) It was intended to convey that the Company is
16 satisfied with the response. We have discussed this a
17 number of times before here. Over the last few years,
18 and I'll speak for the Non-G1 classes at the moment
19 we've seen bid participation around five, four, maybe
20 even three respondents. In this solution, we had five
21 respondents that participated in the indicative round,
22 and submitted bids in the final round. And, we were
23 pleased with that result. That was a good, in my
24 opinion, a good, robust outcome. The prices were

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1 pretty tight, in terms of the wholesale bids. So, we
2 were happy with that.

3 In terms of the G1 class, the adder, we
4 had two participants that submitted bids in the
5 indicative round, and one that submitted a bid in the
6 final round. This is pretty consistent with what we've
7 seen over the last three or four solicitations for this
8 customer group. The result, the pricing seems to be in
9 line with what we've seen in the past and current
10 market pricing. But, again, we'd like to or we hope to
11 get to a point where there's more competitive bids
12 coming in for that class.

13 Q. And, the number of bidders, in both the indicative and
14 final, are confidential, is that correct?

15 A. (Bohan) That's correct.

16 Q. Okay.

17 CHAIRMAN HONIGBERG: And, Ms. Amidon,
18 just a moment. Commissioner Scott, I think, wants to
19 interject.

20 COMMISSIONER SCOTT: I was going to say
21 the same thing. Just for the transcript, that those
22 numbers are confidential, correct?

23 WITNESS BOHAN: Correct.

24 CHAIRMAN HONIGBERG: Go ahead.

1 MS. AMIDON: Thank you.

2 BY MS. AMIDON:

3 Q. I want to direct your attention to Page 92, which is an
4 appendix to your report.

5 A. (Bohan) Okay. Yes.

6 Q. When I look at the adders that are represented in that
7 final table, for the months June through November?

8 A. (Bohan) Yes.

9 Q. These, and I compare them with the adders for the same
10 time period last year, and these adders appear to me to
11 be in the neighborhood, on average, about roughly
12 20 percent higher. Do you have any explanation for
13 that?

14 A. (Bohan) Again, you know, referring back to what I
15 talked about a little while ago, in terms of summer
16 pricing, again, the things that we've seen in New
17 England over the past couple of years, you know,
18 there's -- there are issues in New England with power
19 markets, and they're attempting to address those. So,
20 we've seen a little bit of upward pressure on prices
21 for a number of reasons. We still see some of that in
22 the summertime, and I mentioned that earlier when we
23 addressed Mr. Jortner's question. So, that's
24 consistent with, with the results that we're seeing

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1 here, are consistent with what we've seen for the
2 Non-G1 customer group as well. So, the prices, the
3 whole bids and the adders are up a little bit, but
4 they're still pretty competitive.

5 Q. Okay. Thank you. So, this is just a reflection of the
6 market, in other words?

7 A. (Bohan) Yes.

8 Q. Okay. And, speaking of that, I don't know to what
9 extent the Company has done any forecasts, but have you
10 looked ahead to the winter period, and do you have any
11 concerns about the forthcoming winter period, based on
12 the experience over the past couple of winters?

13 A. (Bohan) It's difficult to -- you know, if I had a
14 crystal ball, I'd be employed in the area of
15 forecasting. You know, I don't know what's going to
16 happen come next winter. But, over the last two
17 winters here in New England, we've seen some very
18 interesting things and we've seen some very different
19 outcomes. Certainly, last winter, prices were up
20 significantly. This winter, heading into the winter,
21 market expectations were that we were going to see very
22 similar, even potentially a little bit higher pricing
23 than we did last winter. That wasn't borne out in
24 fact. We saw, on average, prices were done quite a bit

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1 compared to last winter. And, there's a number of
2 reasons for that.

3 So, what does that mean for us for next
4 winter? I don't know.

5 One of the things, you know, that really
6 helped this winter was the fact that oil prices were
7 down. So, we have a worldwide oil glut. Essentially,
8 oil prices are 50 percent lower in 2014, heading into
9 2015. If that continues, that could help coming into
10 the fall.

11 The other thing that really helped out
12 is we had a lot of LNG coming into the eastern portion
13 of New England that helped the gas system, which helped
14 keep prices down. Now, the question is "well, why did
15 that come to New England?" Well, the reason it came to
16 New England is because New England was essentially
17 expected to have the highest LNG prices in the world
18 this past winter period. So, that brought in a lot of
19 extra supply, which drove down the price, and helped
20 keep gas prices down.

21 So, the question is, "will that supply
22 come back to New England next winter?" I don't know.
23 But, with that overabundant supply coming in this
24 winter, those prices came down. So, we may not see

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1 that supply next winter.

2 MS. AMIDON: Okay. Thank you. I have
3 no further questions.

4 CHAIRMAN HONIGBERG: Commissioner Scott.

5 COMMISSIONER SCOTT: Thank you. And,
6 good morning.

7 WITNESS BOHAN: Good morning.

8 BY COMMISSIONER SCOTT:

9 Q. Let's see. Where to start? So, if we could, I'd like
10 to, as you discussed with the Staff, the number of
11 bids, I wanted to tease that out a little bit more.
12 And, I'll leave it up to you, whether we discuss the
13 exact number, so it's confidential on the transcript or
14 not. I don't think we need to, but -- again, so, if,
15 particularly I'll look at for the G1 supply
16 requirement, obviously, if that was lower, it would be
17 a little bit harder decision to make whether that's a
18 competitive bid. Is that a correct statement?

19 A. (Bohan) If what was a little bit lower?

20 Q. If you had less bidders than you currently did on G1 --
21 I'll be more generic. The less bidders you have, the
22 harder it is to decide whether it's a competitive bid,
23 is that correct?

24 A. (Bohan) In comparison to another -- to other bids, yes.

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1 But, one of the things that I have done is taken those
2 adders, use them as proxies, and then compare them to
3 the Non-G1 bids that we've received, to assess the
4 competitiveness. So, that's one avenue.

5 The other thing -- if I could have just
6 a second to find my notes here. In the indicative bid
7 round, we had two bidders. And, the bids in the
8 indicative round for those two bidders were, over the
9 course of, you know, the weighted average over the
10 whole six-month period, was within a dollar of each
11 other. So, what that tells me is that those bids were
12 very tight for both of those two bidders. In the end,
13 one of those bidders just opted not to submit final
14 bids. So, that's another tool that we use to try to
15 check the competitiveness of that bid.

16 Q. And, correct me, I think one of the tools you use, and
17 it's in your filing, is you look at NYMEX futures also,
18 is that correct?

19 A. (Bohan) Yes.

20 Q. So, is -- you just had a discussion also with Staff
21 about the natural gas pipeline constraints perhaps
22 being a reason even in the summer, --

23 A. (Bohan) Yes.

24 Q. -- which is a little bit counterintuitive to me, but

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1 maybe even in the summer, causing NYMEX perhaps not to
2 be exactly indicative of what you expect for futures,
3 is that correct?

4 A. (Bohan) Correct.

5 Q. So, having said that, is there a in-region surrogate
6 that we should be looking at, to see if the bids are
7 aligned better with what we should expect to see?

8 A. (Bohan) That's a good question. I don't know what
9 resources we would be able to turn to within the region
10 that we could use as a proxy for that. I mean, because
11 it's a forward-looking price, that would be the --

12 Q. Correct.

13 A. (Bohan) Maybe there's some -- I don't know. Maybe
14 there is some, you know, survey data or market data
15 available that looks at that. But I'm not aware of it.

16 Q. And, am I correct, I assume, I understand within the
17 New England region, obviously, there are different
18 default services/standard offers in different states,
19 different utilities, and there are different terms, and
20 I understand, so, it's not an apples-to-apples
21 comparison. But do you attempt to look at what bids
22 for similar products that other utilities are getting,
23 do you check that also?

24 A. (Bohan) Yes. And, actually, we, although now we don't

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1 solicit bids for that, but, when we did, we would check
2 that against what we got for our Massachusetts
3 affiliate as well. And, we certainly check that
4 against our non-industrial classes in the Fitchburg
5 territory.

6 Q. And, since you check that, are those pretty much in
7 line?

8 A. (Bohan) Those are in line as well.

9 Q. Okay. Thank you.

10 A. (Bohan) Yes. As I had indicated before, just in
11 general, the bidding for all the classes for UES were
12 pretty tight.

13 Q. Thank you. Thank you. So, you also had a discussion
14 where you were just asked to predict what will happen
15 next winter, and I understand your reluctance to
16 predict exactly what will happen. Is it safe to assume
17 that, given current conditions, the expectation is next
18 winter's Default Service would be higher?

19 A. (Bohan) Higher than current?

20 Q. Current, yes.

21 A. (Bohan) That would be my expectation, yes.

22 Q. Okay. How are you messaging this to the customers?

23 All right. So, your default service customers are
24 going to see a decrease, assuming we approve this for

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1 the summer, what is the messaging to customers?

2 WITNESS BOHAN: Actually, could I defer
3 to Ms. Bellino?

4 COMMISSIONER SCOTT: Absolutely.

5 MR. EPLER: Yes.

6 WITNESS BOHAN: I mean, I can speak
7 generally, that we will --

8 CHAIRMAN HONIGBERG: Well, why don't you
9 speak generally. If people feel they need more specifics
10 from the other Company representatives here, we'll deal
11 with that. But why don't you speak generally about how it
12 works.

13 **BY THE WITNESS:**

14 A. (Bohan) I mean, I think, you know, generally, we
15 provide notification to customers through bill inserts.
16 We also do newsletters. We have materials on our
17 website that, you know, provide that notification to
18 customers as to what's happening with default service
19 pricing. And that, certainly, at this time, you know,
20 those prices would be going down significantly, in
21 comparison to the current period.

22 But, at this time, I don't believe we
23 would be providing any indication as to what prices
24 would be for next winter.

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1 BY COMMISSIONER SCOTT:

2 Q. And, that's where I was really getting at. So, how do
3 we prepare or how do you prepare customers for
4 understanding that perhaps this may be a cyclical thing
5 moving forward, and, generally, they should expect
6 somewhat higher prices compared to the summer moving
7 forward? How do you prepare people, so they don't
8 get -- we don't have another rash, which I suspect
9 happened, you guys get the complaints as we get
10 some --

11 A. (Bohan) Yes.

12 Q. -- of the price shock. How do you prepare moving
13 forward?

14 (Atty. Epler conferring with Ms.
15 Bellino.)

16 CHAIRMAN HONIGBERG: Mr. Epler.

17 MR. EPLER: Yes, Mr. Chairman. What
18 happens, in terms of the timing, is, because we go out to
19 bid early, before the prices actually change, the prices
20 change in December, you'll see us before you in September
21 with the bids and the bids' result. So, there is a window
22 of opportunity. So, once we get the rates and determine
23 what the rates will be, then we would go through the
24 process of educating customers, similar in the fashion to

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1 what we did this year.

2 We don't do it, other than our usual
3 education efforts, which talk about conservation and
4 options that are available, that's always available on our
5 website, and our Customer Service reps are always educated
6 and able to speak to customers when they call up with
7 questions. We don't try to -- we don't have any special
8 efforts right now underway saying "next year, the rates"
9 -- "next winter, the rates may be high again." But we
10 will, in September, if the results of the bids are high,
11 go through the same education efforts that we went through
12 this past time, with bill messages, newsletter, website,
13 and specific scripts for the Customer Service reps to
14 follow.

15 CHAIRMAN HONIGBERG: Commissioner Scott,
16 does that answer your question or do you want to pursue
17 that further?

18 COMMISSIONER SCOTT: Just a little bit
19 more.

20 BY COMMISSIONER SCOTT:

21 Q. I guess is what I was getting at is, assuming you feel
22 that next winter will be higher than the summer, and,
23 again, I totally understand you wouldn't know by how
24 much, but if that's your --

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1 A. (Bohan) No, but I think that's a fair assumption.

2 Q. If you think that's a fair assessment, perhaps it would
3 be helpful for your customers, when you announce your
4 new lower rate, that you also have some reference that
5 there's an expectation that there will be somewhat
6 higher rates in the winter, so that they don't think
7 that that new lower rate is the future moving forward
8 forever, I guess, is really my concern.

9 A. (Bohan) Well, I think we do, when we specify that rate,
10 you know, we do identify that that's for the period,
11 you know, June 1st through November 30th, and then we
12 have a new six-month rate after that. So, it's --

13 COMMISSIONER SCOTT: Thank you. That's
14 all I have.

15 CHAIRMAN HONIGBERG: I think my
16 questions were answered.

17 BY CHAIRMAN HONIGBERG:

18 Q. I guess, following along with that, I guess I would ask
19 for some confirmation of that, just as when the winter
20 prices went into effect, you were appropriately very
21 careful to explain to the world that this wasn't your
22 money, this was someone else who was taking the risk,
23 and was going to either make a profit or loss on those,
24 on those prices, you shouldn't be taking a victory lap,

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1 now that these rates are going down. Because, again,
2 it's not your money. It's someone else's taking the
3 risk. It's the unregulated part of the market,
4 correct?

5 A. (Bohan) That's correct.

6 Q. Because I know we got a lot of calls, and I think our
7 orders for you and for Liberty reflected that reality.
8 And, I assume that we will be including similar
9 language, so that no one should misunderstand,
10 although, of course, they will, where the money is
11 ending up out of all of this. Would you agree with
12 that?

13 A. (Bohan) That's a very good point.

14 CHAIRMAN HONIGBERG: All right. I think
15 that's all I had.

16 Mr. Epler, do you have any further
17 questions for your witnesses?

18 MR. EPLER: No, I don't.

19 CHAIRMAN HONIGBERG: Anyone have
20 anything else?

21 (No verbal response)

22 CHAIRMAN HONIGBERG: All right. So, I
23 think we will, unless there's an objection, we'll strike
24 the ID from the exhibits.

1 I think the witnesses, you can stay
2 there, if you'd like, or you could return to -- actually,
3 you were there at the beginning, so I guess "return"
4 doesn't make any sense in this context, but make yourself
5 comfortable. I think we're ready to sum up, am I correct?

6 (No verbal response)

7 CHAIRMAN HONIGBERG: All right.
8 Mr. Jortner. You gave us a clue, actually, when you
9 started your question.

10 MR. JORTNER: Yes.

11 CHAIRMAN HONIGBERG: So, not expecting
12 any surprises now.

13 MR. JORTNER: Not much mystery left
14 here. Yes. As I indicated, the OCA does not have any
15 objection to the default rates. It appears that the
16 Company followed the rules, and did an adequate job in
17 selecting the appropriate bids, and creating the default
18 rates that will starting on June 1st. So, no objections.
19 Thank you.

20 CHAIRMAN HONIGBERG: Ms. Amidon.

21 MS. AMIDON: Thank you. Staff reviewed
22 the filing, and we've determined that the Company had
23 followed the solicitation, the bill evaluation, and the
24 selection process that the Commission approved in prior

1 orders. And, the resulting rates are market-based and are
2 just and reasonable within the meaning of RSA 378. So, we
3 would ask that the Commission approve the Petition,
4 condition on Staff being able to review the Lead/Lag
5 Study, we would allow the Lead/Lag Study to go into effect
6 for rates, but just allow us a chance to review it, and
7 provide advice to the commission, if we determine that
8 there's something out of order in that study.

9 And, we also ask that the Commission
10 approve the Settlement Agreement that was filed, and that
11 Mr. Epler discussed at the beginning of the hearing. We
12 think that is a very satisfactory resolution of this
13 matter, and avoids having to spend any further time
14 investigating the issue with respect to that particular
15 tariff. Thank you.

16 CHAIRMAN HONIGBERG: Mr. Epler.

17 MR. EPLER: Yes. Thank you. I would
18 just direct the Commission to our Petition and the relief
19 requested there, and also to -- an approval of the
20 Settlement Agreement that's filed.

21 CHAIRMAN HONIGBERG: What's the deadline
22 for issuing this order?

23 WITNESS BOHAN: Well, we asked for --

24 MR. EPLER: We asked for an order by

1 close of business this Friday.

2 CHAIRMAN HONIGBERG: Okay. Thank you.

3 Is there anything else?

4 (No verbal response)

5 CHAIRMAN HONIGBERG: Seeing nothing,
6 thank you all. We are adjourned.

7 MR. EPLER: Thank you.

8 **(Whereupon the hearing was adjourned at**
9 **12:01 p.m.)**

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