

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 19, 2011 - 2:14 p.m.
Concord, New Hampshire

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RE: DE 11-216
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
Alternative Default Energy Service Rate.

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:
Gerald M. Eaton, Esq.
Sarah B. Knowlton, Esq.

Reptg. Freedom Energy Logistics and
Halifax American Energy Company:
James T. Rodier, Esq.

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Stephen R. Eckberg
Donna L. McFarland
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Thomas C. Frantz, Director/Electric Div.
Steven E. Mullen, Asst. Dir./Electric Div.

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

ORIGINAL

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FREDERICK B. WHITE

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1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good afternoon,
3 everyone. We'll open the hearing in Docket DE 11-216. On
4 September 23, 2011, Public Service Company of New
5 Hampshire filed a petition for approval of an Alternative
6 Default Energy Service rate. We issued an order of notice
7 on October 5 setting a prehearing conference, which was
8 held on October 17. Subsequently, a secretarial letter
9 was issued approving a procedural schedule and granting
10 interventions in that case.

11 So, let's take appearances please.

12 MR. EATON: For Public Service Company
13 of New Hampshire, my name is Gerald M. Eaton. With me
14 today is Sarah B. Knowlton, an attorney in our Legal
15 Department. Good afternoon.

16 CHAIRMAN GETZ: Good afternoon.

17 MR. RODIER: Good afternoon, Mr.
18 Chairman. Jim Rodier, for Freedom Energy Logistics and
19 Halifax American Energy Company.

20 CHAIRMAN GETZ: Good afternoon.

21 MS. HATFIELD: Good afternoon,
22 Commissioners. Meredith Hatfield, for the Office of
23 Consumer Advocate, on behalf of residential ratepayers.
24 With me for the Office are Steve Eckberg and Donna

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1 McFarland.

2 CHAIRMAN GETZ: Good afternoon.

3 MS. AMIDON: Good afternoon. Suzanne
4 Amidon, for Commission Staff. To my left is Steve Mullen,
5 who is the Assistant Director of the Electric Division,
6 and to his left is Tom Frantz, the Director of the
7 Electric Division.

8 CHAIRMAN GETZ: Okay. Good afternoon.
9 Are you ready to proceed, Mr. Eaton?

10 MR. EATON: A procedural matter to begin
11 with, Mr. Chairman. We made four filings of testimony and
12 exhibits in this proceeding. On October 14th, we made a
13 filing of the Supplemental Direct Testimony of Stephen
14 Hall and Frederick White. In that, the adder that was
15 calculated in that rate, on top of the calculated marginal
16 cost, was an adder related to the non-operating costs of
17 the Scrubber. And, consistent with how we proceeded in
18 the other -- in the other case, we would not present that
19 as an exhibit in this case.

20 On November 22nd, Mr. Hall filed Second
21 Supplemental Testimony, and that substituted a flat adder
22 of just one cent to the incremental cost or marginal cost
23 of supply, and that will substitute for what we had filed
24 on October 14th, so the Commission can -- will have a

1 record on which to base a calculation of the rate, if it
2 deems it's in the interest, the public interest to approve
3 the rate.

4 CHAIRMAN GETZ: And, that was
5 November 22nd, the Hall --

6 MR. EATON: The October 14th filing
7 won't be marked, because that includes a 0.97 cent adder
8 based upon Scrubber costs.

9 CHAIRMAN GETZ: All right. Thank you.

10 MR. EATON: I call to the stand Stephen
11 R. Hall and Frederick B. White.

12 (Chairman and Commissioners
13 conferring.)

14 CHAIRMAN GETZ: Mr. Rodier.

15 MR. RODIER: I think there's one matter
16 I'd just like to get cleared up real quickly. There was a
17 motion to protect the response to OCA 8, I think that's
18 the model. And, I have an objection to that.

19 CHAIRMAN GETZ: Yes. And, that's what I
20 was just conferring with. We had determined to deny the
21 objection and grant the Motion for Protection.

22 MR. RODIER: Okay.

23 CHAIRMAN GETZ: And, we will memorialize
24 that in the final order in this proceeding.

[WITNESS PANEL: Hall & White]

1 (Whereupon **Stephen R. Hall** and
2 **Frederick B. White** were duly sworn by
3 the Court Reporter.)

4 **STEPHEN R. HALL, SWORN**

5 **FREDERICK B. WHITE, SWORN**

6 **DIRECT EXAMINATION**

7 BY MR. EATON:

8 Q. Mr. Hall, could you please state your name for the
9 record.

10 A. (Hall) Stephen R. Hall.

11 Q. For whom are you employed?

12 A. (Hall) Public Service of New Hampshire. I'm Rate and
13 Regulatory Services Manager.

14 Q. And, what are your duties at that position?

15 A. (Hall) I'm responsible for pricing, rate
16 administration, and regulatory relations.

17 Q. Have you previously testified before this Commission?

18 A. (Hall) Yes.

19 Q. Did you prepare or have prepared under your supervision
20 direct testimony and exhibits, including tariff pages,
21 that was filed with the Commission on September 23rd
22 2011?

23 A. (Hall) Yes.

24 Q. Do you have any corrections to make to that?

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1 A. (Hall) No.

2 Q. And, was it true and accurate to the best of your
3 knowledge and belief --

4 A. (Hall) Yes.

5 Q. -- when it was filed?

6 A. (Hall) Yes.

7 MR. EATON: Could I have that document
8 marked as "Exhibit 1" for identification?

9 CHAIRMAN GETZ: So marked.

10 (The document, as described, was
11 herewith marked as **Exhibit 1** for
12 identification.)

13 BY MR. EATON:

14 Q. Mr. Hall, I direct your attention to a document that
15 has a cover letter from me dated November 22nd, 2011.
16 Do you recognize that document?

17 A. (Hall) Yes, I do.

18 Q. And, what does that document contain?

19 A. (Hall) I'm sorry?

20 Q. What does that document contain?

21 A. (Hall) That contains my supplemental testimony. And,
22 the purpose is to provide an additional proposal to the
23 Commission for implementation of Rate ADE, as a result
24 of the Commission's decision to remove or not consider

[WITNESS PANEL: Hall & White]

1 Scrubber costs in Rate ADE as of January 1st, 2012.

2 Q. And, do you have any corrections to make to that
3 testimony?

4 A. (Hall) None.

5 Q. Was it prepared by you or under your supervision?

6 A. (Hall) Yes.

7 Q. And, is it true and accurate to the best of your
8 knowledge and belief?

9 A. (Hall) Yes.

10 MR. EATON: Could that be marked as
11 "Exhibit 2" for identification?

12 CHAIRMAN GETZ: So marked.

13 (The document, as described, was
14 herewith marked as **Exhibit 2**
15 for identification.)

16 BY MR. EATON:

17 Q. And, Mr. Hall, I direct your attention to a document
18 dated December 14th, 2011. Could you please describe
19 that document.

20 A. (Hall) The December 14th filing contained updated
21 exhibits and a calculation of the rate level under Rate
22 ADE that PSNH is proposing for effect January 1, 2012.
23 That rate is 7.33 cents per kilowatt-hour.

24 Q. And, that was filed pursuant to an agreement with the

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[WITNESS PANEL: Hall & White]

1 Staff and the parties, as far as updating our -- as far
2 as updating our numbers?

3 A. (Hall) Yes.

4 Q. So, would it be similar to what we've done in the
5 Energy Service and Stranded Cost Recovery Charge
6 docket, to provide the Commission with the latest
7 calculations of costs?

8 A. (Hall) Yes.

9 Q. Are there any corrections you'd like to make to those
10 pages?

11 A. (Hall) No.

12 Q. And, are they true and accurate to the best of your
13 knowledge and belief?

14 A. (Hall) Yes.

15 MR. EATON: I'd like the December 14th
16 filing marked as "Exhibit 3" for identification.

17 CHAIRMAN GETZ: So marked.

18 (The document, as described, was
19 herewith marked as **Exhibit 3** for
20 identification.)

21 BY MR. EATON:

22 Q. Mr. White, would you please state your name for the
23 record.

24 A. (White) Frederick White.

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1 Q. And, for whom are you employed?

2 A. (White) I'm employed by Northeast Utilities Service
3 Company.

4 Q. And, what is your position and duties with Northeast
5 Utilities Service Company?

6 A. (White) I'm a Supervisor in the Wholesale Power
7 Contracts Department. Our responsibilities include
8 performance and I supervise analysis of the PSNH power
9 supply portfolio.

10 Q. Have you previously testified before the Commission?

11 A. (White) Yes.

12 Q. And, what was your role in preparing the documents that
13 have been introduced in this proceeding?

14 A. (White) Regarding those documents, there is an
15 Attachment SRH/FBW-2, which is an outline of our
16 marginal cost calculation. And, our group performed
17 that analysis.

18 Q. So, questions concerning the marginal cost calculation
19 should be directed to you?

20 A. (White) Yes. They can be.

21 Q. Mr. Hall, could you please summarize the Company's
22 position in this proceeding?

23 A. (Hall) Certainly. PSNH made a filing of a proposed
24 Rate ADE pursuant to the Commission's order in the

1 Migration docket, and that was an order that was issued
2 last summer, in July. And, in that order, the
3 Commission instructed PSNH to file alternative rates
4 and tariffs for customers who return to PSNH's Default
5 Energy Service from a competitive supply. PSNH's
6 proposal for Rate ADE is a marginal cost based rate,
7 plus an adder, under which customers who take
8 competitive supply and subsequently return to PSNH will
9 then take service under this alternate rate.

10 In accordance with the Commission's
11 direction, we've designed the rate to work during
12 periods of time when marginal costs are below PSNH's
13 standard Default Energy Service rate, and as they are
14 today, or when marginal costs exceed PSNH's Default
15 Energy Service rate, as they did for several years
16 subsequent to competition.

17 In the testimony, we describe the
18 mechanism, how the rate will work, and the terms and
19 conditions. And, we also include sample tariff pages
20 that would be used to implement the rate.

21 Q. What is the rate that PSNH is requesting in this
22 proceeding?

23 A. (Hall) PSNH is proposing a rate of 7.33 cents per
24 kilowatt-hour effective January 1, 2012. That rate's

[WITNESS PANEL: Hall & White]

1 based on PSNH's marginal costs, which are calculated
2 based on forward market prices of 6.33 cents for
3 calendar year 2012, plus a one cent adder.

4 Q. And, could you refresh us as to who would be eligible,
5 what customers would be eligible for this rate?

6 A. (Hall) Rate ADE would be available to PSNH's larger
7 customers, those customers served under Rates GV or LG.
8 And, it would be available and, in fact, mandatory, for
9 any customer who has been on a competitive supply for a
10 period of 12 consecutive months, and then subsequently
11 returns for service from Energy Service from PSNH.

12 Q. Do you have anything to add to your direct testimony,
13 Mr. Hall?

14 A. (Hall) No, I don't.

15 MR. EATON: Thank you. Mr. Hall is
16 available and Mr. White are available for
17 cross-examination.

18 CHAIRMAN GETZ: Thank you. Mr. Rodier.

19 MR. RODIER: Thank you, Mr. Chairman.

20 **CROSS-EXAMINATION**

21 BY MR. RODIER:

22 Q. Mr. White, how are your responsibilities the same or
23 different from Mr. Labrecque? And, I'm only looking
24 for a very brief answer.

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[WITNESS PANEL: Hall & White]

1 A. (White) They're essentially the same. In his prior
2 role, I assume that's what you're referring to?

3 Q. He's no longer responsible for the PSNH portfolio?

4 A. (White) No. He is a Manager of Supplemental Energy
5 Resources Group.

6 Q. Okay. Got it. Okay. Just as a preliminary matter,
7 I'd just like to clarify some of your data -- some of
8 the data responses, if I may. And, I just want to get
9 some quick clarifications to some of your responses you
10 made to OCA. And, would you look at OCA 2.

11 A. (Hall) I'm there.

12 Q. Do you have it?

13 A. (Hall) I do.

14 Q. It looks like, and are Rate LGs -- are those still the
15 customers greater than 1,000 kW?

16 A. (Hall) Yes. A thousand kilowatts or above of billing
17 demand.

18 Q. And, it looks like there's approximately ten customers
19 that are still on Default Service that have not gone to
20 the competitive market?

21 A. (Hall) Ten percent.

22 Q. Ten percent of 102 is about ten customers?

23 A. (Hall) Well, I think it might be more than that, but,
24 okay, I'll accept that. It's close enough.

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[WITNESS PANEL: Hall & White]

1 Q. Okay. We're just talking rough here?

2 A. (Hall) Yes.

3 Q. And, are any of these customers PSNH accounts?

4 A. (Hall) They're all PSNH accounts.

5 Q. No. I meant where the customer on the bill is PSNH?

6 Are they in a --

7 A. (Hall) I don't believe so.

8 Q. Okay. All of your internal use is -- is that not sold
9 to yourself under a tariff, evidently, right?

10 A. (Hall) Correct.

11 Q. Okay. Now, very quickly, and without speculating, I'm
12 just wondering, why would there be ten customers who
13 have not migrated?

14 A. (Hall) I don't know.

15 Q. Well, let me -- would one reason be they have got no
16 credit, got lousy credit, poor financial condition?

17 CHAIRMAN GETZ: I thought this was going
18 to be without speculating?

19 MR. RODIER: Well, okay. You're right.

20 CHAIRMAN GETZ: If you've got a
21 question, let's just ask the questions, okay. You want to
22 know who these ten customers are and why they --

23 MR. RODIER: What I was wondering is
24 just wondering why there's ten that are still left. I'm

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[WITNESS PANEL: Hall & White]

1 wondering if they would even react to light or something,
2 you know, or what's wrong with them. But let's -- why
3 don't we just keep moving here.

4 BY MR. RODIER:

5 Q. Now, the next one, 3, because I want to make this
6 quick.

7 A. (Hall) Okay.

8 Q. 1,447 residential customers for PSNH have migrated,
9 correct?

10 A. (Hall) Yes.

11 Q. And, I just wanted to compare that to, for example,
12 CL&P. Are you aware that over 600,000 CL&P customers
13 have migrated to the competitive market?

14 A. (Hall) Nope. I'm not aware. I don't know how many
15 customers of CL&P have migrated.

16 MR. RODIER: Okay. Can we get an answer
17 to that, Mr. Chairman? Because I think that's, you know,
18 and I'll be quick about this, but I think it's important
19 to have the Commission have a sense of and assist the
20 Company what kind of migration has been experienced out of
21 the residential category.

22 Is there anybody in the room that could
23 say whether it's about 600,000 or not?

24 MR. EATON: I don't know what the

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1 relevance of this is.

2 MR. RODIER: Well, the relevance, Mr.
3 Chairman, is that there's a bigger picture here, and that
4 -- and the bigger picture is that the smaller customers
5 are basically stuck, and, as time goes on, would just keep
6 getting more and more of this lost revenue heaped on them.
7 Okay? And, I'm just trying to get at a basic premise
8 here, I think, is that the Commission shouldn't
9 necessarily assume that there are customers that are going
10 to be able to migrate. That's all I'm trying to get at.

11 CHAIRMAN GETZ: Well, I mean, this
12 witness doesn't have --

13 MR. RODIER: Okay.

14 CHAIRMAN GETZ: -- the answer to your
15 question.

16 MR. RODIER: All right.

17 BY MR. RODIER:

18 Q. OCA 6, please. There is a sentence in the middle of
19 that response that says "Since PSNH's generating fleet
20 would be fully" -- "would be utilized fully for the
21 benefit of existing ES customers, incremental load
22 would not impact generation." Do you see that
23 sentence?

24 A. (White) Yes.

[WITNESS PANEL: Hall & White]

1 Q. Okay. By the way, we're talking "decremental load"
2 here, aren't we?

3 A. (White) This rate would be for customers returning.

4 Q. Okay. But, in your power supply model, it's actually a
5 load decrement that you modeled, isn't that correct?

6 A. (White) No. It was a migration decrement. Perhaps the
7 --

8 Q. Okay. It was a "migration decrement". Okay. Thank
9 you. Here's what I'm getting at. Given the default
10 service you're serving right now, you've got enough of
11 your own generation to supply that? Or, do you have
12 enough or do you not have enough?

13 A. (White) I'm sorry. Could you repeat it? I missed the
14 question.

15 Q. Yes. Given the level of default service load that you
16 have right now, given the migration that's taken place,
17 is your existing fleet adequate to serve the needs of
18 those customers or do you still have to make purchases?

19 A. (White) Purchases are still necessary.

20 Q. So, the existing -- well, let's kind of separate that a
21 little bit. So, the existing generation is not
22 adequate in capacity to serve the needs of the
23 customers who are still with you, is that correct?

24 A. (White) That's correct.

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[WITNESS PANEL: Hall & White]

1 Q. Okay. Now, given the low LMPs that we're seeing, and
2 I've seen some about three cents, three and a half
3 cents. Let me stop right there. Have you seen the
4 same thing?

5 A. (White) Yes.

6 Q. Okay. Is it possible then that you would be making
7 purchases, rather than running your own generators?

8 A. (White) Yes.

9 Q. Okay. Is that transpiring? Do you expect to do that?
10 Is that happening currently or --

11 A. (White) It is happening currently. In a number of
12 these proceedings, we've discussed about economic
13 reserve shutdowns of our units.

14 Q. Okay. And, what I'm getting at then, let's say that
15 that is happening, where you have some of your baseload
16 generation that is on economic reserve or whatever you
17 say, you're buying instead. Is that reflected in this
18 model, that condition?

19 A. (White) Well, yes and no. In one manner of using the
20 model, yes, that's modeled in here. The real point is
21 that, in a scenario with and without load returning,
22 the economic generation of the units doesn't change.

23 Q. Okay. It's on the margin, the decrement is not
24 changing things?

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1 A. (White) Correct.

2 Q. Is that what you're saying? Okay. And, that's all
3 you're doing with your model. You are only looking at
4 changes on the margin, isn't that correct, when you
5 calculate your marginal costs? Because I think this
6 answer goes on to say "the generation fleet costs are
7 going to be identical in both the base case and the
8 change case"?

9 A. (White) Right, or you could just run the models without
10 the generation and you would arrive at the same place.

11 Q. Okay. And, we go over to Response 8, and there you get
12 into some -- a detailed response here of the so-called
13 "power supply portfolio model". I take it that's done
14 on an Excel program or something like that?

15 A. (White) Yes.

16 Q. Okay. And, we have just covered some of this, but the
17 load -- the migration decrement is equal to the
18 difference between load at 33.4 percent migration and
19 25 percent migration, is that about right?

20 A. (White) That was correct at this point in time. There
21 was a slight change in the December update, where the
22 decrement was from 34 percent to 25 percent.

23 Q. Okay.

24 A. (White) So, a fairly small change.

[WITNESS PANEL: Hall & White]

1 Q. All right. Thank you. And, I'm just looking for the
2 concept here, though.

3 A. (White) Uh-huh.

4 Q. "Many proprietary assumptions and information regarding
5 generating unit characteristics [were] removed from
6 [the] model", is that right?

7 A. (White) Yes.

8 Q. What's the current level of migration?

9 A. (White) Thirty-four percent.

10 Q. It is? Has that been stagnant for a few months or --

11 A. (White) It hasn't changed a whole lot.

12 Q. And, when you did this testimony, I mean, I'm looking
13 at a response here that talks about "6.89 cents per
14 kilowatt-hour" for the marginal cost. Then, you
15 recently updated that, and it went down by about a half
16 a cent, to 6.39, is that correct?

17 A. (White) 6.33.

18 Q. And, what's the -- what is the -- you made your filing
19 in September, and then you updated it in November, and
20 the marginal cost had been reduced by roughly a half a
21 cent. Why -- what is the single biggest contributing
22 factor for that?

23 A. (White) A decrease in forward market electricity
24 prices.

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1 Q. I noticed the other day that they're about four cents
2 now for calendar year '12, does that sound about right?

3 A. (White) Roughly. I think they're a bit above that.

4 Q. Okay. But is that what you just do, you go to the
5 quote sheets, and you take a NEPOOL flat number? And,
6 you took one in September, and it was greater than the
7 one that you just looked at recently for your update?

8 A. (White) We base an hourly stream of market prices on
9 the monthly quotes that you're referring to for 2012.

10 Q. Explain that to me. "Hourly stream"?

11 A. (White) We convert those forward market quotes into an
12 hourly pattern of prices.

13 Q. How do you do that, real quick?

14 A. (White) It's based on historical relationships within
15 each month, between peak and off peak prices and daily
16 shapes, daily price shapes.

17 Q. So, what you're doing is you're almost taking, let's
18 call it -- let's say it was \$40 a megawatt, okay, in my
19 assumption?

20 A. (White) Okay.

21 Q. And, basically, you're breaking that down? Let's say
22 that's the value for 12 months, a calendar year.

23 You're breaking that down to 8,760 values --

24 A. (White) Yes.

[WITNESS PANEL: Hall & White]

1 Q. -- on the basis of some algorithms you develop?

2 A. (White) Yes.

3 Q. So, somehow, when you come up with the 6.33, or
4 whatever, you put them all back together again at some
5 point and you come up with one number. You
6 disaggregate it and then you put them all back
7 together?

8 A. (White) Costs in the model are calculated on an hourly
9 basis.

10 Q. Yes.

11 A. (White) And, when summed -- and summarized over the
12 course of the calendar year, the average marginal cost
13 is 6.33.

14 Q. Okay. Okay. So, would you call that the "market
15 price"?

16 A. (White) Well, I would call that the "PSNH marginal cost
17 to serve incremental load".

18 Q. Is it based upon market prices?

19 A. (White) Yes, it is.

20 Q. So, would I be way off to say that PSNH is basing this
21 Rate ADE on a market price, plus one cent, isn't that
22 really what we're doing in layman's terms?

23 A. (Hall) Yes.

24 Q. Okay. By the way, real quick, when you do this,

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1 Mr. White, how do you handled the ICAP tags?

2 A. (White) With regard to what?

3 Q. Well, when you're -- you're assuming that 130 megawatts
4 of customers comes back to the house, comes back, okay?
5 They don't use electricity, a flat amount, every hour
6 of the year, do they?

7 A. (White) No.

8 Q. They have a load factor, don't they, or a load shape,
9 correct?

10 A. (White) Yes.

11 Q. Okay. The load shape is different for each customer,
12 is that correct?

13 A. (White) Yes.

14 Q. The ICAP tag is a function of the load shape for each
15 customer, is that correct?

16 A. (White) It's a function of a share of the system peak
17 at the time of the system peak.

18 Q. Right. But, the ICAP tag is critical in determining
19 what your capacity costs to ISO-New England are going
20 to be, is that right?

21 A. (White) Right.

22 Q. Okay.

23 A. (White) And, we start with the ICAP responsibility
24 assigned to total PSNH load. And, then, based on

1 percentages, --

2 Q. Okay.

3 A. (White) -- we break out a ICAP requirement.

4 Q. This is a pretty -- this is not how marginal costs were
5 calculated in the old days, this is a very
6 sophisticated approach, isn't it, detail is
7 sophisticated? Is that the idea? In the old days,
8 somebody would have said, "okay, four bucks for" --
9 "\$40 for energy for 12 months, 1.2 cents for capacity,
10 0.3 cents for ancillary, so much for reserves, add some
11 losses in there, and there's your number." Evidently,
12 that's not how it's done anymore. It's a very
13 sophisticated process, correct?

14 A. (White) Well, conceptually, I don't think it's any
15 different.

16 Q. Yes.

17 A. (White) It may be more involved due to capabilities of
18 Excel. We can calculate marginal costs in different
19 ways.

20 Q. Right.

21 A. (White) Among them are a simple method as perhaps
22 you're contemplating.

23 Q. All right. So, that could be a sanity check?

24 A. (White) That's correct.

[WITNESS PANEL: Hall & White]

1 Q. Okay. In your calculation here, do you pick up a loss
2 factor? Are losses included in the 6.33, line losses?

3 A. (White) Yes, they are.

4 Q. Okay. So, everything is in there, as far as you know?
5 I mean, --

6 A. (White) Yes.

7 Q. Okay. Now, if you bear with me, I'd just like to go
8 through a few of the responses to Staff.

9 MR. RODIER: This is like comprising
10 quite a bit of my cross-examination, Mr. Chairman. It's
11 more than just preliminary.

12 BY MR. RODIER:

13 Q. In the response to Staff 1, I don't understand that
14 response. Mr. Hall, can you explain that? Would you
15 like to read it and tell me what that means?

16 A. (Hall) Okay, I'm with you.

17 Q. What is the message here? What is this saying? I'm
18 not being facetious. I want to make sure I understand
19 what it says.

20 A. (Hall) Basically, this says that, if the Commission
21 approves Rate ADE, then in the future we may be filing
22 our request for a rate earlier in the year, rather than
23 in mid October and then updating in December. And, the
24 reason for filing it earlier in the year is to provide

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1 information to customers from a planning perspective.

2 Q. Okay. That's a general proposition. With respect to
3 this year, you're looking for approval for January 1?

4 A. (Hall) January 1st.

5 Q. Okay. Let's, to keep this simple, let's just talk
6 about, you said your updated substitute testimony --
7 supplemental testimony was one cent, instead of the
8 non-operating costs of the Scrubber, is that correct?

9 A. (Hall) Correct.

10 Q. Tell me how that's an actual cost.

11 A. (Hall) How that's a what?

12 Q. Actual cost.

13 A. (Hall) An actual cost?

14 Q. Yes.

15 A. (Hall) It's not. It's an adder, above actual cost.

16 Q. I thought default service was supposed to be premised
17 upon the actual costs?

18 A. (Hall) It is, in that it's premised on PSNH's marginal
19 cost of providing the service.

20 Q. But not the one cent?

21 A. (Hall) The one cent is simply an adder over and above
22 marginal cost. And, the purpose of the one cent adder
23 is to provide a benefit to all other customers. If we
24 simply price at marginal cost, there would be no

1 benefit created. There would be no value created, and
2 there would be no point in proposing going forward with
3 the rate.

4 Q. So, it's an arbitrary adder to the actual cost?

5 A. (Hall) Based on judgment, yes.

6 Q. Okay. Okay, I want to ask about the answer to 3.

7 A. (Hall) Did you say "3"?

8 Q. The answer to Staff 3. And, again, we're getting back
9 to this concept of the existing generation, in whole or
10 in part, existing to provide backup supply, is that
11 correct?

12 A. (Hall) Can you give me a moment, so I can read it
13 please?

14 Q. Sure.

15 A. (Hall) Okay. I've read it.

16 Q. So, this proposal is premised upon there being a
17 continued desire to have a backup supply for your
18 customers, is that right?

19 A. (Hall) No. I wouldn't characterize it that way. PSNH
20 is the default supplier, where PSNH is the supplier of
21 last resort, regardless of whether this proposal goes
22 forward or not.

23 Q. Well, what I'm just trying to get into, you know,
24 you've got this challenge, let's call it, that your

[WITNESS PANEL: Hall & White]

1 rates -- your Default Service rate, as we have noted,
2 is significantly higher than the market price of power,
3 and that spread looks to me like it's going to
4 increase. Would you agree with that?

5 A. (Hall) Over what time frame?

6 Q. Well, my personal opinion is about fifteen years.
7 What's yours?

8 A. (Hall) Fifteen years? I have no idea what's going to
9 happen in fifteen years.

10 Q. Yes, PSNH does not do forecasts --

11 (Court reporter interruption.)

12 MR. RODIER: I'm sorry.

13 BY MR. RODIER:

14 Q. PSNH does not do forecasts, is that correct?

15 A. (Hall) We don't do forecasting?

16 Q. Well, I've heard the witnesses say that a few times.
17 Is that correct or not?

18 A. (Hall) No. PSNH does forecasting. In fact, we
19 forecast every year for the purposes of setting the
20 Energy Service rate.

21 Q. Right.

22 A. (Hall) We also do a financial forecast for the purpose
23 of determining revenue and expense and earnings.

24 Q. Okay. Do you have a projection of what your default

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1 rates would be five years from now?

2 A. (Hall) Not a projection that I would rely on for
3 planning purposes. We don't forecast Default Energy
4 Service rates. And, the reason that we don't is, from
5 a financial planning perspective, there's no need to do
6 so.

7 Q. Okay. Do you have any forecast of what the migration
8 might be, under your base case now, and your base case
9 is probably the Scrubber is all in, you recover all
10 your costs. Have you got a forecast out for years one
11 through five of what the migration rate might be?

12 A. (Hall) No.

13 Q. How can you have a financial forecast that's useful
14 without taking a look at that?

15 A. (Hall) How can we have a financial forecast that's
16 useful?

17 Q. Yes.

18 A. (Hall) Because.

19 Q. If you don't have any forecast of your customers that
20 are leaving --

21 (Court reporter interruption.)

22 MR. RODIER: Sorry.

23 WITNESS HALL: I missed your question.

24 BY MR. RODIER:

1 Q. Well, you have a financial forecast that is used for
2 all kinds of purposes for the Company to forecast its
3 ability to fund capital expenditures, and goes into
4 what Mr. Baumann is planning for rate cases, I guess,
5 what years he's going to have his rate cases. How do
6 you know what that forecast would be if you're not
7 forecasting migration rates?

8 A. (Hall) Migration rate involves energy service. The
9 financial forecasts that we perform are forecasts for
10 the purposes of financial planning, and they look at
11 profitability, earnings.

12 Q. Okay.

13 A. (Hall) Based on what earnings are looking like, then
14 that determines and leads PSNH to make decisions
15 regarding what actions to take with respect to, for
16 example, rate cases.

17 Q. Okay.

18 A. (Hall) Now, Energy Service is a fully reconciling
19 mechanism.

20 Q. Right.

21 A. (Hall) And, therefore, there's no earnings impact.

22 Q. So, basically, implicit in all your forecasts is "one
23 way or another, we're going to get this money"?

24 A. (Hall) What money are you referring to?

[WITNESS PANEL: Hall & White]

1 Q. The Energy Service costs. "We will eventually find
2 somebody that we can collect this from"?

3 A. (Hall) Sure.

4 Q. Okay.

5 A. (Hall) We're entitled to by law.

6 Q. Okay. The next one is interesting, the response to
7 Staff 4. "No administrative costs incurred by PSNH in
8 implementing Rate ADE." Can you hear me? "No
9 administrative costs", do you see that, Mr. Hall?

10 A. (Hall) I see the answer. That's not what it says,
11 though.

12 Q. Okay. I'm sorry.

13 A. (Hall) It says "No. Any administrative costs will not
14 be incremental."

15 Q. Okay. So, no incremental administrative costs?

16 A. (Hall) Correct.

17 Q. Does that mean you might have people sitting around
18 with nothing to do? How can you not have any
19 incremental administrative costs? If you --

20 A. (Hall) Because we're not doing -- I'm sorry.

21 Q. If you have more duties, work to be done, either
22 there's additional costs or there's a lost opportunity
23 -- or opportunity cost that's forgone, is that correct?

24 A. (Hall) Other work will not be done. We'll reallocate

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1 resources like we do everyday. From a managerial
2 perspective, we have to make those decisions on a daily
3 basis.

4 Q. Right.

5 A. (Hall) That's like saying that there's an
6 administrative cost associated with me sitting here at
7 this hearing.

8 Q. Okay.

9 A. (Hall) There is no incremental cost to the Company of
10 me sitting here.

11 Q. Okay. Well, that brings me to my next point here.

12 MR. RODIER: May I, Mr. Chairman? I
13 just -- and I'm not going to mark this, I'm just going to
14 ask a few questions.

15 (Atty. Rodier distributing documents.)

16 CHAIRMAN GETZ: Can we read along?

17 MR. RODIER: Sure. Glad you got your
18 glasses, because this came out real small. Okay, I've got
19 three. And, then, I got one for Mr. Hall, and I have to
20 keep one for myself.

21 BY MR. RODIER:

22 Q. Can you identify this sheet, Mr. Hall? Let me tell you
23 what it is. Let me start that way. I printed this off
24 a website called "PSNH Energy Brief". I printed it off

1 this morning.

2 A. (Hall) Okay.

3 Q. And, is it okay if we proceed on that basis?

4 A. (Hall) Sure.

5 Q. You can -- you're going to check later on, okay? I

6 only want to ask you about one thing, really.

7 Beginning one, two, three, fourth paragraph.

8 A. (Hall) Uh-huh.

9 Q. "Additionally, large energy customers will benefit from
10 having a new option available to them in the market
11 that offers stability, simplicity, and competitive
12 pricing." Okay. You see that?

13 A. (Hall) I do.

14 Q. Did you write that?

15 A. (Hall) I didn't.

16 Q. Do you know who did?

17 A. (Hall) No.

18 Q. Strike you as plausible or reasonable or --

19 A. (Hall) Does this strike me as reasonable? Yes.

20 Q. Okay. Here's -- the first reason I'm bringing this up
21 is because seems to me you're saying there's no
22 incremental administrative costs, but it's starting to
23 look like there's going to be a marketing effort
24 associated with this.

1 A. (Hall) Okay.

2 Q. Is there?

3 A. (Hall) A marketing effort?

4 Q. Yeah.

5 A. (Hall) Not a formal effort that I'm aware of.

6 Q. Okay. Let me ask you here, when it says that Rate ADE,
7 as you're proposing it, "offers stability, simplicity,
8 competitive pricing", what do you mean by "stability"?

9 A. (Hall) Rates don't change dramatically from month to
10 month.

11 Q. Okay. And, what's that different from? What out there
12 right now that does change dramatically from month to
13 month?

14 A. (Hall) Customers who take service directly from the
15 ISO, where their rates vary by the hour.

16 Q. Okay. That's unless they hedge the account?

17 A. (Hall) I can't hear you.

18 Q. That's unless they hedge the account? You're assuming
19 that they're taking it all on an hourly basis, but I
20 see what you're saying. But, would you agree with me,
21 that the vast majority of customers are on fairly
22 long-term fixed rate contracts? Do you know whether
23 that's true?

24 A. (Hall) You mean in the competitive market?

1 Q. Yes.

2 A. (Hall) I don't know what arrangements they have. And,
3 this isn't speaking to the competitive market.

4 Q. Well, it seemed to me, we're -- you're saying
5 "stability", so you're saying that's a differentiator,
6 it's a marketing feature. And, I was just wondering
7 what you were comparing it, addressing it to? It would
8 be to a small group of customers that purchase power on
9 an hourly basis, evidently?

10 A. (Hall) It's a matter of perspective.

11 Q. Okay.

12 A. (Hall) And, if a customer that is considering Rate ADE
13 considers a rate that would change every six months,
14 potentially, as "unstable", they won't take it.

15 Q. Okay.

16 A. (Hall) It's really a matter of perspective.

17 Q. Okay. And, "simplicity" means it's -- you'd probably
18 give basically the same answer, it's just a simple --

19 A. (Hall) It's easy to understand, it's cents per
20 kilowatt-hour, and it's very transparent. Everyone
21 knows how to calculate it.

22 Q. Okay. You think you're -- PSNH is getting back in the
23 business here of being a competitive supplier? Does
24 that strike you as what you're doing here, you're going

1 to compete?

2 A. (Hall) Not at all. The price will be competitive.

3 We're not becoming a competitive supplier.

4 Q. You know what I wanted to ask you earlier is, do you
5 know what the definition of "default service" is?

6 A. (Hall) Of "default service"? I'd have to look it up.

7 Q. Let me just give you a hypothetical. Let's just say
8 that it's service that is available to customers who
9 otherwise wouldn't have a supplier."

10 A. (Hall) Okay.

11 Q. Okay? That ring a bell?

12 A. (Hall) Uh-huh.

13 Q. These Rate ADE targeted customers do have a supplier,
14 don't they?

15 A. (Hall) Sure.

16 Q. They're not otherwise going to be without a supplier,
17 correct?

18 A. (Hall) But, if they select Rate ADE, they won't
19 otherwise have a supplier. They'll be taking supply
20 from PSNH. Default service is also for customers who,
21 for whatever reason, elect not to have a competitive
22 supplier supply their energy.

23 Q. Okay. Let me just tell me what my hypothetical
24 definition is -- let me tell you what my hypothetical

1 definition is. Default service is available to
2 customers who would not otherwise have a supplier.

3 A. (Hall) Okay. That's your definition.

4 Q. All right.

5 A. (Hall) Fine with me.

6 Q. Then, these Rate ADE candidates would have otherwise
7 had a competitive supplier, correct? You're trying to
8 entice them back to the house?

9 A. (Hall) Maybe, maybe not. Maybe not. What if a
10 supplier, for whatever reason, decided they no longer
11 wanted to do business with the customer and dropped
12 them? Perhaps the customer was a credit risk or became
13 a credit risk and ceased paying their bill. The
14 supplier would drop them. That customer would now no
15 longer have a competitive supplier, using your
16 definition.

17 Q. Exactly. I agree. In that case. Okay. So, you know,
18 I was looking at this, you see this picture? Does that
19 look like a metering set up for a large Rate LG
20 customer or does it look like something that's on the
21 side of a garden apartment? Doesn't look like an
22 industrial metering outfit to me.

23 A. (Hall) It looks like ivy-covered walls. Maybe it's
24 taken from an Ivy League school. I don't know.

1 Q. Just wondering if this is sort of a picture that's
2 clipped out, was put in by somebody from your Public
3 Information Department. Anyway, --

4 A. (Hall) Could be. Was it in color?

5 Q. I was wondering, if you blew it up 200 times, if you
6 could see what utility's name was on there, you know,
7 Detroit Edison or --

8 A. (Hall) I can't tell if those are demand meters or not.

9 Q. Okay. Let's -- you know, here's one of the key points,
10 okay? Mr. White says, "okay, the 6.3", or the 6.9, you
11 know, whatever is, on the current basis, "that's the
12 market price. So, we want to add a cent to that." So,
13 let's take a hypothetical here, where a customer has
14 had a three year deal that expires May 31st, 2012.

15 A. (Hall) Uh-huh.

16 Q. Okay. And, now, they have got a decision, you know,
17 they do these things ahead of time, in March, let's
18 say, okay? And, you're going to be offering something
19 at 7.33 for the next six months, correct, or, actually,
20 they could stay on it for two years, but at least they
21 know it would be 7.33?

22 A. (Hall) Yes.

23 Q. Okay. Now, what they're going to do is look at what
24 their other options are in the competitive supply

1 market, right?

2 A. (Hall) Sure.

3 Q. Okay.

4 A. (Hall) I would think so.

5 Q. Huh?

6 A. (Hall) I would think so.

7 Q. Okay. So, then, a competitive supplier is going to say
8 "What, you've given a hard look at PSNH's 7.33? Well,
9 we'll give it to you for 6.83", because they will only
10 add a half a cent.

11 A. (Hall) Uh-huh.

12 Q. Plausible? That could happen?

13 A. (Hall) I suppose it could.

14 Q. How do you think you're going to get away with charging
15 an extra cent per kilowatt-hour onto the market price?

16 A. (Hall) Because I don't know what suppliers are willing
17 to offer. Maybe they won't offer 6.83. But, if they
18 do, then, even without the customer coming back to
19 PSNH, the result of the rate will be the customer's
20 bill is lower. And, there's nothing wrong with that.

21 Q. Okay. You said you thought that the one cent arbitrary
22 adder was not too high, not too low, it's just right.
23 That's what you testified to, right?

24 A. (Hall) That's right.

[WITNESS PANEL: Hall & White]

1 Q. And, this is just a good 25 or 30 years of experience
2 and intuition goes into that, correct?

3 A. (Hall) I don't know about that, but --

4 Q. Well, you go back, you went through all the old special
5 contract wars, and then they went and made them -- the
6 Commission required them special rates to keep some of
7 these from moving to Vermont, that there actually be a
8 rate schedule, and we're kind of like now going back to
9 the future in a way, aren't we?

10 A. (Hall) I'm not so sure about that. We're going to a
11 marginal cost based price.

12 Q. Okay. Now, let's look, finally, let's get to your
13 testimony here for just a couple more questions.
14 Exhibit 2, the last page of Exhibit 2 please.

15 A. (Hall) Okay. You're going to have to refresh my memory
16 which one Exhibit 2 is.

17 Q. Exhibit 2 is the October 14th filing.

18 A. (Hall) I thought that was the one that we didn't
19 introduced?

20 CHAIRMAN GETZ: Exhibit 2 is the
21 November 22nd filing, I believe. So, I'm not sure what
22 you're reading from, Mr. Rodier.

23 MR. RODIER: Is it?

24 WITNESS HALL: I've got it.

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[WITNESS PANEL: Hall & White]

1 MR. RODIER: I apologize.

2 BY MR. RODIER:

3 Q. Okay. Well, one of these had a -- sort of actually had
4 a breakdown, I guess I can't find it right now,
5 breaking down the marginal cost into energy, capacity,
6 ancillaries, RPS, ISO expenses. And, I guess we didn't
7 mark the document.

8 MR. RODIER: Which exhibit is that,
9 sorry?

10 MS. HATFIELD: Three.

11 MR. RODIER: Three? Exhibit 3.

12 MS. HATFIELD: It's the December 14th
13 filing.

14 BY MR. RODIER:

15 Q. This is the one that I was having trouble getting the
16 attachments to. Let me move along quickly. Yes, the
17 last page of Exhibit -- this is 3, the last page
18 please.

19 A. (Hall) We're there.

20 Q. And, there you have it broken down, "Energy",
21 "Capacity", "Ancillaries", "RPS", "ISO Expenses",
22 correct?

23 A. (White) Yes.

24 Q. These are the components of costs that vary when load

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1 varies, is that correct?

2 A. (White) Yes.

3 Q. Okay. And, what's -- where are the reserves? Is that
4 in "Ancillaries"?

5 A. (White) Yes, it is.

6 Q. And, what they call "AGC", is that in "Ancillaries"?

7 A. (White) Yes, it is.

8 Q. I noticed that the portfolio costs were about 3/10ths
9 of a cent per kilowatt-hour, does it sound about right,
10 RPS costs?

11 A. (White) Yes. That's about right.

12 Q. Yes. Because, if you just divide any of these numbers
13 by 694,000 megawatt-hours, you can get a rough
14 estimate. So, Mr. White, this is -- we said "hey, this
15 is the old way you might do it, instead of using the
16 model", basically, that's what I was talking about, I
17 guess.

18 A. (White) This is a summary of the model output.

19 Q. Okay. All right. Sorry. Did you, Mr. Hall, for
20 customers for Rate ADE, did you ever consider saying
21 "Do you want to come back? We'll give you an indexed
22 price; we'll just let you pay the hourly market price
23 for you to come back"?

24 A. (Hall) The hourly market price?

[WITNESS PANEL: Hall & White]

1 Q. Yes. Instead of fixing it at 6.33, just let it float?

2 A. (Hall) No.

3 Q. Doesn't that violate your simplicity/stability?

4 A. (Hall) Correct. That would be, in my judgment, an
5 option that's pretty specialized for a pretty
6 sophisticated customer. And, I don't think most
7 customers would want that kind of option. And,
8 therefore, it didn't make sense to design it that way.

9 Q. Let me ask Mr. White. Mr. White, let's just say that
10 the 130 megawatts does come back to PSNH, okay? Is
11 that going to be served out of the hourly markets or
12 are you somehow going to hedge these power supply costs
13 that you have to buy to cover those loads?

14 A. (White) That determination would be made at the time we
15 saw load returning, and it would be managed along with
16 --

17 Q. Okay.

18 A. (White) -- all ES load.

19 Q. Okay. Possibility that at least you'd just be serving
20 this out of the ISO hourly wholesale market, isn't it?

21 A. (White) That possibility exists, yes.

22 Q. All right. And, that you could lose money on the rate?

23 A. (White) That could occur.

24 A. (Hall) And, for that reason, we put in protective

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[WITNESS PANEL: Hall & White]

1 measures that allow us to modify the rate after six
2 months.

3 MR. RODIER: All right. Let me just
4 have a moment, Mr. Chairman.

5 (Short pause.)

6 MR. RODIER: That's all I have, Mr.
7 Chairman. I just have one inquiry to make to the
8 Commission, if I might?

9 CHAIRMAN GETZ: One what?

10 MR. RODIER: May I just ask a question?
11 I'm through cross-examination. This is the only question:
12 Does the Commission, and I know you said this last time
13 "you always have the opportunity for a closing statement",
14 do you have any idea in this case, in case I have to leave
15 at some point here or want to leave, do you know when the
16 closing statement might have to be in or has that decision
17 been made?

18 CHAIRMAN GETZ: You mean you're assuming
19 that there's a written statement alternative available, is
20 that what you're assuming?

21 MR. RODIER: Well, my most recent
22 experience was the SPP, you know, the wood-fired
23 proceeding.

24 CHAIRMAN GETZ: Well, I think our

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[WITNESS PANEL: Hall & White]

1 intention today was to finish the hearing and have the
2 closing statements at the end of the hearing today.

3 MR. RODIER: Okay.

4 CHAIRMAN GETZ: Which I was hoping
5 wasn't going to be a whole lot longer from now. Do you
6 have some place to be?

7 MR. RODIER: I always have some place to
8 be, Mr. Chairman. It's a question of priorities, you
9 know? So, not to say that this isn't a priority. Can I
10 get something in by the end of the day Wednesday or is
11 that not workable?

12 CHAIRMAN GETZ: Let's hear, any position
13 from the other parties?

14 MS. AMIDON: My only observation would
15 be that I know the Company has asked for an effective date
16 for these rates on January 1, and I'm not sure how that
17 would factor into the Commission's other work. I just --
18 it's just an observation.

19 MR. RODIER: You know, Mr. Chairman, we
20 had a big string of last-minute cases here. To some
21 extent, you know, everything has always been in a rush
22 this year, it seems to me, the stuff that I come around
23 for. I'm doing my best to try to, you know, cooperate
24 here, and hopefully provide something that's of beneficial

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[WITNESS PANEL: Hall & White]

1 input to the Commission. I think I should get 48 hours to
2 try to write something up, you know, send it in, if it's
3 possible. Look, if you can't do it, then you've got the
4 idea from my questions where I'm coming from.

5 CHAIRMAN GETZ: Well, let's just put it
6 this way. You're asking the Bench what our plans were,
7 and our plans were not to have anything in writing. If
8 you're asking for the opportunity to put something in
9 writing, now you've apparently gotten around to that.

10 MR. RODIER: Yes.

11 CHAIRMAN GETZ: Now I'm going to let the
12 other parties weigh in --

13 MR. RODIER: Oh, I'm sorry.

14 CHAIRMAN GETZ: -- if they have a
15 position. Ms. Hatfield, do you --

16 MS. HATFIELD: Thank you, Mr. Chairman.
17 I think that this proposal raises significant legal
18 questions. So, I think it might be useful if the parties
19 could reduce their closing statements to writing.

20 CHAIRMAN GETZ: Mr. Eaton?

21 MR. EATON: Mr. Chairman, we don't agree
22 that it raises significant legal questions. We think this
23 is -- this is fully justified, because the marginal cost
24 is the actual cost of serving these new customers coming

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[WITNESS PANEL: Hall & White]

1 back, and it's below the average cost. So, whatever
2 definition you have of "actual cost", this falls within
3 that definition.

4 We objected to the intervention of
5 Freedom Energy and Halifax American. And, we understood
6 that the intervention would mean that Mr. Rodier would
7 conform with the procedural schedule as the Commission
8 defines it. And, we don't believe that there's any
9 necessity why Mr. Rodier couldn't make his statement right
10 now, if he has to leave, or at the -- if he can stay to
11 the end, to make it at the end of the proceeding.

12 (Chairman and Commissioners
13 conferring.)

14 CHAIRMAN GETZ: All right, this is our
15 ruling. That the written -- the option for written
16 closings are due by 4:30 tomorrow.

17 MR. RODIER: Fine. Thank you.

18 CHAIRMAN GETZ: Ms. Hatfield.

19 MS. HATFIELD: Thank you, Mr. Chairman.
20 Good afternoon, gentlemen.

21 WITNESS WHITE: Good afternoon.

22 WITNESS HALL: Good afternoon.

23 BY MS. HATFIELD:

24 Q. Mr. Hall or Mr. White, looking at Exhibit 3, the last

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1 page that Mr. Rodier was just asking you questions
2 about, do you still have that in front of you?

3 A. (White) Yes.

4 Q. And, if we look at the "Sales Increment", the
5 megawatt-hour number, I just want to make sure I
6 understand this. That increment is the difference
7 between 25 percent migration and 34 percent migration,
8 is that correct?

9 A. (White) At the customer meter, yes. That's correct.

10 Q. So, you're assuming, for purposes of pricing the ADE
11 rate, that migration won't go below 25 percent?

12 A. (White) No. Should a quantity of load beyond what's
13 represented here, if we had assumed a larger amount, we
14 would have calculated the same marginal cost. It's not
15 dependent on the amount of load returning to PSNH.

16 That's --

17 Q. And, -- excuse me. Go ahead.

18 A. (White) No, that's fine. I'll stop here.

19 Q. And, previously, I think one of you defined "marginal
20 cost" in this setting as basically "PSNH's cost of
21 procuring market power to serve customers on this
22 rate", is that right?

23 A. (Hall) Not really. "Marginal cost" is the cost of
24 serving an increment of load. As Mr. White said, it

1 doesn't matter what that increment is. Where I take a
2 little bit of exception to what you said is the "cost
3 of procuring power". Marginal cost, the marginal cost
4 for serving the load is independent of whether we have
5 to go out and procure the power to serve the load or
6 not; the marginal cost is still the same. And, that's
7 because, if it was provided through generation, rather
8 than purchasing it from the market, there would be an
9 opportunity cost associated with providing the
10 generation to serve that load, and that opportunity
11 cost is equal to the market price. So, it doesn't
12 matter whether you're buying power or generating power,
13 the cost is the same. It's a slight distinction.

14 Q. But, in your -- what's been marked as "Exhibit 1", in
15 your September 23rd testimony, Page 5, at Line 5, you
16 referred to the Rate ADE as a "discounted rate when
17 marginal costs are below PSNH's average energy costs",
18 right?

19 A. (Hall) Yes.

20 Q. So, if you were to use your own generation to develop
21 the ADE rate, it would be higher than 6.33 cents?

22 A. (Hall) No. No. It wouldn't. Because, if we were to
23 use our own generation to serve the load, it's because
24 the incremental cost of that generation is lower than

[WITNESS PANEL: Hall & White]

1 whatever the prevailing market price is.

2 Q. So, you -- but you're assuming in that case that you're
3 only using your generation if it's lower than market?

4 A. (Hall) To serve that increment of load. If the
5 variable cost of the generation is lower than the
6 market price, you use generation to serve that
7 increment of load, rather than purchase from the
8 market. The cost associated with doing that is the
9 market price. And, that's because, if you didn't have
10 the additional load, to the extent that the variable
11 cost of generation is below market, you'd be selling
12 that generation into the market and receiving the
13 marginal price, the marginal market price. That's why
14 the cost is the same, regardless of whether you're
15 generating to supply the load or buying from the
16 market.

17 Q. But we have already established that you don't have
18 enough generation just to provide service to your
19 default service customers, correct?

20 A. (White) Yes, as a general rule.

21 Q. So, have you purchased power or entered into agreements
22 to purchase power in order to provide Rate ADE?

23 A. (White) No.

24 Q. So, what happens if customers wish to take Rate ADE and

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1 the cost is actually higher than the 6.33 cents?

2 A. (Hall) In a particular hour, you mean? In that
3 particular hour, it costs more to serve than the 6.33
4 cents, which is no different than a standard Rate DE
5 customer taking power in that hour. The marginal cost
6 of serving many load in a particular hour is going to
7 be the same price. Hour by -- I'm sorry, go ahead.

8 Q. When would you collect the difference from the rate?
9 Would you collect it from the Rate ADE customers or
10 from someone else?

11 A. (Hall) Hour-by-hour, the market -- the price is going
12 to vary all over the place. In some hours, it's going
13 to be below 6.33 cents, in some it's going to be above.
14 On average, to the extent that the market doesn't
15 shift, it will average out at about 6.33 cents. If you
16 look at one -- that's why I asked you earlier "in a
17 particular hour?" In any particular hour, the price is
18 going to be either higher or lower than the 6.33. We
19 would recover 6.33, plus a penny adder, or 7.33 cents a
20 kilowatt-hour. And, through that incremental amount,
21 that's where a benefit goes to all other customers.

22 Q. Now, if -- I think you just said that you're projecting
23 that the average cost for ADE is 6.33, assuming market
24 prices don't go up, is that right?

1 A. (Hall) Or down. I mean, they could shift downward,
2 too.

3 Q. So, what if market costs go up and the average cost is
4 more than 6.33, would you take any difference out of
5 that one cent adder that you're proposing?

6 A. (Hall) If the market shifts upward, what that would do
7 is result in less margin to go to all other customers.
8 And, I mean, in theory, the market could shift
9 dramatically up and eliminate the margin altogether.

10 Q. And, just by "margin", you're talking about the cent?

11 A. (Hall) Uh-huh. Yes. Now, that's why we put the
12 safeguard into the rate that says that "the price is
13 subject to change after six months." If we see a shift
14 in the market, we're going to be in here proposing a
15 modification, because we don't want that to be a
16 long-term phenomenon.

17 Q. And, the tariffs that you've included in your original
18 filing today specified that the rate could be changed
19 in six months?

20 A. (Hall) Come again?

21 Q. That the rate could be changed in six months?

22 A. (Hall) I don't know if it said it in the tariff pages
23 or not. I don't think the tariff pages say anything
24 about the turnover rate, how long the rates could

1 remain in effect.

2 Q. And, those were attached to Exhibit 1, correct?

3 A. (Hall) Yes.

4 Q. Well, if we do look at the tariff page on Exhibit 1,
5 when it talks about a "limitation of availability", it
6 says it's "limited to [a] 24-month [period]"?

7 A. (Hall) Yes.

8 Q. So, perhaps it might be necessary to just add some
9 language, just to notify customers that it could change
10 in six months, would you agree?

11 A. (Hall) I wouldn't have an issue with adding such
12 language. The same problem, if you want to call it
13 that, applies to any of our rate schedules. It applies
14 to our Default Energy Service Rate D, it applies to the
15 Stranded Cost Charge, it applies to distribution rates.
16 I mean, nowhere in our rate schedules do we say "oh,
17 and this is subject to change in the next so many",
18 but, conceptually, I wouldn't have a problem adding
19 that language.

20 Q. It just seems like it might be helpful to large
21 customers who are trying to decide among the several
22 options?

23 A. (Hall) Okay. That will certainly be explained to
24 customers by account executives when customers are

1 inquiring about the rate.

2 Q. Thank you. Now, let's assume that you got the number
3 right, that the 6.33 turns out to be the right number,
4 and that customers do come back to ADE.

5 A. (Hall) Okay.

6 Q. What will you do with the extra penny, the revenues
7 from that extra penny adder?

8 A. (Hall) All of the revenue that we receive from billing
9 Rate ADE will get credited to the Energy Service
10 reconciliation calculation. If the cost of serving
11 that load -- and the cost associated with serving that
12 load will automatically be included in the Energy
13 Service reconciliation calculation on the expense side
14 of the equation. If the 6.33 cent amount turns out to
15 be exact, then what will happen is, on the expense side
16 of the equation in Energy Service costs will rise by
17 6.33 cents. When we perform the reconciliation,
18 revenue will increase by 7.33 cents. And, therefore,
19 the one penny increment gets credited through the
20 standard Default Energy Service reconciliation. And,
21 that's how all our customers benefit, is through the
22 reconciliation process.

23 Q. And, that reconciliation process, is that the one that
24 happens in the next calendar year following a default

1 service year?

2 A. (Hall) Yes. If the Energy Service rate changed on
3 July 1st, it could happen sooner. I mean, it could be
4 part of the mid year adjustment.

5 Q. And, what happens if no customers take Rate ADE?

6 A. (Hall) Nothing. There's no -- there would be no
7 expense incurred, there would be no revenue to receive,
8 and we'd be right where we are today.

9 Q. And, if no customers take Rate ADE, how does the rate
10 help address the issues that were explored in the
11 Migration proceeding?

12 A. (Hall) It probably wouldn't. Because, if no customers
13 took service under Rate ADE, there would be no benefit
14 for all of the remaining customers. And, therefore,
15 remaining customers would still be paying for those
16 fixed costs.

17 Q. And, you cited to the Migration order in your
18 testimony, did you not?

19 A. (Hall) I did.

20 Q. Do you have a copy of the Migration order with you?

21 A. (Hall) No, I don't.

22 Q. I'm just going to ask you a few questions to see if you
23 recall language from it. On Page 32, the Commission
24 stated: "To be consistent with the policy principles

[WITNESS PANEL: Hall & White]

1 of RSA 374-F, such rates must be cost-based and
2 non-discriminatory." Do you recall that?

3 A. (Hall) Yes.

4 Q. And, you've testified that a portion of the ADE rate
5 will be cost-based, and then there would be an adder on
6 top of that, is that right?

7 A. (Hall) Yes.

8 Q. Mr. Rodier referred you to OCA 1-3, which was a
9 question about how many customers had migrated as of
10 September. Do you recall that?

11 A. (Hall) Yes.

12 Q. And, I think he cited the number of "1,447 residential
13 customers" that had migrated. Do you recall that?

14 A. (Hall) Yes.

15 Q. Do you know if there's a more current number about the
16 level of residential migration at this point?

17 A. (Hall) We probably have data through October at this
18 point, possibly November, but I don't have that data
19 with me.

20 MS. HATFIELD: Mr. Chairman, that's
21 something that we're interested in, but I don't know if
22 the Commission needs it to make a decision in this
23 proceeding. So, I wouldn't want to hold up, you know, the
24 record. So, it's really up to you.

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1 MR. EATON: We could file up with -- we
2 could follow-up with a supplemental response to OCA 3, but
3 not have it -- reserving another exhibit for it. But, in
4 order to provide the Consumer Advocate with that
5 information, we'd be glad to do that.

6 CHAIRMAN GETZ: Well, is that something
7 that can happen by tomorrow?

8 WITNESS HALL: Oh, yes.

9 CHAIRMAN GETZ: Let's just save an
10 exhibit for it. Tomorrow, at the end of day, is the
11 deadline for closings, then let's get that information on
12 the record. And, that would be -- is that Exhibit Number
13 4?

14 MS. DENO: Yes.

15 **(Exhibit 4 reserved)**

16 MS. HATFIELD: Thank you.

17 BY MS. HATFIELD:

18 Q. Mr. Hall, do you have a copy of your response to OCA
19 1-4 in this case?

20 A. (Hall) I do.

21 Q. I'd like to ask you a question about it.

22 A. (Hall) Okay.

23 MS. HATFIELD: Mr. Chairman, I'd like to
24 have this marked for identification please.

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[WITNESS PANEL: Hall & White]

1 CHAIRMAN GETZ: Okay. This will be
2 marked as "Exhibit Number 5".

3 (The document, as described, was
4 herewith marked as **Exhibit 5** for
5 identification.)

6 BY MS. HATFIELD:

7 Q. And, Mr. Hall, in looking at this question, do you see
8 that it asks "why the ADE rate will only be" -- or,
9 "will not be available to customers other than those in
10 the GV, LG and B rate classes"?

11 A. (Hall) Yes.

12 Q. And, in the response, you provide two primary reasons.
13 Do you see that?

14 A. (Hall) Yes.

15 Q. And, the second reason you state "there will be
16 programming changes required to implement Rate ADE and
17 possibly some manual effort (at least initially)", and
18 you go on to explain that. Do you see that?

19 A. (Hall) I do.

20 Q. And, for that reason, and the fact, your first reason,
21 because most of customers who have migrated are large
22 customers, you say that you're "limiting the
23 availability of [the] rate", is that correct?

24 A. (Hall) Yes.

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1 Q. So, if a small customer, who's not in one of those
2 classes, whether they be residential or small business,
3 if they have migrated and they wish to come back, they
4 have to go to default service?

5 A. (Hall) Yes, if the Commission accepts our proposal.
6 Since I got this question from you, I did do some
7 inquiry of our billing folks. And, my understanding is
8 that the programming would be six to eight months of
9 effort. Because, as I indicated here, they're billed
10 under a different system. It's a billing system that's
11 used for all of the NU companies, and, therefore, it's
12 a pretty substantial effort. In view of that, and in
13 view of the fact that it's about a quarter of 1 percent
14 or 3/10ths of 1 percent of total energy of residential
15 customers who have migrated, the issue that one has to
16 decide is, "is it worth undertaking that level of
17 effort for a relatively small number of -- small amount
18 of load?" That's really a philosophical question. I
19 don't have any philosophical issue associated with
20 making this available to residential customers, rather
21 it's a practical one.

22 Q. And, would you have that same issue with the small
23 general service customers and the street lighting
24 customers?

[WITNESS PANEL: Hall & White]

1 A. (Hall) Yes.

2 Q. Even though there's quite a larger group of those in
3 those rate classes who have migrated?

4 A. (Hall) Yes. Again, our Rate G customers, and I believe
5 many of our street lighting customers, are billed under
6 that same system that residential customers are billed
7 under. And, it would be a major effort to do the
8 programming.

9 MS. HATFIELD: Mr. Chairman, I think I
10 would like to have OCA 1-3 marked. We've referred to it,
11 we've asked for an update with respect to the residential
12 numbers. But I think the Commission might like to just
13 have the information about how many small general service
14 customers and street lighting customers would be impacted.
15 Thank you.

16 CHAIRMAN GETZ: Okay. This will be
17 marked as "Exhibit 6" for identification.

18 (The document, as described, was
19 herewith marked as **Exhibit 6** for
20 identification.)

21 BY MS. HATFIELD:

22 Q. And, Mr. Hall, do you have OCA 1-3 in front of you?

23 A. (Hall) I do.

24 Q. So, at least as of September, there were 9,351 small

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[WITNESS PANEL: Hall & White]

1 general service customers who had migrated?

2 A. (Hall) Yes.

3 Q. And, if they returned from a competitive supplier,
4 under your proposal, they would have to go to the
5 Default Service rate, they wouldn't be able to go into
6 the ADE rate?

7 A. (Hall) Correct.

8 Q. And, the same would be true for the public street
9 lighting the customers, the 188 who have migrated?

10 A. (Hall) Yes.

11 Q. And, in your testimony, when you cite to the
12 Commission's Migration order in DE 10-160, I wanted to
13 make sure that we're using the same language. In the
14 ordering clause on Page 40 of that order, it states:
15 "Further ordered, that PSNH shall file, as part of its
16 2012 default service" -- excuse me, "default energy
17 service filing, alternative proposed rates and tariffs
18 for customers who return to PSNH default energy service
19 from competitive supply, along with supporting
20 testimony." Does that sound familiar?

21 A. (Hall) Yes.

22 Q. And, they specifically used "rates and tariffs" in the
23 plural, do you recall that?

24 A. (Hall) Yes.

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- 1 Q. But the Company has just proposed ADE, is that correct?
- 2 A. (Hall) Yes. Applicable to two different rate classes.
- 3 Q. Now, you had originally proposed the 0.97 cent adder to
- 4 go to the non-operating costs of the Scrubber, is that
- 5 correct?
- 6 A. (Hall) Yes.
- 7 Q. But, then, when the Commission moved the Scrubber costs
- 8 to a new docket, you changed this proposal, correct?
- 9 A. (Hall) Yes.
- 10 Q. And, just so I'm clear, the penny, if there was any
- 11 amount of that penny that wasn't needed to cover the
- 12 cost of serving these customers, that wouldn't go to
- 13 the Scrubber under your proposal, that would just go
- 14 into regular Energy Service?
- 15 A. (Hall) I didn't quite follow you. Would you run that
- 16 by me again.
- 17 Q. If there's any -- if the penny is available to benefit
- 18 other customers, --
- 19 A. (Hall) Yes.
- 20 Q. -- it would just go into Energy Service. It wouldn't
- 21 be targeted specifically for Scrubber recovery?
- 22 A. (Hall) Correct. And, that was even under the original
- 23 proposal.
- 24 Q. I thought your original proposal, I think maybe I'm

[WITNESS PANEL: Hall & White]

1 confusing -- oh, no. Your original proposal did say
2 "the rate would be based on forward market prices for
3 power necessary to serve additional customers returning
4 to PSNH's default energy supply plus an adder based
5 upon the non-operating costs of the [Scrubber]." That's
6 reading from Paragraph 2 of your original petition in
7 this case. Do you recall that?

8 A. (Hall) Yes.

9 MS. HATFIELD: Thank you. I have
10 nothing further.

11 CHAIRMAN GETZ: Thank you. Ms. Amidon.

12 MS. AMIDON: Thank you. I'm deferring
13 to Mr. Mullen.

14 MR. MULLEN: Good afternoon.

15 WITNESS HALL: Good afternoon.

16 WITNESS WHITE: Good afternoon.

17 BY MR. MULLEN:

18 Q. I just want to spend some time just reviewing the
19 workings of this a little bit.

20 A. (Hall) Okay.

21 Q. If we look at Exhibit 3, the last page, and I think you
22 ran through this. The "Sales Increment" you stated was
23 the additional load going between 34 percent migration
24 and 25 percent migration, correct?

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1 A. (White) Yes.

2 Q. And, as you stated, that was just a representative
3 number. To the extent that the amount of load that
4 migrates comes back, the costs that are below would
5 change proportionately?

6 A. (White) That's correct.

7 Q. Okay. So, that results in your marginal cost of cents
8 per kilowatt-hour of 6.33 cents, correct?

9 A. (White) Yes.

10 Q. To that, you have the one cent adder, which, Mr. Hall,
11 I believe you testified was "reasonable, based on
12 judgment"?

13 A. (Hall) Yes.

14 Q. So, that's basically all the Commission has to go on in
15 terms of the reasonableness of the adder, is that
16 right?

17 A. (Hall) Yes. When you get right down to it, it doesn't
18 really matter how the adder is calculated. It's the
19 fact that an adder exists and provides benefit to all
20 other customers. So, the judgment to be applied is
21 whether the adder is at a level that will, number one,
22 result in customers coming back, and, number two,
23 result in incremental revenues. If you price it too
24 high, customers don't return; if you price it too low,

1 you've lost an opportunity for additional revenue.

2 It's balancing those two objectives.

3 Q. Okay. In the past, did PSNH have in its tariff a
4 similar type of proposal to try and stimulate
5 competition?

6 A. (Hall) Yes.

7 Q. Was that the Retail Energy Services proposal?

8 A. (Hall) Yes, it was.

9 Q. And, I believe that was Docket DE 03-193?

10 A. (Hall) Probably. It was in 2003. I don't remember the
11 docket number.

12 Q. That was in place for how long?

13 A. (Hall) Two or three years, if I recall.

14 Q. Would you take subject to check that it was two years?

15 A. (Hall) Sure. I'll accept that.

16 Q. During the term of that, how many customers took
17 advantage of it?

18 A. (Hall) None.

19 Q. Given the current circumstances now, in terms of PSNH's
20 rates, the energy market and the pricing for Rate ADE,
21 do you have any expectations about how many customers
22 might take service under Rate ADE?

23 A. (Hall) No, I don't. And, you know, to be candid, we
24 can offer the rate and no customers take service under

1 it. But, one thing I know for sure is, absent the
2 rate, no customers are going to take service under it.
3 So, it's, you know, it's a judgment call. I don't know
4 if customers are going to return under this rate or
5 not. Time will tell.

6 Q. Right. And, I think you've testified that PSNH is
7 proposing this rate in response to the Commission's
8 order in DE 10-160?

9 A. (Hall) Yes. I also think it's a good idea, though.

10 Q. Now, I think you've said you do not have a copy of the
11 Commission's order in that case in front of you?

12 A. (Hall) I don't.

13 Q. Okay. Do you recall that, in a certain part of the
14 order, the Commission set out a few examples of how
15 PSNH could go about designing a rate?

16 A. (Hall) Yes.

17 Q. They were merely examples, and it was up to PSNH to put
18 forth a proposal?

19 A. (Hall) Yes. And, if I recall, there was some language
20 in the Commission's order that said, you know, "this
21 isn't to say that this is the way the rate should be
22 designed. This is just an example."

23 Q. Okay.

24 A. (Hall) Something like that.

[WITNESS PANEL: Hall & White]

1 Q. Right. And, did it say to do one rate? Did it say to
2 do two? Or, was it that prescriptive?

3 A. (Hall) I don't think it was that -- I don't think it
4 got down to that level of detail. But, without having
5 it in front of me, I can't tell you for sure.

6 Q. Okay. And, there was a section that was discussed
7 earlier about that "such rates must be cost-based and
8 non-discriminatory and should not have an adverse
9 effect on competition."

10 A. (Hall) Yes.

11 Q. And, there's other sections that, I'm reading from
12 Page 33 of the order, said "In order to fully evaluate
13 PSNH's proposal to address the current circumstance,
14 when the default ES rate is greater than the market
15 rate, by offering a rate that exceeds its marginal cost
16 of default service, but is less than the average cost,
17 we direct PSNH to develop and file a specific tariff
18 proposal." Do you remember that?

19 A. (Hall) Yes.

20 Q. Okay. So, is that language what you're using for your
21 basis for what you're filing today?

22 A. (Hall) Yes. In my judgment, the rate that we filed is
23 consistent with that directive.

24 Q. Going back to the workings of this, I want to make sure

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1 I have this clear.

2 A. (Hall) Okay.

3 Q. When must a customer take service under Rate ADE?

4 A. (Hall) Under Rate ADE?

5 Q. Yes.

6 A. (Hall) I'm not quite following you. They never have to
7 take service under Rate ADE, because they can always
8 stay with the competitive market. Are you saying,
9 "when they return, what are the conditions requiring
10 them to take service under Rate ADE?"

11 Q. Sure. That's a better way to state it.

12 A. (Hall) Okay. I misunderstood you, I'm sorry. Based on
13 our proposal, if a customer has been with a competitive
14 supplier for a period of 12 consecutive months, then,
15 if they return to Energy Service from PSNH, they must
16 then take service under Rate ADE. And, their return to
17 PSNH begins, for lack of a better term, a 24-month
18 clock ticking. And, any time in the subsequent 24
19 months, if they're taking Energy Service from PSNH, it
20 must be under Rate ADE. They can always leave and go
21 to the competitive market. But, when they return, they
22 must take service under Rate ADE. So, they can jump
23 back and forth.

24 Q. If a customer, during that 24-month period, did go to a

[WITNESS PANEL: Hall & White]

1 competitive supplier for a period of less than 12
2 consecutive months, what happens?

3 A. (Hall) And then they return to PSNH?

4 Q. Yes.

5 A. (Hall) They would still be under Rate ADE, until the
6 balance of the 24 months expired. So, let's use an
7 example. Let's say a customer returned to PSNH for,
8 pick a number, two months. Upon their return, the
9 24-month clock starts ticking. They're with PSNH for
10 two months, they leave and go to the competitive
11 market. And, let's say they stay with the competitive
12 market for 11 months; that's 13 months total. They now
13 want to return to PSNH after 11 months. When they do,
14 they are still under Rate ADE for the next 11 months,
15 because there's 11 months remaining in that 24-month
16 time period. That's basically how it would work. They
17 can jump back and forth. And, the 24-month clock only
18 gets reset, if they take service under Rate ADE, then
19 they leave for at least 12 consecutive months.

20 MR. MULLEN: You just anticipated my
21 next and last question.

22 WITNESS HALL: Okay.

23 MR. MULLEN: Thank you.

24 WITNESS HALL: My pleasure.

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[WITNESS PANEL: Hall & White]

1 CHAIRMAN GETZ: Commissioner Below.

2 CMSR. BELOW: Thank you.

3 BY CMSR. BELOW:

4 Q. What do the NYMEX forward electricity prices look like
5 that you developed your model off of? I mean, are they
6 monthly? Weekly? Daily? Hourly? Peak? On-peak?
7 What are the components?

8 A. (White) They're, generally speaking, they are monthly
9 peak and off-peak quotes, and they may go out, the
10 further out you go it, at some point, transitions to
11 annual quotes only. But they may go out five years.
12 They are closing prices on a daily basis.

13 Q. So, those NYMEX future prices, therefore, when they're
14 quoted on-peak and off-peak, they're for all the peak
15 hours or off-peak hours as they're defined for that
16 month that you're looking at the close on?

17 A. (White) Yes. Yes.

18 Q. How do you translate those in your model to essentially
19 a single price per megawatt-hour. Do you assume some
20 load profile?

21 A. (White) We assume a price profile based on history in
22 the relevant market. In terms of -- so, then, we have
23 8,760 hourly prices. And, if you took, for instance,
24 the month of January, and averaged all the off-peak

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1 hourly prices, they would equal the forward quote for
2 off peak in January. So, the monthly average is spread
3 on an hourly basis over the applicable hours month by
4 month.

5 Q. So, you weight it by the hours in the month, but do you
6 apply any kind of load weighting then to that?

7 A. (White) No. The load weighting comes later, when you
8 evaluate the cost to serve load. But, in terms of a
9 forward price, an hourly stream of forward prices, it's
10 based on historical price shapes, which are driven by
11 loads, but we look at the straight price data.

12 Q. Right, I understand that. But, looking at Exhibit 3,
13 the attachment where you've got what is, in effect, a
14 price per kilowatt-hour, it's not broken out for the
15 energy component. The NYMEX price, is that energy only
16 or is it energy and capacity?

17 A. (White) It's energy only.

18 Q. So, capacity, ancillaries, those are based on a
19 combination of estimates or is their forward price on
20 capacity beyond the current capacity?

21 A. (White) The forward capacity market in New England
22 clears a few years in advance. So, capacity prices are
23 known for 2012. The other components of the rate are
24 based on typically the most recent -- an average of the

1 most recent 12 months per kilowatt-hour costs on
2 average.

3 Q. So, going back to the energy, let's just say the
4 number, I don't know what it comes out to, but let's
5 say it comes out to five cents or four and a half cents
6 per kilowatt-hour. When you take that sort of historic
7 time distribution of hourly cost, and you sort of take
8 the NYMEX forward price for a given month,
9 on-peak/off-peak, and you back that in to an
10 hour-by-hour pricing model, --

11 A. (White) Yes.

12 Q. -- for the purposes of this rate, did you further apply
13 some load factoring to that?

14 A. (White) Yes. In the calculation of the average you're
15 talking about, the load shape of the load we model
16 would -- that would be a weighted average, a load
17 weighted average price. It works out to 4.87 cents per
18 kilowatt-hour.

19 Q. 4.87 cents. And, what is the load shape that you use
20 for that load weighting?

21 A. (White) It has the characteristics of the PSNH load
22 forecasts that we utilize.

23 Q. In general or specifically for these three rate
24 classes?

[WITNESS PANEL: Hall & White]

1 A. (White) Just in general. It's the overall load factor.
2 We have not distinguished based on load classes,
3 similar to how we do not in ES rate and in other rates.

4 Q. Do you have a sense of what the load shape diversity is
5 for Rate Class GV or LG or B?

6 A. (White) I believe it's -- those customers have a higher
7 load factor than the total PSNH load shape.

8 Q. On average?

9 A. (White) On average.

10 Q. What I'm asking is, do you have an idea of the
11 diversity within one of that group, the sort of median
12 upper quartile/lower quartile, in terms of load
13 factors?

14 A. (White) I don't have that information.

15 Q. Did you look at that information in working on this
16 rate design?

17 A. (White) No.

18 Q. Okay.

19 A. (White) I could -- I would guess that there could be a
20 fair amount of diversity among individual customers.

21 Q. I think you've testified that the way that this would
22 work is that, if there's a over-recovery, if you will,
23 compared to the projection, or even an over-recovery
24 from the actual marginal cost, with whatever the adder

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1 works out to effectively be, that gets credited back to
2 overall default service on the annual reconciliation.
3 And, vice versa, if there's an under-recovery, if the
4 actual cost to serve this load turns out to be greater
5 than the rate, that would -- under-recovery would also
6 go into the overall Default Service rate, is that
7 correct?

8 A. (Hall) That's right.

9 Q. And, the customers, once they come onto this, they're
10 free to go on and off on a monthly basis?

11 A. (Hall) Yes.

12 Q. If I could make reference to Exhibit 2 in DE 11-215
13 that we looked at this morning, and the Joint Technical
14 Statement, which isn't -- doesn't have page numbers,
15 but on the second page, C.2, there's forward
16 electricity prices for the Massachusetts Hub, which is
17 a little different than your number, because you've
18 adjusted it for New Hampshire and such. But it shows,
19 for the December 14th, 2012 -- 2011, I mean, the
20 11/30/11 closing prices, an average of \$44.70 per
21 megawatt-hour, is that correct?

22 A. (White) Yes.

23 Q. And, you just indicated that the number you're using
24 for the purpose of this proposed rate works out to be

[WITNESS PANEL: Hall & White]

1 about 4. -- would be \$48.70 per megawatt-hour?

2 A. (White) That's correct.

3 Q. And, what would you say the range of diversity is by
4 month in that price?

5 A. (White) In the 48.70?

6 Q. Or in the 44.70.

7 A. (White) In C.2, it shows the monthly variation in
8 prices. Looks like it ranges from a high of 59.30 in
9 January, to a low of 38.10 in May.

10 Q. So, do you have any concern that a customer might come
11 onto this ADE rate, say, for January and February, but
12 then go off it for March, April, and May, when the --
13 when they might get a lower price from the market, and
14 then come back onto it late in the year, when the price
15 is back up in the market, such that the actual cost to
16 serve them could be well above the rate, including the
17 adder?

18 A. (Hall) That risk exists. There's no question. And,
19 the issue that we struggled with is, "do we make the
20 rate seasonal or monthly, and therefore don't provide
21 rate stability to customers?" Or, "do we make the
22 rate, you know, 6 months or 12 months long?" We went
23 back and forth and chose the latter, because we thought
24 that that was more attractive to customers. But what

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1 you point out could indeed happen. There is no barrier
2 to customers coming and going.

3 A. (White) The adder serves as somewhat of a shock
4 absorber in those instances.

5 A. (Hall) Correct. It provides some cushion.

6 Q. In working on modeling this, did you go back in history
7 at all and compare a fall forecast or fall NYMEX
8 electricity forward prices to what actually played out
9 over the following year, to get a sense as to whether a
10 one cent adder would actually cover you in some of the
11 historic experiences we've had in recent years?

12 A. (White) We did not do that in preparation for this.

13 Q. Okay. And, even though you might have a July 1
14 correction, isn't it possible that, in August, we could
15 have a major gas supply disruption that would cause gas
16 prices to spike for the rest of the year, like happened
17 after Katrina?

18 A. (Hall) That possibility exists, there's no question.

19 Q. Okay.

20 A. (Hall) And, you know, in your decision-making, I think
21 these are some of the issues you have to consider as
22 well. We, like I said, we thought about this long and
23 hard and struggled with it, and came up with a proposal
24 that we thought would be acceptable to customers, would

[WITNESS PANEL: Hall & White]

1 balance the risk that you're referring to, and still
2 provide benefit. And, time will tell whether that
3 happens.

4 Q. These Rate Class LG, GV, and B, are those all -- what
5 kind of meters do they have?

6 A. (Hall) They all have meters that measure load in
7 30-minute intervals.

8 Q. So, they're digital meters that measure both demand and
9 kilowatt-hours?

10 A. (Hall) Yes.

11 Q. Did you consider putting a demand-based component in
12 this energy rate?

13 A. (Hall) Not really. Because what a demand-based
14 component would do is recover costs from those
15 customers who are very low load factor customers.
16 Customers who have high load factors, who are the
17 customers who most likely have migrated, a demand
18 component doesn't impact their bill that much, because
19 their load factor is much higher. And, therefore, it
20 doesn't really give you all that much more protection
21 for a high load factor customer. You have essentially
22 the same -- you get to the same result with a cents per
23 kilowatt-hour rate. So, for simplicity of
24 understanding, we opted not to.

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1 Q. But, thinking about that, not knowing exactly what your
2 diversity of load factor is, and realizing that, in
3 these largest classes, most customers have migrated, --

4 A. (Hall) Yes.

5 Q. -- it's probably reasonable to assume that there's some
6 of those customers that have a very attractive, i.e.,
7 high load factor, and others who have lower load
8 factors, and even a low load factor is not -- could
9 result in below average costs, if they're low load
10 factors, because they have a lot of off-peak demand and
11 low on-peak demand. And, I guess what I'm getting at
12 is, isn't it possible that the customers that might
13 find this rate most attractive are those that have the
14 higher cost profiles, which may be high load factor, if
15 they're mainly off-peak, or could be a low load factor,
16 which is a very peaky on-peak load.

17 A. (Hall) Yes.

18 Q. But they have a worse-than-average cost profile, might
19 the worse-than-average cost profile customer find this
20 more attractive than a customer who has a below-cost
21 profile?

22 A. (Hall) They may find it more attractive, to the extent
23 that a lower load factor customer may not have as an
24 attractive an option in the competitive market. And,

1 therefore, to the extent that the pricing that they get
2 in the competitive market isn't as attractive, then
3 this rate might appear more attractive to them.

4 That said, you were questioning a few
5 minutes ago about "gee, what load factor did you use to
6 calculate this rate level?" And, what Mr. White said
7 is, "we used total company average load factor." One
8 thing we did not do is use a load factor just for these
9 larger customer classes, which is a better load factor
10 than the Company -- total company as a whole.

11 Q. Do you know how much better?

12 A. (White) It's not significant. I would say, perhaps two
13 or three percentage points on an annual load factor
14 basis.

15 A. (Hall) What that does, by using the Company as a whole,
16 is it provides -- it makes the rate a little bit
17 higher, and provides a little bit more margin than what
18 we'd otherwise see if we calculated the rate based just
19 on the load factor of the GV or LG classes combined.
20 If we did that, the 6.33 cents would be lower, and the
21 rate we're proposing would be lower. I don't know how
22 much. It would be a relatively small amount, but it
23 would be lower. Energy costs would be the same; demand
24 and ancillary costs might be lower.

[WITNESS PANEL: Hall & White]

1 Q. Would there be any incentive under this rate design for
2 customers on the ADE to avoid the load during the
3 single peak hour that the next year's capacity costs
4 will be based on?

5 A. (Hall) I don't know if the design of Rate ADE in and of
6 itself gives that incentive. If a customer is going to
7 avoid a single peak hour, it's because their supplier
8 doesn't want to incur the cost. And, when you get
9 right down to it, that incentive exists today even with
10 default service. There's nothing today to stop default
11 service customers from jumping back and forth, or
12 coming back for one month, avoiding a peak from the
13 supply -- for the supplier's perspective, and then
14 going right back to the supplier.

15 Q. Although, for these large customers, doesn't their ICAP
16 tag go with them as a customer, versus the supplier for
17 the next year?

18 A. (White) It does. I'm not sure I'm fully on board of
19 your question. I think it would be a difficult game to
20 play to avoid the peak hour, perhaps. But, yes, I
21 don't see the ADE as behaving much differently than the
22 current structure in that regard.

23 CMSR. BELOW: Okay. I think that's all.

24 CHAIRMAN GETZ: Commissioner Ignatius.

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[WITNESS PANEL: Hall & White]

1 CMSR. IGNATIUS: Thank you. Just a
2 couple more questions, please.

3 BY CMSR. IGNATIUS:

4 Q. In going through the mechanics of how this would apply,
5 the counting of 12 consecutive months of being off PSNH
6 with a competitive supplier, is that over any
7 particular period of time? Is it only if the people
8 who are currently out, and have been out for 24 --
9 excuse me, for 12 months that it would apply to? For
10 example, if over a year ago someone was gone for 12
11 more months, and came back to PSNH, but has only been
12 back for, say, well, came back to PSNH and then left
13 again, and was off for, say, two months. Are they
14 under the "if you want to come back, you have to come
15 back under ADE"?

16 A. (Hall) Yes.

17 Q. So that at sometime in their past they were out for 12
18 months or more consecutively?

19 A. (Hall) If upon their return to PSNH, as of that month
20 of return, we look back 12 months. If they had been
21 gone for 12 months as of the month they returned, then
22 they must take service under Rate ADE. And, that's
23 when the 24-month clock starts ticking.

24 Q. All right. Well, that's interesting, because that's

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1 different than what I was trying to get out as a
2 hypothetical. So, thank you for the answer.

3 A. (Hall) I might have misunderstood you.

4 Q. No. So, it's the most recent 12 months period that
5 you're going to look to?

6 A. (Hall) Yes, with respect to their initial return to
7 PSNH.

8 Q. And, after 24 months, under ADE, I realize, if you come
9 and go, you keep starting a new 24-month clock. But,
10 if you don't leave again and you stay under ADE for 24
11 months, what happens in the 25th month?

12 A. (Hall) They're no longer eligible for Rate ADE. And,
13 if they don't choose a competitive supplier, they
14 transfer to our standard Default Energy Service rate.

15 Q. Have you heard feedback from customers, either in what
16 they were looking for and that's what led you to design
17 it the way you did, or feedback since you've announced
18 this proposal?

19 A. (Hall) I know that our account executives have received
20 some feedback. We did not go out and poll customers
21 and say "gee, what are you looking for?" The design
22 and the 12-month and 24-month periods that we came up
23 with, the 12-month period was to prevent gaming, what
24 Commissioner Below was getting into earlier. The

1 24-month period is to ensure that Rate ADE is not a
2 long-term option for customers. You don't want Rate
3 ADE to be a long-term option in either case where
4 market prices are very low or where market prices are
5 very high. So, that was our thinking there. It wasn't
6 based on feedback from customers.

7 Q. Have you -- I think you had already testified that you
8 have not yet purchased any power to cover ADE
9 customers, --

10 A. (Hall) Correct.

11 Q. -- sort of in anticipation of this being approved, is
12 that correct?

13 A. (Hall) Correct.

14 Q. And, do you have any expectation that you would do so
15 if it were approved?

16 A. (White) That would be evaluated as part of our normal
17 periodic evaluations of our power supply portfolio. If
18 we saw a significant increase in load, we may well see
19 a need to make purchases.

20 A. (Hall) Sitting here today, we don't know what we'd do,
21 because we have no idea what kind of response we're
22 going to get.

23 Q. Is it likely, in the first six months, if this were
24 approved, let's say, January 1st, that we would see an

1 adjustment that is described as "making up an
2 under-recovery" to cover purchases made for customers
3 who never materialized?

4 A. (White) If I understood, I wouldn't say that was
5 likely. We would need to see a significant amount of
6 load returning, I think, before we would make purchases
7 that would be attributed directly to that returning
8 load. Could customers come back that quickly over the
9 course of six months? I think there's enough customers
10 out there that, if they all came back, that would
11 certainly be a significant change in load.

12 Q. But, at least initially, you don't intend to obtain
13 additional power until you see some sizeable number of
14 customers show interest in the rate?

15 A. (White) Yes.

16 Q. The final things I wanted to ask, and time is late, so
17 maybe this is better put to briefing. It would be your
18 view of how the proposed rate meets the terms of the
19 statute that require "no adverse effect on
20 competition"?

21 A. (Hall) This rate is not going to be priced below
22 forward market, in fact, it's going to be above it.
23 And, I don't know how suppliers are going to respond.
24 It may well be that suppliers see the pricing and

1 simply reduce their price to customers, and cut their
2 margins. And, I'll leave it up to the lawyers to
3 figure out whether that's an "adverse effect on
4 competition". I don't see it that way, but I'll leave
5 it up to them to argue.

6 Q. And, the requirement that "Energy service rates be
7 based on actual and prudent costs of the service", and
8 how this proposal meets the terms of the statute?

9 A. (Hall) Well, our marginal cost is our actual prudent
10 cost of providing service. And, the rate is marginal
11 cost based, there's no question. So, I think it fits
12 very well into that requirement.

13 Q. In the 6.33 is actual prudent costs, and the adder is
14 just an adder?

15 A. (Hall) And, the one penny adder? Again, that's the
16 value that goes to all other customers. And, if you
17 conclude that a one penny adder above marginal cost
18 does not fall into the four walls of "actual prudent
19 costs of providing service", then, quite frankly, I
20 don't think there's any way that a marginal cost based
21 rate is ever going to be able to be approved. Because
22 utilities can never price exactly at marginal cost,
23 there always has to be some margin. And, in this case,
24 the margin goes to all other customers.

[WITNESS PANEL: Hall & White]

1 CMSR. IGNATIUS: All right. Thank you.

2 CHAIRMAN GETZ: Any redirect, Mr. Eaton?

3 MR. EATON: Yes.

4 **REDIRECT EXAMINATION**

5 BY MR. EATON:

6 Q. Do you have Exhibit 6, which is OCA Set 1, Question
7 Number 3?

8 A. (Hall) Yes.

9 Q. Those percentages there -- first of all, let me ask a
10 question. Is the billing program that's difficult to
11 reprogram cover all of these categories of customers?

12 A. (Hall) It definitely is for residential and general
13 service, and it's for at least some street lighting,
14 but that's where I'm going to stop. I don't know how
15 many street lighting customers are billed under that
16 billing system.

17 Q. And, the "0.3 percent" is the percent of residential
18 customers that, at this point of September, were taking
19 service from competitive supply, right?

20 A. (Hall) Not exactly.

21 Q. All right.

22 A. (Hall) I stand corrected. It is. It's the percent of
23 customers. I thought it might be the percent of
24 kilowatt-hours, but it is customers.

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1 Q. And, the "12.7 percent" is the percent of general
2 services customers that have migrated?

3 A. (Hall) Yes.

4 Q. Would it be a larger or smaller percentage of all those
5 customers that are billed under that billing program?

6 A. (Hall) I'm not following your question.

7 Q. Out of all the customers that are billed under the C2
8 Billing Program that you testified is used by all the
9 operating companies, would that number of "9,351 small
10 general service customers", would that be a smaller
11 percentage of all those customers that are billed under
12 the billing program?

13 A. (Hall) The percent would be smaller. There's about
14 close to 500,000 accounts under residential and small
15 general service. So, 9,000 divided -- 9 divided by 500
16 would be the percent of total accounts billed under
17 that system.

18 Q. I want to make sure that everything is clear, because
19 you may not have picked up something I picked up in one
20 of Commissioner Ignatius's questions.

21 A. (Hall) Okay.

22 Q. But the 24 months that you can be on the rate is a
23 running 24 months, correct?

24 A. (Hall) Yes.

[WITNESS PANEL: Hall & White]

1 Q. It's not cumulative, if you go on and off, if you were
2 to go on the rate on January 1st 2012, you would leave
3 at the end of 2013, correct?

4 A. (Hall) Correct, regardless of whether you jump back and
5 forth between that rate and a competitive supply. The
6 one caveat is that, if you left Rate ADE for a full
7 12-month period, and then returned to Rate ADE prior to
8 the end of 2013, the 24-month clock would start anew.

9 MR. EATON: Thank you. And, I'm sorry
10 if I mischaracterized your question, but I didn't want
11 there to be any confusion.

12 CMSR. IGNATIUS: I appreciate that,
13 because I had a different understanding. So, I thank you
14 for that clarification.

15 WITNESS HALL: My apologies.

16 MR. EATON: Thank you. That's all I
17 have on redirect.

18 CHAIRMAN GETZ: Okay. Then, I think
19 that's all for these witnesses. Thank you. You're
20 excused, gentlemen.

21 WITNESS HALL: Thank you.

22 CHAIRMAN GETZ: Is there any objection
23 to striking the identifications and admitting the exhibits
24 into evidence?

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1 (No verbal response)

2 CHAIRMAN GETZ: Hearing no objection,
3 they will be admitted into evidence. We're going to
4 entertain closings in writing by close of business
5 tomorrow.

6 Is there anything else we need to
7 address this afternoon?

8 MR. RODIER: One quick thing. May I?
9 The information I was looking for, when I asked for a copy
10 of the model, I think what I needed I got from the
11 witnesses. They were very willing to give it. And, I
12 wasn't looking for anything that was proprietary. So, if
13 it's of any use to the Commission, you know, I will
14 withdraw that objection, or if it eliminates any work for
15 you at all.

16 CHAIRMAN GETZ: Well, we will consider
17 your objection withdrawn --

18 MR. RODIER: Thank you.

19 CHAIRMAN GETZ: -- and act accordingly.

20 MR. RODIER: Yes.

21 CHAIRMAN GETZ: Is there anything else
22 we need to address today?

23 (No verbal response)

24 CHAIRMAN GETZ: Hearing nothing, then we

1 will close the hearing, wait for the written closings, and
2 take the matter under advisement. Thank you.

3 (Whereupon the hearing ended at 4:20
4 p.m.)