

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

3
4 **June 25, 2020 - 9:08 a.m.**

5 *[Remote Hearing conducted via Webex]*

6
7 **RE: DE 20-053**
8 **LIBERTY UTILITIES (GRANITE STATE**
9 **ELECTRIC) CORP. d/b/a LIBERTY**
10 **UTILITIES: 2020 Default Service**
11 **Solicitations.**
12 ***(Hearing regarding the period***
13 ***Aug. 1, 2020 through Jan. 31, 2021)***

14
15 **PRESENT:** Chairwoman Dianne Martin, Presiding
16 Cmsr. Kathryn M. Bailey
17 Cmsr. Michael S. Giaimo

18 Jody Carmody, Clerk
19 Eric Wind, PUC Remote Hearing Host

20
21 **APPEARANCES:** **Reptg. Liberty Utilities (Granite**
22 **State Electric) Corp. d/b/a**
23 **Liberty Utilities:**
24 Michael J. Sheehan, Esq.

Reptg. PUC Staff:
 Christopher Tuomala, Esq.
 Richard Chagnon, Asst. Dir./Electric
 Stephen Eckberg, Electric Division

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

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I N D E X

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WITNESS PANEL: **JOHN D. WARSHAW**
 DAVID B. SIMEK
 ADAM M. HALL

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Testimony of Adam M. Hall and David B. Simek, with attachments (05-22-20)	<i>premarked</i>
2	CONFIDENTIAL VERSION of the Testimony of John D. Warshaw, with attachments, and the Technical Statement of Adam M. Hall and David B. Simek, with attachments (06-22-20)	<i>premarked</i>
3	PUBLIC VERSION of the Testimony of John D. Warshaw, with attachments, and the Technical Statement of Adam M. Hall and David B. Simek, with attachments (06-22-20)	<i>premarked</i>

1 electronically.

2 Please note that there is no physical
3 location to observe and listen contemporaneously
4 to this hearing, which was authorized pursuant to
5 the Governor's Emergency Order. However, in
6 accordance with the Emergency Order, I am
7 confirming that we are utilizing Webex for this
8 electronic hearing. All members of the
9 Commission have the ability to communicate
10 contemporaneously during this hearing through
11 this platform, and the public has access to
12 contemporaneously listen and, if necessary,
13 participate.

14 We previously gave notice to the public
15 of the necessary information for accessing the
16 hearing in the Order of Notice. If anybody has a
17 problem during the hearing, please call
18 (603)271-2431. In the event the public is unable
19 to access the hearing, the hearing will be
20 adjourned and rescheduled.

21 Okay. And you all know the ground
22 rules. If you need to be recognized, put your
23 hand up, unless you're making an objection. And
24 let me know if you need a recess for any reason.

1 All right. Let's take roll call
2 appearance of the Commissioners. When each
3 Commissioner states their presence, please state
4 where you're located. And, if anyone is with
5 you, please identify them.

6 My name is Dianne Martin. I am the
7 Chairwoman of the Public Utilities Commission. I
8 am located at my home, in Deerfield, New
9 Hampshire, and no one is with me.

10 Commissioner Bailey.

11 CMSR. BAILEY: Commissioner Kathryn
12 Bailey. I'm located at my home, and no one is
13 with me.

14 CHAIRWOMAN MARTIN: Commissioner
15 Giaimo.

16 CMSR. GIAIMO: Good morning. Michael
17 Giaimo. I am in Concord, New Hampshire, at the
18 PUC Offices, and no one is with me.

19 CHAIRWOMAN MARTIN: All right. Thank
20 you.

21 Let's take appearances now.

22 Mr. Sheehan.

23 MR. SHEEHAN: Good morning. Mike
24 Sheehan, for Liberty Utilities (Granite State

1 Electric) Corp.

2 I have a very brief note. Mr. Kreis or
3 the OCA is not here. We received an email from
4 him yesterday indicating that, although they did
5 file an appearance, he does not participate
6 today. He basically said, we've got too much
7 going on, and there's another proceeding at this
8 time. He's elected to go there. And stated he
9 was taking that step, because this appeared to be
10 a routine Default *[inaudible]*. Tomorrow is an
11 important all-day tech session, and a data
12 platform *[inaudible]*. So, I just wanted to --

13 *[Court reporter interruption due to*
14 *inaudible audio and a brief*
15 *off-the-record discussion ensued.]*

16 MR. SHEEHAN: After my introduction, I
17 indicated that the OCA would not be participating
18 today. They sent counsel an email, Mr. Kreis
19 did, informing us that he saw this as a routine
20 Default Service proceeding, and that his team
21 would be participating in a data platform tech
22 session --

23 *[Court reporter interruption due to*
24 *inaudible audio, and a brief*

1 *off-the-record discussion ensued.]*

2 CHAIRWOMAN MARTIN: All right. Back on
3 the record. Let's try that again.

4 Mr. Sheehan, why don't you try saying
5 the OCA piece again and we'll see if it works.

6 MR. SHEEHAN: Sure. Counsel received
7 an email from the OCA yesterday indicating that
8 the OCA would not appear at today's hearing,
9 viewing it as a routine Default Service
10 proceeding. And that the OCA is participating in
11 a data platform tech session that's happening at
12 the same time.

13 CHAIRWOMAN MARTIN: Okay. Mr. Tuomala.

14 MR. TUOMALA: Thank you. Good morning,
15 Madam Chairman and Commissioners. Christopher
16 Tuomala, Staff Attorney here at the Public
17 Utilities Commission.

18 CHAIRWOMAN MARTIN: Okay. We have
19 Exhibits 1, 2, 3, which are prefiled and
20 premarked for identification. We did receive
21 replacement exhibits from the Company last night.
22 And we'd like it, Mr. Sheehan, if you could
23 clarify the changes.

24 MR. SHEEHAN: Certainly. After filing

1 Exhibits 1, 2, and 3, we discovered yesterday
2 morning one piece of confidential information
3 that was not marked. So, we did the appropriate
4 marking, and redacting in the redacted version
5 and shading in the confidential version, and then
6 refiled with only those changes. So, the
7 substance is exactly the same. And we labeled
8 those documents "Replacement", just to indicate
9 that it does have the appropriate confidential
10 markings.

11 CHAIRWOMAN MARTIN: Can you point us to
12 the location of the one piece of confidential
13 information?

14 MR. SHEEHAN: Bates Page 091, the
15 second to last line. And it's a sentence that
16 indicates the number of bidders. And the word
17 with that number was left unredacted.

18 CHAIRWOMAN MARTIN: Okay. Thank you
19 for that.

20 So, that brings up the issue of
21 confidential treatment. You have designated
22 certain information as confidential pursuant to
23 PUC rules. And we will treat all of that
24 designated information as confidential during the

[WITNESS PANEL: Warshaw|Simek|Hall]

1 hearing, and address it in the order.

2 Are there any other preliminary matters
3 we need to cover?

4 MR. SHEEHAN: No. That is all.

5 CHAIRWOMAN MARTIN: All right. Then,
6 let's proceed with the witnesses. Mr. Patnaude,
7 would you swear them in please.

8 (Whereupon **John D. Warshaw,**
9 **David B. Simek,** and **Adam M. Hall** were
10 duly sworn by the Court Reporter.)

11 CHAIRWOMAN MARTIN: Okay. Mr. Sheehan.

12 MR. SHEEHAN: Thank you.

13 **JOHN D. WARSHAW, SWORN**

14 **DAVID B. SIMEK, SWORN**

15 **ADAM M. HALL, SWORN**

16 **DIRECT EXAMINATION**

17 BY MR. SHEEHAN:

18 Q Mr. Warshaw, please introduce yourself and your
19 position with the Company.

20 A (Warshaw) Hi. My name is John Warshaw. I am the
21 Manager of Electric Supply for Liberty Utilities
22 Service Corp., which provides services to Liberty
23 Utilities (Granite State Electric).

24 Q And, Mr. Warshaw, did you prepare testimony that

[WITNESS PANEL: Warshaw|Simek|Hall]

1 was filed in this case, marked as "Exhibits 2"
2 and "3", confidential and redacted?

3 A (Warshaw) Yes, I did.

4 Q Do you have any changes to your testimony?

5 A (Warshaw) Yes. I have two corrections. If you
6 turn to Bates Page 013, Line 18, the value
7 "6.787" should be replaced with the value
8 "6.591". And then, on the same page, Line 21,
9 the value of "7.127" should be replaced with the
10 value of "7.177".

11 Other than those changes, I have no
12 other corrections to my testimony.

13 Q And, Mr. Warshaw, do those changes you just
14 described --

15 CMSR. BAILEY: Excuse me.

16 MR. SHEEHAN: Yes.

17 CMSR. BAILEY: He went too fast. I was
18 trying to mark it down in my --

19 MR. SHEEHAN: Again, John.

20 CHAIRWOMAN MARTIN: Mr. Warshaw, could
21 you repeat that please.

22 WITNESS WARSHAW: Sure. My Bates Page
23 013, Line 18, there is a value after the
24 "weighted average of", and it says "6.787", and

[WITNESS PANEL: Warshaw|Simek|Hall]

1 that should be replaced with "6.591". And then,
2 on Line 21, after the phrase "load-weighted
3 average of", the value of "7.127" should be
4 replaced with the value of "7.177".

5 CMSR. BAILEY: Thank you.

6 BY MR. SHEEHAN:

7 Q Mr. Warshaw, does this change you just described
8 affect the proposed Energy Service rates in this
9 docket?

10 A (Warshaw) No, it does not.

11 Q With that change, do you adopt your written
12 testimony as your sworn testimony this morning?

13 A (Warshaw) Yes, I do.

14 Q Could you give us a brief description of what is
15 in your testimony, beginning with, is the
16 solicitation conducted for this filing, was it
17 done in a similar way as the Company's past
18 solicitations?

19 A (Warshaw) Yes. This solicitation was consistent
20 with the solicitations that the Company has
21 conducted in the past for new Energy Service
22 rates. I issued an RFP on May 1st announcing the
23 solicitation, received indicative bids June 9th,
24 and then final bids, binding bids, on June 16th.

[WITNESS PANEL: Warshaw|Simek|Hall]

1 With those binding final bids, we selected the
2 bidders that provided the least cost to our
3 customers.

4 Q Mr. Warshaw, as part of the process you
5 described, is it correct that you internally
6 developed a range of what you expect the bid to
7 be?

8 A (Warshaw) Yes. I always develop a forecast of
9 what I believe the bids will come in at, based on
10 the forward curves in the marketplace and other
11 adjustments that we have seen in the past, or are
12 required as part of serving the load in ISO-New
13 England.

14 Q And is it -- I'm sorry.

15 A (Warshaw) Go ahead. Sorry.

16 Q Is it fair to say that internal process you just
17 described is so that you can measure the
18 reasonableness of the bids that come in from the
19 solicitations?

20 A (Warshaw) Yes. That is correct.

21 Q In this solicitation, were there any differences
22 in how the bids received compared to your
23 prediction?

24 A (Warshaw) Yes. The bids we received for the

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Large Customer Group for the Block A were higher
2 than the bandwidth I used for expected bids.
3 And, in reaching out to the bidders, they -- not
4 the bidders that bid, but the actual bidders that
5 did not bid for that block, they explained that,
6 because of the uncertainties in the economics for
7 the Large Customer Group, which is industrial and
8 large commercial, there was concern that the
9 volumes would be very difficult to forecast, and,
10 therefore, it would be difficult to have a valid
11 bid.

12 So, as a result, I believe that there
13 was some additional market risk that the bidders
14 who did bid added into their bids to ensure that,
15 if they are selected for that block, that their
16 costs would be covered.

17 Q To summarize that, Mr. Warshaw, you received some
18 bids that were higher than you expected. And
19 some suppliers did not bid, and those are the
20 ones you reached out to to ask why they did not
21 bid. Is that correct?

22 A (Warshaw) That is correct.

23 Q And they gave the answer you described, about
24 some increased risk. Was that due to the

[WITNESS PANEL: Warshaw|Simek|Hall]

1 COVID-19 situation?

2 A (Warshaw) Correct.

3 Q Can you explain why you did not reach out to the
4 bidders who did bid on that block?

5 A (Warshaw) I did not reach out to those bidders,
6 because I did not want to give those bidders an
7 indication that either their bids were high or
8 low, or that there was a lack of participation in
9 the RFP, and with the potential of bidders then
10 bidding an even higher number than what they were
11 willing to bid based on additional information
12 from me.

13 Q With that conversation in mind, do you still
14 believe that the bids received for that
15 particular block are reasonable and should be
16 approved by the Commission?

17 A (Warshaw) Yes. I do believe that.

18 Q And why is that?

19 A (Warshaw) The bidders that did bid all were --
20 all of the bidders were higher than what I had
21 forecast. But I, as a result, felt that that was
22 the representation of the market at that time,
23 based on the uncertainty that going forward in
24 the economy at this time.

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Q Thank you. Mr. Simek, please introduce yourself
2 and your position with Liberty.

3 A (Simek) David Simek. And I'm the Manager of
4 Rates and Regulatory Affairs.

5 Q Mr. Simek, did you prepare a testimony that was
6 filed in May, marked as "Exhibit 1", and a
7 technical -- yes, a technical statement prepared
8 and filed the first of this week, which has been
9 marked as part of Exhibits 2 and 3?

10 A (Simek) Yes.

11 Q Do you have any changes this morning you'd like
12 to make to either of those documents?

13 A (Simek) Yes. A change to the testimony, and,
14 actually, it's on Bates Page 139.

15 Q That's of the filing on Monday, the June 22
16 filing?

17 A (Simek) Correct. It's the very last page.

18 Q Okay. Go ahead.

19 A (Simek) When we converted our schedules to a *pdf*
20 version for filing, there were two lines excluded
21 from the bottom of the print area. Those lines
22 should have shown a residential customer taking
23 650 kilowatt-hours and the impact. The impact
24 that should have been shown at the bottom of the

[WITNESS PANEL: Warshaw|Simek|Hall]

1 page is a decrease of \$2.39, or 2.09 percent.

2 Q And that \$2.39 decrease is per month?

3 A (Simek) Correct. If the customer used 650
4 kilowatt-hours that month.

5 Q Okay. Other than that correction, do you have
6 any changes or updates to your testimony?

7 A (Simek) I do not.

8 Q And this was the testimony and technical
9 statement prepared in conjunction with Mr. Hall,
10 is that correct?

11 A (Simek) Correct.

12 Q And do you adopt that testimony and technical
13 statement here this morning as your sworn
14 testimony?

15 A (Simek) I do.

16 Q Mr. Simek, could you walk us briefly through how
17 you -- what number you started with and what
18 process you went through to come up with the
19 proposed Energy Service rate in this docket?

20 A (Simek) Sure. If we go to Bates Page 123, and
21 look at Line 14, that shows the monthly proposed
22 Energy Service rates for the Large Customer
23 Group. Then, if we go to Bates Page 124, Line
24 18, that shows the proposed six-month fixed

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Energy Service rate of 0.06825 per kilowatt-hour.

2 For both the Large Customer Group and
3 the Small Customer Group, the Energy Service
4 rates are essentially calculated the same way.
5 And our proposal is to make these rates effective
6 August 1st.

7 If we stay on Bates Page 124, and look
8 at Lines 10 through 13, we see the separate
9 components of the proposed Energy Service rate.
10 Line 10 includes the winning supplier bid price,
11 which includes line losses, to calculate the
12 projected base energy service costs.

13 Line 11 is the "Energy Service
14 Reconciliation Adjustment Factor", which
15 reconciles the prior period energy service and
16 RPS cost.

17 Line 12 is the "Energy Service Cost
18 Reclassification Adjustment Factor", which
19 reconciles and projects payroll and other
20 administrative expenses, bad debt, and cash
21 working capital.

22 Line 13 is the "Proposed RPS Adder",
23 which was calculated by Mr. Warshaw, and is based
24 on the results of his RPS RFP.

[WITNESS PANEL: Warshaw|Simek|Hall]

1 All components from Lines 10 through 13
2 are then summed to calculate the proposed
3 load-weighted Small Customer Group rate shown on
4 Line 18.

5 Q Thank you. How does the proposed Small Customer
6 Group Energy Service rate in this filing compare
7 to the same rate currently in effect?

8 A (Simek) The Small -- the proposed Small Customer
9 Group Energy Service rate of 0.06825 per kWh is
10 0.00368 per kWh, or 5.1 percent less, than the
11 current rate of 0.07193 per kWh.

12 Q So, the proposed kWh rate went from just over 7
13 cents to just under 7 cents, is that fair?

14 A (Simek) Correct. A 5.1 percent decrease.

15 Q The May filing, Exhibit 1, included actual data
16 through April and estimated data through July.
17 And the June filing, including -- with your
18 technical statement, included actual data through
19 May, is that correct?

20 A (Simek) Yes.

21 Q So, as far as your reconciliation portion of the
22 filing goes, the only items that will change from
23 the May filing to the June filing is the month of
24 May, because it goes from being an estimated

[WITNESS PANEL: Warshaw|Simek|Hall]

1 amount to an actual amount in the June filing, is
2 that correct?

3 A (Simek) Yes. Although the forecasted months of
4 June and July could also get updated, if better
5 information became available.

6 Q I'm asking you these questions so that you can,
7 as context, so you can explain why the Energy
8 Service Adjustment amount changed from the May
9 filing and the June filing, from an
10 over-collection of \$856,000 to an over-collection
11 of \$1.6 million in the June filing. Can you
12 explain that please?

13 A (Simek) Sure. The main driver for this
14 difference was the reversal of the April
15 accounting accrual, which included the wrong
16 pricing. The forecasted May expense amount was
17 overstated by approximately 900K due to this
18 pricing mistake.

19 Q And, so, that pricing mistake was picked up and
20 corrected in the June filing, is that right?

21 A (Simek) Correct. Going forward -- it was found
22 by internally, and going forward it was
23 corrected.

24 Q Did this pricing mistake have any effect on

[WITNESS PANEL: Warshaw|Simek|Hall]

1 customers?

2 A (Simek) No. Customer rates are based on May
3 actuals, and the pricing mistake has been
4 corrected going for the forecasted months.

5 Q Thank you. Mr. Hall, please introduce yourself
6 and your position with Liberty.

7 A (Hall) Yes. My name is Adam Hall. My position
8 is Analyst, Rates and Regulatory Affairs.

9 Q Mr. Hall, your name appears on the testimony
10 filed in May, Exhibit 1, and also on the
11 technical statement that appears in Exhibits 2
12 and 3 that Mr. Simek just walked through. Did
13 you participate with Mr. Simek in preparing those
14 two documents?

15 A (Hall) Yes, I did.

16 Q Do you have any further changes or corrections to
17 make, other than what Mr. Simek has just
18 described?

19 A (Hall) I don't.

20 Q And, for the portions of those testimonies and
21 technical statements that you were responsible
22 for, do you now adopt them today as your sworn
23 testimony?

24 A (Hall) Yes, I do.

[WITNESS PANEL: Warshaw|Simek|Hall]

1 MR. SHEEHAN: Thank you. Madam
2 Chairwoman, that's all the questions I have for
3 the Liberty witnesses.

4 CHAIRWOMAN MARTIN: All right. Thank
5 you. Mr. Tuomala.

6 MR. TUOMALA: Thank you, Madam
7 Chairwoman. Excuse me. Before I begin the
8 questioning of the witnesses, I just want to
9 state that I'm going to be discussing some
10 confidential information, at least pointing
11 everybody's attention to the filing. And I hope
12 that the witnesses, if I am referring to
13 confidential information, I don't want to
14 disclose that. It's just as a reference point,
15 so everybody is on the same page. And, if I'm
16 asking something that requires you to state
17 confidential information, please stop me, and
18 I'll rephrase the question.

19 And also, if -- please indulge me if
20 some of the questions that I do ask are a repeat
21 of what Counsel Sheehan has already asked. I'm
22 just trying to make sure that I have all the
23 information on the record. So, I do apologize if
24 some of this is a bit of a repeat from what

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[WITNESS PANEL: Warshaw|Simek|Hall]

1 back in 2006, and then the updates to that
2 Settlement Agreement throughout the years?

3 A (Warshaw) Yes.

4 Q Okay. And reviewing the impact, the customer
5 impact, there's a decrease in the customer bills.
6 So, it's the Energy Service prices is decreasing.
7 Is that consistent with your forecasts and also
8 consistent with what you've seen in the past few
9 years of this process, a general decrease in this
10 price?

11 A (Warshaw) Yes. It is consistent with what had
12 been occurring in the electric marketplace. Due
13 to the very low cost of natural gas becoming the
14 marginal fuel for electric generation, we have
15 seen a significant decrease in the cost of
16 electricity, at wholesale, and, as a result, it
17 gets reflected into the retail market.

18 Q Okay. I would like to direct everyone's
19 attention to Bates Page 091 of Exhibit 2. And,
20 at the top, there's a table. And could you just
21 briefly describe what that table is?

22 A (Warshaw) That's a table identifying the number
23 of bidders who bid on the three blocks that
24 are -- that are in this RFP, in this

[WITNESS PANEL: Warshaw|Simek|Hall]

1 solicitation.

2 Q Would you say that the number of bidders' bids
3 that you received for these customer blocks, is
4 that consistent with the number of bidders in
5 prior years?

6 A (Warshaw) More or less. I did see some -- a
7 little less participation on the Large Customer
8 Group. But, as I've explained earlier, a lot of
9 that is caused mostly by the uncertainty due to
10 the COVID pandemic situation and the economy.

11 Q Thank you. If you could turn to Bates Page 096
12 now please. And could you briefly describe, once
13 you get there, what this table consists of?

14 A (Warshaw) Yes. This is my forecast of what I
15 expect the bids to come in at. At the time, I
16 was expecting to get the indicative prices. So,
17 this would have been as of June 9th.

18 Q When did you develop this table, Mr. Warshaw?

19 A (Warshaw) I have used this table multiple times
20 in the past. The concept in there, I do update
21 it based on new electric futures, any adjustments
22 to past premium bids, any change in the Forward
23 Capacity Market price, updates on the ancillary
24 costs that the suppliers would face in the

[WITNESS PANEL: Warshaw|Simek|Hall]

1 marketplace.

2 Q And you also briefly touched upon this --

3 *[Short pause.]*

4 CHAIRWOMAN MARTIN: Mr. Tuomala, you're
5 on mute. I don't know how, but you switched to
6 mute when you came back. Would please start
7 over, "you briefly touched on it".

8 MR. TUOMALA: Sure. I apologize for
9 that. I don't know what happened. I can repeat
10 the question.

11 BY MR. TUOMALA:

12 Q In conversation with Attorney Sheehan before, you
13 briefly touched upon this, that the indicative
14 bids -- excuse me, the forecast that you created
15 for the indicative bids, how did that compare to
16 the actual indicative bids that came in?

17 A (Warshaw) If you -- let's see. If you -- okay,
18 sorry, I'm going the wrong way. If you look at
19 Exhibit 2, which is on Bates Page 094, you'll see
20 that there's a column called "Expected Bid Price
21 based on Electric Forecast", and then also next
22 to that is the bandwidth that I used to evaluate
23 the bids. And, as you can see there, the bids
24 did come in a little bit higher than what I

[WITNESS PANEL: Warshaw|Simek|Hall]

1 expected, but within the bandwidth that I
2 normally use.

3 And, just so you know, indicative bids,
4 while, you know, they're bids, they're
5 indicative. They are not binding. The suppliers
6 can elect to either not bid, as they have in the
7 past, or it will bid different values based on
8 the market changes from one week to the next.
9 Plus, bidders would put a lot more effort into
10 their bid when they know that, if it's selected,
11 that's what they would be receiving for the
12 supply that they are providing.

13 Q Okay. Thank you. If we could now turn to Bates
14 Page 097, and this is the location of the final
15 bids, correct?

16 A (Warshaw) Correct.

17 Q And, again, I think you might have briefly
18 touched upon this, but could you provide a very
19 brief description of how you choose the winning
20 bid?

21 A (Warshaw) The winning bid I choose based on the
22 lowest cost to our customers.

23 Q Okay. And, if we look at the chart, it's broken
24 up, from "Block A", "Block B" and "Block C".

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Could you indicate the winning bidder by the
2 letters A through O in each block please?

3 A (Warshaw) Sure. For Block A, the winning bidder
4 was Bidder B; for Block B, the winning bidder was
5 Bidder C; and, for Block C, the winning bidder
6 was Bidder C also.

7 Q Okay. And, for the record, the winning bidders
8 for Block A, which company -- what is the company
9 name for the winner for Block A?

10 A (Warshaw) For Block A, the winning bidder is
11 Calpine Energy Services.

12 Q And then, Block B and Block C are the same
13 company, correct?

14 A (Warshaw) Correct. NextEra Energy Marketing.

15 Q Okay. Thank you for that. I now wanted to turn
16 your attention to all the way back to Bates Page
17 010 in your testimony. And there's a chart at
18 the top of that page. Could you briefly describe
19 that chart?

20 A (Warshaw) Yes. That chart is the RPS obligation
21 that Liberty Utilities is required to meet in the
22 State of New Hampshire.

23 Q And it indicates that there's an increase from
24 2020 to 2021, correct?

[WITNESS PANEL: Warshaw|Simek|Hall]

1 A (Warshaw) That is correct.

2 Q Okay. And, if we could now, I apologize for the
3 flipping around, but if we could go to Bates Page
4 103. And this is your calculation of the RPS
5 Cost Adder, correct?

6 A (Warshaw) Correct.

7 Q And it's this schedule, this is what indicates
8 how Liberty charges its customers to meet the RPS
9 obligation?

10 A (Warshaw) That is correct.

11 Q And, looking at Line 5 of Section 5, specifically
12 the "2020" column under "Market", the "7.43
13 cents", that is the RPS charge adder that the
14 Company is proposing for this period of August
15 1st through June -- excuse me, January 31st?

16 A (Warshaw) Yes. That is correct.

17 Q And, unlike past filings, where, at the turn of
18 the year, in January, customers would face an
19 increased RPS adder, the Company is proposing a
20 flat RPS adder through this time period? In
21 other words, that customers will not face an
22 increased RPS adder in January of next year?

23 A (Warshaw) That is correct.

24 Q Okay. So, just for clarification, customers will

[WITNESS PANEL: Warshaw|Simek|Hall]

1 be paying the 0.743 cents for the entire
2 six-month period, and that that might be adjusted
3 in the next filing, but not within this time
4 period?

5 A (Warshaw) That is correct.

6 Q Okay. Do you know how much this compares to the
7 current rate?

8 A (Warshaw) I believe it's similar, if not the
9 same. I apologize, I am not great at remembering
10 these numbers.

11 Q Sure. But nothing -- nothing strikes you that
12 this is a major increase or a major adjustment in
13 what has been previously added to customers'
14 bills?

15 A (Warshaw) No. I believe that it's the same
16 number. Subject to check.

17 Q Okay. And then, if we could turn to -- it's
18 Bates Page 123 and 124, it's Line 13 on both of
19 those pages. I just wanted to make it clear on
20 the record that the RPS Adder is the exact same
21 for all customer groups, both the Large and
22 Small?

23 A (Warshaw) That is correct.

24 Q Okay. Is there -- could you provide a brief

[WITNESS PANEL: Warshaw|Simek|Hall]

1 reasoning why you changed the methodology in the
2 RPS Adder, specifically why it's not going to
3 increase at the turn of the year?

4 A (Warshaw) Yes. The main reason is because of the
5 way the RPS purchases do not line up with the
6 calendar year. RPS purchases are done from
7 July 1st of one year, all the way through June
8 15th of the following year. So, during about the
9 first six months of next year, I will only be
10 buying and paying for 2020 RECs, and not -- I
11 would not be purchasing 2021 RECs until the
12 earliest would be the latter half of 2021.

13 And this was a driver in one of the
14 reconciliations, where there was a mismatch
15 between the revenue we were receiving and the
16 costs that we were incurring. And, as a result
17 of that, to better match revenue and cost, we
18 have elected to change that methodology to
19 reflect the -- in the first half of the following
20 year, we will use the RPS adder from the previous
21 year.

22 Q So, essentially, what you're stating is that this
23 addresses the over-collection that was indicated,
24 and I can get to that later, but that it's on

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Bates Page 129, an RPS over-collection of
2 966,000. So, this is a change in methodology to
3 hopefully reduce that over-collection?

4 A (Warshaw) Yes.

5 Q Okay. And to sum this up, --

6 MR. WIND: Hold up. Sorry. Chris,
7 you're going to need to unmute yourself again.

8 Can we go off the record for a second?

9 CHAIRWOMAN MARTIN: Yes.

10 *[Brief off-the-record discussion*
11 *ensued.]*

12 CHAIRWOMAN MARTIN: Back on the record.

13 MR. TUOMALA: I'm sorry, Madam
14 Chairwoman?

15 CHAIRWOMAN MARTIN: Mr. Tuomala, you
16 can proceed.

17 MR. TUOMALA: Okay. Everybody can hear
18 me?

19 CHAIRWOMAN MARTIN: Yes.

20 MR. TUOMALA: Apologies again. And
21 I'll restate my question.

22 BY MR. TUOMALA:

23 Q Mr. Warshaw, to sum this up, in your opinion, the
24 results of the solicitation, the RFP process,

[WITNESS PANEL: Warshaw|Simek|Hall]

1 reflect a competitive market price for energy?

2 You're on mute.

3 A (Warshaw) Yes, it is. It reflects the
4 competitive pricing at this time, yes.

5 MR. TUOMALA: Okay. Thank you very
6 much. I have no further questions for Mr.
7 Warshaw.

8 BY MR. TUOMALA:

9 Q I wanted to go into the reconciliation portion
10 and the customer impact. So, either Mr. Simek or
11 Mr. Hall, I don't have a specific witness.

12 But, if we could turn to Bates Page 139
13 of Exhibit 2, the bill impact. And, again,
14 apologies if this has already been discussed, but
15 I just wanted to highlight for the record. This
16 chart, it only indicates that there's going to be
17 a change in the Energy Service Charge, on Line
18 13, correct? There are no other changes to the
19 customer's bill proposed at this time?

20 A (Simek) That is correct. We're just trying to
21 show here, based on this hearing, what the bill
22 impact would be, compared to rates that are
23 currently in effect.

24 Q Okay. And, in the correction to your testimony,

[WITNESS PANEL: Warshaw|Simek|Hall]

1 there were two lines missing. But I just, to be
2 clear, it's going to be a -- did you say a "\$2.39
3 decrease" on an average customer's bill?

4 A (Simek) Yes. On an average residential
5 customer's bill.

6 Q And what is that -- what was the percentage
7 decrease?

8 A (Simek) 2.09 percent.

9 Q In their total bill, correct?

10 A (Simek) Correct.

11 Q Do you know what the percentage decrease is in
12 the Energy Service Charge alone?

13 A (Simek) Yes. The Energy Service Charge alone was
14 a 5.1 percent decrease.

15 Q And, again, this is for a residential customer
16 taking 650 kilowatt-hours. The proposed impact
17 on the Large Customer Group is different,
18 correct?

19 A (Simek) Correct. Those rates, Energy Service
20 rates, change monthly.

21 Q Okay. And, to piggyback off that, if we could
22 turn to Bates Page 121, the technical statement.
23 In Subsection 2, that was what you were referring
24 to under the line "Total", the actual monthly

[WITNESS PANEL: Warshaw|Simek|Hall]

1 rate of the Energy Service Charge that the Large
2 Customer Group would be facing?

3 A (Simek) Correct.

4 Q And it appears that it will be increasing -- or,
5 decrease in September, but then steadily
6 increases through January?

7 A (Simek) Correct.

8 Q Is that typical for the Large Customer Group, to
9 have a gradual or an increase in their rates
10 throughout the months?

11 A (Simek) Yes. Well, if you look at Base Energy
12 Service Rate, the first line in that chart, you
13 can see what you just said, where it's kind of
14 going relatively steady until October, and then
15 November, December, and January went up. And
16 those -- that portion of the rate is based on the
17 bids that were received from the suppliers. And
18 that was, obviously, the lowest bid.

19 So, to answer your question, I do
20 believe it's typical that the winter months would
21 go up slightly. A lot of these rates are driven
22 off of the natural gas prices that typically go
23 up in the winter. But, again, as Mr. Warshaw
24 mentioned, there also may be some impact with

[WITNESS PANEL: Warshaw|Simek|Hall]

1 COVID-19 as well.

2 Q Okay. Thank you for that. If we could now turn
3 a few pages further, to Bates Page 124. And
4 we're going back to the residential customer. On
5 Line 8 there, it's described as a "Loss Factor".
6 Could you briefly describe what a "loss factor"
7 entails or is composed of?

8 A (Simek) Sure. If we purchase, for example, 100
9 megawatt-hours from a supplier, once it travels
10 through the distribution lines, it may only, when
11 it gets to the ultimate customer, it may have
12 only been 98 megawatt-hours, or however --
13 whatever unit we want to use. So, those
14 additional two megawatt-hours, we would be
15 charging the customer by calculating what a loss
16 factor is. So, that's a bump-up in the price to
17 account for those distribution line losses.

18 Q And that figure, the loss factor for the
19 residential customer and small commercial users,
20 that is a different rate than the loss factor for
21 the Large Commercial Group, correct?

22 A (Simek) Correct.

23 Q Is there a main difference -- is there a specific
24 reason why there's a difference? Or, is it only

[WITNESS PANEL: Warshaw|Simek|Hall]

1 just -- is it the same calculation and
2 methodology you use for both? What accounts for
3 the difference between the large commercial and
4 the residential?

5 A (Simek) I actually need to defer this question to
6 Mr. Warshaw.

7 A (Warshaw) Yes. The main difference is that
8 customers in Residential and the Small Customer
9 Group are seeing further transformations to bring
10 the power down to a level that they are
11 receiving. As a result, there are additional
12 losses that need to be accounted for.

13 Q Thank you for that. And you also, excuse me, Mr.
14 Simek, you described earlier lines -- on Bates
15 Page 124, on Lines 10 through 13, that is the
16 calculation of the Energy Service Charge? Those
17 are the four -- the four lines calculated, 10
18 through 13, to come down to Line 14, which is, in
19 this case, on Bates Page 124, the actual monthly
20 service charge that customers would possibly
21 face?

22 A (Simek) Correct. Although, for the Small
23 Customer Group, it's actually the rate that's
24 shown on Line 18. It takes a load-weighted

[WITNESS PANEL: Warshaw|Simek|Hall]

1 average of those values calculated on Line 14,
2 and then the rate that's on Line 18 stays fixed
3 for the six-month period.

4 Q Okay. And Line 11, it discusses the "Energy
5 Service Reconciliation Adjustment Factor". And,
6 if you go down to the footnote, it directs us to
7 the "Schedule AMH/DBS-5, Page 1, Line 8" -- 8 or
8 6?

9 A (Simek) Six.

10 Q Excuse me. Which is Bates Page 129. So, if we
11 could go to Bates Page 129 please. And that's
12 how you calculated the Energy Service
13 Reconciliation Adjustment Factor -- oh, excuse
14 me. I apologize. Could you briefly describe the
15 chart on Bates Page 129? That's the
16 reconciliation adjustment of the Energy Service
17 Adjustment Factor, correct?

18 A (Simek) Correct. The three components that make
19 up this adjustment factor are shown in Lines 1,
20 2, and 3. All three of them had an
21 over-collection. The Base Energy Service
22 over-collection piece is a reconciliation for the
23 prior twelve-month period, of both the Energy
24 Service component and the RPS component. The

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Energy Service Adjustment Factor, shown on
2 Line 2, that over-collection is related to the
3 true-up of prior periods, prior than the past
4 twelve months, of what we were trying to make
5 whole, and that's the true-up of the ending
6 balance there.

7 And then, the RPS piece -- I'm sorry, I
8 misspoke. Number 1 did not include the RPS. The
9 RPS piece is actually shown in Line 3. And that
10 over-collection of 966,000 is relatively high.
11 And that goes back to what Mr. Warshaw had
12 referenced, where we were changing our
13 forecasting methodology for RPS, so that, going
14 forward, hopefully this rate will be a lot closer
15 to zero, this over-collection or
16 under-collection.

17 Q Thank you for that. So, to sum it up, on Line 6,
18 that's all the reconciliations for this
19 adjustment factor, it equates to a 0.378 cent --
20 cents credit to customers on their bill,
21 essentially?

22 A (Simek) Correct.

23 Q If we can go to Bates Page 131, and that is the
24 Energy Service Cost Reclassification Adjustment

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Factor. Can you briefly describe what comprises
2 that adjustment factor?

3 A (Simek) Sure. This factor reconciles -- so, it
4 reconciles the previous period and also projects
5 payroll and other administrative expenses, bad
6 debt, and cash working capital expense, that is
7 all related to Energy Service.

8 Q And, on Line 5, it breaks down the total, but
9 then it separates that from Residential and Small
10 Commercial/Industrial with the Medium and Large
11 Commercial/Industrial. Essentially, that the
12 residential customer is going to be facing a
13 lower adjustment factor than the Large Commercial
14 groups, correct?

15 A (Simek) Correct.

16 Q My last question would be related to the
17 over-collection, on Line 2, of 56,000. Is
18 there -- do you know what the specific reason for
19 that over-collection is?

20 A (Simek) Again, this was -- that piece is related
21 to the reconciliation for a prior period. And,
22 when we set our rates, obviously, we had a
23 pandemic go into place, where it shows that all
24 of our rates actually were over-collected. So,

[WITNESS PANEL: Warshaw|Simek|Hall]

1 we had a rate -- a number that was fixed for the
2 six-month period, yet -- or, I'm sorry, for the
3 twelve-month period, yet we had lower volumes
4 than were projected. So, when we're going back
5 and trying to reconcile for prior periods, I
6 believe every one of these factors were in an
7 over-collection state.

8 MR. TUOMALA: Thank you very much, Mr.
9 Simek. That's all the questions that I had,
10 Madam Chairwoman.

11 CHAIRWOMAN MARTIN: All right. Thank
12 you. Commissioner Bailey.

13 CMSR. BAILEY: Thank you. Good
14 morning.

15 WITNESS SIMEK: Good morning.

16 BY CMSR. BAILEY:

17 Q Looking at Bates Page 131, Mr. Simek, can you
18 tell me where the bad debt is in that table?

19 A (Simek) Sure. Just give me one moment to get
20 there. Actually, the bad debt piece is made up
21 on Bates Page 133. And that's the detail that
22 then rolls into the table that you just
23 referenced.

24 Q Okay. So, tell me where the -- oh, I see, "Bad

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Debt Expense". Do you know if that has increased
2 because of COVID?

3 A (Simek) I know -- I do not know that answer
4 specifically. But I do believe that there's been
5 much analysis done within our Accounting group,
6 and even, I believe, with communications to the
7 Commission, that they are anticipating that it
8 will increase. I just don't have the information
9 known of whether what they were anticipating
10 would happen truly happened or what the impact
11 is, if it did happen.

12 Q Do you know if this -- well, what's the period
13 that the bad debt expense covers on this table?

14 A (Simek) It would be through the actual booking
15 through May of 2020. So, we did have a few
16 months in there of March, April, and May that
17 would have some dollar impacts. But a lot of
18 this is based on a rate that was previously
19 calculated for bad debt. So, the rate was
20 already calculated and included in rates. So,
21 the only impact would be potentially on the
22 volume side, for whether it went up or down, and
23 I just don't have that in front of me at the
24 moment.

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Q Okay. It's all reconcilable though, right?

2 A (Simek) Correct. It is.

3 Q All right. Can we look at Page 123?

4 A (Simek) I'm sorry, did you say "123"?

5 Q Yes.

6 A (Simek) Okay. I'm there.

7 Q Okay. Can you tell me the calculation that you
8 make in Lines 1 through 3, what that's about?

9 A (Simek) Sure. Lines 1, 2, and 3, for Line 1,
10 that shows what the actual March 2020 Medium and
11 Large C&I customer Energy Service kilowatt-hours
12 are. So, it actually shows what the sales were
13 for March of 2020 for Energy Service. And then,
14 Line 2 shows what total distribution sales were
15 for March 2020. And that is in order to
16 calculate that 20.81 percent is to calculate what
17 the percentage of March 2020 of total sales is
18 related to Energy Service.

19 Q Okay. So, Line 2 is the total sales, not just
20 the total Medium and Large C&I sales?

21 A (Simek) I'm sorry. Line 2 is total sales just
22 for the Medium and Large C&I sales.

23 Q Well, that's what I don't understand. It's total
24 for the period? I mean, March -- what's the

[WITNESS PANEL: Warshaw|Simek|Hall]

1 difference between total sales in March 2020 for
2 Large C&I and the month of March? I don't
3 understand what the difference between Line 1 and
4 Line 2 is.

5 A (Simek) Oh, okay.

6 A (Warshaw) Could I add to that please?

7 A (Simek) Go ahead.

8 A (Warshaw) Yes. The difference is that a large
9 number of our Large Commercial and Industrial
10 customers take service from competitive
11 suppliers.

12 Q Okay.

13 A (Warshaw) As a result, those customers that
14 aren't taking their energy service in the Large
15 Commercial and Industrial area, there's a much
16 smaller percentage than of the total billings for
17 that group, which is why it's about 21 percent.

18 Q Okay. So, about 21 percent of your Medium and
19 Large C&I customers take default service, that's
20 what that's showing?

21 A (Warshaw) Correct.

22 Q Okay. Thank you. All right. So, how do you --
23 how do you use that number in the next -- in the
24 rest of the table? How is that relevant?

[WITNESS PANEL: Warshaw|Simek|Hall]

1 A (Simek) So, what happens is, if we look at Lines
2 4 and 5, 4 is the "Projected Total Company Medium
3 and Large Kilowatt-Hour" sales. So, it's a
4 projection. So, if we're saying that these are
5 the projected sales, in total, for C&I
6 customers, and --

7 Q For the six-month period?

8 A (Simek) Excuse me?

9 Q For the six-month period?

10 A (Simek) Correct. For each month it shows there.
11 And --

12 Q So, can I ask --

13 A (Simek) Go ahead.

14 Q It's the total, not sales, it's the total
15 distribution charge kilowatt-hours?

16 A (Simek) Correct.

17 Q Or the total energy sales?

18 A (Simek) Correct. It would be total distribution
19 sales. And, so, what we're trying to do for Line
20 4 is multiply it by the 20.81 percent that was
21 calculated above, to estimate how much of the
22 total distribution sales will actually be energy
23 service sales.

24 Q Okay. All right. Thank you.

[WITNESS PANEL: Warshaw|Simek|Hall]

1 A (Simek) You're welcome.

2 Q Can we look at the rate impact on Bates Page 139?

3 A (Simek) Yes.

4 Q Are there other rates that are changing on August
5 1st or do you have a lot of rates changing on
6 July 1st?

7 A (Simek) Correct. We do have a lot of rates
8 changing on July 1st, and then there are no
9 additional rates changing on August 1st.

10 CMSR. BAILEY: Okay. All right. I
11 think that's all I had. Thank you.

12 WITNESS SIMEK: Thank you.

13 CHAIRWOMAN MARTIN: All right.
14 Commissioner Giaimo.

15 CMSR. GIAIMO: Excuse me. Good
16 morning.

17 WITNESS SIMEK: Good morning.

18 WITNESS WARSHAW: Good morning.

19 BY CMSR. GIAIMO:

20 Q Mr. Warshaw, I heard you talk about the large
21 customer number not being within the bandwidth
22 that you expected, and I'll get to that in a
23 second. But I want to make sure I heard you, if
24 you said it, the bandwidth for Residential -- the

[WITNESS PANEL: Warshaw|Simek|Hall]

1 number that came in for the Residential/Small
2 customers, that was within the bandwidth,
3 correct?

4 A (Warshaw) Yes. That is correct.

5 Q Okay. And, so, my questions are for whoever
6 feels like they can answer it best.

7 How much of the rate reduction that
8 people will be seeing is associated with lower
9 capacity prices? Is that the major factor that
10 changed the prices down in the 5 percent range?

11 A (Warshaw) Yes. That's one of the major reasons
12 why there was a reduction. Plus -- and plus,
13 there was the electric futures, compared to this
14 time last year, the futures this year are lower,
15 on average, also.

16 Q Okay. So, those are the two major drivers. You
17 would say it's changing capacity market prices
18 and lower futures?

19 A (Warshaw) Correct.

20 Q Okay. Thanks. Mr. Warshaw, I think you were
21 actually discussing this with Commissioner
22 Bailey, and I think the number is 21 percent, but
23 I want to confirm. What percentage of the
24 customers of the -- of your customers, I guess,

[WITNESS PANEL: Warshaw|Simek|Hall]

1 both residential and commercial, are on default
2 service?

3 A (Warshaw) About, in March, about 21 percent of
4 our Large Customer Group was on default service.
5 And, if you turn to Bates Page 124, at the top,
6 we see that about 88 percent of our Residential
7 and Small Commercial customers are on energy
8 service.

9 Q So, 12 percent are on default -- are not on
10 default, are receiving it through a competitive
11 supplier?

12 A (Warshaw) Correct.

13 Q Okay. Thanks. I want to focus on the C&I,
14 because, well, that's the number that came
15 outside of your expected bandwidth. Who are the
16 customers, in general, that are, I'm not asking
17 for names, I'm asking more for what would they
18 look like, of the C&I customers that aren't on
19 default service? Are they customers that might
20 have financial assurance issues? Yes. I'll stop
21 there.

22 A (Warshaw) I don't have a good answer for that,
23 other than, you know, it could be financial
24 issues. It could be as simple as inertia. A lot

[WITNESS PANEL: Warshaw|Simek|Hall]

1 of times, once a customer is on a service, they
2 just don't change. A customer could have had a
3 bad experience on a competitive supplier, and
4 decided "I don't want to deal with that in the
5 future." I just don't have a feel for the
6 specific information on why a large customer -- a
7 large industrial or commercial customer would not
8 have gone to a competitive supply.

9 Q Would they have had load factors or that's
10 probably not an issue?

11 A (Warshaw) That could also be one of the factors
12 for them not going. They may not like the price
13 that they get from the supplier.

14 Q Do you know anecdotally if other utilities are
15 experiencing fewer suppliers for their C&I load?

16 A (Warshaw) No, I do not. That my understanding is
17 other distribution companies keep that
18 information fairly confidential and close to the
19 vest. If I asked that question, I wouldn't get
20 an answer.

21 Q Okay. Okay. So, I thought what I heard you say,
22 and I'm paraphrasing here, is COVID-19 resulted
23 in more risk, greater risk for C&I -- for C&I
24 demand resulted in fewer bids. If the number

[WITNESS PANEL: Warshaw|Simek|Hall]

1 weren't 21 percent, if the number were higher, if
2 there were more C&I in the pool that was being
3 bid out, do you think you would have gotten the
4 same result?

5 A (Warshaw) I would not speculate on whether we
6 would see a better turnout with a larger volume.

7 Q Okay. I guess what I'm really getting at is,
8 there's nothing unique about this 21 percent of
9 the population that is the reason why not as many
10 bidders came as expected?

11 A (Warshaw) No. To my understanding, it's not.
12 That commercial group has seen the largest
13 percentage drop in power sales to them over the
14 last couple of months than what we've seen on the
15 residential side of the business. A lot of
16 people are staying home, so --

17 Q And that's helpful. I hear you say that one of
18 the drivers is demand associated with the
19 commercial and industrial sector, and that's good
20 to hear. Thank you.

21 A (Warshaw) Demand is down, and there's a lot of
22 uncertainty about how that demand will be seen
23 going forward over the next few months. I think
24 they're more comfortable with the latter period,

[WITNESS PANEL: Warshaw|Simek|Hall]

1 as things start to open up, and maybe we start to
2 go back to a little more of what we saw prior to
3 March.

4 Q So, with respect to the load blocks, is there
5 anything that you could surmise from the fact
6 that -- I just want to make sure I understand
7 this. The Large -- Load Block A was one bidder,
8 one bidder, one supplier won. Large Block 2 was
9 a different bidder. Is that unique? Would you
10 have expected that? Or, it seems interesting
11 that the block got split in half.

12 A (Warshaw) I've seen that in the past. There are
13 times when all three blocks have gone to the same
14 bidder, and there are times when three blocks and
15 three successful bidders. So, what we're trying
16 to get at is the most competitive price for our
17 customers.

18 Q Okay. That, too, is helpful, to know that it's
19 almost irrelevant. It's just the lowest price
20 that dictates that?

21 A (Warshaw) Correct.

22 Q Great. On Page -- on Bates 121, maybe someone
23 can walk me through how the Large Customer Group
24 month-by-month, because it changes, compares to

[WITNESS PANEL: Warshaw|Simek|Hall]

1 the Residential default service? I guess what
2 I'm asking is, just tell me which month is --
3 which month the C&I is below and which month are
4 the C&I above the Residential default number?

5 A (Simek) I can do that. Give me one moment
6 please.

7 Okay. So, the -- did you want me to
8 compare it to the fixed rate of the 0.06825 per
9 kilowatt-hour? Or, were you asking for it to
10 basically be compared on the month-to-month
11 before the fixed rate is calculated?

12 Q Would they be different? What would be the
13 difference then, between which one is lower?

14 A (Simek) Yes. There would -- the Small Customer
15 Group would take the six months of the
16 individually calculated rate and then calculate a
17 load-weighted average.

18 Q I'm sorry, I misunderstood. Yes. I want it
19 against the load-weighted average, right. Versus
20 what they pay each month with the rate they pay
21 for each month, correct.

22 A (Simek) Okay. So, on Bates Page 121, in the
23 "Total" row, all of those rates -- well, let me
24 say it like this. August, September, October,

[WITNESS PANEL: Warshaw|Simek|Hall]

1 and November are all lower than the Small
2 Customer Group fixed rate of the 0.06825 per
3 kilowatt-hour. So, it's just December and
4 January which are higher.

5 Q Thank you.

6 A (Simek) You're welcome.

7 Q And the supplier who won recognizes that there is
8 a risk that come November, December, that they
9 could lose some load based on people looking for
10 lower prices, correct?

11 A (Warshaw) Yes. That is correct. There is some
12 migration risk, both leaving energy service and
13 coming back to energy service, and also the
14 volumetric risk of the economy itself.

15 Q Great. So, my last question is, I just want to
16 understand Page 131. I'm not sure, I guess, is
17 that Mr. Simek and/or Mr. Hall?

18 A (Simek) Sorry. I was tied up with the mute
19 there. But I believe that would be, yes, either
20 me or Mr. Hall.

21 Q So, I'm looking at Line 2, and I just want to
22 understand. It seems like we heard bad debt is
23 up and sales are down. So, I'm struggling as to
24 why is -- why was there an over-collection for

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Line 2? Because, intuitively, that would be an
2 under-collection, and maybe I just don't
3 understood it right, and you can fill me in why
4 my intuition is wrong?

5 A (Simek) Well, when we calculate the rate, we have
6 a rate based on projected sales. So, the rate
7 was higher than -- well, the rate --

8 *[Court reporter interruption due to*
9 *audio interference.]*

10 **CONTINUED BY THE WITNESS:**

11 A (Simek) So, I guess there's a few different items
12 that could drive this. But one of them is that,
13 if we had higher-than-projected sales for the
14 non-pandemic related months, then we would have
15 an over-collection. And, if -- well, I guess,
16 off the top of my head, that's the only reason
17 that I believe that that should be the driver.

18 Now, if we started the period off with
19 an over-collection, and then we were able to chip
20 away at that over-collection throughout the
21 period for what we are giving back to customers,
22 we may not have been able to give back as much,
23 due to the other factor if we had
24 lower-than-anticipated sales. So, we would still

[WITNESS PANEL: Warshaw|Simek|Hall]

1 be carrying an over-collection.

2 So, those are really the two scenarios
3 that I believe.

4 CMSR. GIAIMO: Okay. Thank you. That
5 helps.

6 WITNESS SIMEK: You're welcome.

7 CMSR. GIAIMO: Madam Chair, those are
8 only questions I have. Thanks to the witnesses.

9 CHAIRWOMAN MARTIN: All right. Thank
10 you. I just have one remaining question.

11 BY CHAIRWOMAN MARTIN:

12 Q Mr. Warshaw, at the beginning of your testimony,
13 you described the procurement process, and
14 reaching out to potential bidders who apparently
15 didn't bid. Can you clarify that for me? I just
16 want to understand, that was completely separate,
17 I assume, from the evaluation, and nothing was
18 modified as a result of that. Can you confirm
19 that for me?

20 A (Warshaw) Can you repeat the question? From my
21 receiving, you broke up quite a bit.

22 Q Okay. Yes. For some reason, I don't have 5G
23 today. So, we're having more difficulties. I
24 will try to go slowly.

{DE 20-053} {06-25-20}

[WITNESS PANEL: Warshaw|Simek|Hall]

1 You started your testimony talking
2 about the procurement process. And you mentioned
3 that you reached out to bidders that -- potential
4 bidders that you expected would have put in a
5 bid, but did not, to get an understanding of why.
6 Can you confirm that nothing was modified in the
7 evaluation during the procurement because of
8 that?

9 A (Warshaw) No, I did not make any changes to the
10 procurement. Which, as a result, the bandwidth,
11 the pricing for the Block A came in at higher
12 than the bandwidth I expected. Which is why I
13 did additional conversations, to see why they had
14 not bid. And made sense that, you know, the
15 uncertainty for the near term, the economy would
16 result in some additional risk premium placed by
17 the bidders who do bid.

18 But there was no change in how I
19 evaluate or -- oh-oh. So, yes. There was no
20 change.

21 I hope you heard all that,
22 Commissioner -- I mean, Chairwoman.

23 CHAIRWOMAN MARTIN: Okay. Yes, I did.
24 Thank you.

[WITNESS PANEL: Warshaw|Simek|Hall]

1 I think that's my only question. So,
2 Mr. Sheehan, do you have any follow-up?

3 Can you not hear me, Commissioner
4 Bailey?

5 CMSR. BAILEY: Yes, I can hear you,
6 Madam Chair. I had one additional question I
7 wanted to ask, if you would --

8 CHAIRWOMAN MARTIN: Oh, I apologize.

9 CMSR. BAILEY: No problem.

10 CHAIRWOMAN MARTIN: Yes. I'm sorry. I
11 forgot that.

12 CMSR. BAILEY: Okay.

13 CHAIRWOMAN MARTIN: Go ahead.

14 BY CMSR. BAILEY:

15 Q Mr. Simek, could you go back to Page 124 please?
16 It's that calculation that we were talking about
17 that showed what percentage of residential
18 customers take default service.

19 A (Simek) Sure. Let me just get there real quick.
20 Okay.

21 Q All right. So, the description on Line 1 and 2,
22 and this is the page that's talking about
23 residential, --

24 A (Simek) Yes.

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Q -- says "Medium and Large C&I". And it's
2 probably just a carryover from a prior page. But
3 that's what started all my questions about that.
4 So, can you correct that in the next filing
5 please?

6 A (Simek) Absolutely. Yes. Sorry for the
7 confusion.

8 Q Okay. And it might be, maybe there's a way to
9 recast the description of Line 2?

10 A (Simek) Okay. We will try to reword it as well,
11 to make it more clear.

12 CMSR. BAILEY: Okay. Thanks a lot.
13 That's all the questions I had.

14 CHAIRWOMAN MARTIN: All right. Thank
15 you. Back to Mr. Sheehan.

16 Mr. Sheehan, can you hear me, I'm
17 sorry? Can anybody hear me?

18 Okay. Mr. Sheehan, do you have any
19 follow-up?

20 MR. SHEEHAN: And can you hear me?

21 CHAIRWOMAN MARTIN: I can hear you.

22 MR. SHEEHAN: I have one question.

23 **REDIRECT EXAMINATION**

24 BY MR. SHEEHAN:

[WITNESS PANEL: Warshaw|Simek|Hall]

1 Q On Bates 103, let me pull it up. There was
2 testimony about the REC Adder. I think someone
3 just misspoke and said it's "7 cents", rather
4 than "0.7 cents". Is it correct that the Adder
5 is "0.7 cents"?

6 A (Simek) That is correct.

7 A (Warshaw) It is 0.7 cents, as opposed to the
8 "\$0.00743".

9 Q Thank you. And, to be clear, it's Line 5, in
10 Section 5, that we're looking at, is that
11 correct?

12 A (Warshaw) Yes.

13 MR. SHEEHAN: That's the only question
14 I had, Madam Chair.

15 CHAIRWOMAN MARTIN: All right. Thank
16 you.

17 Okay. So, without objection, we'll
18 strike ID on Exhibits 1, 2, 3, and admit them as
19 full exhibits.

20 And, Mr. Sheehan, anything else we need
21 to do before closing arguments?

22 MR. SHEEHAN: I do not think so.
23 Nothing from the Company.

24 CHAIRWOMAN MARTIN: Mr. Tuomala?

1 MR. TUOMALA: Nothing from Staff, Madam
2 Chairwoman.

3 CHAIRWOMAN MARTIN: All right. Then,
4 why don't we do closing arguments, starting with
5 Mr. Tuomala.

6 MR. TUOMALA: Thank you, Madam
7 Chairwoman and Commissioners.

8 Staff reviewed the filing and
9 determined that the Company appropriately
10 conducted the solicitation, the bid evaluation,
11 and the selection process consistent with prior
12 Commission orders. And that the energy was
13 procured on the competitive market, and the
14 resulting rates are market-based, pursuant to RSA
15 374:2, and the competitive market requirement,
16 pursuant to RSA 374-F.

17 As such, Staff recommends that the
18 Commission approve the Company's filing.

19 Thank you.

20 CHAIRWOMAN MARTIN: All right.
21 Mr. Sheehan.

22 MR. SHEEHAN: Thank you. And thank you
23 to Staff for the work on this docket. We had a
24 good conversation over the last week. And thank

1 you, Staff, for the support of the filing.

2 We also, obviously, ask that the
3 Commission approve the rates proposed in this
4 filing, to go into effect August 1, 2020 and
5 thereafter, as indicated in the filing.

6 Thank you. And, Madam Chair, I have
7 one question for you off the record, once we're
8 done.

9 CHAIRWOMAN MARTIN: Okay. All right.
10 With that, we will close the record. We are
11 aware of the timeline in this docket, and we will
12 issue an order promptly. And the hearing is
13 adjourned.

14 ***(Whereupon the hearing was adjourned***
15 ***at 10:34 a.m.)***

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