

1 STATE OF NEW HAMPSHIRE

2 PUBLIC UTILITIES COMMISSION

3
4 February 1, 2011 - 9:28 a.m.
Concord, New Hampshire

DAY 4

5
6 RE: DE 10-195

NHPUC FEB15'11 PM 3:05

7 PUBLIC SERVICE CO. OF NEW HAMPSHIRE:
8 Petition for Approval of Power
Purchase Agreement between PSNH
and Laidlaw Berlin BioPower, LLC.9
10 PRESENT: Chairman Thomas B. Getz, Presiding
11 Commissioner Clifton C. Below
12 Commissioner Amy L. Ignatius

13 Sandy Deno, Clerk

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APPEARANCES: (C o n t i n u e d)

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E X H I B I T S

EXHIBIT NO.	DESCRIPTION	PAGE NO.
Staff 12C	Document entitled "Power Reference Case Electricity and Fuel Price Outlook Northeast Region Fall 2010" (CONFIDENTIAL & PROPRIETARY)	87
Staff 13C	Ventyx Tables (CONFIDENTIAL & PROPRIETARY)	87
PSNH 16	OCA response to PSNH Data Request 1-1	163
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1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We will reopen the hearing in Docket DE 10-195.
4 And, I guess following up on where we ended last week, we
5 completed the examination of the PSNH witnesses. And, the
6 next major order of business would be moving onto the
7 City's witness.

8 Is there anything we need to discuss
9 before?

10 MR. BOLDT: A very minor housekeeping
11 matter, Mr. Chairman. As I mentioned last Wednesday, we
12 had given some supplemental tables to the Ventyx
13 materials, and I have the correct versions that I failed
14 to give you Wednesday, and I apologize. Yes. These would
15 be the pages that go with that, without the cover sheet,
16 but I have Ms. Ignatius's original, but --

17 MS. AMIDON: Mr. Chairman, I'm not sure
18 if we have that.

19 MR. BOLDT: Those are the exact same
20 things I gave you before lunch on Wednesday.

21 MS. AMIDON: Okay. Thank you.

22 MR. BOLDT: Minor housekeeping. And,
23 the City would call Mr. George Sansoucy as its witness.

24 CHAIRMAN GETZ: Okay.

1 (Whereupon George E. Sansoucy was duly
2 sworn and cautioned by the Court
3 Reporter.)

4 MR. BOLDT: And, Mr. Sansoucy, be sure
5 to lean into the microphone for the record for the benefit
6 of everyone.

7 GEORGE E. SANSOUCY, SWORN

8 DIRECT EXAMINATION

9 BY MR. BOLDT:

10 Q. Would you state your name for the record, sir.

11 A. George Sansoucy.

12 Q. And, do you see in front of you the blue binder?

13 A. Yes, I do.

14 Q. And, if you'd open that generally, are those the
15 exhibits that are proffered for the City of Berlin
16 through your testimony?

17 A. Yes, they are.

18 Q. Generally, what is Exhibit 1?

19 A. Exhibit 1 is the direct testimony, City of Berlin.

20 Q. As filed in this matter back in December?

21 A. Yes.

22 Q. And, what is Exhibit 2?

23 A. Exhibit 2 is my resumé.

24 Q. And, Exhibit 3?

1 A. Exhibit 3 is my rebuttal testimony.

2 Q. Okay. Now, if you turn to the final page of that, let
3 me ask, are there any corrections that need to be made
4 at this time to your testimony?

5 A. Yes. In Exhibit 3, my rebuttal testimony, I would like
6 to offer a Revised Exhibit 10.

7 Q. Okay. And, what is the purpose of that document?

8 A. The Revised Exhibit 10 simplifies the calculation of
9 what I was -- the point I was trying to make in the
10 original Exhibit 10.

11 Q. Okay.

12 A. And, it relates to the -- it more closely relates to
13 Exhibit 9 in the rebuttal testimony.

14 Q. And, when was that document created?

15 A. This document was created immediately after we prepared
16 the rebuttal testimony.

17 Q. In the -- was it prepared yesterday for the -- after
18 the tech session?

19 A. This was prepared and forwarded yesterday
20 electronically, after a tech session the day --
21 yesterday morning, I believe, right?

22 Q. It seems so long ago.

23 A. It does.

24 CHAIRMAN GETZ: Ms. Hatfield, did you

1 have something on this?

2 MS. HATFIELD: Yes, Mr. Chairman. We
3 were just informed, at roughly 9:00 this morning, that the
4 City was intending to revise Exhibit 10 to Mr. Sansoucy's
5 testimony. We have -- I don't believe we've seen this
6 document. I'm very confused, and I don't mean to take up
7 the Commission's time, but if I could just explain where
8 we think we are with respect to this document.

9 In response to the Commission's
10 secretarial letter late in the day Friday, Staff scheduled
11 a technical session for yesterday morning so that the
12 parties could meet with Mr. Sansoucy to ask questions
13 about the information that the Commission determined would
14 be allowed into the record. And, at that technical
15 session, we asked for some backup materials. And, we were
16 told late yesterday that the backup materials did not
17 exist and would need to be created. And, I believe that
18 what is now Exhibit 10 might -- I think the question that
19 Mr. Sansoucy just answered indicates that this was pulled
20 together yesterday. And, I just wanted to note for the
21 record that the OCA has not had time to review this. And,
22 we object to the City attempting to supplement and revise
23 its rebuttal testimony today. Thank you.

24 MR. BOLDT: And, I can clarify, if I

1 may, Mr. --

2 CHAIRMAN GETZ: Well, let me just make
3 sure I understand. So, this is specifically with Exhibit
4 10 Revised?

5 MR. BOLDT: Correct. Mr. Chairman, this
6 was transmitted yesterday afternoon, about 3:30,
7 electronically. There was a second page of a 2-page
8 electronic spreadsheet that I mistakenly did not catch the
9 error at the top that said "Exhibit 9". That's -- if you
10 will note the page, I have handwritten in "Exhibit 10
11 Revised". That was in response to request -- I took it
12 like a records request made during the technical session
13 yesterday morning. It was provided to me by Mr. Sansoucy
14 and I transmitted it over as soon as possible. It is in
15 hopes to give clarity to some of the questions that were
16 raised during the tech session. And, it's at the Board's
17 discretion whether that comes in.

18 CHAIRMAN GETZ: Well, I guess I'm having
19 trouble following. I believe the witness said this
20 Exhibit 10 Revised is to try and clarify some point he was
21 trying to make earlier in Exhibit 10, is that accurate?

22 MR. BOLDT: I believe so. It might be
23 helpful to have Mr. Sansoucy explain.

24 CHAIRMAN GETZ: Well, let's hold on for

1 a second. I just want to look at these exhibits to find
2 out if it's something new or if it's truly just a
3 clarification.

4 MR. BOLDT: To give a little bit of
5 background, Exhibit 10 was the original exhibit attached
6 to Mr. Sansoucy's data request responses. It was
7 originally labeled "Exhibit 1", because that was the only
8 exhibit. The subsequent version revised is in follow up
9 to the questions that were raised that were somewhat
10 confusing during the tech session yesterday. Mr. Sansoucy
11 thought it would be beneficial to be clearer, and,
12 therefore, created yesterday afternoon this Revised
13 Exhibit 10.

14 MS. AMIDON: May I, Mr. Chairman?

15 MR. BOLDT: The building blocks of it he
16 can explain much better than I, Mr. Chairman.

17 CHAIRMAN GETZ: Go ahead.

18 MS. AMIDON: May I? Thank you. As
19 Attorney Hatfield indicated, we did schedule a technical
20 session for yesterday to review certain materials that
21 were coming in as ruled by the Commission on last Friday
22 in the secretarial letter. And, at that technical
23 session, we specifically requested an Excel, a working --
24 pardon me, a working Excel spreadsheet, so that we could

1 test some of the assumptions and inputs into what was then
2 Exhibit 10 to Mr. Sansoucy's rebuttal testimony. We were
3 told late in the day that the Excel spreadsheets were not
4 available, and that the data had to be recreated.

5 Now, we've been presented with this
6 Revised Exhibit 10, which looks to me, to the untrained
7 eye, to be kind of a hybrid between Exhibit 9 and Exhibit
8 10, with some new information. But I just want to point
9 out to the Commission that we had asked for and were told
10 that we would be provided with a working Excel
11 spreadsheet, and we were not. So, this is new information
12 that we have not had a chance to examine. And, I would
13 concur with Attorney Hatfield's objection to introducing
14 this in the record at this point.

15 MR. BOLDT: And, we can clarify further,
16 if I may, Mr. Chairman? What was electronically
17 transmitted yesterday were two working spreadsheets. One
18 of which was for the Exhibit 9 that is in your binder, and
19 one of which is for this mislabeled "Exhibit 9", which
20 should be "Revised Exhibit 10". That was transmitted at
21 approximately 3:00 yesterday afternoon. What I informed
22 them at the time, and is still true today, is that at that
23 time we could not locate the spreadsheet for original
24 Exhibit 10. That was, he tried to recreate over the

1 evening.

2 I provided paper copy of that in an
3 additional document that's not in the binders, but we
4 provided it to them. And, electronically, my associate, I
5 believe by now, will have sent over the electronic version
6 of that document. So, it's not like we are playing
7 hide-the-ball. It is, we provided what we had as we got
8 it. And, I have referenced these materials I believe in
9 an accurate fashion.

10 CHAIRMAN GETZ: And, it may not be
11 hide-the-ball, but we may have a problem of find-the-ball.

12 MR. BOLDT: I readily admit that.

13 CHAIRMAN GETZ: And, I think we have
14 this issue of, there's a statement, there's discovery,
15 more information comes out in discovery, and then more
16 documents that want to be introduced in the record, and
17 then there needs to be an opportunity to prepare cross on
18 those documents. So, --

19 MR. BOLDT: And, we did offer a tech
20 session before we started this morning.

21 CHAIRMAN GETZ: Mr. Shulock.

22 MR. SHULOCK: I'd like to read -- I'd
23 like to read a data request that I made of Mr. Sansoucy
24 back on December 28th. It says: "Please provide all

1 calculations and work papers that Mr. Sansoucy or anyone
2 at George E. Sansoucy, P.E., LLC, prepared to arrive at
3 the figure of \$300,000 in ratepayer savings referenced on
4 Page 9 of his testimony, and state when each calculation
5 and work paper was prepared."

6 These papers should have been provided
7 at that time, not the morning of the hearing.

8 CHAIRMAN GETZ: Okay.

9 (Chairman and Commissioners conferring.)

10 CHAIRMAN GETZ: Mr. Shulock, what was
11 the answer to that data request?

12 MR. SHULOCK: It says: "Please find
13 enclosed Table 1, Sansoucy Exhibit A, which forecasts
14 gross operating revenue of the Laidlaw plant." And, it
15 goes onto describe what has become what we're discussing,
16 Exhibit 9.

17 CHAIRMAN GETZ: Exhibit 9 or Exhibit 10?

18 MR. SHULOCK: I'm sorry, Exhibit 10.

19 CHAIRMAN GETZ: Okay.

20 MR. SHULOCK: And, if I may point out, I
21 have a copy of the e-mail from yesterday, and it does not
22 attach Exhibit 10, it only attaches Exhibit 9.

23 CHAIRMAN GETZ: Okay. Let's do this for
24 now. Hold off any direct or any, excuse me, cross about

1 this particular exhibit. And, we need to give it some
2 further thought, and we may have some discussion later in
3 the day about exactly how to handle this exhibit. And,
4 let's proceed with the direct and the cross on the other
5 issues.

6 MR. BOLDT: Thank you, Mr. Chairman.

7 BY MR. BOLDT:

8 Q. Mr. Sansoucy, Exhibit 3, save the last page, are there
9 any additional changes, corrections, or errata that
10 have not already been incorporated into that document
11 as you see it today?

12 A. No.

13 Q. Okay. And, does that version of Exhibit 3 correctly
14 strike through those sections and the first two
15 exhibits in accordance with the Board's order of last
16 Friday?

17 A. Yes, I believe it does.

18 Q. Okay. And, frankly, on the top of Exhibits 1 and 2,
19 does it have a header that says that those two were
20 stricken over the City's objections?

21 A. The top of --

22 Q. Exhibits 1 and 2 to the rebuttal testimony, the
23 original.

24 A. The rebuttal testimony.

1 Q. I just wanted to call the Board's attention to that.

2 A. Yes, it does.

3 Q. Okay. And, can you summarize your testimony for the
4 Board?

5 A. Yes, I can.

6 CHAIRMAN GETZ: Briefly, please.

7 WITNESS SAN SOUCY: Yes.

8 MR. BOLDT: Yes.

9 BY THE WITNESS:

10 A. My testimony, my direct testimony articulates positive
11 benefits of this plant and positive elements of this
12 plant to -- in behalf of the City of Berlin and for the
13 City of Berlin. My rebuttal testimony directly rebuts
14 the capacity -- the lack of analysis regarding capacity
15 and the value and cost of capacity of the plant. That
16 was not performed by Staff and OCA. And, it also
17 rebuts the use of short-term market analysis and
18 suggests that long-term market trends are very
19 different. It also rebuts the \$400 million comment or
20 discussion that was out there from OCA, that this plant
21 will cost more than 400 million for the ratepayers than
22 otherwise. In fact, there are a wide variety of
23 scenarios that could occur where, in fact, this plant
24 would save 3 or 400 million of ratepayers' money over

1 time.

2 So, my rebuttal testimony summarizes
3 those, those beliefs and opinions, as another opinion
4 towards OCA and Staff that there are some very positive
5 benefits and there are many scenarios that could occur
6 where this could be very beneficial financially to the
7 ratepayers of Public Service.

8 MR. BOLDT: Nothing further at this
9 time, Mr. Chairman.

10 CHAIRMAN GETZ: Thank you. In terms of
11 order of cross, I was planning to turn to PSNH, then
12 Mr. Shulock, Ms. Hatfield, and Ms. Amidon. Is there any
13 problem with that order of cross?

14 MS. AMIDON: Mr. Shulock, Attorney
15 Hatfield, and I agreed that Staff would go first with
16 respect to the cross after PSNH.

17 CHAIRMAN GETZ: Okay. Mr. Bersak.

18 MR. BERSAK: Thank you, Mr. Chairman.
19 Good morning, Mr. Sansoucy.

20 CROSS-EXAMINATION

21 BY MR. BERSAK:

22 Q. Now, as I read your testimony, you testified on behalf
23 of the City of Berlin regarding the economic benefits
24 that would accrue to the City and to the northern

1 region of the state if the PPA was approved that would
2 allow the Laidlaw plant to be built, is that correct.

3 A. Yes.

4 Q. Were you in the room when Dr. Shapiro, one of PSNH's
5 witnesses, discussed the announcement made a week ago,
6 on January 21st, regarding a preliminary agreement to
7 allow a green technology company to collocate a
8 production facility on the site creating 65 additional
9 jobs?

10 A. Yes.

11 Q. In addition to those 65 jobs, Dr. Shapiro noted, and
12 that are discussed in PSNH Exhibit 10, which was an
13 extract from the Berlin Daily Sun on that day, would
14 that new development provide additional tax revenues to
15 the City and/or the County?

16 A. Yes, it will. The site is vacant. The mill has been
17 demolished, the Burgess Mill on the site. And, to
18 collocate a new industrial facility, they need to build
19 a new building on the site and new infrastructure for
20 that building. That will bring in new tax revenue for
21 the County and the City due to the value of that new
22 building.

23 Q. When you say they're going to "build" new things, I
24 assume that means that there would also be construction

1 jobs created in the near term?

2 A. Yes, there will.

3 Q. In your direct testimony, on Page 7, you testified that
4 "The City of Berlin believes that Public Service
5 Company of New Hampshire is correctly proposing and
6 supporting, through its PPA, a centralized wood fired
7 electric facility in the City of Berlin totaling
8 65 megawatts rather than purchasing Class I RECs from
9 more decentralized smaller new wood fired facilities
10 which would have to be built." Can you explain why
11 what you referred to as a "centralized facility" is
12 preferable to "smaller decentralized wood facilities"?

13 A. Yes. We have been involved in the valuation and
14 assistance in siting a number of wood plants over a
15 number of years. What we have learned and are
16 continuing to learn is that the cost-effective size of
17 these facilities, to effectively meet the proforma and
18 the revenue need, the size has moved up to a minimum of
19 50 megawatts, and upwards of 100 megawatts. A large
20 central facility, over 50 megawatts, is the trend that
21 we see going forward that is cost-effective. The
22 smaller units cannot support their overheads. There
23 are fixed costs that are almost the same, when we look
24 at the proformas or look at the actual operating

1 results of the plant that we value. Where fixed costs
2 of the smaller plant are nearly similar to the fixed
3 costs of the larger plants. It's nearly the same
4 labor, same wood yard, scales, truck handling
5 facilities, etcetera. We are also finding that, under
6 New Source Performance Standards, the new permits are
7 the most stringent permits in New England for new
8 wood-fired power plants. More stringent than the
9 smaller plants. It takes a much larger plant to afford
10 the pollution control devices to meet the new
11 performance standards.

12 This particular plant is a good example.
13 It is approximately five times cleaner than the
14 existing wood plants. It has the toughest permitting
15 standards of any plant approved in New England to be
16 built. It takes a much larger plant to overcome those
17 parasitic loads without impacting efficiency. What we
18 have seen in the retrofit of pollution devices on the
19 smaller plants is an immediate reduction in efficiency,
20 until they work through that. But there's always a
21 significant reduction in final efficiency because of
22 the parasitic loads for pollution control devices to
23 meet any class of RECs.

24 So, what we are beginning to see is

1 centralized location, centralized in a wood basket,
2 with a much larger facility to handle the pollution
3 control devices and to handle the fixed overheads to
4 create a new level of efficiency in the burning of
5 biomass going forward. As directly opposed to much
6 that we've heard about smaller plants located in
7 subwood baskets throughout New England. Those smaller
8 plants, in our view, based on what we see and the
9 operating characteristics of the existing smaller
10 plants, are not cost-effective in today's environment.

11 Q. Thank you. Mr. Sansoucy, according to what's been
12 marked as the "City's Exhibit 2", which is your resumé,
13 you are a Professional Engineer, is that correct?

14 A. Yes.

15 Q. And, I see from your resumé that you also have
16 experience developing generating plants, is that
17 correct?

18 A. Yes.

19 Q. And, have any of those plants been located within the
20 State of New Hampshire?

21 A. Yes.

22 Q. We're all aware that you also have experience
23 appraising and assessing properties for many
24 municipalities within the State of New Hampshire and

1 outside the state?

2 A. Yes.

3 Q. In particular, as we all know also, that PSNH has had
4 many dealings with you regarding your valuation of the
5 Company's assets, including our distribution,
6 transmission, and generation assets statewide?

7 A. Yes.

8 Q. On Page 8 of your testimony, near the top, at Line 3,
9 you testify that "The City of Berlin considers the
10 cumulative reduction factor, the right of first refusal
11 and the purchase option to be the unique features of
12 the PPA and of substantial benefit to the City of
13 Berlin and the North Country." You see that testimony?

14 A. Yes.

15 Q. There's been testimony from the Staff Advocate, Mr.
16 McCluskey, suggesting that the value to customers of
17 the Cumulative Reduction Mechanism is illusory, because
18 at the end of the 20 year term of the PPA the Laidlaw
19 facility would have little, if any, value. Do you
20 agree with Mr. McCluskey's assessment?

21 A. No, I do not. We have actually prepared the values for
22 this plant at the end of the PPA. That is part of our
23 job representing the City and negotiating a potential
24 tax PILOT agreement with the Applicant, Laidlaw. And,

1 our models indicate approximately \$120 million value at
2 the end of this PPA, using known facts that we know
3 today. If the 67.5 megawatt portion is approved, the
4 model will go up slightly, and the value, what we call
5 the "terminal value" will go up slightly, probably
6 another 10 percent, to 130 to 135 million of value at
7 the end of this PPA.

8 We need to perform that function,
9 because, in our world, we need to revert that value
10 back as part of our valuation today, in order to
11 consult to the City on the development of a tax PILOT
12 agreement. So, we believe it has substantial value in
13 the future. The plant will have substantial value.
14 And, that that value will be, knowing today -- what we
15 know today, in the range of 120 to \$135 million.

16 Q. Based upon your valuation estimates for the future of a
17 terminal value at the end of the PPA period of
18 \$120 million to \$135 million, would that be the value
19 that's potentially available, in the event that there
20 were funds in the Cumulative Reduction Fund, so that,
21 at the end of the PPA, when the Purchase Option
22 Agreement was exercisable, there would be value that
23 could accrue back to customers?

24 A. Yes.

1 Q. At the end of the 20 year PPA term, based upon your
2 knowledge of the industry, do you think there's likely
3 to be parties other than PSNH that might be interested
4 in purchasing the facility?

5 A. Yes, there are. And, there is a very substantial
6 growing body of funds, hedge funds, and groups looking
7 to buy alternative energy plants, of any kind. And, we
8 believe that Public Service will only be one of many
9 prospective individuals, companies or buyers that would
10 be interested in this plant, should Laidlaw choose to
11 sell it.

12 Q. You're familiar with the existing wood-fired generating
13 plants in this state?

14 A. Yes, I am.

15 Q. Do you know whether any of those plants have, in fact,
16 changed hands during the course of their lives, their
17 generating lives in this state?

18 A. Some of the plants have changed hands a number of
19 times, to a number of different parties. The most
20 recent being Whitefield and Hemphill just sold to the
21 Korean National Electric Company, from the Japanese
22 firm of Marubeni, to now the Korean firm. And, those
23 are just those two. GDF Suez purchased the two
24 Pinetree plants, for example. And, then, of course,

1 Whitefield was owned by Thermal Electron, AES, a
2 gentleman, an individual person, then Marubeni, a
3 Japanese firm, and now a Korean firm.

4 Q. So, there appears to be a somewhat vibrant market for
5 these renewable plants to change hands over the course
6 of their lives?

7 A. There's a vibrant market for renewable plants. The
8 smaller wood plants are, depending on what state
9 they're in, depends on the vibrancy of the market.

10 Q. So, let's suppose it's the end of the PPA, 20 plus
11 years from now, assuming that this Commission was to
12 ultimately approve the PPA, and it's the time period
13 when PSNH can exercise the Purchase Option Agreement.
14 If there was a third party buyer out there that was
15 interested in purchasing the plant, do you think that
16 buyer might be willing to pay PSNH to acquire the
17 purchase option and to acquire the rights that PSNH has
18 under the Cumulative Reduction Fund to decrease the
19 ultimate purchase price of the facility from the owner
20 of the plant?

21 A. First, yes. I think there are -- will be buyers out
22 there that would be more than happy to buy that option
23 and then buy the plant. Secondly, they would likely
24 want to pay more for that plant, if my inflation --

1 I've used 2.5 percent inflation. If the quantitative
2 easing continues to occur in this country and the
3 dollar continues to go down, with any level of
4 inflation above 2.5 percent, the actual nominal cash
5 value of this plant will be even greater. So, Public
6 Service could technically make a profit on the option.

7 Q. So, from what you just said, to the extent that we,
8 Public Service, was able to sell the option and was
9 able to obtain value from a third party for whatever is
10 in the Cumulative Reduction Fund, if anything, at that
11 time, there would be value that could accrue to
12 customers without PSNH actually owning the plant in the
13 future?

14 A. Absolutely.

15 Q. In your rebuttal testimony at Page 19, you testify that
16 "As the ramp-up occurs in the need for Class I RECs,
17 the amount available will quickly hit the wall and the
18 prices will substantially advance." Do you see that
19 statement?

20 A. Yes, I do.

21 Q. What do you mean?

22 A. What I mean by that statement is that, at this time we
23 are in the infancy of a region-wide renewable program.
24 And, RECs come in and out of the market, and in any

1 given quarter, any given month, they fluctuate
2 substantially in price. As the laws and the ramp-up
3 occurs on the percentage of RECs that are required,
4 i.e., the percent of renewable energy that's required
5 to be purchased by the load-serving entities, that
6 elastic is going to very quickly stretch to its end,
7 where the low-hanging fruit of RECs that are out there
8 and available gets consumed. And, then, as we sit here
9 today, nothing is being built. Very, very little real
10 REC qualifying Class I capacity is actually being
11 constructed. And, this is one of the few plants that
12 can actually be shovel-ready. There is a lot of
13 discussion, a lot of queue activity, a lot of
14 permitting, a lot of siting, and then a lot of projects
15 being canceled. But very little is actually being
16 built that is going to be able to be applied to the
17 Class I RECs. And, very quickly, it's my belief that
18 we're going to hit a point where we have no RECs and
19 the price is going to go up to the alternative
20 compliance payment. It will come hard and slow as we
21 ramp up. One, two, three, four percent of any of the
22 load-serving entity's load is a lot. We need
23 approximately 30 million RECs by 2025, in New England,
24 at ISO's projection of New England wide electric sales,

1 and the State's requirements. Thirty (30) million RECs
2 is a lot of RECs. It's a lot of megawatts and a lot of
3 RECs. I do even calculate that in my testimony that
4 we're looking at something in the order of
5 15,000 megawatts of wood plants of -- not wood, but of
6 wind, some 4,000 megawatts of wood, 7,500 wind
7 turbines, it's going to be very difficult to permit
8 this level in the period of time we're talking about.
9 So, I think the Class I RECs, while currently available
10 and cheap, are going to very quickly become desirable
11 within the next five to eight years and hit the
12 ceilings.

13 Q. In your rebuttal testimony, you discuss the Renewable
14 Portfolio Standard laws in other New England states,
15 including Vermont, Massachusetts, Rhode Island,
16 Connecticut, and Maine. There's been testimony, which
17 you've probably heard and which you've read from the
18 Staff and Consumer Advocate, raising concerns that New
19 Hampshire's RPS law requirement might not continue past
20 the year 2025. Are you familiar with that testimony?

21 A. Yes, I am.

22 Q. Would you consider an RPS law that requires
23 23.8 percent of the state's energy to be from renewable
24 sources in one year, and zero the next year, to be a

1 stable, long-term policy?

2 A. I don't believe that is the long-term policy. It's not
3 stable, obviously. And, I don't think that was the
4 intent. I think there was just an oversight, in that
5 many of the other states, and they list the year, at
6 the end of the program they put "thereafter", the
7 number of RECs, the year, and then the laws will say
8 "thereafter". And, I think that, as Mr. Long pointed
9 out, there are many other parts of that law that he
10 interprets as a layman to suggest that no one thought
11 that this would just go away and we would all of a
12 sudden shut down the wind plants and the wood plants
13 and would not have an RPS standard.

14 Q. Do you know whether those RPS laws in the other New
15 England states have that "thereafter" term, so that
16 they will continue indefinitely?

17 A. My recollection is, each one of them that is currently
18 written has the "thereafter" term in it, with the
19 exception of New Hampshire, subject to check on each
20 one. But my recollection is they do.

21 Q. Supposing notwithstanding Mr. Long's view of the
22 Renewable Portfolio Standard, and we reach the end of
23 year 2025, and, for whatever reason, New Hampshire
24 hangs up the "Mission accomplished" banner, and that's

1 the end of RPS in New Hampshire. So, we no longer have
2 any need to have RECs to serve load within the State of
3 New Hampshire. Would there still be a market for RECs
4 that PSNH must acquire under this PPA to service the
5 needs of other New England states?

6 A. The other New England states will have a market in the
7 hypothetical that New England -- that New Hampshire
8 drops off the cliff. Also, it may be that the price of
9 electricity may very well be competitive with the price
10 of Laidlaw. Laidlaw is fixing prices. If we have any
11 level of inflation, these prices are going to be very
12 competitive with or without a REC by 2025, if there's
13 any level of inflation over 2.5 percent. So, there
14 will be a market outside of New England -- outside of
15 New Hampshire, but there also may be that Public
16 Service may want to continue to purchase, with or
17 without a REC, the electricity, because all of the
18 components of that contract may be very cost-effective.

19 Q. On Page 32 of your rebuttal, you provided testimony
20 concerning the viability of meeting Class I REC
21 requirements with wind generation. In Staff's and
22 OCA's testimony, the Laidlaw PPA is compared
23 unfavorably with a PPA that PSNH has with the Lempster
24 Wind facility. Are you familiar with that testimony?

1 A. Yes, I am.

2 Q. Are you also -- are you familiar with the Lempster Wind
3 facility itself?

4 A. In general, yes.

5 Q. In your testimony, on Page 38, you actually have
6 testimony regarding comparisons of the Laidlaw biomass
7 facility and the Lempster Wind facility, is that
8 correct?

9 A. Thirty-eight?

10 Q. I believe so. Of course, it depends which revised
11 version of your testimony, the document pages might
12 have changed. Let me just ask the question
13 differently. Did you discuss in your rebuttal
14 testimony comparisons of the Laidlaw and Lempster
15 facilities?

16 A. Yes, I did.

17 Q. Okay.

18 A. And, --

19 Q. Are the risks that are borne by a developer of a
20 biomass plant, the same as the risks that are borne by
21 the developer of a wind facility, such as Lempster?

22 A. No. The risk profile is completely different between
23 the two types of plants. And, the risk to the
24 ratepayers is completely different. What we know about

1 wood is wood is a mature technology, it's a very high
2 capacity factor, and it produces all of the ancillary
3 requirements of electric generation. It produces
4 capacity, it produces electricity, it produces
5 kilovars, it can produce frequency control, and it can
6 do so with very little variability.

7 What we know about wood -- I mean, wind,
8 which creates the reason that you cannot compare wind
9 to wood. Wood is more valuable than wind. Wind is
10 intermittent. It's a true intermittent resource. We
11 get the wind -- we get the electricity when it blows,
12 but there is a huge hidden cost in wind that no one is
13 talking about. And, that is that wind has to be backed
14 up with capacity. It only offers between 5 and
15 12 percent capacity, rated capacity of the rated wind
16 facility, in terms of real capacity to the ISO and to
17 the Company. So, wind has to keep or has -- the
18 Company, the load-serving entity has to keep other
19 capacity on line in order to support a wind contract.
20 And, wind is impossible to predict, that wind can
21 provide capacity and energy during peak periods of
22 time. You'll get it when the wind blows. But, if it's
23 a hot day or a cold day, generally, the wind doesn't
24 blow. And, you cannot rely upon it for the use -- for

1 a capacity machine. It is also parasitic. Wind
2 requires capacity on the grid. It requires kilovars.
3 It requires frequency control.

4 Too much wind will destabilize the grid,
5 as we saw in Texas. To put this many -- and, it's
6 really the 800-pound gorilla in the room, the wind
7 question. Because, in order to get this many RECs,
8 you're either going to do it with wind turbines or
9 you're going to do it with a wide variety of other
10 things much slower. And, you need to have stable
11 transmission, stable capacity, to back up this wind
12 facility. So, wind is not as valuable as wood under
13 any circumstance.

14 Q. Based on that testimony of the differences between wind
15 and biomass generation, which you just provided, do you
16 believe that a comparison between a PPA for a
17 wood-fired plant and a PPA for a wind facility is
18 reasonable?

19 A. It's not reasonable. The only comparison you can make
20 is that, if wind costs X; wood is X plus something.
21 Wood's more valuable than wind.

22 Q. In what you have attached to I believe it's your
23 rebuttal testimony, unfortunately, we also use the term
24 "Exhibit" there. There's an "Exhibit 9", not to be

1 confused with what's been marked as exhibits for this
2 proceeding. But there's an exhibit attached to your
3 rebuttal testimony, which is marked as "Exhibit 3".
4 The caption on that -- it's a spreadsheet. And, the
5 caption on the top says "Laidlaw Berlin Biopower PPA
6 and Market Price Forecast". And, there's something
7 there which I am not quite sure that I understand. You
8 have columns there that say "with carbon", "without
9 carbon". What does that mean?

10 A. What that means, I'm on Exhibit 9 in my rebuttal
11 testimony, towards the end, it's the actual "Exhibit
12 9", not the Revised 10 or anything. What I'm comparing
13 there, and the point that I'm trying to make, on behalf
14 of the City, is that this entire analysis, OCA's
15 analysis and Staff's analysis, neglects or doesn't talk
16 about the fact that there is still the 800-pound
17 gorilla in the room called "carbon". Carbon
18 legislation is off the table currently at the federal
19 level, but it is by no means gone. If we eventually
20 enact some form of carbon tax in the United States,
21 then there is an immediate change in the price of
22 electricity. So, what I've tried to do in Exhibit 9,
23 in one of the items in Exhibit 9, is to show a forecast
24 with and without carbon. Obviously, without carbon is

1 what we're doing today for the moment. But the moment
2 that we do have carbon, and we use a reasonable
3 forecast for carbon, in this case, the forecast coming
4 from Ventyx, it immediately indicates that the current
5 PPA with Laidlaw becomes very cost-effective against a
6 carbon-constrained environment and carbon-constrained
7 world. This actually acts as an excellent hedge
8 against a carbon-constrained electric environment.
9 And, the price with carbon immediately levelizes within
10 nearly the first one to three years of carbon
11 legislation. The price of electricity and all its
12 other components immediately goes up to about where the
13 Laidlaw contract is without carbon today. So, it's an
14 area that's not been discussed. It's put on the shelf
15 for the time being. I don't think it's off the shelf
16 in the long run. I completely agree with the Company
17 that it's the direction we're going, into a green
18 direction for electricity. I see it everywhere in the
19 United States where I work, whether it's California,
20 Michigan, Ohio, Maryland, that it's in everybody's --
21 it's on everybody's radar screen. So, we seem to have
22 lost sight of the fact that this contract, with its
23 fixed costs, not only is a cost-effective contract, but
24 an excellent hedge against the price of electricity in

1 a carbon-constrained environment.

2 Q. In that same Exhibit 9 that's attached to your rebuttal
3 testimony, if we just look at the first real number on
4 the top left of the chart, which is in Row 1, Column C,
5 it says "Total Laidlaw Payment (dollars per
6 megawatt-hour)". If we wanted to know, for the year
7 2014, not what it was per megawatt-hour, but what we
8 expect the cost to be of the Laidlaw PPA for the entire
9 year, would you need to have an estimate of how many
10 megawatt-hours the plant was going to produce?

11 A. Yes.

12 Q. To do that, would you need to know the total installed
13 capacity of the plant?

14 A. Yes.

15 Q. And, would you have to assume some capacity factor as
16 what percentage of the time is it actually generating?

17 A. Yes.

18 Q. And, you'd probably have a good idea how many hours
19 there are in a year?

20 A. Yes.

21 Q. Based upon the numbers that you are familiar with for
22 the Laidlaw plant, do you now have an idea of
23 approximately how many megawatt-hours it's expected the
24 plant will generate in a typical year?

1 A. Yes. I think, at the 67.5 megawatts, this plant's
2 going to generate a half a million -- 500,000
3 megawatt-hours, a half a million -- billion kilowatts,
4 500 million kilowatts in the course of a year.

5 Q. So, if you wanted to take this figure that's on your
6 chart, the \$144.08 figure, which is in dollars per
7 megawatt-hour, and come up with dollars per year, you
8 would multiply that times your 500,000 megawatt-hour
9 expected generation and come up with some number?

10 A. Yes.

11 Q. Thank you. In your rebuttal testimony, you state
12 "There is no secret that a PPA is necessary in today's
13 environment to finance this project." Why?

14 A. Because.

15 Q. Oh, okay.

16 (Laughter.)

17 BY MR. BERSAK:

18 Q. Can you elaborate on that?

19 A. Certainly. At this time, the days of market-based
20 financing and market-based plants are over. I think
21 everybody knows that some enormous number, 80 percent
22 of the existing fleet of power plants has been through
23 some form of bankruptcy in New England from the days of
24 deregulation to now. With the tightening up of the

1 banking system, it is nearly impossible to do any form
2 of financing of any type of power generation facility
3 in New England without a power purchase contract and a
4 financeable power purchase contract. Either it is
5 accomplished as a balance sheet from a larger company
6 for market purposes or it is done with a PPA. There
7 are no longer short-term market-derived financing being
8 offered and being completed in the industry right now.

9 So, anything that's going to be built
10 has to be -- somehow has to have an off-take agreement
11 from a creditworthy load-serving entity or utility in
12 order to gain financing. The banks have tightened up
13 to the point where they don't even take risks on market
14 fluctuation of any of the three components. There has
15 to be no risk in the fluctuation, market price
16 fluctuation of fuel and electricity, capacity or RECs.
17 It's, in part, due to the current glut of capacity that
18 we have, the current method of capacity pricing that we
19 have.

20 The unusual reduction in the price of
21 natural gas with this Marcellus shale bubble that is
22 coming through the system as we speak. And, the RECs
23 in this infancy, the early RECs, they are fluctuating.
24 They're going from very low values, up, down, and

1 they're fluctuating. And, these type of fluctuations,
2 in today's environment, bankers won't go near this
3 stuff. They are being scrutinized by the Feds more so
4 than ever, after the, you know, the last -- the crash
5 of '08/'09. So, they're not taking chances. So, if we
6 are going to construct REC -- brand new Class I REC
7 facilities in New Hampshire or New England, they have
8 to be married to a PPA with a load-serving entity.

9 Q. The Staff Advocate has filed testimony indicating that
10 the PPA in its present form should not be approved by
11 the Commission. The Staff Advocate goes on to make
12 certain recommendations for changes to the PPA that the
13 Commission should require as conditions for approval.
14 Are you familiar with those recommendations included at
15 the end of Mr. McCluskey's testimony?

16 A. In general, yes.

17 Q. Included in those recommendations are the
18 recommendation that the Commission's approval should be
19 conditioned on a change in the energy pricing so that
20 energy prices are based on the ISO hourly spot market
21 price with a floor price. Are you familiar with that
22 recommendation?

23 A. Yes, I am.

24 Q. In your opinion, if such a recommendation was included

1 as a condition to approving the PPA, would the project
2 be financeable?

3 A. If the market price of electricity is allowed to float
4 with the ISO daily market prices, as a risk factor,
5 that will kill this PPA. That will kill the
6 financeability of this plant, that item.

7 Q. The Staff Advocate also recommends that the pricing for
8 capacity should be set on the actual ISO Forward
9 Capacity Market prices. Are you familiar with that
10 recommendation?

11 A. Yes, I am.

12 Q. In your opinion, if the Commission imposed that
13 recommendation as a condition to its approval of the
14 PPA, would the PPA be financeable?

15 A. If the -- if the price is allowed to float with
16 capacity, then that also will kill the financing of the
17 PPA or it will individually kill the financing of the
18 PPA. Capacity needs to be fixed in a fashion that's
19 visible to the bankers.

20 Q. Similarly, the Staff Advocate recommends that the PPA
21 should be amended, such that PSNH is obligated to
22 purchase no more RECs than it needs to meet the RPS
23 law's obligations. Are you familiar with that
24 recommendation?

1 A. Yes.

2 Q. In your opinion, if the Commission imposed that
3 recommendation as a condition to its approval of the
4 PPA, would the project be financeable?

5 A. If the RECs are limited to a unknown amount of RECs
6 being purchased in any given year, then that will kill
7 the financing of the PPA, because of its uncertainty.
8 And, I would like to draw the Commission's attention
9 for its own review of the Michigan system, under Act
10 295, the very successful, much larger RPS Program,
11 10 percent of the total electricity in Michigan. That
12 rollout, we had worked on that for the Michigan
13 Environmental as an expert witness. It has been a very
14 successful rollout of a massive RPS multi-billion
15 dollar program. They contract for the total REC, and
16 the REC has energy, capacity, and REC prices in it on a
17 fixed price. And, the Michigan Public Service
18 Commission approves each fixed price contract, so
19 there's no uncertainty for the developers once the REC
20 is fixed.

21 Internally, they will put some in the
22 PSCR, put some in the transfer price, and put some in
23 the REC pricing. Internally, under the Power Supply
24 Cost Recovery, they will put the Locational Marginal

1 Price each day, each hour, but they make it up
2 internally in any given year on the REC. The REC is a
3 fixed price. The balance of the activity, for example,
4 is strictly where the money goes for ratemaking
5 purposes.

6 So, here is a much larger program than
7 New England, with fixed REC prices in order to provide
8 for financing. So, any one of the three that's not
9 fixed in this environment will kill this contract, the
10 PPA.

11 Q. And, is it correct to say that, if financing is not
12 available, that the project will not get built?

13 A. There is no project without financing. This is not
14 going to be built with 100 percent equity cash.

15 MR. BERSAK: Thank you, Mr. Sansoucy.
16 Thank you, Mr. Chairman. I have no further questions.

17 CHAIRMAN GETZ: Thank you. Ms. Amidon.

18 MS. AMIDON: Thank you. Good morning.

19 WITNESS SAN SOUCY: Good morning.

20 BY MS. AMIDON:

21 Q. Is it fair to say that your resumé was not attached to
22 either the direct or the rebuttal testimony?

23 A. I don't remember if it was or it wasn't.

24 Q. Would you accept that this is being offered as an

1 exhibit today, and that it was not part of either your
2 direct or your rebuttal testimony?

3 A. I'll accept that. I don't remember if it was or it
4 wasn't.

5 Q. And, when you look at your resumé, which is GES-2, at
6 the lower left-hand corner it says "Rev. October 2008".
7 What does that mean?

8 A. That's this particular revision date, rev. date.

9 Q. So that this resumé is revised as of October 2008?

10 A. Yes, it is.

11 Q. Okay. And, if we go to Page 9 of your resumé, at Item
12 100 it says "City of Nashua, New Hampshire", and the
13 final sentence there is "Valuation of Pennichuck Water
14 Company and consulting services for eminent domain
15 taking of the water company."

16 A. Yes.

17 Q. Are you the same George Sansoucy who testified in
18 Docket DE 04-048?

19 A. Yes, I am.

20 Q. All right. Thank you. Mr. Bersak referred to PSNH
21 Exhibit 10, which is an article from the Berlin Daily
22 Sun. Did you read that article?

23 A. Exhibit 10? Do we have the --

24 Q. That's the article that says -- entitled "Green company

1 interested in locating on former mill site".

2 A. I don't know if I've read the Berlin Daily Sun article.
3 I've been actually quite aware of the activities
4 related to the green company.

5 Q. And, do you agree that -- with the article that it says
6 "a preliminary agreement to allow a green technology
7 company to co-locate" at the Laidlaw facility?

8 A. I've been advised by Laidlaw that there is a
9 preliminary agreement.

10 Q. Right. So, would you agree that that's not a final
11 agreement?

12 A. I would agree it's not final, that's right.

13 Q. And, Mr. Sansoucy, do you know the name or nature of
14 the business of this entity that has a preliminary
15 agreement for collocation?

16 A. Yes, I do. But I don't know if it's still confidential
17 or not.

18 Q. And, insofar as that goes, have you had an opportunity
19 to review the work papers developed by Dr. Shapiro
20 related to her assessment about the additional jobs
21 made available by this unidentified new green
22 technology company?

23 A. I have not reviewed in detail the work papers related
24 to the new proposed company.

1 Q. Have you reviewed any work papers?

2 A. I've scanned them, but I have not reviewed them in
3 detail.

4 Q. Okay. In light of all the benefits the City has stated
5 it will receive from this Project, what is the City
6 contributing to the Project?

7 A. The first thing the City is contributing is a tax PILOT
8 agreement. And, a tax PILOT agreement is a negotiation
9 that allows for the stabilization of taxes separate
10 from the tax rate for the Company, and for the City.
11 Usually, it's a negotiation, and usually it represents
12 some level of conservative estimate of prospective
13 taxes going forward.

14 The second thing the City is offering in
15 this deal is they are offering to work very closely
16 with the Water Department and the Company to provide
17 for cost-effective purchase of a significant amount of
18 water. And, they are also looking at the
19 cost-effective purchase of a significant amount of use
20 of sewer, by potentially studying and redoing their
21 sewer rates to reflect the amount of sewer water coming
22 in.

23 The City is further providing access to
24 the -- through its easements through the Goebel Street

1 Substation to get this power out of this facility.

2 And, the City supports the land and the -- and the site
3 with its road systems, etcetera.

4 Q. Did the City consider purchasing any output from the
5 facility at contract prices?

6 A. Has it or will it?

7 Q. Well, has it considered it and will it purchase output
8 from the facility at the contract prices in the PPA?

9 A. At this time, I don't believe that that is a key --
10 that that's a major consideration of the City.

11 Q. And, each of the elements that you described, I think
12 you describe the willingness of the City, but there's
13 nothing final, is that correct?

14 A. No. It doesn't get finalized until everything gets
15 finalized.

16 MS. AMIDON: Thank you. Mr. McCluskey
17 has some questions for this witness now.

18 MR. McCLUSKEY: Good morning,
19 Mr. Sansoucy.

20 WITNESS SANSOUCY: Good morning, Mr.
21 McCluskey.

22 BY MR. McCLUSKEY:

23 Q. I guess I'd just like to go over some responses that
24 you gave to Mr. Bersak this morning. I believe, in

1 response to a question about the potential market value
2 of the plant after the end of the PPA term, you
3 indicated that you have prepared valuations of the
4 plant in the period after the 20-year term has ended?

5 A. Yes.

6 Q. And, I think you said valuations "ranging from 120 to
7 135 million", is that accurate?

8 A. I said that the current valuation is 120 million. And,
9 if we go to the 67.5 megawatt, because the valuations
10 were prepared at the lower megawatt capacity, if we go
11 to the 67.5 megawatts, there will be at least a
12 10 percent to 15 percent increase in that value, which
13 will bring it up to the \$135 million range.

14 Q. And, was that information highlighted in your direct
15 testimony?

16 A. No. That's part of the work that we have done for the
17 tax agreement.

18 Q. And, was that information highlighted in your rebuttal
19 testimony?

20 A. No.

21 Q. Even though the Staff testimony highlighted the
22 uncertainty regarding the value of the plant, you did
23 not care to share that information with the Commission
24 in your rebuttal testimony?

1 A. I did not. I stated what I stated, which is this plant
2 will have value, in my opinion, this plant will have
3 value at the end of this PPA. And, that my job in
4 managing the tax values of all of the power plants in
5 the City of Berlin, every year we calculate a residual
6 value for every one of the power plants, as part of the
7 reversionary component of the value that we use for our
8 tax value. This is true in Berlin, Bow, Newington, and
9 the other communities we work in.

10 Q. Okay. Thank you. Moving onto a different issue. When
11 you were discussing the energy pricing in the PPA with
12 Mr. Bersak, did you say that those prices will rise at
13 a 2.5 percent inflation rate?

14 A. Yes. We've used 2.5 percent inflation from real to
15 estimate our power prices.

16 Q. My question is, with regard to the actual energy
17 pricing in the PPA, is it your testimony that the
18 prices will actually rise at a 2.5 percent rate?

19 A. Not in the PPA. The PPA is fixed. The fuel escalation
20 is estimated to rise, and I think everybody has used
21 2.5 percent. The RECs are estimated to rise with
22 inflation, I think everybody used 2.5 for that price.
23 But the comparative energy prices that we have used,
24 with and without carbon, we use 2.5 percent. So, it

1 all -- it all matches, so to speak, the exhibits and
2 the documents that everyone has used.

3 Q. Is it your position that the energy prices in the PPA
4 are fixed?

5 A. The energy prices in the PPA are essentially fixed,
6 yes.

7 Q. "Essentially". What does "essentially" mean?

8 A. Well, they allow for the wood fuel to move up and down.
9 Once the fuel moves up and down, the fuel is paid for,
10 the residual portion of that energy price. That the
11 energy price pays for the fuel. And, once the fuel is
12 paid for, the residual is all that's left for
13 operations. If you run it out at 2.5 percent, if you
14 actually run that out for 20 years, which we have done
15 in our tax valuation, the amount remaining in the
16 energy price to run the plant is essentially fixed.

17 Q. Okay. My question is, will the energy price track the
18 actual cost of fuel or is it a fixed energy price?

19 A. No, it tracks the actual cost of fuel in the fuel
20 adjustment clause.

21 Q. So, if actual fuel prices vary over the 20-year term,
22 the energy prices will vary as well, correct?

23 A. Only to the extent that the fuel varies.

24 Q. Correct. So, you would agree then that the energy

1 prices are not fixed?

2 A. The energy prices are essentially fixed, because you've
3 only got a fuel -- a fuel adjustment clause. You don't
4 make any money on the fuel. And, it leaves you with a
5 remaining amount of energy that's essentially fixed.
6 So, this company has to run this plant and is offering
7 to run this plant at essentially a fixed energy price
8 to pay its bills.

9 So, you know, we can call it a lot of
10 different things. It's essentially fixed, the way this
11 contract is written. And, the fuel is passed through
12 above the -- whether it's going to be \$30 or \$34 a ton.

13 MS. HATFIELD: Could Mr. McCluskey use
14 the microphone please. Thank you.

15 BY MR. McCLUSKEY:

16 Q. Okay. Mr. Sansoucy, would you agree then that, if
17 there is significant volatility in the fuel prices,
18 then there will be volatility in energy prices in the
19 PPA?

20 A. Yes.

21 Q. Thank you. You responded to a question from Mr. Bersak
22 regarding Lempster, correct?

23 A. Yes.

24 Q. Have you -- are you aware of the prices under the

1 Lempster contract?

2 A. I am not intimately aware of the prices under the
3 Lempster contract. I'm aware in the general range, but
4 I'm not intimately familiar with all the details of
5 that contract.

6 Q. Could you explain to me how you are generally aware of
7 the contract?

8 A. There's been discussion about the Lempster contract
9 throughout these proceedings. And, I've absorbed that,
10 so to speak. I've read the docket. But I don't know
11 all the details of that, the finite numbers.

12 Q. Are you aware that the Lempster prices continue to be
13 held confidential at the Commission?

14 A. My understanding is they are confidential at this time.
15 And, they won't become available until PSNH reports
16 them in their FERC Form 1 for the year.

17 Q. So, --

18 A. The first year they will report the next year, and then
19 everyone will see the Lempster prices.

20 Q. So, there should be no general discussion of the
21 prices, you would agree, among the parties?

22 A. No. I think there has been a significant amount of
23 bantering back and forth as to what the price range of
24 that is, and how it's tied to Lempster.

1 Q. Okay. Could you tell me what the -- this general price
2 range is for Lempster?

3 A. My understanding is that it's in the range of 11 to 13
4 cents a kilowatt, in round numbers.

5 Q. Is that a levelized number?

6 A. Yes, I think it was levelized. But I don't know for
7 sure. I do not know the exact amount. I'm just
8 answering your question on what the banter has been.

9 Q. So, the number was 11 to what?

10 A. 11 to 13 cents. And, then, there's been discussion
11 that it is tied to the LMP, a portion of the price is
12 tied to the LMP. The question Mr. Bersak referred to
13 is comparing it to wind and tying it to a fluctuating
14 LMP. My understanding is Lempster is tied -- a portion
15 of Lempster is tied to the LMP.

16 Q. So, your comments in your testimony regarding Lempster
17 are made without any detailed understanding of the
18 prices in the Lempster contract?

19 A. My contract -- my comment is in direct rebuttal to your
20 suggestion that this, this contract, the Laidlaw PPA,
21 should or could be similar to Lempster, where it's tied
22 to some other indicator, such as the LMP, and it's tied
23 to market prices. I'm directly rebutting Staff and
24 OCA's testimony that it be tied to market prices. If

1 Lempster is intimately tied to market prices, I would
2 strongly urge that this Commission not consider that as
3 a viable, financeable alternative. Number one.

4 And, number two, I don't think you
5 should compare Lempster. I think Lempster should be
6 off the table, wind should be off the table, because
7 this is a very, very different fuel and capacity
8 machine. This is better than any wind machine will
9 every provide to the State of New Hampshire. So, it
10 shouldn't be even considered by Staff or OCA.

11 Q. Thank you for that advice. I'll take that under
12 advisement. Thank you. Turning to your direct
13 testimony, Page 9. The sentence that begins on Line
14 17, would you mind just reading that into the record
15 please.

16 A. "More specifically, under a carbon constrained, high
17 capacity cost market in the future, this plant could
18 save rate payers of New Hampshire up to \$300 million
19 over 20 years, should this PPA be approved, and the
20 plant built."

21 Q. Okay. Now, did I hear you say earlier that the range
22 is now "300 to 400 million"?

23 A. Yes.

24 Q. You did. And, what's the -- what's the basis for the

1 "400 million" number?

2 A. The Revised Exhibit 10, if you do a simple calculation,
3 using the higher capacity and using the information
4 provided on Exhibit 9 only, and the forecasted market
5 price without capacity, the Laidlaw contract, 500,000
6 megawatt-hours, and the price with carbon. The
7 existing contract and the price without carbon, this
8 contract will generate approximately \$1.65 billion in
9 gross revenue. And, with carbon constrained at the
10 higher capacity, this contract will generate
11 approximately 2.07 billion, or 420 million more, in a
12 carbon-constrained environment, the costs would be,
13 therefore, the savings to the ratepayer would be about
14 420 million at the proposed capacity.

15 MS. AMIDON: And, just for the record, I
16 just want to remind everybody that the so-called "Revised
17 Exhibit 10" to Mr. Sansoucy's testimony is not in the
18 record at this point. Thank you.

19 MR. BOLDT: But, for the record, Mr.
20 Chairman, I believe the Staff Advocate has opened the
21 door, so that I would now ask that it be fully accepted as
22 an exhibit.

23 MS. AMIDON: If I may, just one comment.

24 CHAIRMAN GETZ: One second please.

1 (Chairman and Commissioners conferring.)

2 CHAIRMAN GETZ: Well, first of all, it's
3 not an issue yet of admitting it into evidence. It's been
4 marked for identification, and we've held off whether
5 there should be direct and cross about it for the time
6 being. But, as I understand this document, doesn't seem
7 to be so much a revision to Exhibit 10, as it takes
8 several columns from Exhibit 9, and it seems to be what,
9 in Exhibit 10 Revised, is Column C, D, and E, is
10 Exhibit 9's Columns C, D, and E. And, those numbers seem
11 to be consistent all the way down through year 20. And,
12 then, Columns F, G, and H in the new document are
13 multiplying each of Column C, D, and E by 500,000
14 megawatt-hours. Which, in cross by -- developed by PSNH,
15 appears to be Mr. Sansoucy's view of what the output of
16 the plant is going to be. So, it's a fairly
17 straightforward calculation.

18 So, at this point, you know, I just want
19 to make this observation, based on your comments, Ms.
20 Amidon, at this point I'm seeing -- I'm having a tough
21 time seeing what's objectionable about this, even though
22 it does raise an issue that, as an exhibit, --

23 MS. AMIDON: Well, may I? We haven't
24 seen it until this morning. But what I was concerned

1 about, in this particular examination, was Mr. McCluskey
2 was asking for the basis for his conclusions, and the
3 witness immediately referred to this revised exhibit,
4 which the Commission had issued a ruling on earlier. And,
5 I was concerned that he would continue to rely on this
6 exhibit, which has not been examined by Staff, in
7 propounding his answers. Thank you.

8 CHAIRMAN GETZ: All right. We will
9 continue with the cross-examination. We'll rule on the
10 issue later.

11 MR. McCLUSKEY: Thank you.

12 BY MR. McCLUSKEY:

13 Q. Mr. Sansoucy, this estimate of 300 million under-market
14 value, as opposed to above-market value, on Page 9 of
15 your direct testimony, I believe it's been established
16 that there was no schedules or exhibits attached to
17 your direct testimony supporting this number, is that
18 correct?

19 A. Yes. That's correct. There was just one table, which
20 was the "Exhibit 1" in the data responses. But there
21 was nothing attached to the direct testimony, that's
22 correct.

23 Q. Thank you. Nothing attached --

24 A. That's correct.

1 Q. -- to the direct testimony?

2 A. Yes.

3 CHAIRMAN GETZ: Well, gentlemen, we're
4 going to have to have one speaking at a time. Let
5 Mr. McCluskey finish his question, or else Mr. Patnaude is
6 not going to be able to record all of this in the
7 transcript.

8 WITNESS SANSOUCY: Yes, your Honor.

9 BY MR. McCLUSKEY:

10 Q. Okay. And, in response to the filing of this direct
11 testimony, you did receive a discovery request from the
12 Wood IPPs asking you for the basis of this \$300 million
13 calculation, is that correct?

14 A. Yes.

15 Q. And, you provided an attachment to that response, which
16 is now "Exhibit 10" to your rebuttal testimony, is that
17 correct?

18 A. Yes. The old Exhibit 10.

19 Q. Okay. So, as Attorney Amidon said earlier, that I
20 believe the Commission issued a letter on Friday
21 scheduling a technical session for the parties on the
22 attachments to your rebuttal and various other
23 documents that were provided relating to the Ventyx
24 numbers, is that correct?

1 A. Yes.

2 Q. And, we did, in fact, meet yesterday. And, would you
3 agree that the focus of that discussion was on
4 Exhibits 9 and 10 to your rebuttal testimony?

5 A. Yes.

6 Q. In fact, and probably we discussed nothing else but
7 those exhibits, is that correct?

8 A. Yes.

9 Q. And, the majority of the probing in that tech session
10 was essentially to understand the numbers in Exhibit 9,
11 where did they come from, what did they represent, and
12 how the dollar figures in Exhibit 10 were calculated,
13 is that correct?

14 A. Nine and ten, yes.

15 Q. Nine and ten, that's correct.

16 A. Yes.

17 Q. And, before we get into the details of Exhibit 10, you
18 were asked to provide an electronic spreadsheet that
19 supported the dollar figures shown in Exhibit 10, is
20 that correct?

21 A. Nine and ten.

22 Q. Okay, nine and ten. And, you said that you would get
23 in touch with your office and send the spreadsheet to
24 the parties, is that accurate?

1 A. Right, for both exhibits. That's right.

2 Q. Okay. And, did you actually send that spreadsheet?

3 A. We sent the spreadsheet for 9. We were not able to
4 locate a separate spreadsheet for 10. And, upon
5 additional research, 10 had multiple separate
6 calculations going on and nothing was combined in a
7 single spreadsheet. There were other analyses of which
8 were brought in today and provided to you. But there
9 was no one single spreadsheet that created 10. They
10 were inputs. According to my office, they were actual
11 -- they actually inputted the table manually.

12 Q. They inputted the table manually?

13 A. The final Table 10 was an input table. And, there were
14 subitems, subinformation that was provided to you that
15 created some of the calculations.

16 Q. So, did you say that you actually had a spreadsheet
17 which is drawing from other spreadsheets?

18 A. No. There was no one single spreadsheet that created
19 the original 10. Okay? They were different cases that
20 we were working on. My office informed me that there
21 wasn't a single Excel spreadsheet like 9. Nine (9) is
22 a single spreadsheet. There were different other input
23 tables that we discussed on yesterday at the tech
24 session. And, we brought those in today for you as

1 part of the support for the original Exhibit 10.

2 Q. Okay. Thank you.

3 A. There are pieces of 10 that I have not been able to --
4 one column in 10 I have not been able to find the
5 actual calculation sheet for. The crux of the original
6 10 was to come up with the difference in total
7 potential market price as a benefit of how much it
8 could be -- how much the PPA could be under market, --

9 Q. If you could hold --

10 A. -- which was the 300 million.

11 Q. Yes. I'll get to that issue. I'll get to the details
12 of the exhibit in a moment. But we're just trying to
13 determine why we didn't receive the spreadsheet. And,
14 I think you've explained that. So, now, let's turn to
15 Exhibit 10. You know, it's got several columns, which
16 we'll try to understand through this cross-examination.
17 But am I correct in saying that, in essence, what you
18 are doing in this exhibit is you are, first of all,
19 Column B, what you call the "Base Case", is essentially
20 a calculation of the power costs that PSNH will incur
21 under the PPA, is that correct, on an annual basis?

22 A. That is correct, to the extent that it's my base case.

23 Q. Okay. You're base case?

24 A. That's right.

1 Q. Okay. And, then, I believe what you're doing is, you
2 are saying, "if PSNH purchased this power, it will
3 avoid purchasing the three products that are purchased
4 under the PPA, it will avoid purchasing those products
5 in the competitive market." And, you are attempting to
6 calculate what the value of those market purchases are.
7 And, then, you take the difference between the two, and
8 determine whether the Laidlaw contract is above or
9 below market. Is that, in essence, what you're doing?

10 A. Essentially, that's correct, based on certain
11 assumptions.

12 Q. Okay. And, in terms of calculating or estimating the
13 -- what I term there the "avoided cost", the cost of
14 buying these products in the market, I believe you've
15 got three columns, C, D, and E, which estimate those
16 numbers under different scenarios or end prices, is
17 that correct?

18 A. Are you in the old 10, new 10, or 9?

19 Q. I'm in the Exhibit 10. The other document is not yet
20 open for discussion.

21 A. Okay. All right. So, your question is, in the
22 existing 10, C, D, and E are the cost to buy those
23 products under certain conditions?

24 Q. In the market.

1 A. In the -- well, yes and no. The REC is carried into
2 that. The REC is not in the market. It's the Laidlaw
3 REC. It's market energy, market capacity, and Laidlaw
4 REC. So, for all of these, there is the Laidlaw REC.

5 Q. Okay. So, we'll just leave out the RECs for the
6 moment. So, Column C, D, and E have different prices
7 for energy and capacity, based on the Ventyx numbers,
8 is that correct?

9 A. They have -- Column C is different capacities -- is
10 different numbers based on energy. And, it's Laidlaw
11 capacity and Laidlaw REC, in Column C.

12 Q. Okay. And, what's D?

13 A. D, I cannot find my original calculation papers for D.
14 So, I cannot answer what D is. But I did find a chart
15 that -- a graph I was doing to determine -- I was
16 looking at D, which is "Capacity @ Ventyx 2010" --
17 "Fall 2010". So, I have not been able to find my work
18 paper on what D is.

19 Q. Okay.

20 CHAIRMAN GETZ: Can we hold on for a
21 second? Let me make sure I'm understanding what you're
22 saying about Column C. This is a value that -- this takes
23 the RECs from the PPA, the capacity from the PPA, and
24 inserts a different energy price, which is the Ventyx Fall

1 2009 forecast, and that's how you calculated this number?

2 WITNESS SAN SOUCY: Yes. And, the
3 important element of that at the time this was done for
4 the data request is that the Ventyx Fall and the Ventyx
5 Spring included carbon, the carbon --

6 CHAIRMAN GETZ: Okay. I don't want to
7 get into that at this point.

8 WITNESS SAN SOUCY: Okay.

9 CHAIRMAN GETZ: I just want to make sure
10 I find out what it is.

11 WITNESS SAN SOUCY: That's correct, your
12 Honor. That's right.

13 CHAIRMAN GETZ: And, you say, if I'm
14 following some of this inquiry, you have the work papers
15 for this calculation, these calculations in Column C, and
16 you've provided them to the parties?

17 WITNESS SAN SOUCY: In Column C, I have
18 recreated the work paper that created Column C. Okay?
19 That --

20 CHAIRMAN GETZ: So, you couldn't find
21 the work papers, but you --

22 WITNESS SAN SOUCY: It's not a
23 spreadsheet.

24 CHAIRMAN GETZ: Okay. All right. But

1 what you're saying on Column D is you can't -- you
2 couldn't find the work paper, you can't recreate it?

3 WITNESS SAN SOUCY: D, I couldn't find
4 the work papers and recreate.

5 CHAIRMAN GETZ: Okay.

6 BY MR. McCLUSKEY:

7 Q. Okay. Based on questions from the Chairman, your work
8 papers that you say underlying Column C, have you
9 provided that to the parties?

10 A. The three pages, that, plus these two, that show --

11 MR. BOLDT: Okay. I'm sorry.

12 BY THE WITNESS:

13 A. That, plus these two.

14 CHAIRMAN GETZ: What are you referring
15 to when you say "that"?

16 WITNESS SAN SOUCY: "That" is the graph
17 where I was looking at what was occurring under different
18 scenarios against the base case.

19 CHAIRMAN GETZ: But is that a document
20 that nobody has or is it a document that you have?

21 WITNESS SAN SOUCY: That was in my work
22 papers. As I was putting together the question from the
23 data requests from the tech session yesterday. It was not
24 in one single spreadsheet, because it was different -- we

1 were drawing from different places, looking at different
2 --

3 CHAIRMAN GETZ: Okay. I think I've got
4 that but -- I've got the notion. Do any of the parties
5 have the actual documents?

6 MS. AMIDON: No.

7 MR. BOLDT: My --

8 MS. AMIDON: The answer is "no".

9 MR. BOLDT: If I may clarify or attempt
10 to clarify, Mr. Chairman. One page was provided over, I
11 thought that was the correct document that Mr. Sansoucy
12 was referring to as his underlying work paper. That was
13 provided this morning, when I provided the paper copy to
14 all parties on that side of the aisle. There are two
15 other sheets that I have not provided, did not know I was
16 -- that that was something that was appropriate to go with
17 the graph that I provided this morning. I do have copies
18 to provide. We may take a break, if you wish, and allow
19 some time for them to take a look at it. It is a -- it is
20 Ventyx -- labeled "Ventyx Market Clearing Prices Any East
21 Region Nominal Dollars/Megawatt-Hour". And, the second
22 one is "Ventyx Annual Capacity Price Forecast New England
23 Region Nominal Dollars/Kilowatt-Hour".

24 CHAIRMAN GETZ: Okay. Let's hold off on

1 that for a second. It is getting about time for a break.
2 But, Mr. McCluskey, how much more do you have on this item
3 or how much more cross, so we can get an idea just for how
4 to play out the schedule?

5 MR. McCLUSKEY: Could be half an hour,
6 45 minutes, just on this Exhibit 10.

7 CHAIRMAN GETZ: Okay.

8 (Chairman and Commissioners conferring.)

9 CHAIRMAN GETZ: I think it's a good time
10 for a recess. During the recess, let's make sure at a
11 minimum everybody has the documents. You know, there may
12 or may not be issues about whether they're objectionable,
13 per se, but there certainly may be issues about
14 preparation, adequate time to prepare cross, and what is
15 the nature of these work papers? It doesn't sound like
16 they were preexisting or, if they did preexist, they can't
17 be found and now they're being recreated. So, we've got
18 some issues to deal with.

19 But, Ms. Hatfield?

20 MS. HATFIELD: Mr. Chairman, I strongly
21 believe that they are objectionable, per se. There's no
22 amount of time that you can give us today that would allow
23 us to be prepared to cross Mr. Sansoucy about this
24 information. We think we should proceed with the cross.

1 And, if this is the way the City wants to prepare their
2 case, and the Commission wants to allow this in, then
3 we'll just have to take up hearing time. We don't even
4 know what we have at this point. And, we think it really
5 puts the parties in a catch 22, when we keep stopping the
6 hearing to allow us to review more information, and then
7 that allows the witness to supplement his testimony.

8 So, we have really tried to be
9 cooperative and tried to get the information we need. But
10 I think we've reached the point where this is just
11 completely unfair. Thank you.

12 CHAIRMAN GETZ: Okay. Thank you.

13 Anyone else before we take a recess?

14 (No verbal response)

15 CHAIRMAN GETZ: All right. Let's break
16 until 11:15.

17 (Whereupon a recess was taken at 10:57
18 a.m. and the hearing resumed at 11:24
19 p.m.)

20 MS. AMIDON: Mr. Chairman, may I clarify
21 something regarding the so-called "work papers" that were
22 provided by --

23 CHAIRMAN GETZ: Please.

24 MS. AMIDON: Okay. The work papers that

1 Attorney Boldt provided us are not relevant to our
2 examination, and we think they should not be included in
3 the record. We understand that Attorney Boldt did not
4 provide the Commission or the Court Reporter or the Clerk
5 with copies, and we'd just as soon leave it that way.
6 However, it does point up one deficiency in what we were
7 provided concerning the so-called "Ventyx study". We
8 received, courtesy of Attorney Boldt, a full copy of the
9 report on the "Fall 2010 Northeast Region Power Reference
10 Case Electricity and Fuel Price Outlook." But, for 2009,
11 which is also information that he includes so-called
12 "carbon in" numbers, all we received are four tables
13 relative to that. So, we don't have the backup to that.
14 So, insofar as some columns of Exhibit 10 reference the
15 Ventyx tables for 2009, there's no background provided on
16 that. We only have the Fall 2010 background to, and
17 that's what we relied on in preparing our examination.

18 What this might mean is that at some
19 point we may consider whether it's appropriate to strike
20 information in, let's say, Column C of Exhibit 10, which
21 relies on information that we were not -- where we didn't
22 have the additional background. Just to let you know that
23 there's just an additional issue with respect to what
24 information we received on Ventyx. It was just Fall 2010,

1 and not anything related to 2009.

2 CHAIRMAN GETZ: So, I take it, it could
3 be motions to strike or arguments about what weight, if
4 any, to give to some certain information?

5 MS. AMIDON: Correct. Probably more to
6 the weight. We're not quite there at a motion to strike,
7 but we are concerned about --

8 CHAIRMAN GETZ: Well, or, ultimately, at
9 the end of the proceeding, in terms of when we get to
10 motions to what should be admitted into evidence.

11 MS. AMIDON: Right. I think that that
12 would be fair to deal with at that point.

13 MR. BOLDT: May I clarify, Mr. Chairman?

14 CHAIRMAN GETZ: One moment.

15 CMSR. IGNATIUS: No, that's all right.
16 Go ahead.

17 MR. BOLDT: If I can call your attention
18 to the tables we provided, that we did a supplemental
19 correction with you this morning, as I had made reference
20 to last week. The first two pages are Fall 2009. The
21 last two pages are Spring 2010. Those are the
22 supplemental pages, those were immediately provided to
23 Staff and OCA and Mr. Shulock last Wednesday, the same
24 documents. Those are the supplemental backup pages that

1 supports the opinions. And, it's the current version, the
2 book, the full book that is confidential is the Fall 2010
3 book. The requests that were made were "are there backup
4 tables for the columns in 9 and 10 that come from the
5 Ventyx materials?" And, that's why we provided the backup
6 tables that are in the supplement last week.

7 CMSR. IGNATIUS: Mr. Boldt, can I ask
8 you a couple questions about that then. What you gave us
9 the other day, and then this morning substituted, is not
10 four pages, it's two pages. There are two pages of
11 tables; one has "Spring 2010" at the bottom, the page
12 "B-9", and then the second page has no date at the bottom,
13 that says "B-10".

14 MR. BOLDT: Then, I don't know. I was
15 of the impression that the correct pages had been given in
16 my mind. I have what I thought were correct pages for the
17 same things that I had given to Staff and OCA last week.
18 Let me give, yet again, versions, the same thing that is
19 with Staff, "Fall '09", that is two pages, "Spring 2010",
20 two pages. You have copies 3, 4, and 5, I believe, or 4,
21 5, and 6, rather. So, these are copies that I've
22 renumbered to be 1, 2, and 3. Two pages that are "Fall
23 2009", Page 1, Page 2. Two pages that are "Spring 2010",
24 to supplement the book that is the "Fall 2010". Did I

1 state that correctly, Mr. Sansoucy?

2 WITNESS SAN SOUCY: Yes.

3 MR. BOLDT: Okay. I apologize for
4 creating confusion. Okay. Thanks. I'm happy to take
5 back the incorrect pages that I gave you this morning, if
6 you wish.

7 CHAIRMAN GETZ: Okay. Ms. Amidon, did
8 you have something further on this?

9 MS. AMIDON: No, I just wanted to bring
10 it to the Commission's attention. But, I believe, at this
11 point, Mr. McCluskey should proceed with his
12 cross-examination, if it pleases the Commission?

13 CHAIRMAN GETZ: Please. Thank you.

14 MS. AMIDON: Thank you.

15 MR. BOLDT: We agree.

16 MR. McCLUSKEY: Thank you.

17 BY MR. McCLUSKEY:

18 Q. Mr. Sansoucy, before the break, we were in the process
19 of working our way across the columns in Exhibit 10.

20 CHAIRMAN GETZ: I'm sorry, let me --
21 there was one thing I just wanted to make sure I
22 understood. We have Exhibit 10 that's been in -- it's the
23 same Exhibit 10 that was in the rebuttal testimony when it
24 was originally filed. We have "Exhibit 10 Revised" --

1 MR. BOLDT: "Revised" is the way it's
2 labeled currently.

3 CHAIRMAN GETZ: Is that supposed to be
4 -- is 10 Revised an additional exhibit or it's supposed to
5 substitute for 10?

6 MR. BOLDT: I will leave that
7 clarification to Mr. Sansoucy, so I do not misspeak.

8 WITNESS SAN SOUCY: It is supposed to
9 substitute for 10. Because it's updated -- it's, as you
10 said, it matches the 9 that's in the exhibit, that's in
11 the rebuttal testimony, the 10 that was in there was what
12 was in the data requests and the direct testimony. The 10
13 Revised matches the 9. And, it is supposed to substitute
14 for the 10.

15 CHAIRMAN GETZ: Let me just say, I don't
16 understand the sense of that at all. Why 10 would -- 10
17 Rev. would substitute for 10. But let's continue with the
18 cross-examination, and maybe I'll understand the point.
19 But it seems to be something additional, not something
20 that would be a substitute, given how I read Exhibit 10 --

21 WITNESS SAN SOUCY: Oh. Okay.

22 CHAIRMAN GETZ: -- as originally
23 proposed.

24 WITNESS SAN SOUCY: I apologize for the

1 wording. It's intended and it takes the revised capacity,
2 the 67.5 megawatts. It goes to 9, as a simplification and
3 clarification, and does the multiplication. All I was
4 trying to point out in the direct testimony and the
5 rebuttal testimony is that there is the potential for 3 to
6 \$400 million of savings to the ratepayer for this PPA.
7 That's all I'm trying to point out, and it's just
8 arithmetic. It started life --

9 CHAIRMAN GETZ: That I understand.

10 WITNESS SAN SOUCY: Yes.

11 CHAIRMAN GETZ: But it wasn't clear to
12 me whether you were seeking to withdraw Exhibit 10?

13 MR. BOLDT: No. I would, for
14 simplicity, if it is allowed to come in, it may well be
15 better to just simply refer to it as "Exhibit 11" or
16 "Exhibit 4", because --

17 CHAIRMAN GETZ: Okay. Well, let's not
18 go there.

19 (Laughter.)

20 CHAIRMAN GETZ: Let's just continue with
21 the cross-examination.

22 MR. McCLUSKEY: Okay.

23 BY MR. McCLUSKEY:

24 Q. As I said, we were working our way across the columns

1 of Exhibit 10, and I believe we were discussing the
2 development of the dollar figures in Exhibit -- in
3 Column D. And, I think you said that you couldn't find
4 the work papers for those numbers, and you don't know
5 how they were developed, is that correct?

6 A. Yes. I did not find my calc. sheets for D. So, I
7 can't tell you explicitly what each of the components
8 are for D.

9 Q. Okay. Thank you. So, and now move to Column E. So,
10 could you tell me how those dollar numbers were
11 developed, starting with energy?

12 A. Yes. The energy in "E" is the Fall 2009 Ventyx,
13 inflated at two and a half percent.

14 Q. And, the capacity?

15 A. The what?

16 Q. The capacity component of --

17 A. The capacity component is the Fall Ventyx 2010,
18 inflated at two and a half percent, converted to a
19 price per megawatt.

20 Q. And, I believe you said that all three columns have the
21 REC prices at the Laidlaw PPA level, rather than a
22 market level, is that correct?

23 A. Yes, that's correct.

24 Q. Okay. So, and my intent is to -- I'll work my way

1 through these columns again, but I'll just finish off
2 this exhibit by focusing on Column F. Where, in this
3 calculation, you are subtracting from the Base Case
4 numbers in Column B the dollar figures in Column E, is
5 that correct?

6 A. Yes, it is. B minus E.

7 Q. Okay. And, you say that in your heading for Column F,
8 correct?

9 A. Yes.

10 Q. Okay. Thank you. Now, let's go back to the base case.
11 Am I correct in saying that, when you were questioned
12 on the development of these dollar numbers in the base
13 case, you stated that they were calculated based on a
14 capacity, plant capacity of 58 megawatts?

15 A. They're based on approximately 58 megawatts, and an
16 approximate capacity factor of 85 percent.

17 Q. Okay. If you could actually let me finish the
18 question, Mr. Sansoucy.

19 A. I thought you did. I'm sorry.

20 Q. So, they were based on a capacity of 58 megawatts,
21 correct?

22 A. Yes.

23 Q. And, you said yesterday that it was based on a capacity
24 factor of 80 percent, is that correct?

1 A. That's what I thought it was, when I researched this,
2 that is about 85 percent. That base case comes out of
3 my valuation, my valuation that I did for the City of
4 Berlin. And, it's about an 85 percent capacity factor.

5 Q. Thank you for that correction. But, if you go to
6 Exhibit 9, Footnote (2), you actually state there that
7 you're "assuming a capacity factor of 80 percent", is
8 that correct?

9 A. Yes, it is.

10 Q. Okay. So, in terms of these dollar numbers, in
11 essence, the numbers in Column B are the product of the
12 three prices in the PPA for energy, capacity, and RECs,
13 on a dollar per megawatt-hour basis, times --
14 multiplied, I said the "product", at those prices, and
15 the megawatt-hours produced from a facility of
16 58 megawatts and a capacity factor of 80 percent.
17 That's what you said yesterday, correct?

18 A. Yes, I believe I did.

19 Q. Okay. And, now, you're saying, when you actually
20 checked the numbers, it's an 85 percent capacity
21 factor?

22 A. Yes. Approximately.

23 Q. Okay. Thank you. So, moving onto Column C, I believe
24 you said, with regard to the energy component of this

1 calculation, you were using 2000 -- Fall 2009 Ventyx
2 numbers, is that correct?

3 A. Yes. Multiplied times the 2.5 percent inflation index.

4 Q. Because the Ventyx number is in constant dollars, so
5 you need to put them into nominal dollars to match the
6 PPA numbers, correct?

7 A. Yes.

8 Q. Thank you. And, with regard to the capacity component,
9 didn't you also say that these numbers were based on a
10 2009 Ventyx capacity number?

11 A. No. Column C is based on the Laidlaw capacity.

12 Q. No, I'm asking the question, did you say at the tech
13 session that it was based on the Ventyx 2009 capacity
14 number?

15 A. No, I don't remember that I said that. I said that I
16 would check. I didn't know what capacity it was.

17 Q. Okay. And, we've already said the REC number is the
18 PPA number?

19 A. Yes, that's correct.

20 Q. So, it's your position then that two out of the three
21 products in this Column C are not market-based numbers,
22 but PPA numbers?

23 A. Yes.

24 Q. Thank you. Now, in the case -- in the case of Column

1 D, which you're saying you don't know how they were
2 developed, didn't you say yesterday that the energy
3 component is based on the Fall 2010 Ventyx number?

4 A. I haven't been able to derive -- I haven't been able to
5 assert exactly what I did in Column D.

6 Q. That's not my question. My question is, did you say at
7 the tech session that it was based on the 2010 -- Fall
8 2010 Ventyx number?

9 A. I believe so, yes.

10 Q. Thank you. And, with regard to the capacity component,
11 what did you say yesterday?

12 A. I don't recall what I said yesterday on this.

13 Q. Maybe if I tell you what I heard yesterday. Did you
14 not say that those numbers for capacity are the numbers
15 represented in Column L of Exhibit 9?

16 A. I think they are Column L in Exhibit 9. But I think
17 that the -- yes, I think they're Column L in Exhibit 9.

18 Q. Thank you. Okay. Now, moving onto Column E. I think
19 you just said this morning the energy component in
20 Column E is the 2009 Fall energy price, which is
21 actually shown in Column H of Exhibit 9, is that
22 accurate?

23 A. Column E is the 2009 Ventyx, and that's going to be
24 Fall 2009.

1 Q. Is that Column H of Exhibit 9?

2 A. No. Column H in Exhibit 9 is Spring 2010, which is the
3 last report with carbon.

4 Q. So, you're saying what's in -- sorry, could you repeat
5 what you said there?

6 A. Column H, in Exhibit 9, is Spring of 2010, at
7 2.5 percent, which is the last quarter or half year
8 that they did carbon. And, you'll find that in the
9 sheet we used to make it from real to nominal, on the
10 center column, that Mr. Boldt handed out to you.

11 Q. Okay. Thank you.

12 A. That's the purpose of the sheet we handed out.

13 Q. Okay. And, the capacity component, again, I think you
14 said "Fall of 2010", is that accurate?

15 A. Yes, it is. Fall of 2010 is the capacity in Column E.

16 Q. So, in Column E, which is really the column that's used
17 to develop Column F, you're saying that you have two of
18 the components based on market, one based on the
19 Laidlaw prices?

20 A. That's correct. The RECs are based on Laidlaw RECs.

21 Q. And, you subtract those from the base case, and that's
22 going to tell you whether the base case is above or
23 below market, correct?

24 A. That's right. And, my testimony was very simple, at a

1 high carbon-constrained energy price and a going
2 forward capacity price was not in the contract, you get
3 a significant savings going forward using the REC price
4 from Laidlaw.

5 Q. And, I'm just trying to understand the concept of
6 comparing the power costs in the PPA against this
7 hybrid of market energy and capacity and contract RECs.
8 If it had been market-based RECs, then I would have
9 that concept clear. But now we've got this hybrid.
10 Could you explain why we have the hybrid, as opposed to
11 the standard comparison against market?

12 A. Certainly. First and foremost is that we don't believe
13 that the market -- that the RECs in today's market are
14 market-based RECs. We believe there are a very small
15 amount of RECs that are being bought and sold based on
16 a very small need today. We believe that the market
17 price of RECs is going to go immediately up as demand
18 increases, and that, in comparing what this PPA is
19 capable of providing to the ratepayers and the
20 customers, the REC price in this PPA is derived, it's
21 half of whatever that market price is going to be, for
22 all practical purposes. It shares the market half and
23 half. The REC price we believe is going to go to the
24 ACP. We don't take the position that the short-term

1 REC prices have any relationship to a 20-year
2 projection of market and long-term savings. We take
3 those REC prices in the contract and we add market
4 electricity with carbon and market capacity, to come up
5 with the comparison of the potential savings for the
6 ratepayer of this contract. But we don't believe that
7 this current REC market, short-term REC market, has any
8 relationship to the long-term market price of RECs.

9 Q. Okay. What about inserting in there, instead of the
10 Laidlaw REC prices, a long-term projection of REC
11 prices? Would that be appropriate?

12 A. Not for this PPA. This PPA has stipulated REC prices.

13 Q. No. I'm talking about the calculation. The
14 calculation that you're trying to do is to benchmark
15 the PPA prices against some market comparison. If you
16 had a long-term, not a short-term, but a long-term
17 forecast of REC prices, would that not be appropriate
18 to insert into this calculation?

19 A. No, because it doesn't tell us anything. It creates a
20 forecast at that point that doesn't tell us anything.
21 This contract has a REC price. This contract has
22 potential savings against an energy and a capacity
23 price. There's been no testimony of any kind of
24 substance on capacity by Staff and OCA. And, there's

1 been no testimony about the potential for a
2 carbon-constrained environment. All I'm trying to show
3 is those two market indicators with this contract, not
4 a forecast of RECs. If we drift into a forecast of
5 RECs, we can, but we're going to be discussing what we
6 talked about earlier. Is that it's based on wind that
7 will probably not happen. It's based on wood that
8 won't happen. The amount of wood plants that people
9 are forecasting won't be built. So, this REC price is
10 known. It's known in the contract. And, I'm adding to
11 that two market indicators that can at least give a
12 position to the Commission or an opinion that there is
13 a potential upside to this contract that's very large.

14 Q. So, you're telling -- you're telling the parties that
15 you have confidence in the energy price forecast from
16 Ventyx, you have confidence in the capacity price
17 forecast from Ventyx, but you don't have confidence in
18 the long-term REC price forecast from Ventyx, is that
19 what you're saying?

20 A. I have not studied Ventyx's long-term REC forecasts for
21 this contract.

22 Q. And, --

23 A. Because this contract has pegged the REC prices. So, I
24 haven't done a detailed study to compare that with a

1 study that I might do on the RECs. It's debate that
2 doesn't lead us to anything, because the REC prices are
3 fixed. And, this really boils down to, is the capacity
4 and energy that's added to this REC price going to
5 provide the ratepayers with a potential upside? The
6 REC price is fixed. And, we don't debate this in
7 Michigan, you know, I didn't do anything here, because
8 you fixed the REC price. Somebody had to fix it in
9 order to finance the project.

10 Q. So, you would agree that the document which you
11 provided to the parties, titled "Power Reference Case
12 Electricity and Fuel Price Outlook Fall 2010" actually
13 contains a long-term REC price for the Northeast
14 Region? Would you agree with that?

15 A. Yes, I do. They do one, they do one, based on current
16 dollars.

17 Q. And, you chose to omit that?

18 A. I did not use that.

19 Q. Thank you. Going -- let's talk a little bit about the
20 development of the Ventyx energy prices. First of all,
21 this is a forecast, is it not?

22 A. Yes, it is.

23 Q. And, Ventyx, it's my understanding, reading the
24 documents that you provided, that Ventyx has quite a

1 sophisticated model of how the ISO-New England power
2 market operates, is that accurate?

3 A. Yes, it does.

4 Q. And, I assume that, once that model is developed,
5 Ventyx would insert various assumptions into the model,
6 crank of the handle, and turn out a long-term energy
7 price forecast. Is that accurate?

8 A. Ventyx provides a forecast twice a year.

9 Q. Okay.

10 A. So, they respond very quickly to things that --

11 (Court reporter interruption.)

12 BY THE WITNESS:

13 A. -- to occurrences that occur in the marketplace.

14 BY MR. McCLUSKEY:

15 Q. So, they are constantly updating the model to reflect
16 changes in inputs?

17 A. Yes, they do.

18 Q. Okay. Now, the forecast that we're using, my
19 understanding, it's not just based on the output of
20 this model. I believe you provided us some information
21 yesterday on how they created the long-term forecast,
22 particularly with regard to the early years. Is that
23 accurate?

24 A. I don't understand the question.

1 Q. Did -- are the early years of the forecast based on the
2 model output?

3 A. No. The early years in the capacity forecast is based
4 on the capacity forwards. Okay?

5 Q. And, what about the energy?

6 A. The energy, they look at short-term forwards on the
7 energy, and then go from there to a model.

8 Q. So, they have actually merged forward electricity
9 prices with the prices from the model, is that correct.

10 A. They have merged forward -- forward components of
11 what's going to be the electricity pricing with their
12 forward -- with their long-term model.

13 Q. Okay. So, --

14 A. But they do more than just those two.

15 Q. Oh, if you could just -- you've answered the question.
16 Thank you. Now, I assume this is a long-term forecast
17 that's subject to some uncertainty, you would agree
18 with that?

19 A. Say again?

20 Q. It's subject to some uncertainty?

21 A. Of course, yes.

22 Q. But, presumably, you have some confidence in the prices
23 that you're using for the -- to support your
24 calculations, is that correct?

1 A. We do have confidence. We use this regionwide, and we
2 do have confidence in this as a good model.

3 Q. Okay. Now, let's talk about the inputs to the energy
4 price forecast. My understanding is the latest
5 forecast for Fall of 2010, the base case for Ventyx
6 does not include carbon, is that correct?

7 A. That is my understanding, yes.

8 Q. Whereas the same forecast for Fall of 2009 did include
9 carbon?

10 A. Yes.

11 Q. So, you chose to not use the most recent base case
12 forecast from Ventyx in your calculations, is that
13 accurate?

14 A. No, I didn't -- no, that's not accurate. I was trying
15 to make a distinction between a carbon-constrained and
16 a non-carbon-constrained environment. And, I was
17 trying to use an independent source. That the last
18 carbon estimate was Spring of 2010 to compare the two,
19 with currently carbon is off the table for several
20 years.

21 Q. So, Ventyx does not think carbon pricing is a reality
22 in the near term, based on its base case assumptions,
23 is that correct?

24 A. Well, Ventyx says what it thinks.

1 MR. BOLDT: Mr. Chairman, if I may,
2 because these are confidential materials, I'm not sure
3 where the line is in confidential questions or public
4 questions. I don't want to waive something inadvertently.

5 CHAIRMAN GETZ: Well, and I guess, I
6 mean, there is some lack of clarity at least in my mind,
7 well, a lot of the composite information, at any rate, is
8 in the exhibits that haven't -- it doesn't appear that
9 confidentiality has been sought. And, there wasn't
10 always, to me, a clear line between what was sought to be
11 confidential in and of itself and what was an issue with
12 copyright reproduction. So, and you're going to have to
13 speak up if there's anything that deserves
14 confidentiality, should be protected.

15 MR. BOLDT: My question was only, if
16 we're getting into the text of the report of Ventyx, that
17 may be across the line. But it's for the public
18 consumption, but not for the cross-examination by the
19 Board. I believe we went into confidential session at
20 what point in time last week.

21 CHAIRMAN GETZ: You're going to have to
22 alert me.

23 MR. BOLDT: I guess I am right now on
24 this, if he's to read a text from the report, versus --

1 CHAIRMAN GETZ: Well, why don't you
2 consult with your witness, so we know which way to go.

3 WITNESS SANSOUCY: It's okay.

4 MR. BOLDT: Okay.

5 WITNESS SANSOUCY: No, it's --

6 MR. BOLDT: You know the --

7 WITNESS SANSOUCY: The questions so far
8 are fine. We can move forward to get this done.

9 MR. BOLDT: Thank you, Mr. Chair.

10 MS. AMIDON: For simplicity sake, Mr.
11 Chairman, if we could at this point mark for
12 identification the Ventyx "Power Reference Case
13 Electricity and Fuel Price Outlook Northeast Region Fall
14 2010", and you can use Staff, I think we're up to Exhibit
15 Number 13. And, then, the compilation of two 2-page
16 tables, the cover page of which has this docket number
17 that relate to 2009 markets, I mean, prices, in the first
18 instance, and 2010 market prices in the second instance,
19 that would be Spring 2010 as "Exhibit 14", just for
20 purpose of referencing them in the cross-examination.

21 CHAIRMAN GETZ: Okay. So marked.

22 MS. AMIDON: Thank you.

23 (The documents, as described, were
24 actually herewith marked as Exhibit 12C

1 and Exhibit 13C, respectively, for
2 identification due to numbering error.)
3 (Chairman and Commissioners conferring.)

4 CHAIRMAN GETZ: Mr. McCluskey.

5 MR. McCLUSKEY: Thank you.

6 BY MR. McCLUSKEY:

7 Q. Mr. Sansoucy, I assume you would say that the modelers,
8 the Ventyx modelers, are pretty smart people. Would
9 you agree with that?

10 A. Yes.

11 Q. And, so, when they come to develop what you refer to as
12 "long-term energy prices without carbon", I think what
13 you're saying is "without carbon under a federal
14 program", is that accurate?

15 A. Yes. Because it all relates to greenhouse gas
16 legislation, and taking it off the table in Summer of
17 2010 by the Obama Administration.

18 Q. Okay. So, if they decided that legislation was not
19 likely to pass on climate change in the near term, they
20 would then model ISO-New England how it currently
21 operates, correct?

22 A. Yes.

23 Q. And, they would reflect in their energy prices the cost
24 that the generators incur under RGGI, is that correct?

1 A. Yes.

2 Q. So, your definition of "without carbon" would actually
3 include carbon in there, would you agree with that?

4 A. It includes RGGI.

5 Q. RGGI.

6 A. Yes. But it does not include carbon at the federal
7 level.

8 Q. Thank you. So, Exhibit 10 is effectively subtracting
9 from Column B, Column E, to reduce the numbers in
10 Column F, and you calculate that the PPA as a whole,
11 over the 20-year term, is actually under market by
12 292 million approximately, is that correct?

13 A. Utilizing those two assumptions that I reference in my
14 direct testimony, and the lower capacity amount, the
15 PPA has the opportunity to save the customers
16 approximately 292 million.

17 Q. And, I assume then you just rounded that to 300 million
18 in your testimony, is that correct?

19 A. Yes, sir.

20 MR. McCLUSKEY: Yes. Thank you. I've
21 got no further questions on Exhibit 10. On Exhibit 10 or
22 any other exhibits.

23 CHAIRMAN GETZ: Anything further, Ms.

24 Amidon?

1 MS. AMIDON: No. Thank you.

2 CHAIRMAN GETZ: One question I did want
3 to raise. Earlier you indicated that there had been
4 agreement among you and the Consumer Advocate and the Wood
5 IPPs about cross-examination. Mr. Edwards is here now.
6 And, Mr. Edwards, do you have questions for this witness
7 or did you --

8 MR. EDWARDS: Yes, I do. Yes, I do,
9 your Honor.

10 CHAIRMAN GETZ: -- was there some
11 understanding about what order this would take place in?

12 MS. AMIDON: We didn't talk about it.
13 He was not here at the technical session yesterday when we
14 decided on this order. So, I guess, we proposed it to
15 Mr. Shulock, and we did not propose it to Mr. Edwards.
16 So, that's my fault.

17 CHAIRMAN GETZ: Any objection to
18 Mr. Edwards going now?

19 (No verbal response)

20 CHAIRMAN GETZ: Mr. Edwards, do you have
21 some questions?

22 BY MR. EDWARDS:

23 Q. Mr. Sansoucy, is it your testimony that 1.3 tons of
24 roundwood pulp is no longer being used by the local

1 mills?

2 A. Say again, sir?

3 Q. Is it your testimony that 1.3 million tons of roundwood
4 pulp is no longer being used by the local mills?

5 A. Yes, Mr. Edwards. It's in that range. When the Berlin
6 Mill closed, it was taking in approximately 38 (3,800)
7 to 3,900 ton per day, which is about -- I think it was
8 about 1.3 million ton.

9 Q. Okay. Is it your testimony that roundwood is biomass
10 grade wood?

11 A. Whole tree chips can be, yes.

12 Q. Do you have any idea what the current price of
13 roundwood per ton is?

14 A. Yes. It's a minimum of \$36, and it's generally over 40
15 delivered to Shelburne.

16 Q. Do you agree that the current price Schiller is paying
17 is \$27 a ton?

18 A. I think that's what was testified to by someone earlier
19 in the case, that it was around 27 or 28 a ton. So,
20 yes, in round numbers.

21 Q. Do you think loggers would sell roundwood to biomass
22 plants, if they can sell for significantly more to
23 paper mills?

24 A. I think what the loggers will do is a transportation

1 differential. That, depending on the price of
2 roundwood, versus the price of whole tree chips, they
3 will choose the greater of the two, and deliver
4 accordingly.

5 Q. What impact can the use of roundwood have on the
6 remaining paper mills, if roundwood usage by the
7 biomass plants increases the price of roundwood per
8 ton?

9 A. Yes. I think, Mr. Edwards, that we, from the North
10 Country, yourself included, know that there is a
11 significant amount of the wood industry that's
12 basically not there. That doesn't exist since the
13 Berlin Mill closed. When the Berlin Mill was open,
14 Verso -- International Paper, in Jay, and Boise in
15 Rumford, were using roundwood for their pulp mills,
16 along with Berlin. The combined block was over
17 3 million ton. Two million ton is going into -- still
18 going into the Maine mills. But the industry in the
19 North Country has essentially closed. So, part of what
20 Laidlaw will do is reopen the wood industry in the
21 North Country. And, the wood choppers will do
22 everything they have always done, which is high grade,
23 which is move roundwood to pulp, and move waste into
24 the waste-to-energy plants, or, when the pulp mills get

1 slow, and we know they do, and they stop buying, the
2 roundwood will go immediately into the burning -- the
3 wood burning plant. It's keeping the industry alive.
4 It's a great flattening tool to keep the industry
5 alive. So, I think we're going to see an industry come
6 back. I think it's not going to come back overnight.
7 The loan programs that Laidlaw is proposing with the
8 City are going to be very helpful. But I think the
9 industry will come back to its original. What we
10 recognized prior to 2005, when the Burgess Mill was
11 running, is about what this mill is going to take.
12 And, it will take some roundwood when the other mills
13 are not buying or when the prices are different for
14 transportation.

15 Q. Would you agree that the use of roundwood for biomass
16 plants is wasteful?

17 A. No, I would not.

18 Q. Would you agree that a number of loggers have retired
19 due to closure of the northern New England mills?

20 A. Yes, a number have. Yes.

21 Q. Is it likely that retired loggers, who have stopped
22 logging due to the closure of mills, would go back into
23 the logging business, knowing that roundwood production
24 would amount to \$27 a ton?

1 A. I think some loggers will come back into the business.
2 But there are some that we know will not. I might add,
3 Mr. Edwards, that we closed the Forestry and Logging
4 Program at our high school, White Mountain Regional
5 High School, because of the closure of the mill. We
6 may reopen that to train young people, like we did for
7 decades, at White Mountain Regional High School.

8 Q. Are you familiar with the Noble/Brookfield Project?

9 A. Say again?

10 Q. Are you familiar with the Noble/Brookfield Project?

11 A. Yes, sir.

12 Q. Hypothetically, Noble/Brookfield, if they were to fill
13 the capacity of the Coos Loop, what would Laidlaw need
14 to do?

15 A. Noble is ahead in the queue. There is a -- there is a
16 upgrade that will like -- that's going to be required
17 if there is a coincident peak between the two. And, I
18 understand from Laidlaw that their interconnection
19 study and that their budget, their current construction
20 budget, is upgrading the loop to handle both Laidlaw
21 and Noble. And, that they're going to be spending in
22 the order of about 8 to \$9 million to do that upgrade.
23 And, I might add that there's a secondary upgrade going
24 on that is not in this record, from Brookfield Hydro,

1 the hydroelectric plants, that's part of the bigger
2 picture to get everybody out of the Coos Loop,
3 Brookfield Hydro, Public Service's existing hydros.
4 Brookfield Hydros are the hydros from the mill when it
5 was closed, the existing plants, Laidlaw and Noble.

6 But, beyond that, I think, Mr. Edwards,
7 there's no further representations made to anybody
8 wishing to get out of that loop after that group.

9 Q. Is that upgrade a condition in the PPA?

10 A. I would have to check the PPA, but I know that all the
11 upgrades are conditions in the interconnection study
12 agreement, and the interconnection agreement I would
13 assume is mentioned or it's attached to the PPA. I
14 just don't know exactly where.

15 Q. So, getting back to the hypothetical, if there was no
16 upgrade or if there was an upgrade, but Noble and
17 Brookfield were filling the capacity of the Coos Loop,
18 what would Laidlaw need to do?

19 A. There are two fundamental issues with the Coos Loop.
20 One is the interconnection at the points where it's
21 interconnected, the substation capacities that have to
22 be upgraded. Laidlaw is doing all that it has to do to
23 upgrade to transmission line voltages to get into the
24 loop. If they fill it to capacity and Laidlaw couldn't

1 get in, then there was going to have to likely be some
2 additional capacity requirements in the actual wire
3 sizes. That is not what's anticipated at this time.
4 There may be the occurrence of light loading, where
5 somebody comes down slightly to allow for the flow of
6 electricity, depending on the demand. But that's not
7 what's in the interconnection studies at this time.

8 Q. Is a plant the size of Laidlaw's able to come down
9 slightly or is a plant the size of Laidlaw efficient at
10 coming down slightly?

11 A. The wood plants can come down. The wood plants can
12 ratchet down. And, they remain reasonably efficient
13 ratcheting down, and they can ratchet right back up.

14 Q. How much do you anticipate that impacts a 22 percent
15 efficient plant?

16 A. Say again?

17 Q. How much impact would that have on a 22 percent
18 efficient plant?

19 A. I don't know the exact impact that this will have on
20 this modified boiler. But, in general, a ratchet down
21 to 50 percent on a solid fuel plant, will generally
22 impact the efficiency 10 to 15 percent, in general.

23 Q. What is your opinion as to the potential of wind at the
24 Noble/Brookfield site?

1 A. My opinion on that site or that potential? Well, the
2 following: First and foremost, it is not going to be
3 as easy as it may appear, because those are what we
4 call "high elevation turbines". We do live in this
5 Arctic-type environment above treeline. And, we do get
6 significant ice structure in the winter. There has
7 been some serious icing problems on the Kibby Mountain
8 units, which are either very close to this elevation or
9 a little higher, that forced the closure of Kibby last
10 winter, until they addressed the ice situation. The
11 wind is there. We know that from the wind meters and
12 the wind monitoring. I think, from an operational
13 point of view, in the cold, that the capacity factors
14 may not be quite what people are anticipating. That's
15 a possibility. I'm not saying they are. I haven't
16 studied the wind rose in great detail. I have studied
17 detailed wind roses for other wind plants in the
18 region. And, on paper, we can get the amount.

19 The wind flows blows at times when the
20 capacity is not necessarily always needed. It blows in
21 the winter, but it blows the most in the spring, when
22 we get the shift and the change, and then into June and
23 July. But, on hot days, the wind doesn't blow. It
24 just "pluff" [sic], it goes soft, so to speak.

1 So, what's going to likely happen with
2 that plant is it will produce capacity -- it will
3 produce energy, but it's not going to produce much
4 reliable capacity. The production of energy is fine,
5 because, from a policy point of view, that's a kilowatt
6 of energy that has not got carbon in it. It's not
7 generated by fossil fuel. But the Laidlaw plant will
8 be producing the capacity in that region.

9 I think the plant, the Noble plant will
10 be fine. I think it's going to have some operational
11 constraints as they learn the ropes, how to deal with
12 the North Country. And, I don't think it will likely
13 produce what everybody hopes it will by some amount.

14 Q. Just out of curiosity, on these windmills, and I know
15 this is kind of a sidenote of this, but is there any
16 type of de-icing that they can do for those windmills?

17 A. No, there isn't, Mr. Edwards. They're carbon fiber
18 blades, these composites, those big blades to hold them
19 together. And, you cannot put electricity in them to
20 heat them.

21 Q. Okay.

22 A. And, you can't spray them with de-icing, like you would
23 an airplane wing. So, when they build up rime ice,
24 they sling it. And, it can go a mile, and big chunks.

1 And, it can kill somebody, if it hits him. So, they
2 have to shut them down until the ice melts.

3 Q. Are you aware that Noble/Brookfield is not being
4 financed?

5 A. Oh, yes. I'm aware that that -- wait a minute,
6 Noble/Brookfield or Noble?

7 Q. Well, I'm not --

8 A. I'm sorry. Brookfield --

9 Q. I'm not sure what to call it, to be honest, right at
10 the moment.

11 A. Brookfield bought Noble.

12 CHAIRMAN GETZ: But, Mr. Edwards, where
13 are we going with this, in terms of relevance?

14 MR. EDWARDS: Well, Noble/Brookfield is
15 a pretty substantial project. Certainly, of the same
16 magnitude that the Laidlaw Project is. And, I'm just
17 curious as to why Mr. Sansoucy feels that a project of
18 this magnitude needs to be financed, and why that should
19 be taken into consideration?

20 CHAIRMAN GETZ: A project of what? Are
21 you talking about Laidlaw or --

22 MR. EDWARDS: Yes.

23 CHAIRMAN GETZ: Why it needs to be
24 financed?

1 MR. EDWARDS: Why it needs to be taken
2 into consideration to offset some of these things. I
3 mean, we're pointing out that there's some negatives
4 within the PPA, and those negatives are brought out as
5 though it's very important to have those to obtain
6 financing. I guess what I'm getting at is that there's
7 another project of similar significance that is not
8 relying on financing. And, I'm just bringing that up as a
9 point.

10 MR. BERSAK: There's nothing in the
11 record, Mr. Chairman, that even talks about that. There
12 is no testimony.

13 CHAIRMAN GETZ: Well, yes. We're
14 certainly talking about facts not in evidence. But, if
15 you can ask the -- well, Mr. Sansoucy, do you have any
16 familiarity with the financing of the Noble/Brookfield
17 Project?

18 WITNESS SANSOUCY: The familiarity I
19 have, your Honor, is that Noble was not able to get solid
20 PPAs for more than one half of the capacity of the plant.
21 So, they were not able to go forward. And, they were
22 also, from the information we get, were not able to
23 finance this project in New Hampshire. So, they sold it
24 to Brookfield. Brookfield is a publicly traded company,

1 and they do balance sheet financing. They just recently
2 floated \$500 million worth of bonds to be used for balance
3 sheet financing of alternate energy projects. And, they
4 buy real estate, they buy office buildings. So,
5 Brookfield will step up to the plate, finance with public
6 bonds.

7 CHAIRMAN GETZ: Mr. Edwards.

8 BY MR. EDWARDS:

9 Q. Mr. Sansoucy, you've referred to the plant as a user of
10 Berlin water and sewer. Have you heard from the Water
11 and Sewer Departments specifically what impact the
12 Laidlaw usage will have on rates?

13 A. Water, sir?

14 Q. Water and sewer.

15 A. Water first?

16 Q. Sure.

17 A. Yes, I have. I've been working with the City and the
18 Water Department to sort out the appropriate rate
19 structure that this plant could and should have that
20 would be good for Berlin, as opposed to the Company
21 rebuilding the water plant that it owns on site. Like
22 we're currently looking at rate reductions of between
23 10 and 25 percent for the water at the -- for the City
24 water for all other ratepayers. That's currently the

1 ranges that we're looking at, Mr. Edwards.

2 Q. And, for the sewer?

3 A. The sewer, we're looking at an additional contribution
4 of approximately 2 to \$350,000 I have not done the
5 precise rate reduction, but I think it's no more than
6 10 percent. But I have not calculated it precisely,
7 I'm just estimating it.

8 Q. Are you aware of whether or not those reductions have
9 been made public before now?

10 A. They have not until this minute.

11 Q. Okay. What is your projected value of the Laidlaw
12 Project upon completion?

13 A. Prior to the uprate of capacity, we are working off a
14 projected -- current value, Mr. Edwards?

15 Q. No. Upon completion.

16 A. Upon completion? Prior to the announcement of the
17 67.5 megawatts, we were working on a value of
18 162 million.

19 Q. And, what portion of that is taxable?

20 A. We believe that at least approximately 120 million of
21 that will be taxable, between 105 and 120 million.

22 Q. And, is that the figure that you used to reach a
23 determination that the plant would save the Berlin
24 taxpayer roughly 17 percent?

1 A. Yes. I used 104 million for that calculation, sir.

2 Q. Okay. So, assuming an average assessed value in Berlin
3 of a little bit under 70,000 on a residential home,
4 that equates to about a buck a day for the average
5 ratepayer. What are the other real estate tax benefits
6 to the City and the State?

7 A. The State, well, the City receives a tax, and they
8 receive three of the four tax components. The City
9 will bill for school, local school, local city, and
10 county. Obviously, they will transfer the county money
11 to the county. And, so, they receive the three. The
12 State will then apply the State Utility Tax, at \$6.60.
13 And, they will bill Laidlaw directly for the taxable
14 portion of the plant.

15 Q. Generally speaking, what negative impact can an
16 industrial facility of this size have on real estate
17 values surrounding it?

18 A. Generally speaking, immediate adjacent neighborhoods
19 can be impacted marketwise, depending on where the
20 market is, they can be impacted through view, traffic,
21 noise, and those types of impacts created by any
22 industrial facility on the adjacent neighborhoods.

23 Q. What kind of percentage do you figure on that
24 generally?

1 A. I have not done a market study on what that percentage
2 would be. I don't know the answer to that.

3 Q. But you would agree that that's a negative impact?

4 A. It can be. It depends on people's perception. It
5 depends on people's concept of and market value in the
6 region. You know, most of the housing built around
7 mills were not negative impacts. They were housing
8 where people could walk to work, and they liked that
9 housing and they paid good money for it. It depends on
10 where you are and what you're doing.

11 Q. Would you agree that the real estate value of
12 residential property upon the closure of some of these
13 facilities around New England has actually increased
14 the residential value around the facilities?

15 A. Yes and no. The closure has decreased value in some
16 places, so that any reopening of a job-oriented
17 industrial facility, like Laidlaw, will have the
18 positive effect of providing jobs and thereby
19 increasing the value of real estate. Conversely, there
20 are markets, and I don't know the exact percentages,
21 where industrial closures have been good, and they have
22 increased real estate values, because that, for
23 whatever reason, the industry that's closed should have
24 closed and is gone.

1 Q. In figuring your 17 percent on a decrease for the
2 average taxpayer in Berlin, have you taken into
3 consideration the potential decreased value of their
4 assessed value on their property?

5 A. I have not. And, I don't necessarily agree that there
6 will be a decrease in value. I don't think anyone has
7 done a market study that Laidlaw will decrease value.
8 It could increase value based on the jobs that it
9 brings to the region.

10 Q. Are you aware that the assessing firm for the City of
11 Berlin attributes a negative value to properties that
12 are within close range of the existing plant as it
13 sits?

14 A. I am not. No.

15 Q. Are you familiar with the recent economic expansion in
16 Littleton?

17 A. Some.

18 Q. Aside from the close proximity to Interstate 93, what
19 other economic factors do you feel may be driving
20 business and industries to Littleton?

21 A. What other factors?

22 Q. Yes.

23 A. Well, first and foremost, Littleton's maintained enough
24 sewer and water capacity to bring industry into the

1 region, first and foremost. Secondly, Littleton has
2 made the decision to rezone a significant amount of its
3 bottom land to commercial land. Third, it has
4 supported the reuse and conversion of its old mills to
5 reuse for industrial. Fourth, what Littleton has done
6 is it has tapped into a pent-up demand from the entire
7 quadrant in Vermont in the Northeast Kingdom that
8 migrate to Littleton. And, they have allowed, through
9 planning, sufficient varied commercial uses, so as to
10 provide for destination shopping and destination
11 services to attract people and do their expansion.

12 So, from a planning point of view and
13 from an infrastructure point of view, they have done
14 very well. They have expanded their roads.
15 Littleton's paid for substantial new bridges to go
16 across the rivers, just like -- just like Berlin has.
17 I mean, Berlin has new bridges that they built to bring
18 wood into the original mill. So, Littleton has done
19 many of the similar things.

20 Q. You haven't mentioned anything about "Littleton Power &
21 Light". Do you believe that Littleton Power & Light
22 rates have anything to do with the recent expansion in
23 Littleton?

24 A. No, I don't.

1 Q. Okay. What impact -- what impact can an above-market
2 rate on power have on relocating business to a given
3 area, business and industry?

4 A. When you say "above-market rate" in an area, electric
5 rates and relocation are very complex subject matters.
6 If an industry has greater than 10 percent energy usage
7 in its cost of product, and you talk to these people,
8 you will find that those industries tend to gravitate
9 to low-cost states. Because, if they save or they
10 spend another 5 percent of their total cost of product,
11 that could be half their profit margin.

12 Conversely, companies that have a much
13 lower energy component in their product or companies
14 that need an area that might have a certain type of
15 labor, a certain lifestyle, they will gravitate to
16 areas that may have high electric costs. So, it's not
17 a simple question to answer on the one hand. On the
18 other hand, as a general rule, heavy electric -- heavy
19 energy-based industries gravitate away from high
20 electric costs. And, research, development, health
21 care, these types of less energy-intensive industries
22 will gravitate -- will not gravitate away.

23 Now, there's a growing industry, we have
24 valued some of these places, that are gravitating to

1 those public utilities that are advancing --
2 substantially advancing the development of very high
3 reliable, clean electricity, for server farms and these
4 types of things. So, public distribution utilities
5 that are making a significant impact in their
6 reliability, tree-trimming, wires, their type of
7 electricity, the cleanliness of their electricity, are
8 in regions that are attracting more or less a 21st
9 Century type of industry that needs very clean power.

10 Q. Are you familiar with the projected payroll of the
11 federal prison and the Noble/Brookfield Project?

12 A. My read on the Noble/Brookfield Project, there will be
13 very little new payroll once it's constructed. There
14 will be a new maintenance team that will do the
15 day-to-day maintenance, but the primary maintenance
16 will be subcontracted back out to the turbine
17 manufacturers as specialty maintenance. So, Brookfield
18 is not going to add a lot of new people at their office
19 in Berlin. I do not know the payroll numbers, but I do
20 know they're projecting approximately 350 new jobs at
21 the federal prison. At, you know, at -- if it's 40 or
22 \$50,000 a job, that's going to, of course, be a couple
23 hundred million dollars in payroll.

24 Q. So, hypothetically speaking, if these two projects were

1 to go on line as projected for the spring and summer,
2 what kind of impact can that 200 million payroll have
3 on the concerns that our politicians have raised over
4 Berlin's current economic crisis?

5 A. That's a broad question that I don't necessarily
6 understand totally. It's clear that the prison is
7 being built, and they're going to be bringing in a
8 significant amount of labor. The Feds have put an
9 interesting condition on the labor, where they have to
10 be -- I think it's either 34 or 35 years or younger.
11 So, there's a very different in migration of a young
12 crowd. And, it's clearly going to be helpful to the
13 entire region.

14 The wood plant is going to more than
15 likely reabsorb a number of the mill workers who were
16 millwrights, who ran the original wood plants, the
17 original boiler, this boiler was run by a boiler crew.
18 I would expect and anticipate that a number of the
19 original workers will come back, get retrained with
20 Laidlaw. And, so, I think it's going to absorb some
21 existing long-term layoff or people that have taken
22 what do they call that, a lesser job or something. I
23 don't think that the wind plant is going to do much in
24 the way of labor.

1 Q. Are you aware that the average worker age in that mill
2 was between 50 and 55?

3 A. Yes, I am.

4 Q. And, you think that the odds of that pool of worker
5 having reached that age, having reached a point where,
6 more than likely, they certainly have secured payoff in
7 many cases of their mortgages, etcetera, etcetera, you
8 really think that that is something that's going to
9 happen in Berlin between the ages of 50 and 55?

10 A. Well, you're asking me if the guys -- the older guys
11 are going to come back to work. Certainly, there's
12 some -- of those older people will want to work, and
13 may well come back to work, if they're not working.
14 There wasn't everybody that was under -- that was over
15 50 either. There are some younger people. This plant
16 needs between -- is going to need close to I think it's
17 40 people is the estimate. So, I think they will tap a
18 certain percentage of people that used to work at that
19 mill that are very familiar with that type of
20 machinery. You've got the log yard, you've got the log
21 yard people, the people who were let go when Currier
22 went under. When the log operation, which was
23 subcontracted out, went under, those guys are around.
24 So, I think you're going to pick up some of those guys.

1 I think you're also going to get some new people. And,
2 I also think you're going to get some people that might
3 move, might shift from other lesser jobs in the entire
4 region. Whether it's Gorham, Lancaster, Groveton.
5 Don't forget we still have everyone that was laid off
6 at the Groveton Mill, that can commute very easily to
7 Berlin. They operated the boilers, they also operated
8 the combined -- the turbine plants at Groveton. So, we
9 have the Groveton crew also that may want to come down.
10 So, I think the labor pool is going to be okay.

11 Q. Of those 40 jobs that you're talking about, how many of
12 those jobs are specialized? That not necessarily a
13 papermaker or somebody within the paper industry would
14 be necessarily schooled as a 50 to 55 year old in that
15 field?

16 A. At least half of those jobs in a wood plant are very
17 specialized. And, people are going to be either
18 trained into those positions or bring some specialty
19 skills with them.

20 Q. So, we're talking about 20 direct jobs, perhaps in a
21 pool of the 50 to 55 average age group?

22 A. Yes.

23 MR. EDWARDS: Thank you. That's all I
24 have.

1 CHAIRMAN GETZ: Thank you. Ms.

2 Hatfield?

3 MS. HATFIELD: I have no questions.

4 Thank you.

5 CHAIRMAN GETZ: Mr. Shulock?

6 MR. SHULOCK: I have no questions.

7 CHAIRMAN GETZ: Commissioner Below.

8 CMSR. BELOW: Yes. Thank you.

9 BY CMSR. BELOW:

10 Q. Mr. Sansoucy, on your Exhibit 10, can you tell us what
11 is either assumed or implicit for the annual output
12 that you used in your calculations in megawatt-hours?

13 A. Yes, Commissioner. In the first exhibit, it was
14 431,000 approximate megawatt-hours. And, in the
15 revised exhibit, it was 500,000.

16 Q. Okay. Thank you. I believe you made a statement to
17 the effect that "wind is not in any circumstance as
18 valuable as wood, in terms of its energy output." Is
19 that correct?

20 A. Yes, that's my belief.

21 Q. Is that all wind, all locations, or what -- what's the
22 context of that statement?

23 A. The context is wind in New England is vastly more
24 intermittent and less predictable than wind in the

1 Midwest and the West.

2 Q. Are you distinguishing between onshore and offshore
3 wind?

4 A. I am not distinguishing offshore. I have not studied
5 the wind roses offshore. I'm only saying that in
6 relationship to the onshore wind plants that we have
7 looked at in New England.

8 Q. Okay. So, you would add that qualification to your
9 previous testimony?

10 A. Yes, I would, sir.

11 Q. I have another question, I'm just not thinking of it
12 right now. Just a moment. On Page 11 of your direct
13 testimony, at Line 15, 11 and 15, you've referred to a
14 "natural gas major transmission line from Canada to
15 Boston" that runs through the City of Berlin?

16 A. Yes, sir.

17 Q. What are you referring to, in terms of "Canada to
18 Boston"? Are you referring to pipelines that go to
19 Portland, Maine?

20 A. No. The pipeline I'm referring to that is in Berlin is
21 Portland Natural Gas Transmission line, that emanates
22 in Canada, comes through the State of New Hampshire,
23 goes to Portland, and then ties up with Maritimes
24 Northeast into the Boston markets. It's the Portland

1 Natural Gas Transmission line, separate from Portland
2 Pipeline.

3 Q. Right. But that natural gas transmission line
4 essentially runs from Portland, Maine, to Canada, is
5 that correct?

6 A. Yes, it does. And, then, it -- it runs from Boston,
7 basically, to Portland. It ties up at the line that
8 comes from Sable Island that comes down from down
9 central Maine.

10 Q. So, what is your understanding of how gas flows through
11 that line?

12 A. Gas flows at this time from Canada to Boston in that
13 line, runs to the Boston market. There is offtake at
14 the Newington Station for the Newington power plants.
15 And, yes, that's where the offtake is for it.

16 CMSR. BELOW: That's all.

17 CHAIRMAN GETZ: Commissioner Ignatius.

18 CMSR. IGNATIUS: Thank you. Good
19 afternoon, Mr. Sansoucy.

20 WITNESS SANSOUCY: Good afternoon.

21 BY CMSR. IGNATIUS:

22 Q. You know from the filed testimony and from hearing the
23 PSNH witnesses at the start of this case that PSNH is
24 very reluctant to make forecasts of future prices,

1 correct?

2 A. Yes, they are.

3 Q. What do you make of that reluctance, given what you do
4 in forecasting prices?

5 A. I think that it's very valid that Public Service
6 operate in the existing world the way they do.
7 Unfortunately, what I have to do in my world is
8 forecast, because I have to produce values now, and I
9 do it by forecasting. Public Service has long asked
10 us, along with other utilities, not just them, to
11 consider the income approach, market sales approach, to
12 valuation of their utility property. It requires me to
13 forecast. So, I have to put that out there. Forecasts
14 are just what they are, they're forecasts. In this
15 instance, I compliment Public Service for structuring a
16 PPA that is essentially -- doesn't need forecasts to
17 potentially provide benefits. Especially in light of
18 what occurred in, you know, the last round of the IPP,
19 you know, the 15 cent contracts were based on forecasts
20 at the time. We were all in the room when that
21 happened. We were wrong by 30 years. Here we are
22 today, I guess, but we were wrong when that happened,
23 so -- except the early ones. I remember the early
24 contracts were structured similar to these, what I

1 called then the "original 90-10s". Where 10 percent of
2 the total cash flow was put into an account, an escrow
3 account, to be used against under-market power
4 payments, versus over-market power payments for the
5 ratepayers. And, those got washed out through
6 forecasts.

7 So, my world, I have to forecast. In
8 this PPA, I think Public Service has done a good job of
9 structuring a PPA without relying on forecasts. And, I
10 understand why they have done it.

11 Q. Do you have confidence in your forecasts?

12 A. Yes, I do. I have confidence in them, because I have
13 to -- I have to choose forecasts that, to the best of
14 my ability to screen through their assumptions, are
15 reasonable. Now, that doesn't mean I accept everything
16 they say verbatim. That doesn't mean that me sitting
17 in New Hampshire, in the center where I value property,
18 agree with every component in the forecast. But, yes,
19 I have confidence in them. I have used the original
20 Platts. Ventyx is the outgrowth of the original Platts
21 Forecasting Group, and we've used them now for about
22 ten years. One of the good things about using them and
23 staying with them, they're a good forecasting, is the
24 consistency that it provides my towns and cities and

1 the utilities we value. Right or wrong, there is a
2 consistency in the valuations that relate to consistent
3 forecasts. And, that's a positive thing for both the
4 communities and the taxpayers.

5 Q. When you first identified in your direct testimony that
6 you thought that the Laidlaw plant and the PPA could
7 lead to a \$300 million savings, why did you not
8 quantify those savings and go through the analysis?

9 A. Because I was working on running valuation models for
10 the City. I was coming up with very positive values,
11 much greater than the testimony was saying. I was then
12 going back and putting together the pieces of what are
13 the components of that value, that over value? Is it
14 carbon? Is it electricity? Is it capacity? Is it the
15 RECs? And, I got to -- I was able to get to the point
16 of producing the estimate of 300 million in time for
17 the direct testimony. But I was not able to put
18 together a illustrative 20-page technical package on
19 all the reasons why, because it was all in the
20 computer, it was all in my notes. I had run all of the
21 property values. And, the property values were coming
22 in much higher than the testimony would allow you to
23 believe. So, I knew that there was some positive
24 benefit that was accruing under the surface. I needed

1 to find it. I didn't get to the ability to put
2 together a more detailed package for the direct
3 testimony by the time it was due.

4 Q. How do you get to a total if you don't know your
5 components?

6 A. I was developing my components. I did develop them.

7 Q. But how do you start with a total of 300 and then later
8 figure out what the components are that add to 300?

9 A. No. I didn't start with the total. What I started
10 with is, on Exhibit 10, the Base Case. That Base Case
11 came directly out of my valuation work, where I modeled
12 the power plant and modeled the PPA.

13 Q. Mr. Sansoucy, I asked you about your direct testimony,
14 --

15 A. Oh, I'm sorry.

16 Q. -- in which you included \$300 million without any
17 explanation on Page 9.

18 A. Right. Right. My 300 million, I did prepare -- I did
19 have the numbers that prepared the table for Exhibit 1
20 in my PPA -- my data request. I had those numbers put
21 together in different increments and pieces.

22 Q. You stated that a number of renewable plants have been
23 "canceled", despite early interest in being in the
24 queue and other early development discussions. What

1 are some examples of actual plants that have been
2 canceled?

3 A. Well, the most recent cancellation is Madiera
4 Energy/Pioneer Energy, the 50 megawatt wood plant that
5 is proposed for the Greenfield, Massachusetts area. In
6 talking with the developer last week, they're
7 essentially giving up on that plant. The Russell
8 biomass plant, in Russell, Massachusetts, is
9 essentially on ice. And, then, on the ISO website,
10 there is a list, and it's actually printed with the ISO
11 queue, that lists all of the cancellations of projects.
12 They got the queue, and then they got the
13 cancellations. But the two big biomass plants in
14 Massachusetts, one is essentially canceled and one is
15 on hold.

16 Q. And, it's your view that that's because of financing
17 constraints without a PPA?

18 A. The two wood plants are financing. They're essentially
19 permitted. There is a -- there was a wind plant in
20 northern Vermont, where the owner is walking away from
21 his -- that proposal, up in the Northeast Kingdom.
22 And, that is just not going to be financially feasible
23 for him, it's too small. But no one's offering --
24 Everybody needs a PPA to get going, and nobody is

1 offering a PPA to get going. They need a -- you know,
2 we know that Russell Biomass cannot get a PPA for their
3 wood plant, for example.

4 Q. Let me ask you about your Exhibits 9 and 10. I've
5 heard two different answers to a couple of questions,
6 depending on when they were asked. And, so, I'm going
7 to ask you again, and see if maybe it was my notes that
8 were wrong. On Exhibit 9, did you assume the higher or
9 the lower capacity?

10 A. Exhibit 9 doesn't require the assumption of a high or
11 low capacity, except in the capacity price conversions.
12 And, those conversions we're assuming the lower, on K
13 and L.

14 Q. And, I have a record that Mr. Bersak asked you that
15 question, and you said it assumed the higher "67.5
16 capacity". So, it's the lower?

17 A. I have to double-check. We're going back and forth. I
18 can answer that very quickly. The Exhibit 9, it
19 assumes the 67.5. It's the higher. I just cross
20 calculated the capacity, it's the higher. And, it is
21 the higher. So, I have converted it to the higher.

22 Q. So, the answer a moment ago to Mr. Below is wrong, it's
23 not the lower number, it's the higher?

24 A. It's the higher number, yes, it is.

1 Q. And, on Exhibit 10, does it use the higher or the
2 lower?

3 A. 10 uses the lower, because it was created earlier.

4 Q. Okay. So, when you just told Commissioner Below it was
5 the higher, that was a mistake?

6 A. Yes. It's reversed.

7 Q. If Exhibit 10 was created after Exhibit 9, why would
8 you go from the larger in Exhibit 9 to the smaller in
9 Exhibit 10?

10 A. No. Exhibit 10 was not created after Exhibit 9. It
11 was included in this document, but it was the first
12 creation based on my original direct testimony for the
13 300 million. And, then, it was prepared for the data
14 request, and it was included in the rebuttal testimony.

15 Q. Similarly, I heard two different answers on Exhibit 10,
16 in Column E, whether it was based on -- the capacity
17 price was based on 2009 or 2010 figures. You said to
18 Mr. McCluskey that "it was based on 2009" -- excuse me,
19 "2010". But, I think, when an earlier discussion was
20 that it was using the 2009 figures, and the only thing
21 that had changed were the calculation -- the
22 escalation, the 2.5 escalation?

23 A. Okay. Column E in 10 used the Fall 2009 energy price.
24 It used the Company contract REC, and the Fall 2010

1 capacity price.

2 Q. And, why use a different year?

3 A. Because the whole point of 10 was to back up my
4 statement that, under a high energy, high capacity
5 scenario, there could be significant savings to the
6 ratepayer. The forecast for energy, the high energy,
7 which includes carbon, was fall and spring, were the
8 last two forecasts for Ventyx with carbon. The high
9 capacity forecast is the most recent. So, I married
10 the two forecasts to come up with the high scenario to
11 back up my statement, that the whole -- the statement
12 in the direct testimony is, under a high energy, high
13 capacity forecast, i.e., the Fall or Spring 2009
14 energy, the Fall capacity of 2010, to marry those two
15 together, that's why you've got two separate years.
16 There's no greenhouse gas forecast for Fall of 2010 for
17 energy. They did not forecast it, they took it off the
18 table.

19 CHAIRMAN GETZ: I'm sorry, say that
20 again.

21 WITNESS SAN SOUCY: There's no Fall 2010
22 forecast for carbon. Ventyx did not include it in their
23 forecast. They took it off the table until further
24 clarity from the Legislature, from Congress.

1 BY CMSR. IGNATIUS:

2 Q. Looking at your Exhibit 9, at the Column J, "Total
3 Market Capacity", between Year 1 and Year 2, there is a
4 significant increase.

5 A. Yes.

6 Q. And, I guess I won't ask you to give the number, if
7 that's protected. I don't know the source of the
8 number, so I'm not sure.

9 A. It's not protected.

10 Q. All right. It does not come from the Ventyx numbers?

11 A. One, the first one does not come from Ventyx. The
12 first year is 2014, which is the last year of the
13 capacity forwards, which is \$36 a year. The second
14 year comes from Ventyx at 2.5 percent inflation from
15 2010, and that is \$93 a year from Ventyx, adjusted for
16 inflation. No. The 93 is adjusted with 2.5 percent
17 inflation from 2010. It was 80 some odd dollars in the
18 Ventyx forecast. So, that's -- the jump is coming off
19 of the forward capacity pricing market for 2014 to
20 2015.

21 Q. And, the significant increase in Years 1 and 2 in
22 Column L, can you explain that also please?

23 A. Yes. That's exactly the same. One is the capacity
24 price in kilowatt-months, and the other just converts

1 that to capacity price in megawatt-hours. It's just
2 the conversion of the capacity price converted to the
3 megawatt-hours produced for the year. So, this exact
4 same reason for the change. One is the forward
5 capacity market, the other is the Ventyx projection for
6 2015.

7 Q. You said to Mr. McCluskey that, although Ventyx studies
8 include projections of REC prices, you didn't use or
9 study them, correct?

10 A. I studied them. We did not use them.

11 Q. And, you said that it wasn't appropriate to use them,
12 because the REC price is fixed in the PPA, correct?

13 A. That's correct.

14 Q. But didn't you also say to Mr. McCluskey that the
15 energy price is fixed in the PPA, but for the Wood
16 Price Adjustment?

17 A. Yes.

18 Q. Then, why is it appropriate to use the projections for
19 the energy price from Ventyx, but not to use the REC
20 price from Ventyx?

21 A. Because I am comparing the effect of energy and
22 capacity forecasts on whether or not this PPA has a
23 possibility or probability of being a good deal for the
24 ratepayers. It is in direct rebuttal to Staff and OCA

1 not addressing those two issues, especially the
2 capacity. I will point out that the Ventyx capacity
3 pricing is approximately equal to the PPA in their
4 projections. So, it runs up about \$25 to \$30, plus
5 inflation. And, the bulk of the PPA, which would bring
6 it up to 40 to 50, the bulk of the PPA, at 50 percent,
7 is down around \$45. I did not use that projection,
8 because I wasn't doing that analysis. My analysis is
9 very simple. You avoided the issue of capacity, which
10 is a major component of a wood plant. It's
11 significant, it should be valued and taken into
12 consideration. Staff didn't deal with capacity,
13 period. And, then, I went to the issue of energy. The
14 testimony against this plant is based on the current
15 short-term energy outlook. And, that energy outlook is
16 tanked. We know that. I don't believe it's going to
17 stay there. I believe it's going to reverse.

18 I did not do an independent projection
19 of the value of the RECs. The RECs are fixed, in my
20 view. And, I don't believe they would add anything to
21 my analysis. Although, I will say that the Ventyx REC
22 pricing is not that dissimilar from the discounted RECs
23 in the PPA.

24 Q. Mr. Edwards asked you about what would happen if, as he

1 put it, Noble filled the capacity on the transmission
2 line, and what that would mean for what Laidlaw would
3 have to do. Let me ask you a slightly different
4 question, which may or may not be what he was getting
5 at. If the Noble Wind Project were running at full
6 capacity, and Laidlaw were constructed, would not
7 Laidlaw be dispatched down to allow the wind plant to
8 be fully dispatched during a period of high production?

9 A. My conversations with the people in the North Country
10 from Public Service on that grid is this: That there
11 is the possibility of a coincident peak, with a
12 significant outflow from the hydroelectric plants, and
13 very little internal use by the people in the Berlin
14 area that could result in a high water, so high hydro,
15 high wind, and high woods, where, for some period of
16 time, either short or less than short, Laidlaw would
17 have to probably feather back, that's true. And, I
18 think, in all of the capacity factors that everyone has
19 talked about, I don't think it would be that
20 significant to Laidlaw, because if the wind is
21 operating at a 25 percent capacity factor, and Laidlaw
22 is at a 85 percent, there's 15 full percentage points
23 for Laidlaw to feather back within its capacity factor.
24 Whereas, that represents more than 60 percent of the

1 time that the wind would be running 15 percentage
2 points to 25. But, yes, I think -- I believe that
3 everybody believes that there could be a set of
4 circumstances where Laidlaw would have to throttle back
5 until the system corrected itself.

6 Q. Well, is it the system correcting itself or just simply
7 that there's more capacity available?

8 A. The loads flow, that's correct. The loads re-adjust
9 and the capacity becomes available and it goes back up.
10 That being said, 100 megawatts of wind is a lot of wind
11 on the Coos grid. The Laidlaw plant is going to
12 stabilize the frequency of that wind. There's no
13 question about that. Especially, if Comerford and
14 Moore are offline for any reason, because they back
15 feed in and they control the frequency of that grid.
16 That is going to be essential to the frequency control.
17 The dispatch people may feather the wind back a little
18 bit, by feathering the blades, if they need to.

19 But I think the primary answer to your
20 question is I think that, within the capacity factor of
21 Laidlaw, there could be coincident peaks where they
22 have to throttle back.

23 CMSR. IGNATIUS: No other questions.

24 Thank you.

1 BY CMSR. BELOW:

2 Q. I am confused about something you just said. You were
3 talking about a high wind situation where the Coos Loop
4 may reach transmission capacity. And, you referred to
5 something like a 20 percent or something capacity
6 factor. In a high wind situation, isn't the capacity
7 factor wind close to its full capacity?

8 A. Yes. Yes. At a high wind, it's close to its full
9 capacity, but that doesn't occur very often. And, at a
10 25 percent capacity factor, the days where that would
11 occur are far less than the days where Laidlaw is
12 running at full bore. So, you need to have coincident
13 peaks in order to create that bottleneck. And,
14 Laidlaw's -- the wind plant is not going to run at full
15 capacity every single day of its capacity factor.
16 There's going to be very few days where it actually
17 runs full bore, all turbines, across that full
18 cross-section of mountains, because the wind varies so
19 much. But it could happen.

20 Q. And, your understanding is that it would have priority
21 on the transmission line when that occurs in general,
22 over the Laidlaw?

23 A. My understanding is, reliability of the Grid is top
24 priority, no matter who's in the queue. That the

1 frequency and the reliability of the Grid has top
2 priority. So, Laidlaw could have top priority for
3 frequency control and VAR control, depending on what's
4 happening in the Grid, and the wind boys would have to
5 feather their turbines.

6 All else being equal, it's my
7 understanding that first in the queue, that the wind
8 people would have first priority, if there was a
9 dispute on when they would run versus Laidlaw. But my
10 understanding is, when these plants are built, they
11 ultimately, under the interconnection agreements, have
12 to defer to reliable operation for the Grid, as
13 dispatched by New England ISO.

14 Q. And, when you, in your direct testimony, suggest that
15 there's a scenario which ratepayers could save up to
16 300 million over 20 years, under a carbon-constrained
17 high capacity cost market in the future, what have you
18 assumed about the Laidlaw power plant, in terms of
19 carbon-constrained use -- use of those figures from the
20 Ventyx earlier forecast?

21 A. I've assumed that the wood-fired plant, Laidlaw, will
22 not pay a carbon tax. That it will be deemed
23 "carbon-neutral". And, it will not pay a carbon tax.
24 It will be advantaged over a fossil fuel plant.

1 Q. And, what do you think the likelihood of it qualifying
2 for Class I RECs in Massachusetts is? At the time it
3 comes on line in 2014? Do you think that's likely that
4 it will qualify for Class I RECs in Massachusetts from
5 what you know?

6 A. From what I know, I think that the -- I think that
7 Massachusetts will change, and that no wood plant will
8 qualify for Class I RECs that's not located in the
9 State of Massachusetts. My own personal opinion is
10 that it is less likely that it will qualify than not
11 for Mass. RECs.

12 Q. And, the two that you referred to earlier that were
13 canceled, you said the reason you understand they were
14 cancelled was because they couldn't get PPAs or
15 financing. Does Massachusetts' change in its policy
16 with regard to its RPS potentially bear on why those
17 were canceled?

18 A. Yes. There's a confluence of not being able to get a
19 PPA and a confluence of Massachusetts putting a freeze
20 on any additional Class I RECs from wood plants, until
21 they review their carbon policy on wood plants and wood
22 sustainability in the State of Massachusetts and issue
23 new regulations in that regard. So, even if they
24 wanted today to get a contract, because this has been

1 ongoing for several years, even if they wanted a
2 contract today, that contract would have to be outside
3 of Massachusetts, and they would have to ship their
4 electricity out of Massachusetts, if they wanted RECs
5 today in Massachusetts.

6 Q. And, is that because Massachusetts seems to be
7 considering a policy where they might not deem certain
8 biomass fuel power plants to be carbon neutral?

9 A. No, that's not what it is. If you read the Manomet
10 study that was commissioned by the State, the Manomet
11 study --

12 Q. Excuse me, I didn't ask about the Manomet study.

13 A. Oh. Okay. But to get -- then, to get to your
14 question, Massachusetts is looking at whether or not it
15 should develop a policy of forest sustainability, as
16 opposed to any form of wholesale liquidation. And,
17 that forest sustainability, i.e., burning only what you
18 grow, will severely reduce the number of wood plants
19 that could possibly be built in Massachusetts to
20 approximately one and a half 50 megawatt plants. And,
21 it is considering that policy as the appropriate way to
22 permit the use of its own forests. And, what it says
23 is that the carbon deficit from the cutting, if they
24 slow down the amount that's burned annually in the

1 State of Massachusetts, that deficit fills in much
2 quicker, so that it becomes carbon positive much faster
3 or environmentally positive much faster, than it would
4 otherwise have become.

5 Q. If we look at your Exhibit 10, and using your -- in
6 years 2014, 2015, and 2016, under your assumptions that
7 you used for Column E, which include using Ventyx
8 energy and capacity market value forecasts, compared to
9 the Base Case. In Column F, you have a positive value
10 for those first three years of operations, is that
11 correct?

12 A. Yes.

13 Q. And, those positive values would indicate over-market
14 expenditures by PSNH for the purchase of that energy
15 and capacity?

16 A. Yes.

17 Q. And, it essentially assumes that the RECs are neither
18 over-market, nor under-market, that they are, in
19 effect, equal to market, is that --

20 A. It assumes that the RECs are what they are.

21 Q. And, that there's no over-market expense in those?

22 A. That's correct.

23 Q. Okay. Do you have any concern about, in those early
24 years, there being an over-market expense that would

1 raise Default Service rates and increase the migration
2 of customers who choose competitive suppliers that are
3 less expensive?

4 A. That's a great question. It has two parts. One is, if
5 there's an over-market expense that raises rates. And,
6 that has to be factored into the total rate structure
7 of Public Service, in that an over-market REC expense
8 is one expense on the plus side of the ledger, while
9 there may be expenses on the negative side of the
10 ledger that do not raise rates, so that there's a net
11 that doesn't raise rates. Okay. A second part of that
12 question is, that if rates go up one percent half a
13 percent from what they are now, I don't believe you're
14 going to see continued accelerated migration from
15 Public Service that we have seen in the last, I think,
16 two and a half years. If you look at the curve and the
17 present, that curve has flattened right off as to the
18 acceleration. The acceleration has stopped, and the
19 migration curve has flattened at around the 30 to
20 31 percent range. That is simply because the easy
21 people who can migrate, the people who can benefit the
22 most from migration, with this very low electric price,
23 have migrated. The residential and the commercials are
24 not significantly migrating. It's too much work and

1 nobody is servicing them. When we talk to the power
2 marketers, they're not even chasing the residentials,
3 because the cost of servicing the accounts greater than
4 the net benefit that they can get from the electricity.
5 So, I think the migration is beginning to feather off
6 and is not going to substantially grow. That's my --
7 that's my personal opinion.

8 Secondly, this sword has an enormous
9 back edge to it. If electricity prices -- if natural
10 gas prices begin to move at all, the advantage of the
11 migrants is going to diminish. And, the companies are
12 not going to be able to offer it. And, some portion of
13 that capacity is coming back, which is going to have a
14 tendency to reduce rates if it has to be served.
15 Unless there is a real toggle problem, because Public
16 Service is holding capacity, and the whole issue of
17 toggling back and forth and how much capacity does
18 Public Service have to hold. But I think the minute
19 that gas starts to rise, you're going to see a stop in
20 the migration and probably a reverse. And, I
21 personally don't believe you're going to see a greater
22 level of migration going forward. Public Service is
23 essentially more than a third residential, a third
24 commercial, and less than a third industrial. And, the

1 bulk of the big commercials and industrials have moved.
2 The rest of them, it's just not worth the power
3 marketers to try to serve those accounts for one cent
4 or a penny and a half a kilowatt on 6,000 kilowatts a
5 year, they can't do the paperwork. That's my opinion
6 on that.

7 CMSR. BELOW: That's all.

8 CHAIRMAN GETZ: Any redirect, Mr. Boldt?

9 MR. BOLDT: No, Mr. Chairman.

10 CHAIRMAN GETZ: Okay. Then, the witness
11 is excused. Thank you.

12 WITNESS SAN SOUCY: Thank you, your
13 Honor.

14 CHAIRMAN GETZ: I think what we'll do
15 now is take the lunch recess. And, after the recess, then
16 I understand we'll go to Mr. Traum. And, so, let's resume
17 at 2:30. Thank you, everyone.

18 (Whereupon the lunch recess was taken at
19 1:10 p.m. and the hearing resumed at
20 2:40 p.m.)

21 CHAIRMAN GETZ: Okay. Good afternoon.
22 We're back on the record in DE 10-195. And, turning to
23 the Office of Consumer Advocate. Ms. Hatfield.

24 MS. HATFIELD: Thank you, Mr. Chairman.

1 The OCA calls Ken Traum to the witness stand.

2 (Whereupon Kenneth E. Traum was duly
3 sworn and cautioned by the Court
4 Reporter.)

5 KENNETH E. TRAUM, SWORN

6 DIRECT EXAMINATION

7 BY MS. HATFIELD:

8 Q. Good afternoon, Mr. Traum. Would you please state your
9 full name for the record.

10 A. Kenneth E. Traum.

11 Q. And, by whom are you employed?

12 A. I'm employed by the Office of Consumer Advocate.

13 Q. And, how long have you been with the OCA?

14 A. For at least 21 years.

15 Q. And, have you testified previously before the
16 Commission?

17 A. On many occasions.

18 Q. Did you file testimony in this proceeding?

19 A. Yes, I did.

20 MS. HATFIELD: And, Mr. Chairman, we
21 have premarked Mr. Traum's testimony as "OCA 1-P" for
22 public and "1-C" for confidential.

23 BY MS. HATFIELD:

24 Q. Mr. Traum, do you have a copy of both of those versions

1 before you?

2 A. Yes, I do.

3 Q. Do you have any changes or corrections to make to your
4 testimony?

5 A. Not a change as such, I'd just like to point out that
6 my Attachment 7 had been completely confidential. And,
7 based upon a correspondence from Public Service, part
8 of it, the part that was relevant to my testimony, was
9 made public. And, the OCA has previously submitted the
10 revisions making that part of Attachment 7 public.

11 Q. And, you don't have any other changes or corrections?

12 A. No, I do not.

13 Q. Would you please, as briefly as possible, summarize
14 your testimony.

15 A. Certainly. My testimony in a nutshell is that the PPA,
16 as proposed, puts too great a risk on Energy Service
17 customers of Public Service. The risk is just too high
18 that over the 20-year term of the PPA they will have to
19 pay rates in excess of the market. That conclusion is
20 reached by comparing market price scenarios and PPA
21 price scenarios for energy and capacity and RECs over
22 the 20 years of the PPA. I understand that these are
23 simply scenarios and not a prediction of the future,
24 but they do illustrate that the PPA could be

1 significantly over market.

2 Though PSNH claims that the Cumulative
3 Reduction Fund, the CRF, mitigates the risk to
4 ratepayers of paying higher rates, in my view, in the
5 OCA's view, it does not. The CRF itself is too risky
6 and has many flaws that I go into in my testimony. In
7 the end, it's possible that the CRF will have no value.
8 And, even if it does, it does not make ratepayers whole
9 during the 20-year term.

10 RECs are a major concern under this PPA,
11 for three main reasons. First, as we've heard, Public
12 Service Energy Service customers do not need the RECs
13 in the early years, so they're buying a product they do
14 not need.

15 Second, the current RPS law may end in
16 2025. But, under the PPA, customers must purchase the
17 RECs for the years 2026 through 2034. In terms of
18 pricing of the RECs, the risk is too high that
19 ratepayers could pay more than necessary and may
20 purchase a product that is not required.

21 It is not my testimony that I know
22 exactly how much of the PPA will be over market. My
23 testimony was that the PPA is too risky as it is
24 currently structured. In my testimony, I also explain

1 why the OCA has concerns about the Wood Price
2 Adjustment, and the fact that the Schiller plant is the
3 benchmark for the wood price.

4 With regards to the 20-year term, the
5 OCA agrees with PSNH about the uncertainty and inherent
6 inaccuracy of long-term forecasts. Once burned to the
7 tune of \$2 billion over market, we don't want to go
8 anywhere near that path again. We frankly hope that
9 our projections in our testimony do prove to be wrong;
10 however, the risk that we might be right is why this
11 PPA, as currently structured, cannot be approved.

12 The OCA believes that any PPA proposed
13 should be more closely tied to market prices, such as
14 the Lempster PPA. And, in conclusion, the OCA again
15 believes that the Commission should reject the PPA as
16 proposed, as it imposes an unacceptable level of risk
17 on Energy Service customers. At the same time, the OCA
18 is certainly supportive of renewable energy
19 development, especially in the North Country. We
20 understand the need for a wood plant, and we appreciate
21 what a wood plant would do for that part of the state.

22 Q. Thank you, Mr. Traum. I have a few questions I'd like
23 to ask you about PSNH's rebuttal testimony. Do you
24 have that with you?

1 A. Yes, I do.

2 Q. If you turn to PSNH's rebuttal testimony, at Page 17
3 please.

4 A. I have that.

5 Q. Do you have that page?

6 A. Yes, I do.

7 Q. Beginning on Lines 24 and going through Line 27, the
8 PSNH witnesses discuss the migration docket. Do you
9 see that there?

10 A. Yes, I do.

11 Q. And, then, they discuss the fact that that is being
12 considered or at least has been raised in the migration
13 docket. And, then, they have a statement on Lines 26
14 to 27 that says that your suggestion in that docket "is
15 nonsensical, since divestiture wouldn't produce any
16 value." Can you respond to that please?

17 A. Certainly. And, it's interesting that the Company did
18 not take that position in the migration docket. As the
19 Commission knows, that docket was opened to investigate
20 solutions to the significant cost shifting that is
21 occurring to -- by shifting costs to smaller customers.
22 And, it's impacted by the fact that PSNH's generation
23 fleet, at least at this point in time, is over market.
24 So, in that docket, the OCA had suggested that the

1 Commission perhaps open a proceeding to look into the
2 issue of divestiture. We weren't saying you should
3 order divestiture, you should just investigate it.
4 And, certainly, a driver for why we were saying
5 investigate divestiture is that we were looking at
6 annual over-market costs from PSNH's generation in the
7 neighborhood of \$100 million. And, that was the real
8 driver for why we thought divestiture is something that
9 has to be looked at. Now, I certainly do not think
10 that that's a nonsensical issue.

11 Q. Turning to Page 18 of PSNH's rebuttal, on Line 7, the
12 Company raises an issue that you raised in your
13 testimony, and that has to do with the "matching"
14 issue. Can you address their testimony there please?

15 A. Certainly. Under traditional ratemaking, rates are set
16 based upon the cost of service, not the cost of service
17 plus a premium, which may or may not accrue to the
18 benefit of some future customers in 20 years. So, I
19 view this, in effect, as a version of allowing CWIP in
20 rates.

21 Q. If you would please turn to the very last page of
22 PSNH's rebuttal, which is their Attachment 7 please.

23 A. I have it.

24 Q. And, this provides a history of wood prices for the

1 Concord Steam plant, is that your understanding?

2 A. Yes, it is.

3 Q. And, you raised an issue related to this in your
4 testimony, is that correct?

5 A. Yes. On Page 11 of my testimony, I raised a concern
6 about having a Wood Price Adjustment that's tied to the
7 price of wood at Schiller Station. And, when one
8 compares the prices from Schiller, with those provided
9 for Concord, you can see that historically the prices
10 at Schiller have been greatly in excess of those in
11 Concord. So, if we assume the Schiller costs are
12 prudent, the comparison buttresses my concern that
13 Schiller prices are not a reasonable proxy for what
14 Laidlaw would pay for wood in an even more rural area
15 than Concord.

16 Q. Mr. Traum, I'd like to ask you a few questions about
17 what has been marked as "PSNH Exhibit 9 Revision 1".
18 Do you have a copy of that with you?

19 A. Yes, I do.

20 Q. And, you were here, I believe, when the Company
21 witnesses testified about this document?

22 A. Yes, I was.

23 Q. And, could you just give us any reaction that you have
24 to what's in this document that is actually titled

1 "Changes to PPA offered by Laidlaw" please.

2 A. Yes. And, I'd start by conditioning by comments by
3 first saying, I have not had an opportunity to conduct
4 proper discovery or analysis of the potential
5 revisions. And, as Mr. Long had even said, in response
6 to a question from Attorney Bersak, it's a guess on
7 whether or not these changes are better or worse for
8 Energy Service customers.

9 Now, moving on to the specific items
10 within Exhibit 9 Revised. On Item 1, the contract
11 quantity, under the current PPA, even PSNH indicates
12 there's an ambiguity in the project size for purposes
13 of the PPA. Under Exhibit 9 Revised, the size will be
14 higher than that used by PSNH in its Base Case
15 scenario, as well as Exhibit 1 to the original PPA.
16 Since the OCA views the over market risk of the PPA as
17 originally proposed as being unacceptable, we view this
18 provision as simply making things worse, by clarifying
19 that the plant and the PPA can be expanded
20 significantly above levels indicated in previously
21 provided information.

22 On Item 2, "Interest on [the] Cumulative
23 Reduction Account", although the OCA continues to
24 disagree with the concept of a CRF, if the Commission

1 were to decide it is appropriate, then we believe
2 interest should be included. At this point, though, we
3 don't have a position on whether the proposed interest
4 rate is the appropriate one.

5 With regards to Item 3, which greatly
6 expands the purview of the CRF to include RECs, again,
7 if the Commission were to decide it is appropriate to
8 have a CRF, then we would believe it is appropriate to
9 expand it to include RECs. But we disagree with the
10 exclusion of Schiller RECs and are concerned that
11 Energy Service customers aren't fully protected against
12 the possibility that the CRF will exceed the market
13 value of the plant at the end of the PRF -- PPA.

14 On Item 4, that by itself doesn't change
15 anything from the original PPA.

16 Item 5 reduces the Wood Price Factor
17 from 1.8 to 1.6 for any price variances from \$30 per
18 ton. This change would work to the benefit of Laidlaw
19 or Energy Service customers, depending on the price of
20 wood at Schiller. Getting beyond my prior comments
21 about the inappropriateness of using Schiller prices as
22 a proxy for the WPA, 1.6 -- if 1.6 is good enough for
23 variances in wood prices, we think it should be used
24 throughout the PPA, just not -- not just for variances.

1 CHAIRMAN GETZ: Just one thing. On
2 Number 4, the "Base Price Energy", which you said it
3 "doesn't change anything". It doesn't change anything
4 about your opinion about the riskiness of the contract?

5 WITNESS TRAUM: Under the current PPA,
6 the base price would still be lowered from 83 to 75.80, if
7 the cost of wood went from 34 to 30. What is changing is
8 that they're moving the base from 34 to 30 for purposes of
9 the 1.6.

10 CHAIRMAN GETZ: Okay.

11 WITNESS TRAUM: Only for that.

12 CHAIRMAN GETZ: Okay. Thank you.

13 BY MS. HATFIELD:

14 Q. Mr. Traum, you just a few moments ago made a reference
15 to the fact that you don't agree that Schiller RECs
16 should be excluded from Item 3, do you recall that?

17 A. Yes, I do.

18 Q. And, do you also recall Mr. Long's testimony last week
19 that it's the Company's position that the Schiller
20 agreement and the order in the '03 docket requires the
21 Company to sell Schiller RECs?

22 A. I do recall Mr. Long's testimony.

23 Q. And, as someone who participated in that docket, do you
24 agree with that interpretation?

1 A. No, I do not.

2 Q. Can you explain why please?

3 A. Certainly. By way of background, one must remember
4 that, at the time, New Hampshire didn't have an RPS
5 statute when we were negotiating the modification.
6 That said, the 50/50 sharing between stockholders and
7 Energy Service customers was based on the difference
8 between an annual revenue target and actual annual
9 incremental total revenue. And, now, I'll quote from
10 the revised wording in the joint motion that was
11 accepted by the Commission on this. And, it said, "The
12 actual annual incremental total revenue (incremental
13 total revenue) achieved by the Northern Wood Power
14 Project shall be the sum of all incremental revenues,
15 credits, and cost avoidances achieved by PSNH, from all
16 sources, that would be included in PSNH's annual
17 adjustment to energy power supply costs."

18 Q. And, Mr. Traum, that document you're referring to is
19 from the Commission docket DE 03-166, is that correct?

20 A. That is correct. And, the Joint Motion for
21 Reconsideration, which was accepted in Order Number
22 24,276.

23 And, what I would focus on is the words
24 "cost avoidances". Clearly, replacing a REC that PSNH

1 might have to purchase under the Laidlaw PPA with one
2 from Schiller would be an example of cost avoidance.
3 The amount of the cost avoided would be subject to the
4 sharing formula similarly to revenues from the sale of
5 the Schiller RECs to a third party.

6 And, even in PSNH's testimony in the
7 underlying docket filed on March 19th, 2004, in support
8 of the modification petition, they stated on Page 8,
9 Lines 8 through 11, "Regardless of the revenue, credit,
10 or cost avoidance mechanism, megawatt-hours generated
11 in a calendar year and the associated renewable
12 attribute revenue and any avoided costs of a calendar
13 year will be credited during the annual reconciliation
14 that occurs in the following year. Again, cost
15 avoidance is treated equally with incremental revenues
16 and credits.

17 Q. Mr. Traum, I'd like to ask you a question about
18 Dr. Shapiro's rebuttal testimony. Do you have that
19 with you?

20 A. Yes, I do.

21 Q. And, do you recall that she has testified about both
22 the economic benefits of the Project, and she's also
23 acknowledged that the Project could result in an
24 increase in energy rates?

1 A. Yes.

2 Q. And, did you have any response to that?

3 A. Yes. And, I guess I just want to really address the
4 issue of impact on energy rates. And, I think, at the
5 same point, to respond to a question from Commissioner
6 Ignatius about potential rate impacts here. What I
7 want to point out is that the impact of the potential
8 \$26 million over-market payments under the PPA on an
9 annual basis, the \$26 million I believe is the number
10 that Dr. Shapiro used in her testimony, that that
11 26 million would only impact a subset of PSNH's
12 customers, the Energy Service customers. Which they
13 represent less than 70 percent of PSNH's total load.
14 And, as the Commission knows from the migration docket,
15 they're primarily the smaller captive customers.

16 In terms of the potential impact of
17 \$26 million on the Energy Service rate, if I simply
18 were to look at current forecasts of Energy Service
19 sales on an annual basis, we're in approximately the
20 five and a half million megawatt-hour range. So,
21 \$26 million, spread over five and a half million
22 megawatt-hours, is about a half a cent impact on the
23 Energy Service rate. If we say an Energy Service rate
24 is hypothetically 10 cents, that's a 5 percent increase

1 in the Energy Service rate. That's, to me, a
2 significant impact, which would further induce
3 migration, thus aggravating the situation for, again,
4 the captive customers.

5 Q. Mr. Traum, I'd like you, if you have it with you, to
6 please turn to the Ventyx materials that have been
7 provided by the City of Berlin.

8 A. Yes, I have that.

9 Q. And, do you also have Mr. Sansoucy's rebuttal testimony
10 with you?

11 A. Yes, I do.

12 Q. And, I'd like to ask you a few questions and try not to
13 get into the copyrighted material, if that's possible.
14 If you look at the very last page of Mr. Sansoucy's
15 rebuttal, that's his "Exhibit 10", do you have that?

16 A. Yes, I do.

17 Q. And, I think Mr. Sansoucy testified earlier that, in
18 each of his columns in Exhibit 10, he used the PPA REC
19 price. Is that your understanding?

20 A. Yes.

21 Q. So, even though it seems as though he was trying to do
22 a comparison of the PPA versus market, when he was
23 developing the market price, he used the PPA REC price,
24 is that right?

1 A. He apparently, as I understand his explanation on the
2 stand today, which differed somewhat from the
3 explanation at the technical session yesterday, that,
4 for purposes of Exhibit 10, he used either a 2009 or
5 2010 energy or capacity prices from Ventyx, but he
6 ignored the Ventyx REC assumptions forecasts.

7 Q. Can you just pull the microphone a little closer?
8 Thank you. But Mr. Sansoucy did acknowledge that there
9 is a REC forecast in the Ventyx materials, right?

10 A. Yes, he did.

11 Q. And, we could find that on the second to last page of
12 the big Ventyx 2010 packet at Page E-2, is that right?

13 A. That's correct.

14 Q. And, do you know, if you look at that table and use the
15 pricing that's appropriate for our region, does that
16 change the outcome of Mr. Sansoucy's Exhibit 10?

17 A. It absolutely does. After receiving the information
18 from Mr. Sansoucy yesterday, and the spreadsheets, I
19 saw there was an inconsistency in terms of the
20 application of the Ventyx numbers. And, I tried to
21 recreate what the PPA price versus market would be over
22 the 20 years, if I were to use Ventyx for the Ventyx
23 energy, capacity, and REC price forecasts. When I used
24 all three of those, what I come out with is that the

1 Laidlaw PPA payments are 300 million over the Ventyx
2 market forecasts.

3 CHAIRMAN GETZ: Are they all at the same
4 vintage?

5 WITNESS TRAUM: Yes. I used Fall 2010
6 consistently, the most recent information that we were
7 provided.

8 MS. HATFIELD: I have nothing further.
9 The witness is available for cross-examination. Thank
10 you.

11 CHAIRMAN GETZ: Okay. Thank you. Has
12 there been some agreement on order of cross? Because, in
13 the absence of such agreement, I guess I would go to
14 Mr. Shulock, Ms. Amidon, Mr. Edwards, Mr. Boldt, and Mr.
15 Bersak.

16 MR. SHULOCK: Okay.

17 CHAIRMAN GETZ: Mr. Shulock.

18 CROSS-EXAMINATION

19 BY MR. SHULOCK:

20 Q. Mr. Traum, I'd like to direct your attention to IPP
21 Exhibit 26 and 27. Do you have those up there with
22 you?

23 A. I do not have those, I don't have the IPP ones.
24 Whether it's a particular data response, I may have it.

1 (Atty. Shulock handing document to the
2 witness.)

3 WITNESS TRAUM: Okay. Thank you. Yes,
4 I have them.

5 BY MR. SHULOCK:

6 Q. On Page 6 of your testimony, when you were determining
7 the risk that ratepayers would face as a result of the
8 Laidlaw PPA, you estimated a cumulative over-market
9 cost for RECs of \$276 million, is that correct?

10 A. Yes. And, that number appears on Line 21.

11 Q. Okay. Did your estimate account for there being no RPS
12 requirement in 2026 and beyond?

13 A. For purposes of the 276 million, I assumed that the
14 RECs would continue.

15 Q. And, if the RECs did not continue, how would that
16 change your analysis?

17 A. Well, that's the basis of IPP 26, which would indicate
18 that it would add approximately another \$100 million
19 over market to my 276 million.

20 Q. And, if I can direct your attention now to Page 10 of
21 your testimony and KET-4, and IPP Exhibit 27.

22 A. I have it.

23 Q. When you were determining the risk that ratepayers
24 would face, you estimated the interest on the

1 over-market costs under the Cumulative Reduction
2 Account. And, you estimated those to be \$4.7 million,
3 is that correct?

4 A. That is on Line 2 of Page 10 of my testimony.

5 Q. And, you estimated that at what percentage rate?

6 A. I believe I used three and a half percent, which I
7 believe was the prime rate at that point in time, which
8 is consistent with the rate the Commission uses in
9 other proceedings.

10 Q. But, in your direct testimony, you did not calculate
11 interest on the over-market costs of capacity and RECs.
12 And, we asked you to do that as part of a discovery
13 request, and you did. And, can you tell us what your
14 estimate is of the interest on the over-market cost of
15 capacity would be under the PPA?

16 A. Approximately \$1 million.

17 Q. Okay. And, if you assumed that the RPS continued, what
18 would be the interest on the over-market portion of the
19 REC payment?

20 A. Again, using the same interest rate assumption,
21 approximately \$120 million.

22 Q. And, if you assumed that the RPS ends in 2025, would
23 that add an additional cost?

24 A. That would add an additional \$14 million.

1 Q. And, this morning you testified about the importance of
2 migration. Will you agree that one of the most
3 important factors to project, when looking at PSNH's
4 Default Service needs over time, would be the rate and
5 level of migration?

6 A. That certainly is a very, very significant issue.

7 MR. SHULOCK: Thank you. I have no more
8 questions.

9 CHAIRMAN GETZ: Thank you. Ms. Amidon.

10 MS. AMIDON: Thank you. Good afternoon,
11 Mr. Traum.

12 WITNESS TRAUM: Good afternoon.

13 BY MS. AMIDON:

14 Q. Regarding the over market analysis in your testimony,
15 do you consider that to be a forecast or a prediction
16 of future prices of the PPA products?

17 A. I consider it to be merely illustrative. I wouldn't
18 call it a "forecast" or "prediction".

19 Q. Thank you. If PSNH's scenarios which you used in your
20 testimony prove to be wrong, your testimony would be
21 that the PPA is still too risky for Energy Service
22 customers, is that correct?

23 A. Yes.

24 Q. Would you agree that the overall purpose of the

1 Renewable Portfolio Standard is to have a market-based
2 approach to providing a subsidy paid by ratepayers to
3 construct renewable energy facilities?

4 A. Yes. The RPS statute was established to create a
5 subsidy and revenue stream for the purpose of incenting
6 renewable generation. If that revenue stream is
7 insufficient, perhaps that's an issue to be addressed
8 by the Legislature.

9 Q. Thank you. Now, I think I heard you say that "the
10 prices at Schiller" -- or "using the price at Schiller
11 is not a good index." Does it necessarily reflect the
12 market?

13 A. Where it may reflect the market where Schiller is
14 located, I wouldn't agree that it reflects the market
15 in Berlin.

16 Q. Thank you. Now, you have said that you recommend that
17 the Commission reject the PPA as filed, is that
18 correct?

19 A. Yes.

20 Q. Does that mean that you are not amenable to a PPA for
21 renewable energy facilities generally?

22 A. Oh, absolutely not.

23 Q. Okay. And, regarding the construction of the Laidlaw
24 projects in Berlin, do you have any opposition to a

1 wood plant being located there?

2 A. No.

3 Q. And, do you oppose the ratepayers purchasing the output
4 from such a facility?

5 A. No, as long as it's cost-effective and consistent with
6 the statute.

7 Q. And, you mentioned the "Cumulative Reduction Fund". Do
8 you consider that to be a deferral?

9 A. Yes, I do.

10 Q. Thank you. Do you think that any of the changes that
11 were suggested as "Changes to PPA offered by Laidlaw",
12 in PSNH Exhibit 9 Revised, reduce the risk that the PPA
13 could be over market?

14 A. No, I do not.

15 MS. AMIDON: Thank you. Mr. McCluskey
16 has one question for Mr. Traum.

17 MR. McCLUSKEY: Actually, Commission,
18 I've got one area of questioning, so it might go on for a
19 little while.

20 CHAIRMAN GETZ: I'm used to that
21 equation of one question.

22 MS. AMIDON: I apologize.

23 BY MR. McCLUSKEY:

24 Q. Mr. Traum, could you refer to Attachment KET-4 of your

1 direct testimony?

2 A. I have it.

3 Q. I believe this attachment is setting out how you
4 developed your estimate of the above-market costs for
5 the PPA over the 20 years, is that correct?

6 A. That's correct.

7 Q. And, it has essentially three components; an over or
8 under market cost calculation for the three products of
9 the PPA, is that correct?

10 A. That's correct.

11 Q. With regard to the first component, the energy costs,
12 am I correct that the market energy prices that you are
13 using in that calculation are the -- come from the
14 market energy price forecast developed by PSNH and
15 presented to the Staff in their response to 1-11?

16 A. Yes. It was the PSNH Base Case forecast.

17 Q. Okay. And, are you aware that the methodology that was
18 used to develop that forecast was based on several
19 components, one of which was the NYMEX forward
20 electricity prices, and another was the NYMEX natural
21 gas forward prices?

22 A. I'm not sure how much PSNH, you know, used those, but I
23 believe they were involved, yes.

24 Q. Okay. And, are you aware that the NYMEX prices used by

1 PSNH --

2 MR. BERSAK: Objection. The witness
3 just answered he doesn't know that they were used. Mr.
4 McCluskey is not testifying now, he's asking questions.
5 He's assuming facts not in evidence.

6 CHAIRMAN GETZ: Ms. Amidon?

7 MS. AMIDON: I don't have any issue with
8 that objection. One moment please.

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

11 MR. McCLUSKEY: Okay.

12 MS. AMIDON: Thank you.

13 BY MR. McCLUSKEY:

14 Q. Subject to check, Mr. Traum, would you agree that the
15 NYMEX prices are based on an August 2009 date?

16 MR. BERSAK: Objection. We're getting
17 back to where we were before, "the NYMEX prices".

18 MR. McCLUSKEY: Okay, Commission. I
19 guess we're dealing with a very inexperienced young
20 attorney here. So, I'll hand it back over to my
21 experienced attorney.

22 MS. AMIDON: One moment.

23 (Short pause.)

24 BY MS. AMIDON:

1 Q. Do you agree that the Laidlaw plant is the only way
2 whereby PSNH can acquire Class I RECs?

3 A. No. I'm sure there are other ways.

4 Q. And, would you agree that, for example, the Lempster --
5 the contract that PSNH has with Lempster is another
6 method whereby they were able to acquire Class I RECs?

7 A. Certainly.

8 Q. And, that is a wind farm, is it not?

9 A. That is correct.

10 Q. And, could PSNH also procure RECs by issuing request
11 for proposals for the procurement of Class I RECs?

12 A. They can certainly go that route.

13 Q. In your opinion, would that result in the procurement
14 of Class I RECs that are closer to market prices?

15 A. Certainly has the potential to do that.

16 MS. AMIDON: Okay. Thank you. That's
17 all I have.

18 CHAIRMAN GETZ: Thank you. Mr. Edwards?

19 MR. EDWARDS: I have no questions.

20 CHAIRMAN GETZ: Mr. Boldt?

21 MR. BOLDT: I have no questions at this
22 time, Mr. Chairman.

23 CHAIRMAN GETZ: Okay. Mr. Bersak.

24 MR. BERSAK: Thank you, Mr. Chairman. I

1 will be referring to a few of the data request responses
2 from the OCA, and I'll ask my trusty cohort here, Mr.
3 Hall, to make sure that the parties have copies so they
4 can follow along. I have a copy for the Court Reporter,
5 the Clerk, and for your reading convenience,
6 Commissioners.

7 (Atty. Bersak and Mr. Hall distributing
8 documents.)

9 MR. BERSAK: Good afternoon, Mr. Traum.

10 WITNESS TRAUM: Good afternoon.

11 BY MR. BERSAK:

12 Q. I think you stated on your direct and also as a
13 response to one of the cross-examination questions that
14 you're not a particular fan of this PPA that we've
15 submitted for approval, are you?

16 A. I don't think I used the word "fan".

17 Q. But you recommend that it should not be approved as we
18 have submitted?

19 A. I believe the risk, the above market risk to Energy
20 Service customers is just too high.

21 Q. In response to one of the questions that you were asked
22 earlier this afternoon, you indicated that you've
23 reviewed the pricing terms of the PPA to assess how
24 they compare to market prices, is that correct?

1 A. That's correct.

2 Q. When you performed your review, did you use your own
3 forecasts of market prices?

4 A. I did not use a forecast, per se. I had relied on
5 PSNH's Base Case, had originally thought was a
6 forecast, but you've since termed a "scenario". And, I
7 assumed that you had an obligation, on behalf of your
8 customers, to do the best job you could.

9 Q. Assuming that it is a "scenario", as testified to by
10 Mr. Long, what would that make the calculations that
11 you make in your testimony? Would they also be a
12 hypothetical scenario?

13 A. They would be a scenario. And, thanks to the forecast
14 that was just put into the record by the City of
15 Berlin, we've got a forecast from an outside consulting
16 firm that's a long-term forecast that could be viewed
17 as a sanity check for the results that I developed and
18 Mr. McCluskey and Staff developed.

19 Q. In your testimony, you've said, though, that, on Page
20 5, that "It is important to note, however, that
21 forecasts generally tend to be less certain over longer
22 term time periods", is that correct?

23 A. It certainly is. And, I think -- I'm not sure if
24 that's where I quoted from Public Service's Least Cost

1 Plan or not, but, certainly, I agree with that.

2 Q. Why did you provide that qualification only after your
3 testimony, where you testified that "assuming that
4 PSNH's forecast for capacity prices is correct [would]
5 result in the PPA capacity costs being \$11 million
6 under market"? My question is, why are forecasts less
7 certain over time when the prices are under market, but
8 you didn't have a similar qualification when your
9 analysis showed an over market amount?

10 A. I would have the same concern, whether it was over or
11 under market.

12 Q. When you performed your analysis of the REC pricing in
13 your testimony, on Page 5 you testified that you
14 "considered several data points", is that right?

15 A. Yes.

16 Q. If you go to the next page, you testify that using
17 certain market information "that current market prices
18 for Class I RECs in 2010 and 2011 are about 30 percent
19 of the ACP." Do you see that testimony?

20 A. Yes, I do.

21 Q. So, then, you go on to testify that "Therefore, for the
22 purposes of my analysis of how the REC prices in the
23 PPA compare to the market, I used amounts equal to
24 30 percent of the future ACPs over the life of the PPA

1 as a proxy for future REC market prices." Is that
2 correct?

3 A. Yes, I see that language.

4 Q. So, what I'm wondering about is essentially you used
5 last year's price, 2010, and this year's price, 2011,
6 and then said that those two prices were a fair proxy
7 for REC pricing five, ten, and almost fifteen years
8 from now?

9 A. I said they were "a proxy". I did not, at that point
10 in time, have anything else to use. Now, we do have
11 the Ventyx forecast, which to an extent I could view as
12 confirmatory.

13 Q. I'd like you to take a look at your response to our
14 Question Number 1, PSNH 1-1, which is one of the data
15 request responses that I put out.

16 MR. BERSAK: And, I'm not sure what our
17 next exhibit number is for that record request.

18 MS. DENO: Sixteen.

19 MR. BERSAK: Sixteen is next? If we can
20 mark the OCA response to 1-1 as "PSNH Exhibit 16"?

21 CHAIRMAN GETZ: So marked.

22 (The document, as described, was
23 herewith marked as PSNH Exhibit 16 for
24 identification.)

1 BY MR. BERSAK:

2 Q. In this data request, we asked "Is it OCA's opinion and
3 testimony that REC prices will be 30 percent of the ACP
4 for the term of the proposed Laidlaw contract?" And,
5 is it correct that your answer was "no."

6 A. That's correct. And, then I went on from there.

7 Q. Then it went on. It went on to say, "As stated on
8 Page 6, Line 11, of my testimony, the OCA used
9 30 percent as a proxy for future REC markets", and then
10 you said "emphasis added" on "proxy". "I used a proxy
11 because I do not know what the actual ACP will be for
12 the term of the PPA. This approach is consistent with
13 the Joint Petitioners' use of forecasts in their
14 analysis." So, that was your response. So, it sounds
15 like your testimony, regarding future REC prices, was
16 based on a 30 percent value for RECs, 30 percent of the
17 ACP, which your data request response says is not your
18 opinion of what the future will be?

19 A. That's correct, because we don't know if it's going to
20 be 30 percent, 29 percent, 31 percent, or something
21 different. We just know that it's going to be
22 different over the long term.

23 Q. Would you agree that the cost of RECs ultimately will
24 be the subject of the principle of supply and demand?

1 A. And, yes, as well as driven by potential legislative
2 changes, whether in New Hampshire, or, as Mr. Sansoucy
3 speculated on, say, in Massachusetts, where there's a
4 possibility that New Hampshire Class I RECs will not be
5 eligible for Massachusetts.

6 Q. Sure. But, if we're talking about potential changes in
7 legislation, isn't it also possible that the
8 Legislature of this state or neighboring states could
9 say "Gee, we think that we should have more renewables
10 than the present law"?

11 A. Anything's possible.

12 Q. Sure. So -- but, unfortunately, you know, we have the
13 law that's given to us today that we have to look at.
14 If you take a look at what your response was to OCA --
15 no, PSNH's Question Number 5 to OCA.

16 MR. BERSAK: And, we'll mark that one as
17 the next exhibit, which is number "17".

18 CHAIRMAN GETZ: So marked.

19 (The document, as described, was
20 herewith marked as PSNH Exhibit 17 for
21 identification.)

22 MR. BERSAK: Thank you, sir.

23 WITNESS TRAUM: I have it.

24 BY MR. BERSAK:

1 Q. Okay. Thanks. Now, your analysis of REC pricing did
2 not include the fact that requirements for Class I RECs
3 grow by 1,600 percent from 2010 to 2025, did it?

4 A. It did not include that analysis. We did not do an
5 analysis of load growth, just as PSNH did not, as I
6 understand it, with regards to Energy Service. And,
7 part of that load growth for Energy Service requires
8 migration forecasts.

9 Q. But you did include load growth in your exhibits where
10 you did your calculations, is that correct?

11 A. Could you point me to what you're referring to please.

12 Q. Take a look at KET-15, the RPS analysis sheet attached
13 to your testimony. Do you have that exhibit, Mr.
14 Traum?

15 A. I have that exhibit.

16 Q. In that table that's attached -- let's see, where is
17 it? It's an attachment here. KET-15, I guess it will
18 be Page -- the third page of that attachment.

19 A. This would be Bates Page 48?

20 Q. Let me see. They're all "15". But which Page 15,
21 let's see here. One of these includes sales for each
22 year of the PPA. And, I believe it might be -- is it
23 on Page 45? When I looked at it, I didn't realize they
24 were all Page 15. "Try 48", is what my friend is

1 telling me here. Oh. There it is. Page 48. On the
2 second line down, where it says "Energy Service
3 Forecast". Do these not show differing amounts of
4 Energy Service being provided each year, from 2009 up
5 through 2025?

6 A. The numbers vary slightly. What they assumed, in terms
7 of any changes in migration, I do not know.

8 Q. But I assume that, since these numbers appear in your
9 attachment, you must have used them somewhere in your
10 analyses?

11 A. I do not believe that I did. I believe I just used
12 this to show that, for at least the early years, you do
13 not -- PSNH did not need the Laidlaw RECs to meet their
14 Energy Service requirements.

15 Q. How could you determine what RECs were necessary by
16 PSNH unless you had an estimate of what the Energy
17 Service deliveries were going to be for a particular
18 year?

19 A. And, that's why I relied on the PSNH numbers, for that
20 purpose.

21 Q. But, if you look at that line, starting from, let's say
22 now, "2011", there's approximately 7.9 million
23 megawatt-hours of sales in your chart. And, then it
24 goes up to 2025, that goes up to about 9.5 million

1 megawatt-hours, is that correct?

2 A. I see that.

3 Q. So, that would be load growth of about 1.2 times, more
4 or less?

5 MS. HATFIELD: Mr. Chairman, I'm going
6 to object. And, if we look right at PSNH 17, we can all
7 see that the OCA objected to this question, and Mr.
8 Traum's answer was "The OCA has not performed these
9 calculations."

10 CHAIRMAN GETZ: Do you have a response,
11 Mr. Bersak?

12 MR. BERSAK: Yes. Number one, the
13 testimony that he referred to was that "the cost of RECs
14 were going to stay stable at 30 percent." We asked a data
15 request to determine whether he had taken into
16 consideration the fact that, not only would there be
17 1,600 percent increase in the number of RECs needed under
18 the RPS law itself. But that would be compounded by load
19 growth. And, we were testing to see whether his
20 hypothesis that the -- a 30 percent number, based on 2010,
21 and a 30 percent number based on 2011 was sense -- made
22 any sense, in light of in excess of 1,600 percent increase
23 in demand over time. He did not perform this calculation,
24 but it was easily calculatable, certainly much more easily

1 calculated than the response that we just heard about IPP
2 Exhibit Number 27, where the OCA was asked to calculate
3 interest rates that were not in his testimony either.
4 This one is --

5 CHAIRMAN GETZ: I think it's fair to
6 inquire what the basis for these numbers are in the
7 testimony. So, I think I'll let the examination continue,
8 but we'll see how far this goes into this particular
9 exhibit.

10 BY MR. BERSAK:

11 Q. Basically, all we're getting to, Mr. Traum, is that,
12 under the law, you'd agree that from between 2010 and
13 2025, the need for Class I RECs by a load-serving
14 entity goes from 1 percent up to 16 percent, is that
15 correct?

16 A. Under the current New Hampshire statute.

17 Q. Under the current New Hampshire statute. So, under the
18 current New Hampshire statute, that would be a
19 1,600 percent increase over time?

20 A. All other things being equal.

21 Q. And, if you were to compound that with load growth,
22 would the number be higher than that?

23 A. Again, holding migration constant, that would be
24 correct. I would want to point out that, with regards

1 to Exhibit 15, which you were referring to, the purpose
2 I used -- Attachment 15, excuse me. The purpose I used
3 it for I believe was just to show that PSNH had done
4 some comparisons of different offers from renewable
5 generators. I wasn't using it for purposes of PSNH's
6 generation.

7 Q. But do you disagree that it's more likely than not
8 that, between now and 2025, that there will be growth
9 in the number of RECs that are needed throughout New
10 Hampshire?

11 A. There will be, assuming the legislation stands as is, I
12 would agree there will be the need, potential need for
13 additional RECs. I would not agree that they would
14 necessarily be needed to provide Energy Service needs.

15 Q. When you did your analysis of the REC prices, your
16 review of Class I REC generation didn't include the
17 fact that there would be a -- statewide a 16, 17, 18,
18 19, maybe 20 hundred percent increase in RECs, did you?

19 A. As I stated, I just used the 30 percent as a proxy.

20 Q. Isn't it true that the RPS law itself discusses the
21 potential for "increasing the class requirements
22 relative to Classes I and II beyond 2025"?

23 A. I think what would happen beyond 2025 is a question.

24 Q. But that the existing statute does include that at RSA

1 362-F:5, is that correct?

2 A. I don't have the statute in front of me and I'm not an
3 attorney.

4 Q. Are you aware of any significant new Class I REC
5 generating facilities that are actually under
6 construction today in New Hampshire?

7 A. I'm not aware of anything that comes to mind.
8 Certainly, Mr. Sansoucy just previously spoke about
9 some potential wind generation up in the Coos Loop, and
10 wind creates New Hampshire Class I RECs the same as
11 wood, does.

12 Q. Did you review the chart that was appended to PSNH's
13 rebuttal testimony at Attachment PSNH Rebuttal 6?
14 That's the chart that came from ISO-New England
15 planning, the one that looks roughly like this one, Mr.
16 Traum?

17 A. Could I be provided a copy of that please?

18 Q. Yes.

19 A. If you're asking me if I had discussed this in my
20 testimony, no, I had not.

21 Q. No, but you saw that attached to PSNH's rebuttal, is
22 that correct?

23 A. Yes.

24 Q. Do you have any reason to disagree with the information

1 that ISO put together on this chart?

2 A. I don't have reason to agree or disagree.

3 CMSR. IGNATIUS: Mr. Bersak, just one
4 quick question.

5 MR. BERSAK: Yes, ma'am.

6 CMSR. IGNATIUS: On our copy of the
7 exhibit, the photocopying makes the colors disappear, and
8 we can't tell which -- the key, which thing it goes to.
9 Could you just read off, from top to bottom, which blocks
10 are which?

11 WITNESS TRAUM: Frankly, I can give the
12 Commissioner my copy.

13 MR. BERSAK: The legend -- I'll give you
14 this one. I know when I --

15 CMSR. IGNATIUS: Well, I think we may
16 all have the same problem. So, if you could just describe
17 --

18 MR. BERSAK: Okay. I can describe it.
19 There's a chart here, and there's a key to the right.
20 And, on the key on the right, it says "60 percent", "40
21 percent", "20 percent", and "RPS at target". Let's start
22 with the -- let's go from the bottom up. "RPS at target"
23 would be a line that's approximately a 45-degree line
24 heading upwards, starting from year 2010, and eventually,

1 at year 2020, it ends up just north of 12,000
2 gigawatt-hours.

3 CMSR. IGNATIUS: So, in the color copy,
4 it's kind of a pale gray?

5 MR. BERSAK: That's correct. Then, on
6 that chart, there's three shaded blocks that are
7 underneath that gray line that we just described. The
8 lowest block, on my copy, is green, and that's a
9 indication of 20 percent. And, that is, if 20 percent of
10 the renewable projects in the queue are completed, what
11 renewable energy it would provide, as opposed to that
12 first line, which is the demand for RECs under various --
13 under the region's RPS statutes.

14 The second block would be the 40
15 percent, if 40 percent of the projects in the queue are
16 completed. And, the last one is 60 percent.

17 CMSR. IGNATIUS: Thank you

18 MR. BERSAK: Does that help you?

19 CMSR. IGNATIUS: Yes, it does.

20 (Atty. Bersak handing document back to
21 the witness.)

22 MR. BERSAK: You can have it.

23 (The document, to be described, was
24 herewith marked as PSNH Exhibit 18 for

1 identification.)

2 BY MR. BERSAK:

3 Q. I'd like to refer you now to the response to OCA 1-3, a
4 question from PSNH. And, we will note that there was
5 another objection to this question as being
6 "argumentative and seeking additional testimony from
7 the witness", notwithstanding that there was a
8 response. The question in OCA 3 was, "As the demand
9 for renewable energy increases (i.e. based on
10 escalating the percentage obligations in the various
11 state RPS programs) will new sources of renewable
12 energy need to be constructed to meet the increase in
13 demand?" And, then, following your objection, you said
14 "Yes, assuming that the "demand for renewable energy
15 increases (i.e. based on escalating percentage
16 obligations in the various state RPS programs)" as they
17 exist today, new resources will be needed in the
18 region."

19 Doesn't that ISO-New England chart that
20 we were just discussing, the one that's PSNH Attachment
21 Rebuttal 6, indicate that, even if 60 percent of all
22 renewable projects in the ISO queue were developed,
23 that sooner than 2016 there would not be sufficient
24 renewable energy generation to supply the region's RPS

1 needs?

2 A. If the need as reflected in current legislation and
3 load growth assumptions held true, I would say, yes.
4 But, then, from state to state, we don't know how
5 things may change, if generation, in particular states,
6 is ineligible for meeting the requirements in other
7 states.

8 Q. And, if there was such a problem, where some generation
9 would not be eligible to meet some or all of the
10 state's programs, that would just move the year of need
11 up even sooner, is that correct?

12 A. It would depend on what state it was. If New Hampshire
13 generation is not eligible for Massachusetts, then it
14 may push the need for higher prices in New Hampshire
15 further back.

16 Q. And, according to the ISO-New England chart, if only
17 40 percent of the proposed projects in the queue are
18 actually built, doesn't that chart reflect that the
19 supply of available renewable generation would become
20 insufficient in 2013?

21 A. Again, with the same caveats, yes.

22 Q. You had earlier agreed that the price of RECs will be
23 subject to the law of supply and demand, again with
24 caveats that legislation doesn't change and, you know,

1 all things else being equal. If the various RPS laws
2 in the region create more legal need for RECs than
3 there is an available supply, what, in your opinion,
4 would happen?

5 A. Again, on a case-by-case basis, the law of supply and
6 demand would come into play.

7 Q. And, based upon the law of supply and demand, if there
8 is inadequate supply to meet the legal demand, what
9 would become the price that load-serving entities would
10 have to pay for their marginal RECs?

11 A. I would assume it would increase, all other things
12 being equal.

13 Q. I'm sorry, what was that?

14 A. I assume it would increase, all other things being
15 equal.

16 Q. Would it increase beyond the alternative compliance
17 price?

18 A. I would certainly expect not.

19 Q. So, despite all the facts projected by ISO-New England,
20 you still used 30 percent of the ACP as a proxy for
21 future REC market prices, is that correct?

22 A. Yes.

23 Q. If the price of RECs, instead of being 30 percent of
24 the ACP, actually went to the ACP, wouldn't that

1 significantly change the analysis and conclusions
2 contained in your testimony?

3 A. It certainly would impact the results of my testimony,
4 just like the Ventyx numbers were confirmatory of it.

5 Q. I think we both agree, it's very difficult to forecast
6 the future?

7 A. I will agree with that.

8 Q. And, you said that specifically with respect to the
9 cost of RECs, on Page 6 of your testimony, do you
10 recall that?

11 A. If you give me a second.

12 Q. 6, Line 21.

13 A. Do you have a line reference?

14 Q. I believe it's on Line 21, Mr. Traum. I understand
15 that it is very difficult to forecast the future cost
16 of RECs?

17 A. That's correct.

18 Q. Is it any easier to forecast the future cost of energy?

19 A. I don't know if it's easier, but, with regards to RECs,
20 there were -- the REC pricing, it's sort of an animal
21 created by legislation. So, it puts another unknown
22 into play.

23 Q. REC pricing has a cap, though, the Alternative
24 Compliance Price, is that correct?

1 A. Currently, yes.

2 Q. Do other energy prices have a CAP?

3 A. Well, for energy, no. For capacity, currently, there
4 is, in effect, a CAP.

5 Q. But you would agree that the only certainty with
6 forecasting is, in the end, the forecast is likely to
7 be wrong?

8 A. Yes.

9 Q. So, when you testified on Page 14, at Line 18, that the
10 pricing terms in the PPA are significantly above
11 market, you don't really know for a fact that the PPA
12 will prove to be above market, do you?

13 A. We don't know that it will prove to be above market.
14 We feel that the risk of it being significantly over
15 market is not worth taking on behalf of Energy Service
16 customers.

17 Q. So, are you changing your testimony to that respect?

18 A. I don't believe so.

19 Q. Okay. On Page 10 of your testimony, at Line 22, you
20 discuss the "cumulative reduction" mechanism. And,
21 there you testified "in order for customers to get any
22 of the hypothetical benefits from the cumulative
23 reduction, the law must be changed." Do you see that?

24 A. Yes.

1 Q. What law must be changed and why?

2 A. We do not know what any future regulatory regime will
3 be like. We don't know if PSNH will be, in the future,
4 be able to acquire generation, if they'll have been
5 divested by then, we don't know if Energy Service will
6 stay the way it is or if you will even have customers
7 that you supply directly at that point in time. There
8 are just very many unknowns. We don't know if the
9 cumulative reduction, if there will be any value to the
10 plant at the time when a cumulative reduction comes
11 into play.

12 Q. Does the value of the cumulative reduction mandate a
13 change in law?

14 A. No. But, if customers are being asked to pay in excess
15 of market for 20 years without -- I view that, as I
16 said in my summary, as akin to CWIP. And, in that
17 sense, I suppose it could be looked at as you need a
18 change in law to be able to allow CWIP.

19 Q. When you were testifying to this -- to this change in
20 law, weren't you, in fact, referring to a change that
21 would expressly allow PSNH to own generation in the
22 future?

23 A. That was certainly an issue.

24 Q. You heard Mr. Sansoucy testify earlier today indicating

1 that 20 years from now, in his opinion, it's quite
2 likely that there will be many potential buyers for the
3 facility, and that some or all those potential buyers
4 would be interested in having the right of first
5 refusal that's given under the Purchase Option
6 Agreement, as well as to compensate PSNH for the value
7 of the Cumulative Reduction Fund. If PSNH was to sell
8 the purchase option to some third party, and to sell
9 the Cumulative Reduction to a third party, and take
10 those proceeds and credit customers. Would any change
11 in law be necessary?

12 A. You're assuming that there was any value to the
13 Cumulative Reduction or more or less if there's any
14 value to the plant after 20 years.

15 Q. Well, that's not the issue here. Because right now
16 we're talking about your testimony, where you said that
17 "the law must be changed." So, let's assume that
18 there's value. I'm trying to figure out what law must
19 be changed.

20 A. I said that "PSNH does not have the legal authority to
21 purchase the plant."

22 Q. So, in my hypothetical, where PSNH gets value from
23 selling its rights for value, and never owns the plant,
24 there wouldn't need to be a change in law, would there?

1 A. I believe you're correct.

2 Q. Thank you.

3 A. Recognizing that I'm not an attorney.

4 Q. No. No, that's fine. Finally, just one last thing.
5 Are you familiar with the consulting firm/energy firm
6 "Evolution Markets, LLC"?

7 A. I've certainly heard the name, yes. And, I have an
8 exhibit in my testimony with some information from
9 them.

10 Q. They have been quoted as saying "As renewable energy
11 project developers know full well, financial
12 institutions demand certainty. Financial resources for
13 traditional power projects are conditioned on the
14 existence of long-term power purchase agreements. But,
15 due to the cost of doing business, renewable energy
16 project developers are asked to demonstrate long-term
17 commitments for the purchase of not only the
18 electricity, but also the RECs." Do you agree or
19 disagree with that statement?

20 A. Could you -- that statement is something I am not aware
21 of at this point in time.

22 MR. BERSAK: Okay. That's fair. I have
23 no further questions, Mr. Chairman. Thank you very much,
24 Mr. Traum.

1 CHAIRMAN GETZ: Thank you.

2 CMSR. IGNATIUS: Thank you.

3 BY CMSR. IGNATIUS:

4 Q. Let's continue to work on the questions that Mr. Bersak
5 was just finishing up with, about what developers need
6 to see in order to get to the point of a completed
7 project, all right?

8 A. Okay.

9 Q. Do you have any reason to disagree with the testimony
10 from PSNH that developers need certainty in recovery of
11 energy prices and RECs over time?

12 A. I guess I would look at the fact that there is a
13 recently approved PPA with Lempster that also provides
14 Class I RECs, and that was, in effect, tied to market.

15 Q. And, you heard the testimony that, in PSNH's view, that
16 those are not really comparable, a PPA for a wind plant
17 and a PPA for a bio plant really can't be compared. Do
18 you disagree with that?

19 A. I guess I would say, well, obviously, they are
20 different types of plants. But, in terms of the
21 legislation, "Class I RECs" mean "wind" or "wood" or
22 "biomass". So, I didn't differentiate in that sense,
23 from a customer perspective.

24 Q. Do see a trajectory on how we will get to the level of

1 renewable generation projects that will be required, if
2 legislation remains as is and the level of REC needs
3 will grow as we see it laid out at least in the current
4 New Hampshire statute?

5 A. No, we haven't projected or focused on that.

6 Q. You've talked about the balance of risk being just too
7 great on the part of ratepayers, correct?

8 A. On behalf of Energy Service customers, yes.

9 Q. All right. Do you have any recommendations on how one
10 could shift that risk, still within the context of a
11 long-term PPA?

12 A. Well, the example of Lempster, where it's, you know,
13 tied to a percentage of market --

14 MS. HATFIELD: Oh, excuse me. I'm
15 sorry, I don't want us to go into confidential information
16 right now, because we had to go into a confidential
17 session previously. So, sorry for the outburst. I just
18 want to make sure my witness doesn't disclose information
19 that shouldn't be disclosed.

20 CMSR. IGNATIUS: Thank you. It's a good
21 reminder.

22 BY CMSR. IGNATIUS:

23 Q. Let's say, in general, you would advocate, and you've
24 testified "tying things to market prices" would be

1 appropriate?

2 A. Yes.

3 Q. And, you've heard testimony from PSNH that, in its
4 view, that would not be successful. I'm not asking you
5 to agree or disagree with that. But can you think of
6 any other mechanisms or contract structures that could
7 shift some of that risk away from ratepayers? Besides
8 a floating up and down with market prices?

9 A. Not at this point in time, no. Let me add, whether
10 somehow the prior Schiller sharing mechanism could be
11 adopted in some fashion, I don't know what that fashion
12 would be, but whether there's any kind of a model
13 there, it's something that could be considered in the
14 future.

15 Q. And, in that, in Schiller, without the specific details
16 of Schiller, there's a point at which certain costs
17 coming in below projections were treated one way,
18 certain costs coming in above projections were treated
19 a different way in the allocation between ratepayers
20 and shareholders?

21 A. Well, there was a sharing tied to the cost of the
22 plant. But, on an ongoing basis, the sharing is tied
23 to revenues and cost avoidances against the target on
24 an annual basis.

1 CMSR. IGNATIUS: Thank you.

2 CHAIRMAN GETZ: Ms. Hatfield, any
3 redirect?

4 MS. HATFIELD: Yes. Thank you, Mr.
5 Chairman.

6 REDIRECT EXAMINTION

7 BY MS. HATFIELD:

8 Q. Mr. Traum, will you look back please at PSNH Rebuttal
9 Attachment 6.

10 A. That's the ISO?

11 Q. Yes. And, would you -- there is some language below
12 the chart that PSNH has provided. Do you see that?

13 A. Yes, I do.

14 Q. And, can you please read the last sentence that starts
15 with "RPS"?

16 A. "RPSS also can be met [from] behind-the-meter projects,
17 imports, new projects not in the queue, and Alternative
18 Compliance Payments."

19 Q. And, do you recall Mr. Bersak asked you a question
20 about an opinion of Evolution Markets that "financial
21 institutions demand certainty" and that "renewable
22 projects need long-term PPAs"?

23 A. I recall he just read something along that line to me.

24 Q. And, do you recall Mr. Long's testimony last week,

1 where he acknowledged that the RPS statute does not
2 have a requirement that a particular project has to be
3 financeable in order for the Commission to approve a
4 PPA?

5 A. I do recall something along that line.

6 Q. And, do you agree that there's nothing in the RPS law,
7 including in the PPA section, that requires that a
8 project must be financeable?

9 A. Again, recognizing I'm not an attorney, yes, I agree
10 with you.

11 MS. HATFIELD: Thank you. Nothing
12 further.

13 CHAIRMAN GETZ: Thank you. All right.
14 Then, the witness is excused. Thank you, Mr. Traum.

15 (Chairman and Commissioners conferring.)

16 CHAIRMAN GETZ: Okay. Off the record.

17 (Brief off-the-record discussion
18 ensued.)

19 CHAIRMAN GETZ: All right. Well, let's
20 go back on the record. Well, two things. First, I'd like
21 to try and get to start with the Staff direct. And,
22 recognizing that we're not going to finish today, we have
23 held next Tuesday, the 8th. But I did have one other
24 piece of business. Mr. Boldt, I have a letter from Mayor

1 Grenier to Ms. Howland and to the docket, saying "I'm
2 sending this request to you in my official capacity as the
3 Mayor of Berlin, asking that we consider changing the
4 venue of the hearings if they go beyond today." Is this
5 -- should I consider this a motion on behalf of the City
6 of Berlin or how should I treat this?

7 MR. BOLDT: Frankly, I don't know, Mr.
8 Chairman. I heard rumors of it. I have not seen the
9 letter, I hate to admit. But it is one where I guess this
10 Board can treat it as a request from the Mayor.

11 CHAIRMAN GETZ: Well, I guess, let me
12 try this. Does anybody else have this letter? It looks
13 like -- well, maybe it hasn't been given to the service
14 list. It was sent to Ms. Howland, Executive Director, and
15 I guess the only -- it's cc'd to Councilor Burton and the
16 Berlin Daily Sun, but apparently none of the parties --

17 MR. BOLDT: I apologize, your Honor. I
18 don't know.

19 MR. BERSAK: Mr. Chairman, there is a
20 front-page Berlin Daily Sun story in today's edition
21 regarding that letter. So, it has been publicized that
22 way.

23 CHAIRMAN GETZ: And, looks like it's
24 been filed as a public comment. I assume some of the

1 people in our front office just saw the letter and has
2 been treating it like other letters that have been coming
3 in.

4 Well, in any event, does anybody want to
5 make any comments or take any positions about this request
6 to convene hearings, not in here next week, but in Berlin?

7 MR. BERSAK: Wherever you are, we will
8 be there, too, Mr. Chairman.

9 MR. BOLDT: I second that.

10 CHAIRMAN GETZ: All right. Well, let's
11 start with the direct from Staff.

12 MS. AMIDON: I ask that Mr. Frantz and
13 Mr. McCluskey be called to the stand.

14 MR. BERSAK: I do have one procedural
15 question, I guess, for perhaps Ms. Amidon or perhaps for
16 the Commission. The Commission designated Mr. McCluskey
17 as "Staff Advocate", whereas Mr. Frantz is not designated
18 as "Staff Advocate". They're sitting as a panel. Which
19 is kind of like having two different parties sitting up at
20 the same time. The Company doesn't have a problem with
21 that. I'm just raising it as an issue.

22 CHAIRMAN GETZ: Well, I guess I'm trying
23 to understand the premise.

24 MR. BERSAK: Under the statutes that

1 allow for designation of Staff, there's two definitions;
2 one is "Staff" and one is "Staff Advocate". And, Staff
3 Advocate is treated as a separate party. So, we've got --

4 CHAIRMAN GETZ: I'm not sure that I
5 would have drawn that conclusion. I think the distinction
6 is that of who can speak to us and when are the ex parte
7 rules invoked. Do you have something more on this?

8 MR. BERSAK: No. Like I said, we're not
9 objecting to it. We just don't want a procedural issue.
10 If everybody's fine with it, then we are fine with it, and
11 we can carry on.

12 CHAIRMAN GETZ: Is there any -- does
13 anybody else have anything to offer on that issue?

14 (No verbal response)

15 CHAIRMAN GETZ: Just to clarify then, at
16 least my understanding of the statute and the import of
17 designation, is that Mr. McCluskey will not be able to
18 assist us in deliberations, and he cannot speak to us
19 about the merits of the case

20 MR. BERSAK: That's fine, Mr. Chairman.

21 CHAIRMAN GETZ: Mr. Frantz has not been
22 designated, there's been no request that he be so. So,
23 he's not subject to those same rules.

24 Okay. Ms. Hatfield.

1 MS. HATFIELD: I agree. And, I guess I
2 just wanted to point out that the only time that I would
3 think that they -- we would think of them as two different
4 parties is if Mr. Frantz had been designated as
5 "advisory", because then those rules would apply between
6 the two of them. But, as you pointed out, because he
7 hasn't been designated, they, in my view, they still both
8 represent a Staff position, but then just one of them
9 can't speak with you. Thank you.

10 CHAIRMAN GETZ: Okay. Thank you. Ms.
11 Amidon. Oh, if you'd swear the witnesses.

12 (Whereupon Thomas C. Frantz and
13 George R. McCluskey were duly sworn and
14 cautioned by the Court Reporter.)

15 THOMAS C. FRANTZ, SWORN

16 GEORGE R. McCLUSKEY, SWORN

17 DIRECT EXAMINATION

18 BY MS. AMIDON:

19 Q. Mr. Frantz, I'll begin with you. Would you please
20 state your name for the record.

21 A. (Frantz) Thomas C. Frantz, F-r-a-n-t-z.

22 Q. What is your position here at the Commission?

23 A. (Frantz) Director of the Electric Division.

24 Q. And, without going into your resumé, could you just

1 describe how long you've been working here at the
2 Commission.

3 A. (Frantz) Started here at the Commission in February of
4 1989 as an Economist. I was promoted to Analyst, and
5 then to Chief Economist. And, then, as the Commission
6 reorganized, to Director of the Electric Division.

7 Q. Thank you. And, have you previously testified before
8 this Commission?

9 A. (Frantz) Yes.

10 Q. Do you have your testimony in front of you? I have
11 premarked that as "Staff Exhibit 2", and there will be
12 a cover letter from me, the letter dated
13 "December 17th, 2010".

14 A. (Frantz) I do.

15 Q. And, do you have any corrections to that testimony?

16 A. (Frantz) I do not.

17 Q. And, if I asked you the same questions that are in that
18 testimony and you responded to them today, would they
19 still be the same answers?

20 A. (Frantz) Yes, they would.

21 MS. AMIDON: Okay. Thank you. And, as
22 I indicated, Mr. Chairman, I premarked that as "Staff
23 Exhibit 2". And, I do have a housekeeping issue after I
24 qualify Mr. McCluskey.

1 BY MS. AMIDON:

2 Q. Mr. McCluskey, --

3 CMSR. BELOW: Hold on a second, I'm
4 confused. I thought I heard Mr. Frantz answer "yes", in
5 terms of having corrections. Did I mishear you?

6 WITNESS FRANTZ: You may have. I do not
7 have any corrections.

8 CMSR. BELOW: Okay. Thank you.

9 WITNESS FRANTZ: I would answer the same
10 questions the same way, I believe is how she asked it.

11 CMSR. BELOW: Okay.

12 WITNESS FRANTZ: "Yes" to that.

13 MS. AMIDON: That's all right. It's
14 late in the day. Thank you.

15 BY MS. AMIDON:

16 Q. Mr. McCluskey, would up please state your full name for
17 the record.

18 A. (McCluskey) My name is George Robert McCluskey.

19 Q. And, for whom are you employed and what is your
20 position?

21 A. (McCluskey) I'm an Analyst in the Electric Division.

22 Q. And, would you just briefly describe the length of your
23 experience in using -- in the electric industry?

24 A. (McCluskey) Yes. Kind of working backwards, this is my

1 --

2 Q. You can be brief.

3 A. (McCluskey) Yes. This is my second time around at the
4 Commission. I've been here four or five years. Prior to
5 to that, I was in consulting for five years. Prior to
6 that, I held various positions at the Commission for
7 more than ten years, I believe. I forget the exact
8 time period. And, before that, I worked for the
9 nationalized electric utility industry in England.

10 Q. Have you previously testified before this Commission?

11 A. (McCluskey) Yes. Many times.

12 Q. Do you have in front of you testimony in this docket?
13 The date of that testimony would be "December 17th,
14 2010"?

15 A. (McCluskey) I have that, yes.

16 MS. AMIDON: And, Mr. Chairman, I marked
17 that as "Staff Exhibit 1". And, I will note, I'll provide
18 the Clerk a copy of a confidential exhibit, I did not
19 duplicate the entire testimony and exhibits, but there was
20 one exhibit, GRM-10, which was confidential. So, that
21 will be identified as "Staff 1-C". Thank you.

22 BY MS. AMIDON:

23 Q. And, Mr. McCluskey, do you have any corrections to your
24 testimony today?

1 A. (McCluskey) Yes. I've got four small changes to my
2 testimony. The first one is on Page 14, Line 4. And,
3 the year "2005" on that line should read "2025". The
4 second is at Page 20, Line 11. Hmm. Line 11 doesn't
5 seem to have much on it.

6 MR. BERSAK: Will be a short correction
7 then.

8 BY THE WITNESS:

9 A. (McCluskey) I have somewhere, I believe it's on this
10 page, a statement which reads "historic relationship
11 between natural gas and wood prices", and I would like
12 to change that to "historic" --

13 CHAIRMAN GETZ: Line 21.

14 WITNESS McCLUSKEY: Twenty-one?

15 MS. AMIDON: Thank you, Mr. Chairman.

16 BY MS. AMIDON:

17 Q. And, you said you would like to change that?

18 A. (McCluskey) I see it. Twenty-one, you're correct.

19 And, I would like to change that to "historic
20 relationship between the cost of electricity produced
21 by natural gas facilities and the cost of electricity
22 produced by wood-fired facilities."

23 Q. Do you have another change?

24 A. (McCluskey) The third is at Page 24, Line 14.

1 MR. BOLDT: Excuse me. Could you give
2 that page again, Mr. McCluskey?

3 WITNESS McCLUSKEY: Twenty-four, Line
4 14.

5 MR. BOLDT: Thank you.

6 BY THE WITNESS:

7 A. (McCluskey) And, if we could please replace "2009" with
8 "2008". The fourth is at Page 25, Line 7 -- Lines 7
9 and 10. Please replace the word "four" with "three".

10 BY MS. AMIDON:

11 Q. Does that conclude the corrections to your testimony?

12 A. (McCluskey) It does.

13 Q. And, if you were asked the questions today, with the
14 exception of these corrections, would your answers be
15 the same?

16 A. (McCluskey) They would.

17 Q. Thank you. At the outset, I'd like you to comment on
18 the rebuttal testimony of Mr. Sansoucy that you heard
19 earlier today.

20 A. (McCluskey) Yes. As was indicated earlier, a technical
21 session was held to understand how the costs that
22 appear in Exhibit 10 to Mr. Sansoucy's rebuttal
23 testimony were developed. And, it was agreed, as Mr.
24 Sansoucy left that meeting, that he would provide the

1 spreadsheets that would allow us to check the various
2 statements that Mr. Sansoucy made at the tech session.

3 Since we didn't receive that spreadsheet
4 before we left for the day, I spent yesterday evening
5 preparing my own spreadsheet, to first check his
6 numbers and make a number of changes.

7 The changes relate to, if you can recall
8 in Exhibit 10, Column E, was -- had three price
9 components to it. One of which was energy, which
10 reflected a carbon scenario future. It had a capacity
11 price from 2010. And, it had the Laidlaw REC prices
12 from the contract. And, so, what I wanted to check was
13 what would happen to the above- or below-market
14 calculation, if I replaced the Ventyx market energy
15 prices that were based on a 2009 report, replace them
16 with the Ventyx 2010, which would not have a carbon
17 future reflected in it, because that is Ventyx current
18 base case assumption. And, I also changed the Laidlaw
19 REC prices to reflect the Ventyx market price
20 projection for the Northeast United States, and ran the
21 model to determine whether it would produce the similar
22 \$300 million under-market estimate that Mr. Sansoucy
23 developed.

24 And, I've prepared a summary of the

1 spreadsheet, if Ms. Amidon would like to hand that out.

2 Q. And, in connection with this analysis, you prepared a
3 spreadsheet, which you just referred to, and it's
4 entitled "PSNH Financial Analysis Laidlaw Facility
5 Sansoucy Exhibit 10 Calculation", is that correct?

6 A. (McCluskey) Yes. The "PSNH Financial Analysis", it was
7 probably -- that was something from the title of
8 another spreadsheet. I think that should be stricken.
9 So, it really should read "Laidlaw Facility Sansoucy
10 Exhibit 10 Calculation" as the title. And, this is a
11 two-page summary of the spreadsheet that I developed.
12 And, it runs from 2014 through 2033, the 20 years of
13 the PPA.

14 CHAIRMAN GETZ: Okay. Let's mark this
15 for identification as "Staff --

16 MS. DENO: Fourteen.

17 CHAIRMAN GETZ: -- 14".

18 MR. BERSAK: If we could just note for
19 the record, Mr. Chairman, PSNH has nothing to do with
20 this, as Mr. McCluskey just testified.

21 CHAIRMAN GETZ: Well, let's hold on for
22 a second. We're going to identify this as "Staff Exhibit
23 15", and --

24 MS. AMIDON: Mr. Chairman, I have to say

1 I -- this is the housekeeping matter. I omitted -- well,
2 there's one number of Staff exhibits for which there is no
3 exhibit. So, "Staff 12" would be the Ventyx Fall 2010.
4 "Staff 13", and the Clerk will correct me if I'm wrong, is
5 the Ventyx four-page. So, this Staff will be "Staff 14",
6 is that correct?

7 MS. DENO: Yes.

8 MS. AMIDON: So, I apologize for that.

9 (The document, as described, was
10 herewith marked as Staff Exhibit 14 for
11 identification.)

12 WITNESS McCLUSKEY: Okay?

13 MS. AMIDON: Yes.

14 CHAIRMAN GETZ: Well, let's -- now that
15 we've got the numbering correct, Mr. Bersak?

16 MR. BERSAK: The title on this document,
17 which has just been marked for identification as "Staff
18 Exhibit 14", is "PSNH Financial Analysis". Mr. McCluskey
19 did make a correction. I just want to make sure it's duly
20 noted that this is not a PSNH financial analysis. We have
21 never seen this document before this very moment. And,
22 like others in this docket, we're kind of doing it on the
23 fly.

24 MS. AMIDON: Well, Mr. Chairman, I would

1 just say that we were waiting yesterday to get the working
2 Excel spreadsheet for Mr. Sansoucy's Exhibit Number 10,
3 which we never got. And, while Mr. McCluskey may have
4 mislabeled it saying "PSNH Financial Analysis", he was
5 attempting to reconstruct Exhibit Number 10 and to perform
6 a calculation of the contract prices with the market
7 prices. So, -- and, it's no different than Exhibit 9 for
8 PSNH coming in or the late --

9 CHAIRMAN GETZ: I think all we're
10 arguing about is the title. So, --

11 MS. AMIDON: Thank you.

12 MR. BERSAK: I have not objected. I
13 just want to note that it's not ours. That's all.

14 CHAIRMAN GETZ: Please proceed.

15 WITNESS McCLUSKEY: Thank you.

16 BY THE WITNESS:

17 A. (McCluskey) So, there's two pages, and there's
18 essentially three blocks of data. The first block
19 contains the estimated power costs under the PPA for
20 capacity, energy, and RECs. And, this particular set
21 of numbers is referring to a plant with a capacity of
22 63 megawatts and a capacity factor of 87.5. And, I'll
23 connect it with Mr. Sansoucy's 58 megawatts and
24 80 percent capacity factor in one moment. But this

1 particular analysis is assuming it's the plant that was
2 described by Laidlaw at the SEC. Okay? Sixty-three
3 (63) megawatts, 87.5 capacity factor. And, it's
4 showing that the total revenue over the 20 year period
5 is approximately \$1.6 billion, if you turn to Page 2.

6 The second block is -- I've titled it
7 "Market Revenue 1". And, what this has is, based on
8 the information that we received from Mr. Sansoucy
9 yesterday at the tech session, I'm modeling here his
10 version of Column E. So, we have the Ventyx market
11 energy prices with carbon, we have the Ventyx market
12 capacity prices, which come from a 2010 study, and we
13 have the Laidlaw REC prices in there. And, so, I also
14 have an additional line, which shows whether it's above
15 market or under market. If the number is in
16 parentheses -- parentheses, I have trouble saying that
17 word, it's an under-market number. If it's just as is,
18 it's an above-market number.

19 And, so, if you turn to Page 2, you will
20 see that this calculation is showing that, over the 20
21 year term, it's significantly under market. It's
22 actually quite by bit more under market than what Mr.
23 Sansoucy was calculating. And, then, what I do is I
24 changed the inputs in the third block, which I've

1 titled "Market Revenue 2". And, here we have only
2 market prices for energy, capacity, and RECs. And, I
3 believe they are all from the same vintage, the 2010,
4 Fall 2010. So, when you insert those numbers, and you
5 go onto Page 2, the calculation flips from being
6 substantially under market to substantially over
7 market.

8 And, there is another column, the above
9 or below-market numbers, under this scenario where you
10 have a 63 megawatt plant, are shown in the column
11 headed "Difference Run 2". The numbers under the
12 "Difference Run 1", those are the numbers if you run
13 this calculation at 58 megawatts and 80 percent
14 capacity factor. So, they're not substantially
15 different. But, clearly, if you increase the size of
16 the capacity, you're going to make -- you're going to
17 make the under or over-market value greater, which is
18 what you would expect.

19 (Court reporter interruption.)

20 BY THE WITNESS:

21 A. (McCluskey) Okay. So, if you do the calculation as I
22 thought Mr. Sansoucy was doing, he was comparing the
23 power costs under the PPA with some market benchmark,
24 it actually produces a significant above-market result.

1 And, it's very interesting, we have testified that,
2 when you use other methods to determine the market
3 price of energy and REC prices, we came out with an
4 above-market quantity which was higher than this
5 333 million that we're showing. But it's not
6 significantly higher.

7 And, so, here we have a different source
8 of market price projections or forecasts, whatever you
9 want to call them, which we were not aware of, I've
10 never even heard of Ventyx before this, the hearings.
11 And, so, when you input their numbers for this 20 year
12 period, it effectively supports the number, it's a
13 little lower, but you would expect it to be different
14 because you have a different set of -- different
15 forecasters are going to come up with their own
16 opinions of where these markets are going to go in the
17 long term. So, we were in the 400 or more range, and I
18 forget the exact number, from the market price
19 projections that we described in our testimony. And,
20 this is showing that we're in the right ballpark. This
21 is indicating something lower, but I regard this as
22 supportive. And, it's another forecast. Mr. Sansoucy
23 said he has to use forecasts in his business. And, I
24 would think that PSNH would have to use forecasts in

1 its business to make rational decisions.

2 And, so, I think this, one, it -- I
3 think the result undercuts the argument that Mr.
4 Sansoucy had in his testimony about "\$300 million
5 under-market value". And, I think it also supports the
6 other approaches to determining cost-effectiveness that
7 we describe in our testimony.

8 BY MS. AMIDON:

9 Q. Mr. McCluskey, just to sort of break down this analysis
10 to the bottom line, instead of getting a \$300 million
11 under-market price, when you ran these numbers, which
12 were provided in Ventyx by Mr. Sansoucy, you reached an
13 over-market price of \$274 million, with -- using the
14 design of the plant as determined as -- strike that --
15 using the design of the plant that Mr. Sansoucy used in
16 his analysis, is that correct?

17 A. (McCluskey) That is correct.

18 Q. Okay. And, then, Difference Run 2, you used the design
19 of the plant as Laidlaw presented to the Site
20 Evaluation Committee, is that correct?

21 A. (McCluskey) That's correct.

22 Q. And, you came up with approximately \$334 million over
23 market, when you used the Ventyx forecast as a
24 comparison, is that correct?

1 A. (McCluskey) That's correct.

2 Q. Thank you. In the rebuttal testimony from PSNH, they
3 claim that you testified that the required minimum
4 purchase standards for renewable generation in the
5 present RPS law only run through the year 2025. Did
6 you make that assertion in your testimony?

7 A. (McCluskey) No. What I actually said was, and I quote,
8 "The wood-fired IPPs have argued that there is no
9 requirement for the purchase of RECs after 2005", I
10 think it should have read "2025", "in the RPS. If this
11 is correct, all of the RECs scheduled to be purchased
12 during the 2026 through 2033 period will be in excess
13 of the need absent modification of the RPS by the
14 Legislature."

15 Q. And, when you said "quote", you were quoting from your
16 testimony, is that correct?

17 A. (McCluskey) That's correct.

18 Q. Do you have anything else to add to the 2025 issue?

19 A. (McCluskey) Yes. If it was my position that the RPS
20 law terminated in 2025, the market price and cash flow
21 analyses that were described in my testimony would have
22 ended before 2033. That is not the case. Those
23 analyses run through 2033.

24 Further, I do not consider the 2025

1 issue to be the major issue in this case. The major
2 issues, in my opinion, are the excessive REC prices and
3 the requirement to purchase more RECs than is actually
4 needed. Even these two issues, while they might appear
5 different, come down essentially to the same issue,
6 price. If the RECs were priced at the market, Staff
7 wouldn't have a problem with the Company purchasing
8 more than it needs. Because we think that they could
9 resell the RECs in the market and customers would be
10 indifferent. So, we could imagine a PPA that did
11 obligate PSNH to purchase all of the RECs output from
12 the facility, but they wouldn't be harmed if they were
13 priced correctly. It's the fact that they are priced
14 well above, in our opinion, the market prices that
15 expose customers to significant costs if they don't
16 need those RECs. So, I think the two issues that I've
17 identified as being the critical issues in this
18 proceeding actually come down to one issue, which is
19 the appropriate price for RECs, in my opinion.

20 Q. Thank you. Moving on, do you recall Commissioner Below
21 asking PSNH about Attachment 2 to the rebuttal
22 testimony they filed?

23 A. (McCluskey) Yes. If you just give me one moment, so I
24 could find that. Yes. The Attachment 2 was a chart,

1 which is labeled "Laidlaw PPA energy price compares
2 favorably to [the] wholesale electricity prices." And,
3 this chart has two lines. It has the wholesale market
4 energy prices varying over a seven year period from
5 March '03 to December 2010. And, there's some
6 significant variation in those prices. And, set into
7 this prices is what I assume to be the Laidlaw PPA
8 energy prices, which are actually shown in green. And,
9 sometimes they are below the market energy prices,
10 sometimes they are above. This chart, this comparison,
11 I think is really troubling. It's a weird chart, to
12 have prices that relate to some future period, compared
13 with prices from a historic period. Typically, when
14 you're doing some analysis, you're comparing the prices
15 for this period with what you expect the market price
16 to be over that same period. To have a chart which
17 compares those future prices with historic prices is
18 something that I've never seen before. But there's
19 something about this chart that's even -- two things
20 about it that I think is a little troubling. One is
21 that the PPA has a 20 year term. And, so, they drop
22 onto market energy prices over a seven year period.
23 And, how they did that I don't know. So, if they
24 picked out seven years from the PPA, we don't know what

1 seven years, but, if somehow they have comprised the
2 PPA prices into this seven year period, it's not clear
3 from the chart.

4 The other thing is it says this
5 comparison is "Laidlaw PPA energy prices". And, as you
6 may recall from Staff's Exhibit 3, if you care to look
7 at that, --

8 Q. Is it an exhibit to your testimony?

9 A. (McCluskey) No. This is Staff Exhibit 3. And, what it
10 is, it's a copy of Mr. Labrecque's Attachment RCL-1.

11 Q. Thank you.

12 WITNESS McCLUSKEY: Do you have that,
13 Commissioner?

14 BY THE WITNESS:

15 A. (McCluskey) And, on this attachment, they show the PPA
16 energy prices beginning at \$83, and rising over time,
17 based on some assumptions about how fuel costs are
18 going to change. Then, if you look at the chart, it
19 actually starts in March '03 at below \$60. There's no
20 \$60 figure in Mr. Labrecque's Attachment RCL-1, which,
21 as I said, is Staff Exhibit 3. So, it makes you
22 wonder, did they -- are these fuel prices, as opposed
23 to energy prices? Did they subtract out the O&M? Is
24 that what they did? Even that doesn't fit, because, if

1 you subtract out the O&M, you would start at just above
2 \$60. Clearly, this price is below \$60.

3 So, I find this chart very troubling.

4 So, what I did was I prepared an additional chart.

5 And, would you like to hand that out?

6 BY MS. AMIDON:

7 Q. Let me just ask you, this chart is entitled "Laidlaw
8 PPA Energy Prices Compare Unfavorably to Historic
9 Wholesale Electricity Prices." And, it has a line on
10 the left-hand side that jogs up and down, and then a
11 line over at the right that rises continuously?

12 A. (McCluskey) That's correct. And, I will explain in a
13 bit more detail what's going on in this chart.

14 MS. AMIDON: Please mark that for
15 identification as "Staff 15". Thank you.

16 CHAIRMAN GETZ: So marked.

17 (The document, as described, was
18 herewith marked as Staff Exhibit 15 for
19 identification.)

20 BY THE WITNESS:

21 A. (McCluskey) So, in order to get away from imposing on
22 -- imposing future prices on a chart that shows
23 historic prices, what I did, I reproduced the market
24 energy prices, what I'm showing here is those market

1 energy prices, the average annual price. So, there's
2 less variability. A particular monthly price might be
3 higher or lower than the line that I'm showing here.
4 But, on average, the average annual prices over that
5 seven year period look like what I'm showing here in
6 red. And, then, I plot, after a four year gap,
7 assuming the PPA is going to start in 2014. So, the
8 first Laidlaw energy price is \$83, and then it rises at
9 a uniform rate of 2.5 percent. That's why we're
10 looking at essentially a straight line. But I think
11 the important thing is -- so, just visually, you can
12 see that the Laidlaw PPA energy prices are generally
13 higher. And, depending on what year you look at,
14 sometimes somewhat -- quite a bit higher than where
15 average annual market energy prices have been over the
16 last seven years.

17 So, I think this -- this gives a better
18 visual, if you want to compare the future with history,
19 which I think is not a very good idea, but this is --
20 this is the kind of thing that I would look at. So,
21 I've just changed the title, changed one word from
22 "favorably" to "unfavorably".

23 BY MS. AMIDON:

24 Q. Mr. McCluskey, would you address PSNH's argument that

1 "absent approval of the PPA, PSNH cannot meet its
2 requirements under the RPS law."

3 A. (McCluskey) Yes. Leaving aside the fact that the
4 Company testified that it can meet its requirements
5 with short-term -- in the short-term REC market, I
6 believe it is simply wrong if it is referring to
7 long-term contract purchases.

8 In late 2010, NSTAR requested approval
9 from the Mass. DPU to enter into a contract for
10 renewable power providing a total of 30 megawatts of
11 renewable generation supply and associated Class I RECs
12 at a fixed energy and REC price over a contract term of
13 ten years. This was presented in the testimony of a
14 chap called James Daly for NSTAR, dated July 2nd, 2010,
15 in DPU Docket 10-71. The important thing is, this
16 contract was the winning bid from an open competitive
17 bid process that produced a total of 52 bids,
18 representing 35 individual projects, and
19 1,180 megawatts of renewable capacity. I think these
20 facts demonstrate that there is an abundance of
21 renewable generation for Class I projects out there, if
22 you simply have the appropriate competitive
23 solicitation.

24 Now, this particular contract was from

1 what is referred to as the "original RFP" in
2 Massachusetts. That RFP limited bidders to
3 Massachusetts projects. And, the RFP, as a result of
4 litigation, the DPU or some other agency agreed to, in
5 settlement of the lawsuit, to change the requirements
6 for the RFP, and they made it available to projects
7 from outside of the state. And, the new RFP which went
8 out is now called the "Amended RFP". And, I was
9 inquiring of Fitchburg Gas & Electric, which, as you
10 know, is an affiliate of one of our utilities, Unitil,
11 and they have told me that they, which is the smallest
12 utility in Massachusetts, have received more than 52
13 bids from their RFP. They are currently in the process
14 of reviewing those bids. And, that information is
15 confidential. But they say they have had more than
16 sufficient offers from the Amended RFP.

17 MR. BERSAK: I take it that Unitil will
18 not be here to testify to that fact, Mr. Chairman?

19 CHAIRMAN GETZ: So far as I know.

20 MR. BERSAK: So, that's hearsay. We
21 object.

22 MS. AMIDON: Well, Mr. Chairman, I mean,
23 I do think that, with respect to the NSTAR contract, Mr.
24 McCluskey has provided a docket number, and the Commission

1 can give the weight that that information should be
2 awarded. But I do think that Mr. McCluskey's testimony
3 shows that there are other ways to acquire RECs, other
4 than a PPA. I think that's the point he wished to make.

5 CHAIRMAN GETZ: Okay. Well, let me just
6 observe that the technical rules of evidence do not apply,
7 and we'll give the statement the weight it's due.

8 MR. BERSAK: Thank you, Mr. Chairman.

9 BY MS. AMIDON:

10 Q. Going back to the NSTAR contract, was there any other
11 interesting aspect to that that you wanted to discuss,
12 regarding changes in laws and the effect on customers?

13 A. (McCluskey) Yes. Mr. Daly's testimony to the DPU
14 stated that "NSTAR's customers are not obligated to pay
15 for RECs if, as a result of a change in law, the
16 facility falls to qualify as a Class I resource."

17 Q. Thank you.

18 A. (McCluskey) Which is very different from the PPA that's
19 currently before us.

20 Q. At Page 28 of PSNH's rebuttal, PSNH claims that neither
21 of the two proposed biomass plants, Clean Power
22 Development and Concord Steam, that made unsolicited
23 offers were superior to the PPA negotiated by Laidlaw.
24 That is I think at Line 29, at Page 28 of PSNH's

1 rebuttal. Do you see --

2 A. (McCluskey) Yes.

3 Q. Would you like to comment on that point?

4 A. (McCluskey) Yes. Yes. I need to get a copy of PSNH's
5 response to Staff 1-32 revised. So, if you give me a
6 moment, I'm trying to think where I've got that.

7 Q. I think it's IPP -- the IPPs did mark that for
8 identification as "IPP-25".

9 A. (McCluskey) Do you have a copy?

10 Q. This is IPP-25.

11 A. (McCluskey) Thank you.

12 WITNESS McCLUSKEY: Do you have a copy,
13 Commissioner?

14 BY THE WITNESS:

15 A. (McCluskey) This response to 1-32, which was revised by
16 the Company, was in response to a request asking
17 whether the Company had received any unsolicited
18 offers, and to provide -- I don't have the response in
19 front of -- the question in front of me, but
20 essentially it was to ask them whether they had had any
21 such offers and to provide any analyses of the offers
22 that they received. And, so, I would just like to draw
23 your attention to a summary of the results, which is in
24 this box that you see on the first page. And, there's

1 a component of this box which says "Offer Comparison".
2 Do you see that? And, so, we have three columns,
3 "CPD", "Concord Steam", and "Laidlaw". And, they are
4 showing the levelized price for the Laidlaw project at
5 -- this is \$156, \$156.4 per megawatt-hour, levelized
6 price. You need to levelize -- whenever you get offers
7 which cover different time periods, in order to make
8 sense of the offers, you need to levelize the offer, in
9 order to put it on -- into an apples-to-apples
10 comparison, which is what the Company was doing here.
11 And, with respect to the Concord Steam offer, they say
12 the levelized price is \$136.7 per megawatt-hour. And,
13 the CPD unsolicited offer was \$143.1 per megawatt-hour.

14 MR. BERSAK: Mr. McCluskey, are you
15 referring to a confidential response?

16 MS. AMIDON: I believe that the
17 Commission issued an order stating that that was no longer
18 confidential. And, unfortunately, many of the data
19 requests that we have copies of still have the initial --

20 MR. BERSAK: I'm trying to figure out
21 where this one fit into the stream of decisions that were
22 made by the Commission.

23 CHAIRMAN GETZ: We have Exhibit IPP-25.
24 Mr. Shulock, do you have --

1 MR. SHULOCK: We were provided that
2 material without restriction.

3 MR. BERSAK: Okay. That's fine. I'm
4 being told there was a second revision to this where the
5 confidential is removed. I'm sorry.

6 WITNESS McCLUSKEY: Okay.

7 BY THE WITNESS:

8 A. (McCluskey) And, so, I calculate that the CPD offer is
9 at a discount to Laidlaw of 8.5 percent. Whereas the
10 Concord Steam offer is at a discount of 12.6 percent.
11 And, so, I don't regard those as -- I don't regard
12 Laidlaw as superior to those. I regard Laidlaw, its
13 prices, to be inferior to those two offers.

14 BY MS. AMIDON:

15 Q. Do you know what fuel price was assumed in these
16 offers?

17 A. (McCluskey) Yes. And, this also is interesting. In
18 order to have an apples-to-apples comparison, you have
19 to have the same fuel price under each offer. And,
20 they assumed that it would be \$32.5 a ton. And, if you
21 recall, the prices in the Laidlaw PPA are at \$34 a ton.
22 And, I calculated and presented in my testimony that
23 the levelized price for the Laidlaw PPA is around about
24 \$162 per megawatt-hour, assuming \$34 a ton. So, this

1 kind of fits. They're saying, under the \$156.4 per
2 megawatt-hour, at the 32.5 a ton fuel price, so I think
3 we're in the same ballpark here.

4 Q. Thank you. Please comment on the claim by PSNH that,
5 because the short-term REC prices in the Synapse
6 forecasts are above the current short-term market
7 prices, the whole forecast can't be relied upon.

8 A. (McCluskey) Yes, I think this was in response to a
9 question in cross to Mr. Labrecque. And, so, he's
10 saying "Well, Synapse made this long-term price
11 projection." Which actually, I believe, started in
12 2010 or '11. And, if you look at where the REC prices
13 are today, they're lower than what Synapse was
14 projecting for that period. And, so, he's concluded
15 that, if the short-term prices are different from one
16 year in the long-term, the whole REC price forecast has
17 got to be thrown out. Well, in fact, if you actually
18 read the Synapse report, they state clearly that
19 there's two components to their long-term price
20 forecast. The first couple of years are reflective of
21 broker quotes for those first two years. And, the rest
22 of the projection is based on a sophisticated
23 supply/demand modeling exercise, where they attempt to
24 estimate what the supply will be for renewable Class I

1 projects and what the demand will be, based on what the
2 various statutes in the New England region require.

3 And, so, the prices after the first two
4 years are developed through a different mechanism than
5 what the first two years are. So, I would conclude
6 that, if the prices in the first couple of years are
7 not quite at what the market is, then you can't draw
8 any conclusions with regard to the quality of the
9 supply/demand analysis that underlies the rest of the
10 long-term forecast.

11 Q. And, to your knowledge, Mr. McCluskey, do the utilities
12 in New Hampshire use the Synapse forecast for
13 calculating other benefits, such as in the energy
14 efficiency program?

15 A. (McCluskey) Yes. Again, as I state in my testimony,
16 Synapse was commissioned, hired by the electric
17 utilities and gas utilities in the New England region
18 to develop the avoided costs that were needed in order
19 to determine cost-effectiveness of energy efficiency
20 programs in the various states. And, PSNH was one of
21 the electric utilities which selected Synapse to do
22 this work. And, so, we have the CORE programs, which
23 are using, the CORE programs in New Hampshire, using
24 these avoided costs, these long-term energy and

1 capacity numbers for the important work of determining
2 cost-effectiveness. And, then, we have PSNH, in this
3 docket, saying "you can't use those numbers because
4 they're not reliable." And, it seems to me that this
5 is just a major inconsistency between those two
6 positions.

7 Q. Thank you. PSNH, in its rebuttal testimony, at Page
8 27, says that it "could have not have developed a PPA",
9 like the one that it has proposed with Laidlaw,
10 "through a competitive bidding process." Do you agree
11 with that statement?

12 A. (McCluskey) No. We've already heard that they have had
13 substantial success in encouraging bidders to
14 participate in the RFPs in Massachusetts. There's also
15 a significant RPS program in New York, which is also
16 based on competitive bids. If PSNH wants to have a
17 particular outcome in terms of its design of a PPA,
18 then it could develop an RFP that requested bidders to
19 include those features in their bids. And, so, I think
20 competitive solicitations are very flexible. The buyer
21 can be very creative in the kinds of things that
22 they're looking for. There's clearly lots of
23 developers that would like to make money and be the
24 winning bidders in these various RFPs.

1 So, I truly believe that they, with some
2 creative development of the requirements of the RFP,
3 could get results that fit their particular needs.

4 Q. Are there any --

5 CHAIRMAN GETZ: Ms. Amidon, how much
6 more of -- are you continuing to go through the PSNH
7 rebuttal testimony and --

8 MS. AMIDON: Yes, I am.

9 CHAIRMAN GETZ: -- and inquiring of the
10 witness? I mean, it certainly was one thing to deal with
11 some of these documents that were late to the party from
12 the City of Berlin. But it seems to me we're getting into
13 unanticipated surrebuttal.

14 MS. AMIDON: What I have -- I don't have
15 much left, actually just two areas of questions for Mr.
16 McCluskey. And, I haven't, obviously, been able to
17 conduct my direct of Mr. Frantz, which won't take as long.
18 But I have an area -- one area I want to talk about is
19 risk, another area I want to talk about is the statement
20 on the Levitan study. And, finally, from both Mr. Frantz
21 and Mr. McCluskey, I would like their comment on Exhibit 9
22 that PSNH offered. So, that's what I have remaining.

23 CHAIRMAN GETZ: Okay. Well, let's
24 proceed.

1 MS. AMIDON: Thank you.

2 BY MS. AMIDON:

3 Q. The Company said that you did not mention certain risks
4 that Laidlaw would have to be compensated for through a
5 higher return on equity. Do you understand that the
6 contract shifts any risks from Laidlaw to PSNH that
7 would affect customers?

8 A. (McCluskey) Yes. There is a significant number of
9 areas where risk has been shifted. The requirement to
10 purchase all of the output of the facility eliminates
11 the risk that Laidlaw is unable to find a buyer for its
12 product. This risk exposes Laidlaw to lower than
13 expected profits. By shifting it to PSNH, they reduce
14 that risk.

15 The proposed energy pricing in the PPA
16 effectively eliminates Laidlaw's market price risk.
17 This risk also exposes Laidlaw to lower than expected
18 profits.

19 The proposal to adjust the energy prices
20 for a change in fuel costs reduces Laidlaw's fuel price
21 risk.

22 The proposal to include in the energy
23 price an O&M expense component that collects the
24 estimated O&M costs over the 20-year period reduces, if

1 not eliminates, the O&M expense risk that it otherwise
2 would incur.

3 The proposal to fix the capacity prices
4 in the PPA hedges Laidlaw's FCM risk. The proposal to
5 fix the REC prices in the PPA hedges Laidlaw's REC
6 price risk.

7 The requirement to purchase RECs after
8 2025 eliminates the risk to Laidlaw that the RPS will
9 not be extended or, if extended, the new REC purchase
10 requirements are less than the old requirements,
11 resulting in lower REC revenues.

12 And, basing the REC prices in the PPA on
13 the existing statute, Laidlaw has eliminated the risk
14 that the statute is repealed and amended in a way that
15 substantially reduces the REC revenue.

16 These are all areas where PSNH -- where
17 the PPA has essentially shifted the risks to PSNH and
18 its customers.

19 Q. And, PSNH has said they don't make any money on this
20 contract, is that correct?

21 A. (McCluskey) That's correct.

22 Q. And, they're seeking full cost recovery of the costs
23 incurred under the contract?

24 A. (McCluskey) That's correct.

1 Q. Thank you.

2 A. (McCluskey) By seeking full cost recovery, the risk
3 gets shifted from PSNH to PSNH's customers.

4 Q. And, other than Exhibit 9, I just have one area I
5 wanted to ask you. Which is to comment on the claim
6 that you didn't take a position on the PPA capacity
7 prices because the Levitan forecast shows the prices to
8 be under-market. Could you briefly address this issue.

9 A. (McCluskey) Yes. The Staff issued six sets of
10 discovery to PSNH. In the first set, we asked them for
11 any price projections on capacity and any associated
12 reports and analyses. They provided a price
13 projection, but didn't provide the analyses behind it,
14 who developed the projection, and any report associated
15 with it. We followed up with a second set of
16 discovery, and we still didn't get the information that
17 we were looking for. It wasn't until the sixth set did
18 we find out that a report had been submitted by
19 Mr. Levitan describing how he developed the price
20 projection. We received that information 17 days
21 before our testimony were due. In the meantime, I had
22 several other cases going on where I had an obligation
23 to respond either to discovery or testimony or
24 whatever. Staff did not have time, before submitting

1 our testimony, to review that report.

2 MR. BERSAK: Mr. Chairman, I have to
3 object to this. There was no motion to compel, there was
4 no assertion that we did not follow the procedural
5 schedule in this docket. This docket has been tight for
6 everybody. That does not change the substance of Mr.
7 McCluskey's filed testimony, where he did not take any
8 positions on capacity. To now change that testimony,
9 saying "I didn't have enough time", is unfair to every
10 party here.

11 MS. AMIDON: Mr. McCluskey is just
12 explaining why he doesn't have any analysis of
13 Mr. Levitan's model.

14 CHAIRMAN GETZ: Are you going to go
15 further on this or is that just the --

16 WITNESS McCLUSKEY: Well, I'll just
17 finish it off.

18 BY THE WITNESS:

19 A. (McCluskey) Since we filed our testimony, I've had a
20 chance to look at the report, which was actually
21 submitted in PSNH's IRP, not in this docket. And, the
22 report actually only covers the period up to 2020, six
23 years of the PPA. And, so, Levitan was hired not to
24 develop the projection for this case, but to do a

1 projection for the IRP. And, because they recognized
2 it didn't cover the full period of the PPA, they had
3 Mr. Levitan make various adjustments. At the end of
4 the period, for example, he simply adjusts it using
5 some -- something like an inflation factor. So, it's
6 hardly a sophisticated analysis that resulted in the
7 capacity prices for the back-end of this forecast
8 period.

9 And, so, if we had that information
10 early on, we certainly would have addressed it, like I
11 addressed just about everything else in the PPA. We
12 simply didn't have time to do the analysis, because we
13 didn't get the information that we requested earlier in
14 the proceeding.

15 MS. AMIDON: Mr. Chairman, at your
16 pleasure, I have not many questions for Mr. Frantz. We
17 could go through that, and then get both Mr. Frantz and
18 Mr. McCluskey to comment on Exhibit 9, or we could begin
19 Tuesday morning that way. It's your choice.

20 CHAIRMAN GETZ: But how long will the
21 Exhibit 9 commentary take?

22 MS. AMIDON: I think it's pretty much
23 point-by-point, I don't think it will take long. They're
24 going to address each one of the five items.

1 CHAIRMAN GETZ: Because what I'm
2 concerned about now is to make sure that the Petitioner
3 has an opportunity to be prepared to cross-examine.
4 There's a lot of material today. I think I would put off
5 Mr. Frantz's additional direct. But, if we can get
6 through their comment on Exhibit 9, that might be useful.

7 MS. AMIDON: Okay.

8 BY MS. AMIDON:

9 Q. And, then, this is to both Mr. Frantz and Mr.
10 McCluskey, I would ask your comments on the proposal
11 that was identified as "PSNH Exhibit 9 Revised", which
12 are the -- I don't have the document right in front of
13 me, but I believe that what Laidlaw is willing to agree
14 to.

15 A. (McCluskey) Okay. I'll just go through them very
16 quickly. Beginning with Item 1. The proposal to
17 expand the capacity of the facility, we object to that.
18 Our position is that this PPA is substantially over
19 priced. So, why would we agree to buy more of this
20 over-priced product? So, we are not in favor of
21 expanding the capacity of the facility.

22 A. (Frantz) I'd just like to add that Mr. Long actually
23 testified and said "well, one of the things that we've
24 done in this is to learn from the errors of the 1980s

1 of the QFs." And, yet, the filing was made at 64 and
2 61 megawatts, depending on the time of year, and now
3 this comes in at 67 and a half, essentially higher than
4 what was originally filed in the SEC docket. I mean,
5 to me, that seems like we are, in fact, about to make
6 the same mistake. I think a megawatt-hour cap perhaps
7 could be useful in this, in this regard.

8 Q. But, Mr. Frantz, you wouldn't say 67.5 is the cap?

9 A. (Frantz) No. Correct.

10 Q. Thank you. Okay. Item 2.

11 A. (McCluskey) Interest on Cumulative Reduction Account:

12 And, this is responsive to one of the arguments that I
13 make in my testimony. Our major concern is with the
14 cap on how much customers can receive back from this
15 account is capped at the market value of the facility.
16 So, if the facility has very little value at the end of
17 the 20-year term, adding more dollars to the account,
18 the interest on the Cumulative Reduction increases the
19 risk that customers are not going to receive all of the
20 dollars that they are essentially putting into the
21 account through their payments through the PPA.

22 A. (Frantz) On interest, you know, I'm an economist, I
23 think you ought to recognize the time value of money.
24 And, this PPA does not recognize the time value of

1 money. And, I think that's a mistake.

2 Q. Okay. Item 3.

3 A. (McCluskey) The excess RECs: The proposal is
4 essentially to add additional dollars to the Cumulative
5 Reduction Account related to over-market or
6 under-market costs associated with the RECs. However,
7 excluded from this definition is Schiller. So, the
8 fact that Schiller is excluded from this calculation, I
9 am opposed to the excess REC proposal that they have
10 here. And, I would add the same point I made regarding
11 Item 2. The more dollars you put into this account,
12 and it's all capped by the market value of the plant at
13 the end of 20 years, you are increasing the risk that
14 customers are not going to receive payment back at the
15 end of the 20-year period.

16 And, Item 4, the "Base Energy Price",
17 when you -- essentially, when you combine that with
18 Item 5, somebody described it as "optics", that's what
19 it is. It's not a significant issue at all, Item 4.

20 Item 5, the conversion factor, dropping
21 it from 1.8 to 1.6, we think that we -- we certainly
22 recommended that that be done. The 1.8 does not meet
23 the characteristics of the facility. And, I think
24 Laidlaw has recognized that. By making this change,

1 and combining it with 4, customers are not harmed one
2 way or the other, because customers are always going to
3 be paying the fuel costs, when it goes up or goes down,
4 they're going to be paying the actual fuel costs. So,
5 it really didn't matter what the baseline is, \$30 or
6 \$34 a ton, once you make the change to 1.6. If you had
7 left it at 1.8, there could have been situations where
8 Laidlaw would benefit, there could have been situations
9 where customers would benefit. So, these two taken
10 together I think is a significant improvement.

11 Q. And, one follow-up for Mr. Frantz. You said that
12 increasing the capacity was similar to or you likened
13 it to the IPP situation. Could you just elaborate on
14 and explain that concern more fully.

15 A. (Frantz) Well, the Commission, in the 1980s, received
16 filings for projects, and the Commission determined the
17 prices for those projects. And, there were estimates
18 of what the megawatt output of numerous qualifying
19 facilities were for those plants. But, when they
20 actually built them, they were often much larger than
21 what was in the filings with the Commission. So, the
22 customers ended up purchasing, at least for a certain
23 period of time, the additional output at those avoided
24 costs.

1 MS. AMIDON: Okay. Thank you.

2 CHAIRMAN GETZ: Okay. Thank you. Then,
3 I presume we'll take up on next Tuesday with Mr. Frantz's
4 direct.

5 But I do want to address the request
6 from the Mayor of Berlin. But did you have something?

7 MS. HATFIELD: I do, Mr. Chairman. I
8 apologize, but I wanted to let you know now that the OCA
9 has a legislative hearing that we need to attend on
10 Tuesday, at 2:00, that just so happens to be a bill
11 amending the RPS statute. So, we would hope that we would
12 be finished by then. But we just wanted to let you know
13 that now, so that, to the extent it's possible, if we
14 could try to schedule around that. And, if you can't, I
15 understand, but I just did want to let you know.

16 CHAIRMAN GETZ: Okay. Well, then that
17 is I guess more basis for what I'm about to say. I'd say
18 that we would resume here next Tuesday, at 9:00 a.m. The
19 goal, of course, is to get through all of this testimony.
20 So, effectively, we are not going to grant the City of
21 Berlin's request. It was late-filed, it wasn't provided
22 to any of the parties. I think it's impractical under the
23 circumstances. And, if anything, to accommodate a request
24 of this nature would probably make this proceeding last

1 even longer.

2 So, we will resume here next Tuesday.
3 And, if we can schedule our day in a way that works around
4 the legislative obligation, then we'll do that.

5 MS. HATFIELD: And, then, this may be
6 premature, but I at least have been thinking about whether
7 the Commission was going to either require briefing of
8 certain issues or offer it. And, I don't know if you want
9 to tell us anything about that now. But one idea that I
10 have had was that it might be possible, if the Commission
11 did want briefs or wanted to offer the option, that the
12 parties could try to work together to identify any issues
13 that people think need to be briefed, because it just
14 might make the briefing schedule be able to be shorter, if
15 we all agreed. And, I don't have anything to propose at
16 this time, but I just wanted to offer that it might be
17 useful, rather than you needing to do that, we could try
18 to do it.

19 CHAIRMAN GETZ: Well, we haven't reached
20 any conclusion on that. If you all want to talk between
21 now and next Tuesday and come up with a recommendation,
22 then we would certainly entertain it. Did you have
23 something, Mr. Shulock?

24 MR. SHULOCK: Yes. It was just a simple

1 procedural question. Was this marked as an exhibit?

2 MR. BOLDT: Staff 15 is my recollection.

3 MS. AMIDON: Yes, Staff 15.

4 CHAIRMAN GETZ: Yes, that is
5 Exhibit Staff 15. Anything else today?

6 (No verbal response)

7 CHAIRMAN GETZ: Okay. Then, we're
8 recessed. And, we'll see you next week. Thank you,
9 everyone.

10 (Whereupon the hearing was adjourned at
11 5:07 p.m. and the hearing to reconvene
12 on February 8, 2011, commencing at 9:00
13 a.m.)
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