

In Re:
DE 10-195
PSNH/LAIDLAW BERLIN BIOPOWER

DAY 3 - MORNING SESSION ONLY
January 26, 2011

SUSAN J. ROBIDAS, LCR NO. 44

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**DAY 3 - MORNING SESSION ONLY - January 26, 2011
DE 10-195 PSNH/LAIDLAW BERLIN BIOPOWER**

1 STATE OF NEW HAMPSHIRE
2 PUBLIC UTILITIES COMMISSION
3
4 January 26, 2011 - 9:15 a.m. DAY 3
5 Concord, New Hampshire MORNING SESSION ONLY
6 PUBLIC HEARING
7
8 RE: DE 10-195
9 PUBLIC SERVICE CO. OF NEW HAMPSHIRE:
10 Petition for Approval of Power Purchase
11 Agreement between PSNH and Laidlaw Berlin
12 Biopower, LLC.
13
14 PRESENT: Chairman Thomas B. Getz, Presiding
15 Commissioner Clifton C. Below
16 Commissioner Amy L. Ignatius
17
18 Sandy Deno, Clerk
19
20 APPEARANCES: Reptg. Public Service Co. of N.H.:
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23 Reptg. City of Berlin:
24 Christopher Boldt, Esq.(Donahue, Tucker...)
Keriann Roman, Esq. (Donahue, Tucker...)
Reptg. Bridgewater Power, Pinetree Power,
Pinetree Power-Tamworth, DG Whitefield
Power, Springfield Power, and Indeck
Energy-Alexandria:
David J. Shulock, Esq. (Brown, Olson...)
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Reptg. Clean Power Development:
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Reptg. Edrest Properties, LLC:
Jonathan Edwards
COURT REPORTER: Susan J. Robidas, LCR NO. 44

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5 Terrance Large
6 Lisa Shapiro
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21 (Reserved) of the lenders that there
22 would be no effect on PSNH's
23 debt rating in the PPA
24 between PSNH and Laidlaw.

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1 APPEARANCES: (C O N T I N U E D)
2 Reptg. OCA:
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8 Suzanne G. Amidon, Esq.
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1 P R O C E E D I N G S
2 C H A I R M A N G E T Z: Okay. Good morning,
3 everyone. We'll reopen the hearings in
4 Docket 10-195.
5 And is there anything we need to
6 address before we resume with cross-examination of
7 the panel?
8 M R. B E R S A K: Yes, Mr. Chairman. When
9 Nancy Brockway was commissioner here, she used to
10 admonish us to "slow down to speed up." Well,
11 yesterday, in our zeal to try to get corrected
12 versions of rebuttal testimony to reflect Concord
13 Steam's withdrawal, I had intended to provide two new
14 pages, one for replacement of Page 6 and one for
15 replacement for Page 9 of the joint rebuttal
16 testimony submitted by PSNH as PSNH No. 7. After
17 lunch, I apparently did not have copies of Page 9, so
18 I couldn't provide them to you. So I have now
19 provided them to you and to the rest of the parties.
20 So, that's mistake No. 1.
21 Mistake No. 2, in our failure to heed
22 Commissioner Brockway's admonishment, was on
23 replacement Page 6, which I did have yesterday. It
24 was not entirely correct. So I'm giving you a

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1 replacement page. And on the bottom of the correct
2 page, now it says on the bottom right, "Replacement
3 Page, Rev. 2, PSNH Exhibit 7." And what we had
4 failed to do for some -- for whatever reason, the red
5 lining on that last question on the page did not
6 appear in yesterday's replacement page. So it's just
7 a correction. So, now I think we're all set.
8 CMSR. IGNATIUS: Mr. Bersak?
9 MR. BERSAK: Yes, Commissioner.
10 CMSR. IGNATIUS: I have two 9s and no
11 6s. I could turn it this way, I suppose.
12 MR. BERSAK: I shall trade you.
13 CMSR. IGNATIUS: Thank you.
14 CHAIRMAN GETZ: Okay. Anything else?
15 Ms. Amidon.
16 MS. AMIDON: Well, first of all, I
17 have to say I guess I am subject to the same rule,
18 because when I was turning my pages yesterday, I
19 unstapled something and I missed about a half-dozen
20 questions, which shouldn't take more than 10 minutes
21 this morning. So, I apologize for that.
22 And the other thing is a procedural
23 issue, which is, the Commission might want to
24 consider when it would be entertaining Mr. Boldt's

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1 motion for reconsideration on the motion to strike
2 testimony. So you may want to consider when that
3 would be appropriate to take up, given the fact that
4 I think we anticipate Mr. Sansoucy to be testifying
5 next Tuesday.
6 CHAIRMAN GETZ: Well, are you all set?
7 Is that --
8 MS. AMIDON: Yes.
9 CHAIRMAN GETZ: Well, we'll take that
10 under advisement.
11 Do you have anything else to report,
12 Mr. Boldt, on what's going on between you and --
13 MR. BOLDT: Sure. Mr. Shulock and I
14 are continuing to discuss. He is wanting to modify
15 the receipts, and I'm fine with his modification.
16 He's talking with his clients on which ones will be
17 receiving things. So I think we're proceeding at
18 pace.
19 And my suggestion on when we hear my
20 motion for reconsideration is after this panel is
21 finished, not -- we don't need to take the time
22 beforehand. Let's get through this panel first.
23 CHAIRMAN GETZ: All right. Well,
24 then, let's plunge forward.

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1 CROSS-EXAMINATION
2 BY MS. AMIDON:
3 Q. Good morning. Good to see you all again.
4 A. (Panel Members) Good morning.
5 Q. The first question that I omitted is related to a
6 definition of environmental attributes, and that is
7 Article 1.16. It's on Page 2 of PSNH Exhibit 2 PPA.
8 And the definition includes all credits,
9 certificates, benefits, and emission measurements,
10 reductions, offsets and allowances related thereto
11 that are attributable now or in the future.
12 Would you please explain what you consider to be
13 a possible future environmental attribute.
14 A. (Mr. Labrecque) Well, this was meant to capture any
15 and all future programs, laws, rules, you know,
16 credit programs that the facility could possibly
17 qualify for.
18 Q. And if I recall yesterday, the Company said they
19 would not have to pay any additional -- make any
20 additional payments to Laidlaw for those future
21 environmental attributes; is that correct?
22 A. (Mr. Labrecque) Correct.
23 Q. Thank you.
24 Related to -- there's a couple other questions

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1 that relate to testimony. PSNH mentioned that the
2 cumulative reduction factor is a priority lien, and
3 that in Order No. 24969 the Commission approved a
4 restructuring transaction involving Concord Steam and
5 Concord Power & Steam that included a feature with a
6 similar priority lien.
7 What specific feature of the CSC restructuring
8 transaction were you referring to?
9 A. (Mr. Large) Will you give me a moment, please?
10 Q. Certainly.
11 (Witness reviews document.)
12 A. (Mr. Large) When I made those comments, I was
13 referencing the Commission's order on May 22, 2009,
14 in Docket DG 08-107, Order No. 24969. And on Page 7
15 of that order there's a discussion about Concord
16 Power and Concord Steam and their relationship, and
17 that Concord Steam did not have ownership of
18 facilities that Concord Power would be operating, but
19 that they were obligated to receive services from
20 Concord Power -- backup boilers to provide steam
21 service -- and that in order to assure that Concord
22 Steam was able to receive those benefits, that this
23 priority lien was put in place. That's my
24 interpretation of what's written on Page 7.

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<p>1 Q. Okay. Thank you. 2 On Page 17 of the PPA -- it's a section that 3 begins on the prior page, actually. It's 4 Article 12.1.2. And I think at the end of that 5 paragraph, which appears on Page 17, there's a date 6 omitted. 7 If you look up four lines from the end of that 8 paragraph, it says, provided that, if the 9 non-defaulting party reasonably refuses to approve 10 such plan, the defaulting party shall have at least, 11 but no more than 180 days. 12 Is that intended to read as that is written, or 13 is there -- or is there an omission? For example: 14 That the parties shall have at least 90, but no more 15 than 180 days, I'm just trying to understand if it's 16 written correctly or if there's a word missing. 17 MR. BERSAK: Mr. Chairman, it appears 18 that there may be a word missing inside there. We 19 will consult with the developer and provide a missing 20 date and make that correction. 21 MS. AMIDON: Thank you. 22 CHAIRMAN GETZ: Thank you, Mr. Bersak. 23 BY MS. AMIDON: 24 Q. At 12.3.1, Laidlaw is given the right to cancel the</p>	<p>1 Laidlaw can terminate if it doesn't bring certain 2 facilities or certain construction to the site. But 3 I think you're right. Perhaps this question is best 4 passed at this point. 5 Article 14.1 states that the price or pricing 6 structure of any product or any applicable fuel or 7 energy source is not a "force majeure" event. Could 8 you explain what that means? 9 (Witness reviews document.) 10 A. (Mr. Long) I'm trying to catch up to you. I'm on 11 Page 20? 12 Q. I apologize. Yes. But I think that the section I'm 13 referring to carries over to Page 21. It's the 14 last -- I think it's the last, "provided, however," 15 that begins on Page 20 and continues on to Page 21. 16 A. (Mr. Long) Yes. You're asking about the -- whether 17 there's a problem with getting fuel and why that's 18 not a "force majeure"? 19 Q. Well, I'm just asking you to explain what that means, 20 that last proviso, pricing or pricing structure of 21 any product or any applicable fuel or energy source 22 is not a "force majeure" event. Just explain, 23 please, your understanding of that provision. 24 A. (Mr. Long) Well, we only pay for the output that's</p>
Page 10	Page 12
<p>1 project and terminate the PPA prior to the in-service 2 date if Laidlaw cannot deliver to the project site 3 all equipment and materials required to construct the 4 facility at a total installed cost consistent with 5 the seller's budgeted cost. 6 How can PSNH police this provision to be sure 7 that any termination complies with this condition? 8 (Witnesses reviewing document.) 9 A. (Mr. Long) We can certainly ask the seller to provide 10 us an offer of proof that this condition was made. 11 And if we disagree with them, then they can pursue 12 the rights under contract when we have a dispute. 13 Q. Do you think this provision allows Laidlaw to 14 unilaterally change its expected or required return 15 between now and the in-service date? 16 A. (Mr. Long) I'm not sure I understand your question. 17 You said change their -- say that again? 18 Q. Change its expected or required return. 19 A. (Mr. Long) Return on investment? 20 Q. Yes. 21 (Witness reviews document.) 22 A. (Mr. Long) This sentence doesn't say anything about 23 required return. 24 Q. I was referring to the fact that it seems to be that</p>	<p>1 produced by the plant. So we didn't want the other 2 party to claim a "force majeure" if they had a 3 problem with the price or the -- able to get fuel, 4 because it -- again, if it doesn't produce power, we 5 don't pay. 6 Q. Thank you. 7 And I have two more questions, so I'm hoping 8 that will make everybody happy about -- I'm getting 9 past the contract provisions. 10 Article 17.2 gives PSNH the right to assign its 11 interests and obligations under the PPA to any 12 regulated, affiliated New Hampshire electric 13 distribution company of equivalent or better credit 14 worthiness. 15 Can you please identify such regulated, 16 affiliated New Hampshire electric distribution 17 companies? 18 A. (Mr. Long) I'm not sure any exist today, but a 19 company could be created in the future. 20 Q. Okay. Thank you. 21 And I know we've talked a little bit about this, 22 but I wanted to return to Article 25, which begins on 23 Page 27 of PSNH Exhibit 2, on dispute resolution. 24 Under this section, is it correct to conclude that</p>

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1 the Commission has no role to play in resolving
2 disputes between PSNH and Laidlaw?
3 A. (Mr. Long) That's a step process. It starts with the
4 negotiation between executives, and then it goes to
5 mediation, then it goes to arbitration, which has
6 some specifications about it. But the entire
7 agreement is subject to New Hampshire law,
8 interpretation of the New Hampshire law.
9 Q. So, what role does the Commission have in that
10 regard?
11 A. (Mr. Long) If there's simply a dispute between the
12 parties, and that dispute is resolved through
13 arbitration, then I think the parties are bound to
14 that solution.
15 Q. So the Commission would have no role?
16 A. (Mr. Long) This may get to some of the questions we
17 had yesterday, but I suppose the Commission could do
18 an investigation and decide, if PSNH were to settle
19 something, if that were a prudent settlement, much
20 like if we resolve an issue with an insurance
21 provider, you know, on a dispute that's settled
22 through arbitration, or any other dispute that the
23 Company has, that settles the contract terms in
24 arbitration.

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1 Q. Okay. Thank you.
2 And I do have one follow-up on a question from
3 Ms. Hatfield, and that will conclude my
4 cross-examination.
5 Mr. Long, do you remember a question from
6 Ms. Hatfield about whether the PPA would affect
7 PSNH's debt rating?
8 A. (Mr. Long) Yes, I do.
9 Q. I believe your response to her was that you had
10 talked to the financial people and the lenders, and
11 the PPA would have no effect. Do you remember that?
12 A. (Mr. Long) Yes.
13 MS. AMIDON: Mr. Chairman, the Staff
14 would like, as a record request, the response of the
15 lenders that there would be no effect on PSNH's
16 credit rating -- of the PPA between PSNH and Laidlaw.
17 MR. BERSAK: I believe the testimony
18 from Mr. Long was he had a discussion with members of
19 Northeast Utilities' treasury area, and they
20 indicated that there would not be an effect. I don't
21 believe he testified we've had any contact with the
22 lenders of the facility.
23 CHAIRMAN GETZ: So, Ms. Amidon, were
24 you looking for a document or...

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1 MS. AMIDON: Mr. Frantz -- I'd like
2 him to clarify what the request is, if you please.
3 MR. FRANTZ: May I? Thank you.
4 Staff would like to know whether or
5 not PSNH's financial group actually spoke with
6 lenders; or what did they base that opinion on, that
7 there would be no effect on the PPA. And we would
8 like that in writing -- no effect on their debt
9 rating from entering into the PPA.
10 CHAIRMAN GETZ: So, I take --
11 MR. BERSAK: We can provide something.
12 We'll have a discussion with our personnel in their
13 treasury area and have them respond.
14 So the question is something to the
15 effect of: Please provide a basis for the
16 representation that PSNH's entering into the PPA with
17 Laidlaw would not have an adverse effect on...
18 MR. FRANTZ: PSNH's debt rating.
19 MR. BERSAK: PSNH's debt rating. Got
20 it.
21 CHAIRMAN GETZ: And we'll save PSNH
22 Exhibit 14?
23 CLERK: Yes.
24 (PSNH Exhibit 14 reserved.)

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1 MS. AMIDON: Thank you.
2 BY MS. AMIDON:
3 Q. Unfortunately, I just want to ask one other question
4 regarding renewable products payment.
5 If you look at Article 1.57 on Page 6, that
6 section seems to indicate that if there's a change in
7 law, efforts will be made to revise the renewable
8 products payment to conform to the value of any
9 replacement payment following such a change in law.
10 Could you just explain what's intended about
11 revisiting the renewable products payment as claimed
12 in this section?
13 A. (Mr. Long) Again, that section number?
14 Q. It's Article 1.57 on Page 6.
15 A. (Mr. Long) Yeah. And that focuses on RSA 362-F,
16 which is the foundation for the pricing. So it's
17 really related to changes in New Hampshire law, but
18 recognizes at the same time there might be other laws
19 that come in to play or change, and you try to take
20 that all into consideration. Absent a change in New
21 Hampshire law, you know, the contract says we get all
22 of the environmental attributes.
23 Q. And so this article, which links to Section 23,
24 suggests that there may be an opportunity to

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1 renegotiate the cost of the renewable -- or the value
2 of the renewable products payment?
3 A. (Mr. Long) Well, in the event that the New Hampshire
4 law changed significantly and adversarially, then the
5 parties would look to, you know, follow the direction
6 in this section.
7 Q. Thank you.
8 MS. AMIDON: Mr. Chairman, I am going
9 to request that you allow Mr. McCluskey to conduct
10 some cross. And I will point out that I distributed
11 this morning a revised copy of the list of Staff
12 exhibits. And with the exception of Staff testimony,
13 which will be introduced when they present their
14 direct testimony, I believe you have copies as well
15 of those exhibits in that package.
16 CHAIRMAN GETZ: Well, as we've done
17 with other parties, we will adopt the identification
18 of the exhibits as proposed by each of the parties.
19 MS. AMIDON: Thank you.
20 MR. BOLDT: Point of order,
21 Mr. Chairman. Staff Exhibit 9 and Staff Exhibit 10
22 appear to be new documents that have not been
23 produced to the parties. I would ask, if testimony
24 is going to be asked of the panel, that we be given

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1 copies of those.
2 MS. AMIDON: I do have copies to
3 distribute at that -- for the inquiry that's made
4 regarding those documents and would intend to
5 distribute them at that time. If you wish me to do
6 it now, I can do that as well.
7 CHAIRMAN GETZ: At your pleasure.
8 MS. AMIDON: Thank you.
9 MR. BOLDT: But if we could have them
10 now, Your Honor, if there's something to review, we'd
11 appreciate it.
12 CHAIRMAN GETZ: Well, I'm really not
13 sure that you need to deal with it. I'm assuming
14 these are part of the -- to lay the foundation for a
15 question in cross-examination that will be provided
16 to the witnesses before they're asked questions. So
17 I think it's fine for cross-examination purposes for
18 the documents to be put out at the time of the
19 questions. It's a convenience or a courtesy to give
20 it out in advance, but it's not required.
21 MR. BOLDT: We don't mean to belabor
22 the point.
23 MS. AMIDON: Thank you, Mr. Chairman.
24

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1 CROSS-EXAMINATION
2 BY MR. MCCLUSKEY:
3 Q. Good morning.
4 A. (Panel Members) Good morning.
5 Q. The majority of my cross will relate to the rebuttal
6 testimony that was filed by the Company. But before
7 I get to that, I'd like to ask a few questions
8 following on from questions from Attorney Amidon.
9 Mr. Large, yesterday you responded to a question
10 on how to determine the output of the facility that
11 is described in Appendix A of the PPA; is that
12 correct?
13 A. (Mr. Large) Yes.
14 Q. Has the Company reached agreement with Laidlaw on
15 that process, or will that be the subject of future
16 discussions?
17 A. (Mr. Labrecque) You're talking about the discussion
18 of standard conditions, atmospheric temperature, et
19 cetera?
20 Q. Any factor that is involved in determining what the
21 output of the facility is.
22 A. (Mr. Labrecque) No.
23 Q. You have not?
24 A. (Mr. Labrecque) We have not.

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1 Q. Will you be having discussions on how that will be
2 determined?
3 A. (Mr. Labrecque) That would be appropriate as we
4 approach the in-service dates, yes.
5 Q. And the results of those discussions, is that
6 something that you anticipate filing with the
7 Commission for their review?
8 A. (Mr. Long) No. The answer is we're simply
9 complying -- we'd simply be complying with the
10 contract, the PPA, which I presume at that point
11 would have been approved by the Commission. So we're
12 simply administering the terms of the contract.
13 Q. Thank you.
14 Mr. Long, I believe you indicated yesterday, or
15 the day before, that Staff is opposed to the purchase
16 option and the right of first refusal; is that
17 correct?
18 A. (Mr. Long) I don't know if those were my exact words,
19 but that's my understanding from your testimony.
20 Q. Could you identify my testimony where Staff indicated
21 its opposition to those two provisions.
22 (Witness reviews document.)
23 A. (Mr. Long) On Page 47 of your testimony, you're
24 recommending elimination of the cumulative reduction

Page 21

1 provision. So, yes, you are recommending that it be
2 eliminated. I interpret that to mean you're against
3 it.
4 Q. Is the purchase option a different provision in the
5 PPA from the cumulative reduction factor?
6 A. (Mr. Long) They're critically related. One relates
7 to the other. One exists because of the other.
8 Q. So you're saying it's not possible for the company to
9 acquire the facility without a cumulative reduction
10 account; is that correct?
11 A. (Mr. Long) Well, at the end of the term, we talked
12 yesterday about an option that could exist during the
13 term of the contract. But the cumulative reduction
14 factor applies for end of term, and that's the
15 question you asked me. So I interpret your
16 recommendation to say you are opposed to the
17 cumulative reduction factor.
18 Q. I think that's correct. I am opposed to the
19 cumulative reduction factor. But my testimony does
20 not say that we were opposed to the purchase option.
21 Is it possible to have a PPA that provides you
22 with a purchase option without a cumulative reduction
23 account?
24 A. (Mr. Long) Yeah, hypothetically it's possible. It's

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1 not what this contract is, though.
2 Q. Thank you.
3 With regard to the right of first refusal, did
4 you say yesterday that it's unlikely that the Company
5 would have to exercise that right under the PPA?
6 A. (Mr. Long) You said "have to." We don't have to
7 exercise it. I think what I was alluding to
8 yesterday is that I don't view it a high probability
9 that we would exercise it during the term of the
10 agreement. It's simply an option that we have.
11 Q. And the --
12 A. (Mr. Long) The reason, quite simply, is because we
13 wouldn't realize the cumulative reduction factor if
14 it existed. So, if that option occurred sometime
15 during the term, again, it would depend on what
16 options are available to us under New Hampshire law,
17 but it also would depend on the status of the
18 cumulative reduction factor at the time and what we
19 might estimate how it might change in the future.
20 So those would all be factors in whether or not
21 we would exercise that in mid-term. The primary
22 purpose of the cumulative reduction factor, though,
23 is to be something we would consider at the end of
24 term.

Page 23

1 Q. Okay. If Laidlaw were to receive an offer from a
2 third party to acquire the facility, say after two or
3 three years, would -- are you saying that it's
4 unlikely that PSNH would respond to that offer
5 through to its right of first refusal?
6 A. (Mr. Long) Well, again, you're asking me purely a
7 hypothetical. And, you know, knowing what I know
8 today, do I expect any changes to occur in two years
9 that might make it a viable option? I'm not aware of
10 anything. But two years from now, I don't know what
11 would be different. It's simply an option that would
12 have to be examined at the time that the opportunity
13 was presented.
14 Q. Okay. Thank you.
15 Mr. Labrecque, referring to Exhibit GRM 12 -- do
16 you have that?
17 A. (Mr. Labrecque) I'm looking at it, yes.
18 Q. The column, Adjusted Market Energy Price, I believe
19 you said that the Company did not understand how the
20 prices in that column were developed; is that
21 correct?
22 A. (Mr. Labrecque) I said something to that effect. I
23 think I was -- I mentioned that in the text of the
24 testimony I could not find any description of that

Page 24

1 column, how it was developed.
2 Q. Did the Company issue a discovery request on how
3 that -- how those prices were developed?
4 A. (Mr. Labrecque) I do not believe we did.
5 Q. Okay. Thank you.
6 Again, Mr. Labrecque, if you could refer to
7 Staff Exhibit 3, which is your -- which is a copy of
8 your Attachment RCL-1. Do you have that?
9 A. (Mr. Labrecque) I do.
10 Q. I think it's been established that the energy prices,
11 the unbundled energy prices that are shown in that
12 attachment, are based on the assumption of a \$34
13 starting fuel cost in 2014 and annual increases of
14 2.5 percent; is that correct?
15 A. (Mr. Labrecque) That's correct.
16 Q. And I think it's also been established that, if the
17 actual fuel costs at Schiller turn out to be
18 different from those two assumptions, then the energy
19 prices actually paid to Laidlaw would change from
20 what were shown in this column; is that correct?
21 A. (Mr. Labrecque) Absolutely. That's the proper
22 functioning of the wood price adjustment.
23 Q. Okay. Now, I think you also said that the bundled
24 price, what you call the total payment, was based on

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1 a capacity factor and a plant capacity which is
2 different from the 63 megawatts and 87.5 capacity
3 factor that Laidlaw referenced at the SEC; is that
4 correct?
5 A. (Mr. Labrecque) Well, the capacity factor assumption
6 certainly impacts the total payment in Attachment
7 RCL-1. I don't believe the size of the facility has
8 an impact.
9 Q. Okay. Thank you.
10 So, based on the 87.5-percent capacity factor,
11 the total bundled prices would vary somewhat
12 slightly, I would suspect; is that correct?
13 A. (Mr. Labrecque) They would be slightly lower.
14 Q. Okay. Thank you.
15 Would you agree, subject to check, that the
16 bundled prices that's shown in this exhibit would
17 require PSNH to pay, over the 20-year life of the
18 contract, approximately \$1.5 to \$1.6 billion dollars?
19 A. (Mr. Labrecque) I believe I have seen an exhibit that
20 has numbers consistent with how you described them,
21 yes.
22 Q. Okay. Thank you.
23 Okay. I believe it's also been established that
24 the pricing in the PPA that resulted in these

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1 estimated bundled prices was not the result of a
2 competitive solicitation?
3 A. (Mr. Labrecque) That's correct.
4 Q. It was a bilateral negotiation between PSNH and
5 Laidlaw?
6 A. (Mr. Labrecque) Correct.
7 Q. Did PSNH -- I believe PSNH did not consider prices
8 paid to other renewable projects in the process of
9 negotiating the pricing in the PPA; is that correct?
10 A. (Mr. Labrecque) It was not a primary focus of our
11 negotiations, no.
12 Q. Thank you.
13 In your rebuttal at Page 2, Line 20, you say
14 that the PPA was consciously designed to avoid
15 reliance on anyone's projections. I believe you're
16 referring to market price projections; is that
17 correct?
18 A. (Mr. Long) Yes, it is.
19 Q. Can I conclude from that statement that the Company
20 did not use long-term price forecasts as the basis
21 for determining the reasonableness of the PPA prices?
22 A. (Mr. Long) That's correct, because we don't believe
23 there is a reliable, believable or provable long-term
24 forecast. So we focus on structure rather than, you

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1 know, someone's guess at what a price would be in the
2 future.
3 Q. I believe PSNH also did not use financial analysis as
4 the basis of its reasonableness determination; is
5 that correct?
6 A. (Mr. Long) You mean financial standing of the seller?
7 Q. No, the financial analysis of the project itself,
8 like an internal rate-of-return calculation or NPV
9 calculation.
10 A. (Mr. Long) I'm not aware of any power purchase
11 agreement that is based on analysis of the seller's
12 return on equity. We did obtain some information, as
13 you know, preliminary information from them that we
14 were able to do some analysis, but it was not a
15 determining factor.
16 Q. So the answer is: You did not use financial analysis
17 to determine the reasonableness of the prices?
18 A. (Mr. Long) No, that's information, as I mentioned, I
19 think in one of our data responses, that we typically
20 do not get from a seller. We have not ever been able
21 to get it, for instance, from the existing wood
22 producers. And we've tried many times in the past.
23 Laidlaw was willing to provide us some
24 information. But we don't have full access to their

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1 financials, nor do we need it, because it's a
2 negotiation between two parties. And it's not a
3 cost-of-service contract. So it is a negotiated
4 contract.
5 Q. Thank you.
6 So, if the Company did not use competitive
7 solicitation and it didn't use prices from comparable
8 projects and it didn't use market price projections
9 or financial analysis, what did the Company do in
10 order to determine the reasonableness of the prices?
11 A. (Mr. Long) Well, you take each of the components. In
12 the case of renewable energy certificates, we took as
13 a benchmark the state's policy on what was an
14 acceptable payment for renewable attributes, and we
15 negotiated a significant discount from that price.
16 And we felt that would give the certainty that the
17 seller needed and the assurance to us that we were
18 able to pay much less than what the state policy
19 showed.
20 In the case of capacity, we negotiated five
21 years of no increase in capacity costs, and we
22 started at a reasonable number and increased over
23 time. And our own judgment was that that would be,
24 you know, a fair price, realizing that capacity is

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1 not the most significant price in the contract.
2 And then when you get to energy, you know, as
3 our rebuttal testimony shows on the exhibit, and with
4 the wood prices, the energy price in the contract was
5 very competitive with the daily prices that would
6 exist during that term.
7 Maybe I should point to our exhibit. And so we
8 felt that we had a competitive energy price. But we
9 knew -- based on the data we had at the time. But we
10 knew that the future was not predictable, and that's
11 why we insisted on a cumulative reduction factor to
12 protect our customers from changes going forward.
13 Q. Thank you.
14 A. (Mr. Long) And if I could point to that exhibit in
15 our rebuttal that I'm referring to... and it's
16 Page 39, Rebuttal 2. And it's a tracking of what the
17 contract prices would have been during that
18 historical period, had it been in effect, versus what
19 the wholesale prices would have been.
20 And then, of course, recently we've had a big
21 change in those market prices. But if you look at
22 the period up to July '08, for instance, and you do
23 the math, the power -- the energy charge in the power
24 purchase agreement is less than the market. And if

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1 you take the entire period as shown in the upper
2 right-hand portion, it's very competitive with the
3 market.
4 So that's what we knew at the time, that the
5 energy prices were competitive with the market. As I
6 said, the market has taken a decline since that time.
7 And in the future, I will state emphatically that
8 nobody knows what the prices are, and that's why we
9 have the structure in the contract that we do have.
10 MR. BERSAK: Mr. Chair, I believe that
11 the witness was referring to what's in PSNH Exhibit 7
12 at Page 39, what's been marked as Attachment PSNH
13 Rebuttal 2.
14 BY MR. McCLUSKEY:
15 Q. Okay. Could I refer you to Staff Exhibit 6. Maybe
16 the question could be for Mr. Large, since it was
17 directed at him.
18 A. (Mr. Long) Staff exhibit or our exhibit?
19 Q. Staff Exhibit 6.
20 A. (Mr. Labrecque) Could you describe what that is? I
21 don't think we have --
22 MS. AMIDON: I'm sorry. Did I not
23 provide you a list? That's -- I apologize,
24 Mr. Chairman. Apparently --

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1 MR. LABRECQUE: I think you gave us
2 one. We just didn't carry it up with us.
3 MS. AMIDON: I apologize. I have one
4 copy. I can ask my assistant to make additional
5 copies. For the time being, if you will take that,
6 and I will ask for additional copies.
7 May I ask the witnesses, do you
8 have -- discovery is referred to on the Staff exhibit
9 list. Do you have that discovery?
10 MR. LABRECQUE: I think so. Give me a
11 minute.
12 MS. AMIDON: Okay. If not, please --
13 I'll wait a minute and you can tell me if you need me
14 to make a full copy of the exhibits.
15 CHAIRMAN GETZ: Ms. Amidon, are sets
16 being given to other parties or -- as we go?
17 MS. AMIDON: Well, my -- I was taking
18 the approach that other people had done, which is
19 assuming that people had their own files. If there
20 was something different, a new exhibit, as Exhibit 9
21 and 10 are here, I would provide them copies. But
22 I'm going to ask Ms. Peters to make copies for
23 everyone. I apologize.
24 (Pause in proceedings.)

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1 MS. AMIDON: In the meantime, I'd be
2 happy to allow the witnesses to use my copy of the
3 discovery.
4 MR. LABRECQUE: We've got two copies
5 of discovery up here, so we should be okay.
6 MS. AMIDON: All right. And I'll have
7 others. Sorry about that.
8 (Chairman and Commissioners conferring.)
9 A. (Mr. Large) We have Staff Set 2, Question 5.
10 BY MR. McCLUSKEY:
11 Q. That's correct.
12 Mr. Large, as I said, since the question was
13 directed at you, maybe you could read into the record
14 the question and the answer.
15 A. (Mr. Large) Certainly. The question states:
16 Referencing Large testimony, Page 8, Mr. Large states
17 that, to meet the first factor, paren, efficient and
18 cost-effective realization of the purposes and goals
19 of the RPS law, close parens, PSNH has employed a
20 direct negotiation process with Laidlaw, with a close
21 quotation. Please describe all tests used by PSNH
22 during the negotiations that show that the proposed
23 PPA is a cost-effective acquisition of renewable
24 energy.

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1 And the response states: There were no specific
2 tests of, quote, cost effectiveness, unquote, used
3 during the negotiations. However, certain factors
4 were considered. The testimony of Mr. Long on Page 6
5 comments on PSNH's interest in projects that are
6 unique, feasible and provide added value. The
7 Laidlaw project involves the redevelopment of an
8 existing boiler at an existing site in an
9 economically-challenged area of New Hampshire. The
10 project utilizes wood chips as the fuel source, which
11 results in a significant economic boost to the local
12 New Hampshire wood industry. The testimony of
13 Dr. Lisa Shapiro provides details on the economic
14 development and employment aspects of the project.
15 Also, LBB was willing to consider certain unique
16 terms and conditions in the PPA that provided added
17 value and protection to customers, paren, see a
18 summary in Mr. Labrecque's testimony on Page 13,
19 close parens.
20 Q. Thank you.
21 You state in your rebuttal testimony at Page 3,
22 Line 13, that PSNH does not forecast future energy
23 prices; is that correct?
24 A. (Mr. Large) At Line 12, we say, However, comma, PSNH

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1 does not forecast future energy prices.
2 Q. Thank you.
3 Would you agree that long-term forecasts or
4 projections of market energy prices can be prepared
5 using different methods that are both simple and
6 complex?
7 A. (Mr. Long) Yes. And whether simple or complex,
8 they're generally unreliable.
9 Q. Thank you.
10 By the way, do you distinguish between forecast
11 and projection? Do you consider those the same
12 terms, or do you distinguish between them?
13 A. (Mr. Long) Well, projection could be for purposes of
14 doing a scenario, as opposed to a forecast, which
15 implies ownership and belief that it's accurate. So,
16 to me, projections, estimates, things of those
17 nature, are really perhaps due to a sensitivity
18 analysis or, you know, just to see what if this or
19 that. But it's -- as I said, it's like forecasting
20 the weather: Nobody can do it reliably, and over the
21 long-term particularly.
22 Q. Sorry. I didn't quite get the distinction. Are you
23 saying that a forecast is considered to be more
24 accurate or less accurate than a projection?

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1 A. (Mr. Long) No. It's my opinion -- and there could be
2 different opinions, obviously. To me, when someone
3 says we forecasted this, you're saying that you
4 believe that that's what's going to happen in the
5 future; whereas, if you say I project this or I
6 estimate this, for purposes of an analysis, perhaps a
7 sensitivity analysis, it would just give sort of a
8 context in which these numbers are used.
9 Q. Okay. Thank you.
10 I believe you have a copy of Staff Exhibit 7
11 there, which is the Company's response to 1-11.
12 A. (Mr. Labrecque) We have it.
13 Q. Okay. In this response, the question actually asked
14 for assessments or analyses performed by PSNH to
15 determine whether the proposed PPA is in the public
16 interest. And you provided several analyses; is that
17 correct?
18 A. (Mr. Labrecque) Yes.
19 Q. The analysis in Attachment 2, if you could just turn
20 to that, contains a base case series of market energy
21 prices that span the 20-year term of the PPA; is that
22 correct?
23 A. (Mr. Labrecque) Correct.
24 Q. Also, the analysis in Attachment 3, which I believe

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1 is intended to... analysis of the -- it's an analysis
2 of the PSNH purchase option; is that correct? Is
3 that the intent of Attachment 3?
4 A. (Mr. Labrecque) Attachment 3 was one of a set of
5 cases that I believe -- this is comprised of
6 Attachment 3, 4, 5, 6 and 7 -- that were prepared as
7 part of our discussions with the accounting and
8 treasury people regarding an interpretation of
9 accounting treatment of the PPA. It involves
10 something to do with whether or not the purchase
11 option agreement was -- could be looked at either by
12 our internal accounting or our auditors as a
13 triggering -- triggering the need for balance sheet
14 accounting or something else that I'm not an expert
15 in.
16 So we were asked to prepare a series of exhibits
17 under different scenarios that might indicate whether
18 or not that purchase option agreement had some
19 material effect on the value of the asset. That's
20 why we prepared these.
21 Q. Okay.
22 A. (Mr. Long) And I would just -- this relates to an
23 earlier question -- say that the conclusion was that
24 it did not require a balance sheet adjustment and

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1 that we just use normal accounting for a power
2 purchase agreement. So this would be just like any
3 other power purchase agreement, from the accounting
4 point of view. And that is what is related to the
5 question earlier about what the bond rating -- it's
6 just like any other power purchase agreement.
7 Q. Okay. I'm not actually going there, Mr. Long.
8 But Attachment 3 includes the same series of
9 market energy prices that were in Attachment 2; is
10 that correct?
11 A. (Mr. Labrecque) Yes. I believe the base case,
12 Attachment 3, uses the base case from Attachment 2.
13 Q. Thank you.
14 Now, on Page 1 of this response, 1-11, you refer
15 to a base case forecast of energy, capacity and RECs;
16 is that correct?
17 A. (Mr. Labrecque) That is correct.
18 Q. Okay.
19 A. (Mr. Labrecque) Now, there are other data responses
20 where we clearly state that we do not provide
21 forecasts. This one slipped in the word "forecast."
22 And I wouldn't suggest it's a complete upheaval of
23 our position on whether we produce forecasts or not.
24 Q. Thank you for that clarification.

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1 Now, Staff Exhibit 8 is the response to 6-2; is
2 that correct?
3 A. (Mr. Labrecque) Getting there. All right. We're
4 looking at Staff 6, Question 2.
5 Q. Would you agree with me that this question asks how
6 the Company developed the market energy price
7 forecast that we just identified as being in
8 Attachment 2 and 3? And you -- I believe the
9 response gives that requested information; is that
10 correct?
11 A. (Mr. Labrecque) Yes.
12 MR. BERSAK: Mr. Chairman, if you read
13 the question here that was asked in this data
14 request, it says, "Regarding the market energy price
15 base case projection, please respond to the
16 following." And in light of Mr. Long's earlier
17 testimony with respect to his differentiation between
18 forecasts and projection, I think the terminology
19 used by Staff in the question is important.
20 MR. McCLUSKEY: Thank you.
21 BY MR. McCLUSKEY:
22 Q. So this response -- well, first of all, the Company
23 agrees that the market energy price forecast was
24 developed by itself and not by someone -- a

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1 consultant, for example?
2 A. (Mr. Labrecque) It was prepared by us, and it
3 describes here the inputs to it.
4 Q. Okay. Thank you.
5 Going back to the response to 1-11,
6 Attachment 3 --
7 A. (Mr. Large) Can we have a moment to try to reassemble
8 our...
9 (Pause in proceedings)
10 A. (Mr. Large) 1-11, Mr. McCluskey; is that correct?
11 Q. Attachment 3.
12 A. (Mr. Labrecque) We got it.
13 Q. Now, would you agree with me that, among other
14 things, this attachment calculates what you term the
15 "over-market energy value," which is the difference
16 each year between the PPA energy price and the market
17 energy price forecast by the Company multiplied by
18 the megawatt hours produced? Is that correct?
19 A. (Mr. Labrecque) Again, we take exception to the use
20 of the word "forecast." As we have testified, we
21 feel that implies some higher degree of acceptance as
22 that being our opinion of the future. That's not
23 what the intent was here. And in the row marked
24 "Over-Market Value," that was an attempt for each of

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1 these scenarios in Attachments 3 through 7 to develop
2 some different cases in order to allow accounting to
3 have some discussion of how the operation of the CRF
4 and the purchase option agreement may impact their
5 determination on balance sheet accounting.
6 Q. Well, leaving aside whether we call this series of
7 energy prices a forecast, a projection or an
8 estimate, would you agree with me that the
9 over-market value that you are showing each year is
10 the difference between the PPA price and the market
11 energy price multiplied by the megawatt hours
12 produced by the facility?
13 A. (Mr. Labrecque) That's the mathematics. And they're
14 all based on the input assumptions used in the
15 analysis. But I agree with your description that
16 that entry in the spreadsheet represents a
17 megawatt-hour value times the difference in two sets
18 of prices, both subject to some input assumptions.
19 Q. Thank you.
20 Would you agree, subject to check, that the sum
21 of the annual over-market values shown in this
22 attachment is 143 million over the 20-year term of
23 the PPA?
24 A. (Mr. Labrecque) I actually think each of these cases

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1 has that value calculated. And I would agree that,
2 in this particular case, the sum of those values is
3 143 million.
4 Q. For the base case?
5 A. (Mr. Labrecque) Yes.
6 Q. Thank you.
7 And would you also agree that the term "over
8 market" and "above market" have the same meaning?
9 A. (Mr. Labrecque) Yes.
10 Q. Thank you.
11 CHAIRMAN GETZ: Mr. McCluskey, let me
12 ask about this attachment. The copy we have says --
13 there's a "confidential" stamp on it. Is any of this
14 information --
15 MR. McCLUSKEY: Initially, all of this
16 information was confidential, and it was subsequently
17 made public by the Commission.
18 MR. BERSAK: That's correct,
19 Mr. Chairman. After the Commission ruled on certain
20 confidentiality requests by the Company, we issued a
21 new revision of this data request which removed the
22 confidential statements based upon the Commission's
23 ruling.
24 CHAIRMAN GETZ: Okay. Thank you.

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1 BY MR. McCLUSKEY:
2 Q. So, getting back to I think the statement in the
3 Company's testimony that it does not forecast future
4 energy prices. If that's the case, how does the
5 Company go about determining whether it's economic or
6 in the public interest to convert Schiller, for
7 example, or to continue operating the new facility?
8 A. (Mr. Long) I'm trying to remember the docket where
9 Schiller was presented. And it was presented on its
10 environmental merits, the fact that wood price and
11 wood costs historically were stable and competitive.
12 Beyond that, you know, we didn't rely on any
13 long-term price of energy or market price because,
14 again, we don't have one. But it was on the basic
15 construct and function and design, and to meet the
16 Class I renewable requirements. And that's what this
17 is all about, too, meeting Class I renewable
18 requirements.
19 Q. But I did say --
20 A. (Mr. Long) In the case of Newington, you look at
21 different scenarios, and how does it operate under
22 different scenarios as a whole; the continued unit
23 operation study that you're aware of that looks at
24 multiple factors and multiple conditions and what

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1 ifs, and how does that unit -- how is it valued under
2 different scenarios. So it's a scenario analysis.
3 Q. Does the continued unit operation study from
4 Newington, which I have to say I haven't yet studied,
5 but doesn't that require some forecast of benefits?
6 I'm not talking about energy, necessarily energy
7 benefits. But doesn't that require some forecast of
8 capacity or other types of benefits in order to make
9 a determination as to whether it's cost-effective to
10 continue to operate the facility?
11 A. (Mr. Large) The Newington continued unit operation
12 study that was filed as part of PSNH's lease-cost
13 plan filing in September of this year examined --
14 last year, I'm sorry -- examined a number of factors
15 of benefit that Newington provides, and examined a
16 variety of market conditions, market scenarios, and
17 estimating the benefit that that unit provides to
18 PSNH's customers. It did not provide -- it was not
19 based on a singular forecast or estimate.
20 Q. My understanding, it does include a forecast of
21 capacity prices going forward. I understand you
22 employed Mr. Levitan for that purpose; is that
23 correct?
24 A. (Mr. Large) Yes.

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1 Q. So there's an instance where you didn't actually
2 forecast those quantities themselves, but you hired a
3 firm to do that. Isn't that using forecasts?
4 A. (Mr. Large) I stated that we did not utilize a
5 forecast for future energy markets in the examination
6 of the Newington continued unit operation value. And
7 the conversation that I understand is being had here
8 is about energy forecast.
9 Q. I thought I corrected myself by broadening the issue
10 of whether the Company uses forecasts to other
11 quantities, including capacity.
12 So, does the Company use forecasts, either
13 developed by itself or by people working on its
14 behalf, for capacity, for example?
15 A. (Mr. Large) Well, I don't have my Newington continued
16 unit operation study with me today to be able to
17 reference that. But our testimony is that we do not
18 utilize forecasts for energy -- long-term energy
19 prices.
20 A. (Mr. Long) And to the point, you know, as I have
21 tried to say many times, we look at scenarios and
22 structure and how might, in this case, a power
23 purchase agreement operate under different scenarios.
24 And we had a fair amount of discussion so far on how

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1 does it operate under different scenarios. One of
2 those scenarios is the different future energy market
3 prices. And because -- and we can describe how it
4 operates under different future energy prices, and
5 that difference is captured through the cumulative
6 reduction factor. So that's the mechanism we use to
7 tie the contract to actual market energy prices.
8 However, it was done by structure as opposed to
9 believing that a certain future price in the market
10 would actually exist.
11 Q. Thank you. Moving on.
12 PSNH claims at Page 17, Line 22 of the rebuttal,
13 that I provided no justification to support the
14 assumption that the plant will have little value
15 after 20 years; is that correct?
16 A. (Mr. Long) I think you're talking about Lines 22 and
17 23, which is the statement, "Neither Mr. McCluskey
18 nor Mr. Traum provide any justification or facts to
19 support the assumption that the plant will have
20 little value after 20 years."
21 Q. That's correct. Could you turn to Page 20 of my
22 testimony. Are you there?
23 A. (Mr. Long) Yes.
24 Q. Could you read into the record the response, or the

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1 answer to the question that begins on Line 13?
2 MR. BERSAK: I believe that
3 Mr. McCluskey's testimony will already be in the
4 record. I'm not sure what value there is to reading
5 it again.
6 CHAIRMAN GETZ: I think he's asked
7 about a statement that's been made by the witnesses
8 and to get into the record whether the statement
9 comports with what was said originally in the
10 testimony. So let's just get it on the record. It's
11 one sentence.
12 MR. LONG: It's -- well, I thought it
13 was the whole paragraph I'm supposed to read.
14 CHAIRMAN GETZ: Well, I think the --
15 doesn't the first sentence accomplish the point,
16 Mr. McCluskey?
17 MR. McCLUSKEY: The first sentence
18 just makes the statement that I think has little
19 value. What follows explains why I believe it has
20 little value. The statement in the rebuttal was that
21 there was no justification in testimony for the claim
22 that there was little value, potentially little
23 value.
24 MR. LONG: Well, to be clear, I didn't

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1 say "no justification," I said "no facts." And the
2 question is: What is your opinion? So what follows
3 is Mr. McCluskey's opinion and speculation, not
4 facts.
5 I'd be happy to read it into the
6 record. But the question says, "in your opinion,"
7 and I read that to mean opinion versus fact.
8 BY MR. McCLUSKEY:
9 Q. Well, doesn't your statement on Line 22 say, "Neither
10 Mr. McCluskey nor Mr. Traum provide any
11 justification"?"
12 A. (Mr. Long) Or facts to support the assumption. So
13 you're making an assumption without any support.
14 Q. Okay. Well, we'll move on.
15 In your rebuttal at Page 21, Line 22, you
16 suggest that the Commission should not rely on the
17 New Hampshire Class I REC price projection developed
18 by Synapse as a basis for determining the
19 reasonableness of the REC prices in the PPA; is that
20 correct?
21 A. (Mr. Labrecque) That's correct.
22 Q. And the reason you give is that the Synapse prices
23 have already departed from reality. What do you mean
24 by they've "departed from reality"?

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1 A. (Mr. Labrecque) We were essentially expanding upon a
2 comment you made yourself in your testimony, where
3 you took note of the fact that the near-term adjusted
4 Synapse prices could be reasonably described as being
5 too high. And in essence, this report, the Synapse
6 report, prepared in 2007 and updated in 2009 -- and
7 I'm not an expert in the report. I do not know the
8 extent of the update in 2009, if it was only portions
9 of the report or if it was the entire report,
10 including their treatment of the renewable energy
11 market.
12 But regardless, your comment and your testimony
13 was that their near-term REC prices were too high
14 relative to where we are today.
15 Q. And where is that? What page are you referring to?
16 A. (Mr. Labrecque) In your testimony?
17 Q. Yes.
18 A. (Mr. Labrecque) Page 28.
19 MR. BERSAK: I would refer the
20 Commission to Footnote 22 on Page 28 of
21 Mr. McCluskey's testimony.
22 BY MR. McCLUSKEY:
23 Q. And why would that indicate that the Synapse REC
24 prices for 2014 on would not be reliable?

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1 A. (Mr. Labrecque) Well, to me, it called into question
2 their ability or anyone's ability to predict even
3 short-term volatility in the market, let alone to
4 fully comprehend the next 20 years of potential
5 volatility that could exist in the renewable energy
6 markets.
7 I think somewhere else in your testimony you
8 mentioned that the Synapse energy prices were also,
9 I'm forgetting, too high or too low. But regardless,
10 they were not aligned with your expectation of the
11 current market.
12 So again, it just goes to the ability of any
13 study to really serve as the basis for such an
14 important decision as this one.
15 Q. Thank you.
16 At Page 8 of your rebuttal testimony, Lines 26
17 through 28, you state that I incorrectly claimed that
18 PSNH expects wood prices to increase at an annual
19 rate of 2.5 percent; is that correct?
20 A. (Mr. Labrecque) Yes.
21 Q. Could you turn to -- turn to Staff Exhibit 3, which
22 is your attachment RCL-1.
23 A. (Mr. Labrecque) I got it.
24 Q. And could you read into the record the Footnote 1 to

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1 that attachment.
2 A. (Mr. Labrecque) Footnote 1 to Attachment RCL-1
3 states: "Notes: Assumes biomass fuel price of \$34
4 per ton in 2014, escalating at 2.5 percent annually."
5 Q. Thank you. You go on to say at Page 8, Lines 31,
6 that I used the wood price projection that starts at
7 \$34 a ton, escalating at 2.5 percent per year, to
8 compute contract energy prices, which serve as the
9 basis for my conclusion that PPA energy prices are
10 priced above market; is that correct?
11 A. (Mr. Labrecque) That's correct.
12 Q. Do you agree that the energy prices in Exhibit GRM11
13 are the same prices as in Attachment RCL-1, with the
14 change in the capacity factor which we mentioned
15 earlier?
16 A. (Mr. Labrecque) Yes, I would agree to that.
17 Q. And are they the same as the prices that we discussed
18 relating to Attachment 3 to Staff 1-11?
19 A. (Mr. Labrecque) Yes, I recall the discussion of that
20 attachment.
21 Q. Thank you. Turning to another issue.
22 Was the negotiation that led to the PPA an
23 arm's-length negotiation?
24 A. (Mr. Long) Yes.

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1 Q. If so, does that mean that PSNH would not have had
2 access to Laidlaw's data on OEM costs, capital costs
3 and fuel costs?
4 A. (Mr. Labrecque) No, we did not have access to that.
5 Q. Thank you.
6 So, PSNH was not allowed to examine Laidlaw's
7 fuel supply contract with -- I believe the supplier
8 is Cousineau? Is that how we pronounce that?
9 A. (Mr. Long) I don't think it existed when we were in
10 negotiation, earlier negotiation.
11 Q. So if you haven't seen that, can I conclude that
12 you're not familiar with the fuel pricing for the
13 Laidlaw facility?
14 A. (Mr. Long) I'm not.
15 Q. Thank you.
16 So you don't actually know whether the PPA
17 assures Laidlaw that it will recover its fuel costs;
18 is that correct?
19 A. (Mr. Long) Well, the PPA does not assure Laidlaw that
20 it will recover its fuel cost. The PPA has a method
21 for setting the energy price. But Laidlaw is
22 completely exposed to the level of its fuel costs.
23 Its actual fuel costs will be what they are. They go
24 up or down. There's no change in the pricing in the

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1 PPA.
2 Q. If Laidlaw had hedged its fuel price risk by setting
3 the fuel price in its contract with Cousineau based
4 on the Schiller costs, would there be any risk of
5 fuel cost under-recovery for Laidlaw?
6 A. (Mr. Long) If that's what -- if they minimize their
7 risk, they have every right to do that under the
8 contract. But how they do that and their actual
9 costs are their exposure.
10 Q. So the Company doesn't actually know whether Laidlaw
11 has any fuel cost risk; is that correct?
12 A. (Mr. Long) I don't know what the arrangements are.
13 And it's not really -- wasn't relevant to our
14 negotiations. We set up our negotiations that they
15 were free to seek whatever value or cost exposure
16 they could. And that's up to them to decide how they
17 will approach their own fuel procurement and risk
18 mitigation.
19 Q. Okay. Thank you.
20 CHAIRMAN GETZ: Mr. McCluskey, hold on
21 for a second.
22 (Chairman and Commissioners conferring.)
23 CHAIRMAN GETZ: Okay. I think at this
24 point we're going to take a recess for hopefully no

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1 more than 15 minutes. And maybe today we can get in
2 a routine that certainly would be helpful to the
3 participants and to the court reporter. I'd like to
4 try and go in 90-minute increments, have a break for
5 lunch probably around 12:15. And hopefully, we'll be
6 completed today by between 4:30 and 5:00. And I'm
7 hopeful that we'll be done with this panel today, and
8 then we can take up -- I would think maybe after
9 lunch take up the motion, or depending on where we
10 are, maybe at the end of the day.
11 MR. BOLDT: Whatever the Chair likes.
12 CHAIRMAN GETZ: All right. Anything
13 we need to address before we take a 15-minute recess?
14 Hearing nothing, then we're recessed.
15 (Whereupon a recess was taken at 10:34
16 a.m., and the hearing resumed at 11:00
17 a.m.)
18 CHAIRMAN GETZ: Okay. We're back on
19 the record and picking up with Staff questioning of
20 the witnesses.
21 MR. McCLUSKEY: Thank you.
22 BY MR. McCLUSKEY:
23 Q. Moving on to the issue of the cumulative reduction
24 account. You claim in your rebuttal at Page 6,

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1 Line 15 that the PPA has been designed through the
2 operation of the cumulative reduction factor to cause
3 the energy prices to be at actual energy market
4 prices; is that correct?
5 A. (Mr. Long) I'm not following your reference. Give me
6 the page number, please, and the line?
7 Q. Page 6, Line 15.
8 A. (Mr. Long) Okay. Got it.
9 Q. Got that?
10 A. (Mr. Long) Yes.
11 Q. And also at Page 30, Line 4, you say, "Such prices
12 are essentially 'trued up' to actual hourly day-ahead
13 LMPs at the end of the contract"; is that correct?
14 A. (Mr. Long) Sorry. I'm not quite as fast. What page
15 was that?
16 Q. Page 30, Line 4.
17 A. (Mr. Long) Yes.
18 Q. So, if I'm understanding you correctly, even though
19 the energy prices in the PPA may exceed market energy
20 prices at any particular time, you are saying, as a
21 result of the cumulative reduction account, that when
22 that's taken into account, it either brings -- it
23 essentially trues them up back to the market energy
24 prices at that time; is that correct?

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1 A. (Mr. Long) Yes. It's accumulation of the hourly
2 differences, and you said above market or below
3 market.
4 Q. That's correct. Okay.
5 So if we could -- if you could turn to Staff
6 Exhibit 9, which is a hypothetical which I
7 developed -- do you have that?
8 A. (Mr. Long) Yes.
9 Q. So in this hypothetical, we're going to assume that
10 we're in year one of the contract. Do you actually
11 have it?
12 A. (Mr. Long) Yes.
13 Q. So we're in year one of the contract. And the New
14 Hampshire zonal market energy price in a particular
15 hour is \$60-megawatt hour. The energy produced by
16 Laidlaw -- by the Laidlaw facility in that hour for
17 this hypothetical is a 100 megawatts -- megawatt
18 hours. And the energy rate under the Laidlaw PPA in
19 that hour is \$80 a megawatt hour under this
20 hypothetical. Okay?
21 A. (Mr. Long) Okay.
22 Q. It's my understanding that, under the PPA,
23 Laidlaw's -- Laidlaw bills PSNH monthly for energy
24 and other products purchased; is that correct?

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1 A. (Mr. Long) Yes.
2 Q. Okay. So, under this hypothetical, Laidlaw will bill
3 energy purchased in the hour in question equal to
4 \$6,000, 60 times 100-megawatt hours; is that
5 correct -- sorry -- equal to 8,000, 80 times
6 100-megawatt hours?
7 A. (Mr. Long) Yes.
8 Q. And had they been billed at the market energy prices,
9 the bill would have been \$6,000; correct?
10 A. (Mr. Long) Yes.
11 Q. So there's a difference of \$2,000 in that single hour
12 that we're looking at.
13 A. (Mr. Long) Yes, under this hypothetical.
14 Q. Okay. So, when does PSNH receive this difference?
15 A. (Mr. Long) At the end of the 20-year contract period,
16 this \$2,000 that you're mentioning would be
17 accumulated with other similar amounts, up or down.
18 Q. Thank you.
19 So it's after 20 years you're saying?
20 A. (Mr. Long) After 20 years, there would be \$2,000 of
21 the total cumulative reduction factor that's related
22 to this hypothetical.
23 Q. To this particular hour of the contract term?
24 A. (Mr. Long) Yes.

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1 Q. So, does this \$2,000 accumulate interest over this
2 term while it's sitting in this account?
3 A. (Mr. Long) Neither this nor any amounts in the other
4 direction are accumulating interest.
5 Q. Do you know what the \$2,000 that is sitting in this
6 account at the end of the 20-year term is worth in
7 2014's dollars?
8 A. (Mr. Long) No, I don't. It will be \$2,000. What
9 it's worth in 2014, I don't know if anybody knows at
10 this point. It depends on what you do with that
11 money, I suppose, what discount rate you use.
12 Q. So you'd receive \$2,000 20 years hence. But if you
13 received it in 2014, it would have been worth more to
14 the recipient. Do you agree with that?
15 A. (Mr. Long) Yes. I think what you're really -- what
16 you're talking about is a concept of time value of
17 money, and assuming that money increases in value
18 over time.
19 Q. Okay. So, would you agree, subject to check, that,
20 using the Company's overall cost of capital as the
21 discount rate, that this \$2,000 is actually worth
22 \$358 in 2014 dollars?
23 A. (Mr. Long) And what discount rate did you use?
24 Q. The Company's overall cost of capital after tax.

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1 A. (Mr. Long) And what did you use to get that number?
2 Q. The Company provided in a discovery response the
3 authorized overall cost of capital for its generation
4 investments after tax.
5 A. (Mr. Long) So you used some number that's, what,
6 north of 9 percent?
7 Q. I think it was around about 9 percent. That's
8 correct.
9 A. (Mr. Long) If you present-value 2009 percent, then I
10 will accept that you get a number like whatever your
11 number you used. If you use a different discount
12 number, for instance, 3.25, you get 1,055. And if
13 you do another scenario where you look at just, for
14 instance, the last four days of prices, it will
15 turn -- it will totally turn around the other
16 direction.
17 So this is just one hour, one scenario, and you
18 picked the first hour of the 20-year period. But the
19 cumulative reduction factor is obviously more
20 complicated than that. It depends on all hours for
21 all the 20 years, and in both directions.
22 So, yes, I mean, for this one hour, you're
23 right. There's no time value -- no time value of
24 money calculation. But as we indicated earlier,

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1 we're willing to consider some form of time value of
2 money consideration.
3 Q. So you're saying the actual value in 2014 depends on
4 the discount rate used in the calculation. Is that
5 your point?
6 A. (Mr. Long) No. My point is that you picked a rather
7 extraordinary, extreme scenario. And I'm just
8 pointing out that I wouldn't accept your discount
9 factor, which is very high. And the fact is that, if
10 you use another scenario, different prices, the
11 number would be negative, and it would work to
12 customers' advantage not to make that time value of
13 money calculation.
14 Q. Thank you.
15 So, this \$2,000 that PSNH will receive in 20
16 years hence, how does it receive that? Is it a
17 check, or does it receive that value in some other
18 way?
19 A. (Mr. Long) I would hesitate to say PSNH receives it.
20 Obviously, the cumulative reduction factor is a value
21 created that would be -- the intent would be to
22 return it to customers. So if we receive it, it's
23 only to administer some way of recognizing future
24 benefit of the customers.

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1 Q. So it would actually pass through PSNH to its
2 customers is what you're saying.
3 A. (Mr. Long) Yeah, in some form.
4 Q. Thank you.
5 Now, is the amount that it can receive
6 through -- sorry. Did you actually respond to the
7 question of how you receive it? I asked whether it
8 was a check or some other form.
9 A. (Mr. Long) No. I think we tried to create an
10 analogy. In some of our responses we call it an
11 insurance policy, whatever name you want to call it.
12 But under the power purchase agreement, it's an
13 amount that can be applied against a purchase price
14 of the unit -- of the facility.
15 Q. And so the amount that you can receive is actually
16 capped by the volume of the facility; is that
17 correct?
18 A. (Mr. Long) I think that's okay to look at it that
19 way, yeah.
20 Q. So if the volume of the facility is very low, it's
21 possible that you may not even receive the full
22 \$2,000.
23 A. (Mr. Long) I think -- and we talked about this
24 yesterday. I think you're assuming a scenario where

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1 the cumulative reduction factor is larger than what
2 the market value is of the facility.
3 Q. That's the potential outcome, you would agree.
4 A. (Mr. Long) I thought that was your question.
5 Q. Excuse me?
6 A. (Mr. Long) Yes, if you're saying that is one possible
7 scenario.
8 Q. That's correct. So it's possible that this \$2,000
9 that we've determined is sitting in this account may
10 not be returned in full to the Company because of the
11 capping mechanism with regard to the market value of
12 the plant.
13 A. (Mr. Long) Yeah, hypothetically possible. And
14 whether it's likely or not -- I think the plant will
15 have substantial value. So I anticipate, you know,
16 it will have some potential value, but I can't say
17 that there isn't a scenario out there where full
18 value may not be realized.
19 Q. So there's two potential ways that this cumulative
20 reduction account can impact whether customers
21 actually receive the actual market energy prices in
22 that hour: One is the discounting factor, and the
23 other one is the potential capping through the market
24 value of the facility. You agree with that?

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1 A. (Mr. Long) Yeah, I think that's fair enough.
2 Q. Okay. Thank you.
3 Moving on to the conversion factor. It's
4 correct that, in determining the prices, the energy
5 prices and, hence, the revenues that Laidlaw
6 receives, there's a conversion factor converting fuel
7 in dollars per ton to dollars per megawatt hour. And
8 that figure in the PPA is 1.8; is that correct?
9 A. (Mr. Long) Yes.
10 Q. In the Company's financial modeling of this project,
11 you would agree that you used two numbers that
12 effectively indicate a conversion factor of 1.6.
13 Would you agree with that?
14 A. (Mr. Labrecque) I'd have to go through and look at
15 the exhibits you're talking about.
16 Q. I believe the model was provided in response to 1-17.
17 If you could make that a record request, focusing on
18 the heat rate in that model, which I believe is 14455
19 BTUs per kilowatt hour, and what we call the BTU
20 return factor of 9 million, those two factors
21 together, I believe, result in a conversion factor of
22 1.6.
23 A. (Mr. Labrecque) That's 1-17?
24 Q. 1-17.

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1 MR. BERSAK: 1-17 had multiple
2 attachments, Mr. McCluskey. Can you refer the
3 witness, perhaps, to which one you are referring so
4 we can find it more quickly?
5 BY MR. McCLUSKEY:
6 Q. The Company -- if you want to take more time, it's in
7 the Assumptions section of the spreadsheet that you
8 provided.
9 A. (Mr. Labrecque) Can we just confirm that it's Set 1,
10 Q-17, because that looks like something unrelated to
11 me so far?
12 Q. I don't have it in front of me. But is that the
13 question where we asked for any internal
14 rate-of-return calculation?
15 MR. BERSAK: I'm sorry. I couldn't
16 hear you, Mr. McCluskey.
17 A. (Mr. Labrecque) No.
18 BY MR. McCLUSKEY:
19 Q. Sorry. I think I may have given you the --
20 MS. AMIDON: May we have a moment?
21 CHAIRMAN GETZ: Let's go off the
22 record.
23 (Discussion off the record.)
24 CHAIRMAN GETZ: Let's go back on the

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1 record. And Mr. McCluskey, if you'd reask the
2 question.
3 MR. McCLUSKEY: Thank you.
4 BY MR. McCLUSKEY:
5 Q. Mr. Labrecque, based on your response to Staff 1-15,
6 are you able to calculate the conversion factor that
7 was used by the Company in converting fuel costs on a
8 dollar -- a ton basis to a dollar-per-megawatt-hour
9 basis?
10 A. (Mr. Labrecque) Yes, provided the numbers on the
11 assumptions sheet actually work their way through as
12 I would expect into the spreadsheet, which I can't
13 confirm without a live copy, but I would agree that a
14 conversion of approximately 1.6 was used in this
15 analysis.
16 Q. Thank you.
17 Moving on to the topic of Schiller RECs. You
18 claim at Page 24, Line 1 of your rebuttal that,
19 because I recommend that the RECs produced by
20 Schiller be included in the determination of need, I
21 am attempting to unilaterally overturn a Commission
22 order and dictating the use of the RECs produced by
23 Schiller Unit 5. Is that a fair interpretation of
24 your testimony?

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1 A. (Mr. Large) That's what it states at Page 24, Lines 1
2 and 2.
3 Q. Thank you.
4 If I understand you correctly, is your concern
5 that the joint motion that you refer to in the
6 testimony, that the joint motion allows the Company
7 to use the revenues from the sale of Schiller RECs as
8 an offset to Schiller conversion costs, and that if
9 you are required to instead use the Schiller RECs for
10 making the Company's RPS obligations, it will no
11 longer have that revenue offset, thus increasing the
12 risk of cost under-recovery through the sharing
13 mechanism? Is that your concern?
14 A. (Mr. Large) I heard you say the word "allows." And
15 it's our interpretation that the joint motion
16 essentially requires that we do that.
17 Q. Okay. Accepting what you said there. But is that
18 still your concern, that that would remove a revenue
19 source from that sharing mechanism and increase the
20 risk of under-recovery for the company?
21 A. (Mr. Large) In the circumstance where Schiller RECs
22 were applied to satisfy PSNH's RPS obligation and no
23 values were assigned to them, that would reduce the
24 revenues that would be put into the computation of

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1 achieving the settlement agreement target amounts on
2 a year-by-year basis. That is a true statement.
3 Q. Thank you.
4 Would you agree that the increased risk just
5 described could be eliminated by transferring to PSNH
6 an equal amount of the costs avoided by PSNH not
7 purchasing from Laidlaw and applying that equal
8 amount against the Schiller costs?
9 So, consider this hypothetical: Assume the
10 market value for RECs is \$20 a megawatt hour and PSNH
11 is currently receiving that from the sale of Schiller
12 RECs and applying it against conversion costs, but
13 the cost to PSNH through the Laidlaw PPA is \$50 a
14 megawatt hour for REC. By avoiding -- by using the
15 Schiller RECs for RPS purposes, it could avoid a \$50
16 per REC purchase. Could not PSNH take \$20 of that
17 avoided cost and apply it against the conversion
18 costs and leave it indifferent from a cost-sharing
19 standpoint?
20 A. (Mr. Long) The problem is the order in the settlement
21 does not provide for a proxy price. It provides for
22 actual. And the way you get actual is you have to
23 market the quantity. So that's... it just doesn't
24 provide for a proxy.

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1 Q. Well, doesn't the mechanism that was presented in the
2 motion, and subsequently approved by the Commission,
3 doesn't that refer to avoided costs as well as REC
4 revenues?
5 A. (Mr. Long) I don't have it in front of me, but my
6 recollection is that it was contemplated and was
7 based on us marketing those RECs. It was not the
8 traditional use it for your own purposes. In fact,
9 as I mentioned earlier, the RPS in New Hampshire did
10 not exist at the time, though it was designed to be
11 marketed and that value to be shared.
12 Q. If PSNH was indifferent financially from the
13 transaction that I've just described, wouldn't it be
14 willing to agree to a change in allowance that
15 allowed this kind of transaction to take place?
16 A. (Mr. Long) Not at the expense of this project. It's
17 not needed. It's not needed to be done. And it's
18 not provided. And I wouldn't want to try to change
19 the agreement that we had at the expense of this
20 project, which really stands on its own and should
21 move forward.
22 Q. Okay. Thank you.
23 At Page 16, Line 1 of your rebuttal, you state
24 that a long-term PPA is necessary before any

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1 developer could move forward with any significant new
2 renewable generating facility; is that correct?
3 A. (Mr. Long) Yes.
4 Q. When you say "a long-term PPA," you mean for all of
5 the products or just the RECs? Could we have just a
6 long-term PPA for the RECs, or are you saying that it
7 has to be for all of the products produced?
8 A. (Mr. Long) Well, under the New Hampshire law, we
9 could do a long-term agreement for just RECs, or it
10 could be a combination of RECs and power. We've
11 elected to combine the two, because I think that's
12 where you get the greatest flexibility in the
13 contract.
14 Q. I'm just trying to understand your statement when you
15 say "is necessary." Are you saying it's necessary to
16 have a long-term bundled PPA, or can we -- or are you
17 saying it's just necessary to have a long-term PPA
18 for RECs?
19 A. (Mr. Long) I think it's both. I mean, history would
20 show just the unsolicited offers from others is
21 bundling it all together. So, yeah, I would say the
22 practice and inquiries that I've seen out there are
23 bundling it all together.
24 Q. Thank you.

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1 You state at Line -- at Page 14, Line 19 that
2 the Company believes market-based energy pricing
3 would prohibit the financing of the plant; is that
4 correct?
5 A. (Mr. Long) Yes. And I believe that's why, and I've
6 said it publicly and certainly said it in this
7 docket, that's why renewables across the nation have
8 slowed down, for lack of long-term power agreements,
9 and the reduction in market prices, of course.
10 Q. Is the Company aware that, under the New York RPS,
11 the RECs produced by renewable energy projects are
12 purchased centrally by NYSERDA, the New York State
13 Energy Research and Development Authority?
14 A. (Mr. Long) No, I'm not familiar with New York.
15 Q. You're not?
16 A. (Mr. Long) No.
17 Q. So you don't know -- you're not aware that that
18 entity, NYSERDA, purchases the RECs separately
19 through a competitive solicitation under long-term
20 contracts, but the electricity sold by those
21 developers is sold into the New York ISO at spot
22 market prices or through bilateral contracts?
23 A. (Mr. Long) No, I'm not familiar with New York law,
24 New York utilities, New York policies, or the

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1 arrangements that others might have made in other
2 states. I'm really focused on New Hampshire.
3 Q. Okay. So I take it that you're also not aware that a
4 survey was conducted in New York for NYSERDA in 2008
5 that found that the majority of the developers
6 reported that they sell their energy into the New
7 York ISO spot market?
8 A. (Mr. Long) Again, I'm not familiar with New York. I
9 haven't seen anything like that proposed in New
10 England -- or ISO New England, nor have I seen any
11 transactions of that type in New England.
12 A. (Mr. Large) Maybe we would add that their opinions
13 might be different post-2008.
14 Q. At Page 16, Line 12, you state that the other
15 testimonies all insist that any such PPA should
16 strictly follow actual market prices with little
17 deviation -- with little or no deviation therefrom;
18 is that correct?
19 A. (Mr. Long) Yes.
20 Q. To which testimonies are you referring?
21 A. (Mr. Long) Well, yours, of course.
22 Q. Could you identify where in my testimony I say that
23 there should be little or no deviation from
24 market-based energy price?

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1 A. (Mr. Long) Sure. On Page 7, your recommendations,
2 when you're saying that the PPA should be based on
3 energy prices, on hourly -- energy prices should be
4 based on hourly ISO New England spot market energy
5 prices with a floor to address volatility and
6 financing concerns. So you're recommending that the
7 energy prices be based on hourly ISO prices.
8 Q. With a floor.
9 A. (Mr. Long) Yes.
10 Q. So if the floor is significant, wouldn't the actual
11 prices paid differ from market energy prices?
12 A. (Mr. Long) Well, if you can pick a high enough floor,
13 I suppose. But the floors are typically there to be
14 seldom used, in the proposals I've ever seen. So if
15 you're saying the floor is effectively a fixed price,
16 and you're no longer on -- pricing on the hourly
17 price, then it doesn't comport with what you're
18 saying.
19 Your sentence says hourly ISO spot energy market
20 prices with a floor to protect some volatility. But
21 again, if that floor is high enough, then you
22 basically end up with a fixed-price contract. And I
23 don't think you're recommending a fixed-price
24 contract.

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1 Q. Do I specify what the floor is?
2 A. (Mr. Long) No. But in my experience, that's what
3 floors do. They're seldom used. They're just a
4 minimum protection. They're seldom used. And if the
5 thrust of your proposal is that it be based on hourly
6 marginal energy prices, then it's our testimony that
7 that would be non-financeable.
8 Q. Thank you.
9 You go on to say at Line 3 that the duration of
10 the contract must be 20 years; correct?
11 A. (Mr. Long) On Page 16? Oh, no, I don't say it has to
12 be. I said that's been a time frame that had been
13 historically accepted. I didn't say it has to be 20
14 years. We talked about that yesterday, also.
15 Q. So you're saying it doesn't have to be. It could be
16 something less than that?
17 A. (Mr. Long) Yes. And I was asked that question
18 yesterday. The question I was asked related to 12
19 years. And I said, yes, one could agree to 12 years,
20 but the prices would have to be higher because the
21 financing term would be shorter, and that that
22 wouldn't be an acceptable solution for PSNH. We
23 wouldn't want to do that.
24 Q. Is the Company aware that a survey conducted for

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1 NYSERDA found that New York renewable energy
2 developers generally support a 10-year contract
3 duration?
4 A. (Mr. Long) What's the vintage of that?
5 Q. 2008, December.
6 A. (Mr. Long) No.
7 Q. November 2008.
8 A. (Mr. Long) No, I'm not familiar with that. But I
9 would say a lot has changed since 2008.
10 A. (Mr. Large) And it would depend on what the pricing
11 was as part of that contract.
12 Q. Is the Company aware that the Massachusetts-amended
13 RFP for long-term contracts for RECs and energy
14 supply specifies a duration of 10 to 15 years?
15 A. (Mr. Long) I'm not aware of that. But, again, it
16 depends on the type of power source. And I would say
17 a biomass plant, for instance, as a renewable plant,
18 is more capital-intensive than, for instance, a wind
19 project. So if Massachusetts were focused on wind,
20 they might come to a different -- would probably come
21 to a different standard.
22 Q. So you --
23 A. (Mr. Long) Our contract with Lempster is for 15
24 years, but that's for wind, a wind investment.

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1 Q. Are you saying that the RFP in Massachusetts just
2 applies to wind projects?
3 A. (Mr. Long) No. I'm just saying that, from PSNH's
4 perspective, we've done a 15-year power purchase
5 agreement and we have a 20-year power purchase
6 agreement. And they do relate to the nature of the
7 project. And a biomass project is more
8 capital-intensive, and so it's not surprising to me
9 that a biomass project would take a longer term than
10 a wind project, for instance.
11 Q. The four utilities that issued the so-called "amended
12 RFP" in Massachusetts, one of them would be your
13 affiliate, Western Massachusetts Electric; is that
14 correct?
15 A. (Mr. Long) They are a utility in Massachusetts, yes.
16 Q. So, have you discussed contract duration and whether
17 it applies to biomass facilities or other non-wind
18 projects?
19 A. (Mr. Long) No. We really keep a separation
20 between -- you know, they have confidential processes
21 that I'm not part of and we have confidential
22 processes that they're not part of.
23 Q. And are you aware that this amended RFP was issued
24 within the last six months?

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1 MR. BERSAK: Objection, Mr. Chairman.
2 The witness already testified he's not aware of that
3 RFP.
4 CHAIRMAN GETZ: Mr. McCluskey, I think
5 he's already said that he wasn't familiar with it.
6 MR. McCLUSKEY: Okay. Thank you.
7 BY MR. McCLUSKEY:
8 Q. You state at Page 36, Line 15, that Staff is
9 recommending rejection of the PPA, suggesting a "do
10 nothing" approach to state law and policy; is that
11 correct?
12 A. (Mr. Long) Yes.
13 Q. Could you turn to Page 47 of my direct testimony.
14 A. (Mr. Long) Yes, I have it.
15 Q. Could you read into the record the sentence that
16 begins on Line 11. You can skip the actual
17 recommendations.
18 A. (Mr. Long) The line that starts "accordingly"?
19 Q. Correct.
20 A. (Mr. Long) "Accordingly, I recommend that the
21 Commission condition its approval of the PPA on the
22 parties agreeing to the following changes..." and
23 that's what it reads. And those changes would make
24 it impossible, in PSNH's opinion, to engage in a

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1 power purchase agreement with others.
2 Q. And you would agree that the Commission is authorized
3 by the RPS statute to condition PPAs submitted to it;
4 is that correct?
5 A. (Mr. Long) Yes. And if the conditions are not
6 acceptable to either party, then that's effectively a
7 denial.
8 MR. McCLUSKEY: And that's all I have,
9 Commissioner. Thank you.
10 CHAIRMAN GETZ: Thank you.
11 Mr. Frantz.
12 MR. FRANTZ: Thank you.
13 CROSS-EXAMINATION
14 BY MR. FRANTZ:
15 Q. My questions will be directed to Dr. Shapiro.
16 Good morning.
17 A. (Dr. Shapiro) Good morning.
18 Q. Dr. Shapiro, there are a number of economic models
19 for which to use for estimating economic impacts of
20 this type of project. Why did you choose RIMS II
21 versus something like IMPLAN or REMI?
22 A. (Dr. Shapiro) Yes, I agree, there are a number of
23 different models. They provide a variety of
24 different outcomes. I've used all three that you

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1 mentioned. In my experience, I have not found
2 dramatically different impacts, especially if you
3 look at some different scenarios, as I've done in
4 this case.
5 I chose RIMS II because it was available at my
6 office, and to manage the costs. And we've used that
7 in a number of different other models that I've done
8 recently. So it was readily available to do that.
9 The IMPLAN model, I would have had to have
10 purchased it. I haven't used it in a few years. I
11 would have had to update it. And it's also
12 significantly more time-consuming to develop it,
13 without significantly different results, in my
14 experience.
15 Q. On the IMPLAN model, though, you could have actually
16 modeled accounting effects, though; correct?
17 A. (Dr. Shapiro) Yes. You could also model accounting
18 effects on RIMS II by purchasing for each county,
19 because there is significant leakage, especially in
20 the construction phases. Also, many construction
21 workers are likely to move up from the central part
22 and southern parts of the state to a Berlin major
23 project, so that I chose to use the statewide impacts
24 because this is a state benefit analysis, and wanted

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1 to make sure we didn't just completely focus on Coos
2 County.
3 So, in order to capture the Coos County as
4 separate, I would have had to have purchased all ten
5 counties and run it that way, which would have
6 significantly increased the time to run it and the
7 purchase cost, without, again, in my view, providing
8 significantly different outcomes.
9 Q. We'll get to the labor migration issue a little bit
10 later.
11 Your testimony essentially looks at two distinct
12 economic shocks to the economy: The construction
13 phase is one, and then the ongoing economic impacts
14 associated with purchase of Laidlaw's biomass; is
15 that correct?
16 A. (Dr. Shapiro) My testimony in terms of the
17 application of the model --
18 Q. That's correct.
19 A. (Dr. Shapiro) -- or the two events?
20 Q. The two events.
21 A. (Dr. Shapiro) The two events of construction and then
22 ongoing operation, yes.
23 Q. And if you refer to Page 5, Line 13 of your direct
24 testimony --

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1 A. (Dr. Shapiro) Yes.
2 Q. -- you state, "based on input data filed by Laidlaw."
3 Do you see that?
4 A. (Dr. Shapiro) Yes, I do.
5 Q. Did you undertake any analysis or actions to verify
6 or confirm that figure by Laidlaw?
7 A. (Dr. Shapiro) The \$70 million number was something
8 that was in an official document, the SEC record. So
9 that was supplied there.
10 Also in the SEC filing, they did provide their
11 own estimates of what the construction costs were
12 going to be. So I viewed my check -- excuse me.
13 They estimated the number of construction jobs that
14 they anticipated. So my check was to look at the
15 dollar numbers that they had provided in a official
16 case before a decision body in this state, and then
17 to look at that from a model perspective to see if
18 there was something that was similar to the numbers
19 that they directly provided.
20 So, no, I did not specifically look at other
21 construction projects. I did take their lower number
22 of the two that was in their testimony.
23 Q. They originally had 70 to 80 million; correct?
24 A. (Dr. Shapiro) Yes, 70 to 80. Yes.

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1 Q. But whether or not that 70 million is spent locally,
2 you didn't really look at it from a bottoms-up
3 perspective to confirm that number, did you? You
4 took them at their estimate?
5 A. (Dr. Shapiro) I took them at their word in an
6 official document and their commitments to hiring
7 locally.
8 Q. Do you have a feel for whether or not they could
9 actually hire locally the type of labor force that
10 they need for this type of project on the
11 construction phase for engineering and those aspects?
12 A. (Dr. Shapiro) Well, because this is a conversion
13 project and not completely, a hundred percent new,
14 there is a lot of need for specialized craft labor.
15 And there is a fair amount of that in the north
16 country, as well as statewide. There most definitely
17 will be specialized labor that will have to be a part
18 of that project.
19 One of the reasons I took the 70 million rather
20 than the 80 million was to try and be more
21 conservative on what the impacts might be.
22 Q. You did state, though, that, to the extent that
23 number is much less, obviously the economic impact
24 would be less, too; correct?

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1 A. (Dr. Shapiro) Yes, that is correct. But it also --
2 one of the things that's not included in these -- in
3 the model in my testimony is that I've taken the 70
4 million as local and put that into what kind of
5 impact you get. I assign no value to out-of-state
6 specialized workers and their per diems, their
7 involvement.

8 In some of the projects I've looked at in the
9 past where you're bringing in experts from out of
10 state, they then are having per diems, they're having
11 to find rental places locally. And so any of those
12 would provide some benefit as well that would
13 potentially offset some loss of the 70 million as
14 higher than what's actually spent locally.

15 Q. In the RIMS II model, you aggregated a number of
16 construction sectors into just one sector; correct?

17 A. (Dr. Shapiro) The RIMS II model, the aggregate versus
18 the disaggregated, unfortunately, there is really
19 only one construction line. The other types of
20 fields that you might think of considering, like
21 utility generation or transmission, are, I take,
22 operation jobs. So they do not provide, even at the
23 disaggregated level, as I was able to review the over
24 400 different disaggregated industries, they really

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1 only gave one choice on construction. I was not able
2 to provide multipliers for different types of
3 construction projects.

4 Q. Because under the BA model, the very disaggregated
5 model upon which this is drawn from, it has 13
6 separate construction sectors; correct?

7 A. (Dr. Shapiro) Not in the version that I had
8 purchased. This was the -- it was not provided for
9 under the construction. There was no subsectors
10 under construction.

11 Q. Because they're not available?

12 A. (Dr. Shapiro) They may be available somewhere else.
13 They were not available for what I had purchased,
14 yes.

15 Q. That can affect the outcome of the multipliers, can't
16 it?

17 A. (Dr. Shapiro) It can affect the outcome of the
18 multipliers. And, again, as I mentioned previously,
19 the purpose here was to develop some estimate of what
20 the overall impact of the construction project is.
21 In their testimony in the SEC, they provided
22 estimates of the construction-level jobs. So I
23 looked at it from the perspective that they also
24 provided an estimate of \$70 million locally.

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1 Now, you can use that, as I did, using a
2 construction multiplier. But there's also a choice
3 of different multipliers. And other industries --
4 for example, the utility industry, which might be
5 something that is worth considering -- has a higher
6 direct-effect multiplier on the jobs. So you end up,
7 even using different types of multipliers, coming up
8 about in the same range. And I did report a fairly
9 wide range of the level of jobs that might be
10 realized. So, yes, I agree. And I also took some
11 steps to review other options to make sure, as a
12 check, that it was within the ballpark of the type of
13 estimates of jobs that I was able to come up using
14 this multiplier here.

15 Q. As in all models, one of the key assumptions is that
16 there are no supply constraints; correct?

17 A. (Dr. Shapiro) Correct.

18 Q. Did you independently try to assess whether or not
19 this increase in demand for biomass would be
20 available, and that that constraint is, in fact, a
21 problem or not in the model?

22 A. (Dr. Shapiro) I did review the SEC proceeding, and it
23 seemed to me that the conclusion was that the wood
24 industry was vibrant and complex, with many different

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1 players and options and technological changes, and
2 through some of my own experiences have seen new
3 markets open abroad. And I was -- based on that, I
4 was not able to conclude that there was something
5 that I could consider as a constraint.

6 Q. What about price effects of increasing demand for
7 biomass by \$20- to \$25 million per year?

8 A. (Dr. Shapiro) This is still -- again, I did review
9 the SEC record in terms of what the supply of wood
10 was available prior to the closure of the wood
11 plants -- excuse me -- of the paper mills.

12 In addition, I took note that in the Laidlaw
13 proposal there is an agreement with the City of
14 Berlin to set up funds to jump-start more people to
15 get back into the logging field. So I expected to
16 see more entrants to take advantage, now that there
17 would be greater demand. And that would be
18 jump-starting through the contributions directly to
19 the City as part of the SEC proceeding.

20 Q. By the way, the \$20- to \$25 million that was
21 estimated by Laidlaw for biomass fuel, is that figure
22 local purchases, or is that total purchases?

23 A. (Dr. Shapiro) My understanding was that was total
24 purchases, which is why I looked at the model of \$20

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1 million, and even at a lower number, to take into
2 account that they might not all be local.
3 Q. Because the economic effects are based on local
4 effects; correct?
5 A. (Dr. Shapiro) Yes, they are.
6 Q. In some ways what you did was, if I may characterize
7 it, see if you agree, sort of sanity checks on this.
8 Would you agree with that?
9 A. (Dr. Shapiro) Sanity checks?
10 Q. I mean, you used their numbers. You sort of
11 estimated whether they were in the ballpark for
12 employment based on this level of construction
13 activity, et cetera.
14 A. (Dr. Shapiro) Well, I mean, one thing to keep in mind
15 with any type of economic model, as I'm sure you're
16 aware, somebody who is the developer is presenting
17 some information about what the assumptions are.
18 I've worked on a number of different economic
19 models. And, actually, to take the numbers in a
20 docket that went through a proceeding in some sense
21 provided more comfort than getting it from a
22 developer sitting across the table from me making
23 representations that this is the amount of money they
24 would spend.

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1 So I think that the numbers that they provided
2 were through that specific docket, and I used some
3 different multipliers to get an estimate of the level
4 of jobs that we might expect based on that project.
5 Q. Do you recall in one of your data responses that you
6 included direct, indirect and induced effects of \$20
7 million and \$25 million of biomass purchases?
8 A. (Dr. Shapiro) Yes, I do.
9 Q. I don't think we need to go there right now.
10 Did you have any concern that those numbers can
11 actually be supplied in the logging industry,
12 considering almost 50- to 75-percent increases to
13 direct employment alone?
14 A. (Dr. Shapiro) But again, going back to the point of
15 where this industry was before the paper mills shut
16 down, there were more people in the field. And it is
17 a market where people will come to, especially with
18 the jump start that Laidlaw is doing. When Schiller
19 came into the market, we didn't see disruption in
20 prices. We didn't see disruption in supply. And
21 even with this plant, as was highly discussed at
22 length in the SEC proceeding, we're still under the
23 amount of wood that was being utilized prior to the
24 closure of the mills.

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1 And in addition, it takes several -- it takes an
2 amount of time to build a project. So there is some
3 startup. There will be money available through the
4 city with funds to train people to get back into the
5 field, capital for loans and grants to gear up for
6 it. So I have confidence that the market will
7 respond in a timely way to meet this demand.
8 This is a major area of effort of Berlin. It
9 goes way back with the State of New Hampshire as a
10 priority for a woods-based economy. We've put in
11 other -- in one of the responses to the testimony, a
12 letter from the director of the Society of Protection
13 of New Hampshire Forests, talking about the
14 availability of wood. And I think there's enough
15 time. This thing doesn't get turned on in one day.
16 It has to be built and constructed. And there's wood
17 contracts that were a requirement under the SEC
18 proceeding. So I do have confidence that the workers
19 will go where the jobs are.
20 Q. One of the -- if you'd turn to Page 5 of your
21 rebuttal testimony, please.
22 A. (Dr. Shapiro) Yes, we have it.
23 Q. And in the middle of Page 5 you're referring to a
24 letter that was from the Androscoggin Valley Economic

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1 Vitalization Group, or whatever it was. And it
2 mentions local purchases of biomass and also priority
3 hiring of local workers.
4 Is there anything in the PPA that actually
5 guarantees local purchases of biomass or the priority
6 hiring of local employees?
7 A. (Mr. Long) No.
8 A. (Dr. Shapiro) I believe there were some conditions
9 placed in the SEC order on local purchases and local
10 hiring. But that would be subject to check.
11 A. (Mr. Long) He asked about the PPA.
12 A. (Ms. Shapiro) Right. You asked about the PPA, but...
13 MR. FRANTZ: Those are all the
14 questions I have, Commissioner. Thank you.
15 CHAIRMAN GETZ: All right. Thank you.
16 Mr. Bersak, I think we'll hold our
17 questions from the bench until the end.
18 We have time now to turn to Exhibit 9.
19 And I'm trying to recall if the point was to -- was
20 there going to be a substitute document on Exhibit 9,
21 and did you want to have one of your witnesses
22 provide some summary or some direct on this?
23 MR. BERSAK: Yes, we can do that right
24 now, Mr. Chairman.

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1 Yesterday we provided a document that
2 was called "Changes to PPA Offered by Laidlaw." In
3 the bottom right-hand corner of that document it said
4 "PSNH Exhibit 9, Rev. 1." If you don't have a copy
5 of it, I shall supply you with one.
6 And what this document is, is it
7 replaces what we originally had identified as PSNH
8 Exhibit No. 9. Subsequent to discussion amongst the
9 various parties at a tech session yesterday morning,
10 there were some questions and some ideas and some
11 clarification and simplification; that's why the
12 replacement document only has five bullets on it
13 rather than six. And I am sure that the witness
14 panel is ready to take us through that document.
15 REDIRECT EXAMINATION
16 BY MR. BERSAK:
17 Q. Mr. Long, are you familiar with what we have just
18 identified as PSNH Exhibit 9, the first revision to
19 that document?
20 A. (Mr. Long) Yes, I am.
21 Q. Can you tell us what --
22 CHAIRMAN GETZ: Hold on for a second.
23 Excuse me, Mr. Bersak.
24 Mr. Shulock, did you have an issue?

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1 MR. SHULOCK: Yes. I wanted to renew
2 our objection to proceeding on Exhibit 9 based on
3 inadequate procedure in this case. We did have a
4 very short technical session, but that does not
5 substitute for the filing of direct testimony, paper
6 discovery on that, and development of rebuttal, et
7 cetera, the opportunity to provide expert testimony,
8 if necessary, on the provisions. And we think that
9 it's just too short of a period and too little
10 discovery for the Commission to have faith that these
11 provisions were tested.
12 We also object -- this would create
13 new economics to the PPA that have not been tested,
14 have not been modeled by the Company, and no
15 discovery has been conducted on that. And on that
16 basis we object to proceeding.
17 There's an additional issue that
18 arises from the technical session itself, and that
19 is, that it wasn't just the parties who participated
20 in that technical session. That technical session
21 was attended by representatives of the developer who
22 answered questions that PSNH could not answer. The
23 assertions that were made by that developer have not
24 been subjected to testimony -- I'm sorry, to

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1 discovery. That person is not a witness in the case.
2 There is no way to get that witness on record. And
3 for that reason we object.
4 CHAIRMAN GETZ: Okay. Your objection
5 is noted. We're going to proceed with the direct
6 testimony and the opportunity for cross-examination.
7 You've got something more?
8 MR. SHULOCK: I'll handle it later.
9 MR. BERSAK: Thank you, Mr. Chairman.
10 BY MR. BERSAK:
11 Q. Mr. Long, can you describe the exhibit that I just
12 identified, PSNH Exhibit 9, Rev. 1?
13 A. (Mr. Long) Yes, I can. And I want to first point out
14 that PSNH is totally prepared to go forward with the
15 PPA as filed.
16 And what this Exhibit 9, Revision 1 is, is
17 intended to give perspective on matters that have
18 already been asked in data requests or in
19 cross-examination. And this is to provide further
20 information on these matters that have already been
21 brought up by other parties.
22 One is -- the first one is what's called a
23 contract quantity. And this really relates to
24 Exhibit A of the PPA, where there were some questions

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1 about the size of the facility and how that relates
2 to the PPA and the amount of power that's purchased.
3 There was some concern expressed about is there a
4 limit to the size or how much this facility can
5 produce.
6 And so under the contract quantity, I just wish
7 to indicate that the parties to the PPA are willing
8 to accept as a condition, or not, if it's not -- if
9 people don't want to do it, that's fine, too -- but
10 for the purpose of a condition, that the project size
11 will be -- will not exceed a 67.5-megawatts net.
12 That would be just a further clarification and a
13 limitation to Exhibit A.
14 We had a discussion this morning and some
15 yesterday about interest on the cumulative reduction
16 amount -- account. And the parties to the PPA could
17 accept a condition that says that that cumulative
18 reduction account interest shall be applied in the
19 same manner as interest, under the definition of
20 interest within the purchase power agreement. So
21 we're willing to apply interest to that cumulative
22 reduction account in response to the questions and
23 concerns expressed by the parties.
24 In the case of excess RECs, which is Item No. 3,

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1 there was some concern expressed by others that there
2 could be a period of time where PSNH has more
3 renewable energy certificates than the minimum amount
4 required under the state's renewable portfolio
5 standard law. And so this Item 3 basically says
6 that, to the extent we do have an excess, that we
7 would realize some value from that excess by putting
8 it out into the market. And to the extent that the
9 value realized is more or less than the contract
10 price, that the difference would also be reconciled
11 and applied to the cumulative reduction factor
12 throughout the term of the contract.
13 Item 4 is a reconfiguration of the formula that
14 is in the wood price adjustment mechanism;
15 mathematically, by itself does not change any
16 pricing. It's more of a reconfiguration closer to
17 today's market value. But when you apply the
18 formula, you don't get a change in the price. But
19 the parties that wish to reconfigure that to be
20 closer to today's prices, we'd be agreeable to that.
21 Item No. 5, again, relates to some
22 cross-examination of me this morning related to the
23 factor that's applied in the wood price adjustment.
24 And the contract negotiated amount is 1.8 is a

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1 factor. And as a condition to the agreement, the
2 parties to the PPA would be willing to accept a lower
3 amount of 1.6.
4 Q. Mr. Long, do you know whether these potential changes
5 to the PPA are a package deal, or can the Commission,
6 if it wished to impose conditions similar to any of
7 these, choose them on an a la carte basis?
8 A. (Mr. Long) They're not conditioned on each other.
9 There is obviously some relationship between Items 4
10 and 5. But it's not an all or nothing. They were
11 simply indicating that if the Commission or parties
12 wish to support this, it's acceptable to the parties
13 to the PPA. It's not required. We don't insist on
14 it. We're not recommending that the PPA be changed.
15 This is just if the Commission wishes to put on
16 conditions or the parties wish to take a position on
17 it, they're free to do that. They know what our
18 thoughts are on the matter.
19 Q. So you're saying -- you just said that the PPA has
20 not been changed to reflect these items?
21 A. (Mr. Long) No. The PPA stands as is, and that's what
22 we're supporting in this proceeding.
23 Q. Could you provide the Commission with your opinion as
24 to whether these -- any or all of these five

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1 conditions or changes that have been offered have
2 value for customers?
3 A. (Mr. Long) I'll go through it one at a time.
4 Item 1, contract quantity. I think that does
5 provide -- well, I'd say it does provide value to
6 customers. I don't really know. Because if this --
7 if the prices in the PPA are less than market in the
8 future, then this could limit the value that
9 customers have. If the market -- if the contract
10 prices are greater than market, then it could have a
11 short-term higher price for customers.
12 So I can't really say if it's better or worse
13 for customers. I do say that it adds clarity. It
14 adds clarity to how the contract will be administered
15 and can give assurance to people that there is a cap
16 in effect of how much power we would purchase from
17 the project and how much renewable energy
18 certificates we would purchase from the project.
19 The interest -- the interest, if I had to
20 guess -- well, I can't really guess on that one
21 either. I think in the early years the interest
22 could work to the advantage of customers. In later
23 years it could work against customers, just because I
24 don't know what the future market prices are going to

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1 be. But perhaps George McCluskey and I would agree
2 that it probably makes more sense to apply interest
3 than to not, simply to recognize the time value of
4 money. So, for that reason, I think it would be
5 probably a better approach.
6 With regard to excess RECs, it's the same sort
7 of thing. If we have excess RECs, and the REC market
8 is nearer the alternative compliance payment, then
9 we're better without this provision. But if it's
10 lower, then we're better with this provision. So,
11 again, it's just a way to protect customers in the
12 event that the actual market prices for RECs are
13 lower than the contract prices. But the exchange for
14 that is, if it goes the other way, it really -- it
15 would be less advantageous than the current contract.
16 But if you wish to protect against low market prices,
17 this would be a good thing for customers, if you're
18 interested in that additional protection.
19 Base energy price, as I said, indifferent. It's
20 just -- I don't have an opinion on that.
21 On the wood price factor adjustment, again, as
22 we testified, the current price of wood at Schiller
23 is 27. So, going from 1.8 to 1.6 would result in
24 higher prices to customers under that scenario.

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1 Under a scenario where future wood prices are
2 above, I guess in the contract as written, \$34, then
3 it would be advantageous to customers. My opinion,
4 net-net, is that the 1.6 multiplier would be better
5 for customers.
6 Q. So would it be correct to say that, for each of these
7 potential changes, the value to customers depends in
8 great part upon what your guess is to the future of
9 the cost of wood, the cost of energy, the cost of
10 capacity, and the market?
11 A. (Mr. Long) Yes.
12 Q. Thank you, Mr. Long.
13 MR. BERSAK: I have no further direct
14 questions, and they are subject to and available for
15 cross-examination.
16 CHAIRMAN GETZ: Thank you.
17 Mr. Boldt.
18 MR. BOLDT: Very few.
19 CROSS-EXAMINATION
20 BY MR. BOLDT:
21 Q. Mr. Long, on the interest calculations, that works
22 both ways; correct? So that if there was an
23 overpayment for the cumulative reduction one year,
24 that garnered interest for the positive. If there

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1 was an underpayment, below market, does that mean
2 that there's interest also on that underpayment to
3 wash out over the years?
4 A. (Mr. Long) Yes, that's true. And if you played out
5 to the end of the contract, though, if the balance at
6 the end of the contract is negative -- in other
7 words, a contract on average was below market -- it
8 has no effect because there would be no further
9 action.
10 Q. So, just to take Staff's Exhibit 9 hypothesis, if you
11 switched the two megawatt hour prices -- so in a
12 year, instead of the actual market price being 60, it
13 was the 80 figure, and the price under the PPA,
14 instead of 80 was 60, so that there was a \$2,000
15 credit, negative credit, I guess, debit -- that would
16 be garnering interest if this provision was added
17 also; correct?
18 A. (Mr. Long) Yes.
19 Q. And on the excess RECs issue, you're aware that
20 President Obama's State of the Union speech last
21 night referenced his policy -- his administration's
22 policy, that he wanted to see 80 percent of the
23 country's energy generated by clean power by the year
24 2035, one year beyond the life of this PPA.

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1 In light of -- let's assume that that policy is
2 put into place. In light of that policy, is this
3 REC -- excess REC calculation, do you think it's a
4 positive or a negative for customers? Are you better
5 off with the PPA as is, locking in the price, if it
6 becomes a much more positively driven market?
7 A. (Mr. Long) Well, without knowing the details, I can't
8 really speculate. I do support that direction for
9 the country to go in, for New Hampshire to go in.
10 But without knowing the details of a market or
11 details of how that policy would be implemented, I
12 don't think I can speculate.
13 MR. BOLDT: No further questions,
14 Mr. Chairman.
15 CHAIRMAN GETZ: Thank you.
16 Mr. Rodier, any questions?
17 MR. RODIER: None, Mr. Chairman.
18 CHAIRMAN GETZ: Mr. Shulock.
19 CROSS-EXAMINATION
20 BY MR. SHULOCK:
21 Q. Mr. Long, I believe you testified that both No. 1,
22 the capacity gap, No. 2, interest on the cumulative
23 reduction account, and No. 5 and 6 together, could
24 each be a positive or negative effect?

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1 MR. BERSAK: Make sure, Mr. Shulock,
2 you're referring to the right exhibit, because the
3 revised exhibit only has five numbers on there.
4 There is no No. 6.
5 MR. SHULOCK: Thank you. And that
6 brings up a point of clarification.
7 Is PSNH still including the original
8 Exhibit 9 in the record, or is Rev. 1 a complete
9 replacement of that one?
10 MR. BERSAK: Rev. 1 is a complete
11 replacement. And it really -- what it did is, during
12 the discussion that the parties had, it really turned
13 out that there was no real need to distinguish
14 between various time periods for the proposed REC
15 change to the PPA. So they were just combined into
16 one because they effectively did the same thing.
17 MR. SHULOCK: Well, with the
18 Commission's permission, I would like to mark PSNH's
19 original Exhibit 9 as IPP Exhibit 31.
20 CHAIRMAN GETZ: Well, why don't we
21 just do this: We'll keep the original Exhibit 9, and
22 then what's been marked as -- and then we'll have
23 Exhibit 9, Rev. 1.
24 MR. BERSAK: Thank you, Mr. Chairman.

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1 CHAIRMAN GETZ: Recognizing that
2 they're proffering Rev. 1 as the conditions at this
3 point.
4 MR. SHULOCK: So I'll withdraw my
5 earlier question, and I'll go to some of the
6 questions that refer to the difference between the
7 two exhibits then.
8 BY MR. SHULOCK:
9 Q. One of the differences between the two exhibits is
10 that PSNH combined Paragraphs 3 and Paragraphs 4; is
11 that correct?
12 A. (Mr. Long) Yes.
13 Q. And the representative of the developer stated in the
14 technical session that the reason that Paragraph 4
15 was placed there was to carve out what he referred to
16 as "the 2025 issue"; is that correct?
17 A. (Mr. Long) I don't recall exact words. But that
18 previous Paragraph 4 was a provision that would take
19 effect after 2025.
20 Q. And the representative of the developer stated that
21 the reason that this was not a necessary paragraph
22 was that the recovery mechanism remained the same;
23 correct?
24 A. (Mr. Long) Again, I can't testify as to what the

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1 developer said. I can't recall exact words. I can
2 tell you what PSNH's position is, but that's about as
3 far as I can go.
4 Q. Is there anyone on the panel who remembers what the
5 developer said?
6 A. (Mr. Labrecque) No, not me.
7 A. (Mr. Large) No.
8 A. (Dr. Shapiro) No.
9 Q. So you changed it without remembering or knowing why
10 it was changed?
11 A. (Mr. Long) Well, I think it's fair for me to
12 represent that the other parties to the PPA, I've
13 represented them correctly to say that they could
14 accept these conditions, if they were conditions.
15 But, you know, the thinking that went into this was
16 based on the comments of all the parties, and
17 certainly, PSNH drafted this.
18 Q. Okay. Did OCA state that there was no 2025 issue to
19 carve out?
20 A. (Mr. Long) You can ask them.
21 Q. Well, you were there.
22 A. (Mr. Long) I don't -- again, I don't recall what
23 everybody said. I didn't take notes. I don't have a
24 transcript. I can't say that I know what everybody

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1 said, and I don't want to misrepresent anybody.
2 Q. Did Staff say that there was no 2025 issue to carve
3 out?
4 MR. BERSAK: Objection. Asked and
5 answered.
6 BY MR. SHULOCK:
7 Q. First comment was, It was based on the statements
8 made; second comment is, I can't remember what was
9 said.
10 A. (Mr. Long) Well, I can remember that people said that
11 they didn't see a real difference between the two,
12 and that's what led us to combine them. And
13 that's...
14 Q. Do you remember which people said that?
15 A. (Mr. Long) I don't remember anybody disagreeing with
16 that thought.
17 CHAIRMAN GETZ: Ms. Hatfield.
18 MS. HATFIELD: I don't know if this is
19 the right time, Mr. Chairman, to say this, but I just
20 want to be clear that the OCA didn't take any
21 position at the technical session yesterday with
22 respect to Version 1 or the Revision 1 of the -- what
23 we're considering now. I just want to be clear on
24 that. Thank you.

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1 CHAIRMAN GETZ: Thank you.
2 MR. SHULOCK: And neither did the wood
3 IPPs.
4 BY MR. SHULOCK:
5 Q. The second difference between PSNH Exhibit 9 and PSNH
6 Exhibit 9, Rev. 1 was that, in that excess RECs term,
7 which is now the combined No. 3, there was a mistake
8 in the way that the calculation of excess RECs was
9 stated, wasn't there?
10 A. (Mr. Long) Yes. We didn't think the words
11 represented the intent.
12 Q. And who told us what the intent was?
13 A. (Mr. Long) Well, PSNH, you know, stated what we
14 thought the intent was.
15 Q. Who drafted the original Paragraph 3 in PSNH Exhibit
16 No. 9?
17 A. (Mr. Long) It came to our lawyers. I believe it may
18 have been representatives of Laidlaw.
19 Q. Wasn't it the representatives of Laidlaw who
20 changed -- who suggested a change in that wording?
21 A. (Mr. Large) I believe I did, Mr. Shulock.
22 Q. And what was your basis for suggesting that change?
23 A. (Mr. Large) That based upon the discussion that
24 ensued in the room, that I believe that the words on

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1 the page did not accurately represent what was
2 intended, and that we were establishing a priority
3 order of use of RECs that would include the Lempster
4 PPA and Smith Hydro RECs that PSNH already has access
5 to.
6 Q. But not Schiller RECs?
7 A. (Mr. Long) That is correct.
8 Q. Turning to Exhibit Rev. 1, was it your testimony,
9 Mr. Long, that having the project size not exceed
10 67.5 megawatts net might work to ratepayers'
11 disadvantage?
12 A. (Mr. Long) If the -- yes. I said, effectively, that
13 if the project is capable of producing power
14 economically, and the prices of the contract are
15 below market, then it would be to customers'
16 advantage to take as much as they could get.
17 Q. Okay. But you don't know that.
18 A. (Mr. Long) No.
19 Q. And it was your testimony that it could be to the
20 customer's advantage just now.
21 A. (Mr. Long) Yes.
22 Q. But you don't know that yet.
23 A. (Mr. Long) No.
24 Q. And it was your testimony that the interest on the

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1 cumulative reduction account could be favorable to
2 ratepayers; is that correct?
3 A. (Mr. Long) I said I wasn't sure, because it can work
4 either way. Again, if the contract turns out to be
5 below market for substantial amounts of time, it
6 could end up with a lower amount of cumulative
7 reduction factor. But I said, on net, I think it's a
8 positive condition to include interest on those
9 amounts, to recognize time value of money.
10 Q. Have you conducted any modeling beyond what you've
11 told us on the stand today to back up that opinion?
12 A. (Mr. Long) Well, the answer is no. I don't think any
13 is necessary. It really gets into, you know, future
14 views on market prices. And as we stated earlier, we
15 don't know what those future prices are going to be.
16 Q. So, just to be clear, you haven't done any additional
17 forecasting or modeling on the economics of the
18 contract, given the addition of interest on
19 over-market and under-market REC pricing?
20 A. (Mr. Long) As I said, it works both ways. So we
21 don't know what that difference will be over time. I
22 don't think there's any modeling necessary to decide
23 if it's a good idea to recognize time value of money.
24 Q. So it could be a good idea or could be a bad idea?

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1 A. (Mr. Long) Could be a policy idea.
2 Q. Okay. Does the acknowledgment that PSNH, for the
3 term of the contract, will purchase 67.5-megawatts of
4 the facility's output increase the fair market value
5 of the facility at the end of the 20-year period?
6 A. (Mr. Long) No. The facility will be what the
7 facility is, regardless of whether Item No. 1 is
8 conditioned or not.
9 Q. Does the addition of interest on cumulative -- on
10 excess REC -- on over-market REC payments during the
11 term of the PPA increase the fair market value of the
12 facility at the end of the 20-year term?
13 A. (Mr. Long) I don't think so. I don't know if there
14 would be secondary effects, as far as -- I don't
15 think it would. Again, the facility's value will be
16 based on the facility. And at the end of the 20
17 years, all the PPA terms are expired; so at that
18 point in time, the value of the facility will be as a
19 going-forward facility.
20 Q. And so then the same would hold true for Paragraphs 4
21 and 5; neither of those would add anything to the
22 fair market value of the facility at the end of the
23 20-year term.
24 A. (Mr. Long) Yes, I would agree. Neither four or five

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1 would be applicable going forward.
2 Q. So you would agree, wouldn't you, that adding
3 interest to the cumulative reduction account and
4 adding over-market purchases for RECs would
5 increase -- or may increase the value of the
6 cumulative reduction account at the end of the PPA?
7 A. (Mr. Long) It could. That's one scenario. It could
8 increase the value of the cumulative reduction
9 account at the end of 20 years.
10 Q. Okay. And isn't the aim of adding interest on the
11 cumulative reduction account to protect the
12 ratepayers' time value of money?
13 A. (Mr. Long) I think so, yes.
14 Q. If the cumulative reduction account is larger at the
15 end of the 20-year term as a result of having added
16 interest and over-market REC payments, but the fair
17 market value of the facility doesn't change in this
18 equation, are you really adding any extra protection?
19 A. (Mr. Long) Well, yes.
20 Q. Theoretically.
21 A. (Mr. Long) Yes.
22 Q. In that theoretical world, if the cumulative
23 reduction value is larger, but the fair market value
24 of the facility remains the same, what is the

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1 additional protection added by that?
2 A. (Mr. Long) Well, when you say "stays the same," I'm
3 assuming it's still greater than the cumulative
4 reduction factor. So you have greater value. You
5 realize greater value.
6 Q. But the cumulative reduction value could be zero or
7 less than the value of the fair market value of the
8 facility; correct?
9 A. (Mr. Long) I guess it could be anything you want to
10 assume.
11 Q. And now the --
12 A. (Mr. Long) But I don't believe -- you know, it could
13 be zero, which means that customers paid below market
14 on a cumulative basis, and that's a good thing. And
15 it could be positive, in which case you have an
16 opportunity to get that value back for customers.
17 Q. Thank you.
18 Paragraph 3, does that in any way change PSNH's
19 obligation to purchase New Hampshire Class I RECs
20 after 2025?
21 A. (Mr. Long) No. That's driven by New Hampshire law,
22 not by this provision.
23 Q. And does this provision cover New Hampshire Class I
24 RECs as defined in the PPA or New Hampshire Class I

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1 RECs as defined by the New Hampshire Legislature from
2 time to time?
3 (Panel members conferring.)
4 A. (Mr. Long) Well, anyway, I was asking my colleagues.
5 But it doesn't say -- it doesn't give a date as of
6 such and such a date. So it's from time to time.
7 Q. But doesn't the definition of New Hampshire Class I
8 RECs in the PPA itself give a date?
9 A. (Mr. Long) It does in the PPA, yes.
10 Q. So are you requesting that the Commission reference a
11 date?
12 A. (Mr. Long) We probably have to have some more
13 discussion on that.
14 Q. There really has been inadequate time to develop this
15 and present it, hasn't there?
16 A. (Mr. Long) No, because, you know, this is giving
17 information to people as what we could accept. I
18 think what's contemplated on this one is that it's
19 RECs as they are from time to time. And, you know,
20 if you need to confirm that, we'll confirm that in a
21 record request.
22 Q. Can you confirm it with a record request from
23 Laidlaw?
24 A. (Mr. Long) Laidlaw's not a party.

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1 Q. Right. So, sitting here, we don't know.
2 A. (Mr. Long) I made the representation that Laidlaw can
3 accept these as a condition, as can PSNH.
4 Q. Do you know whether it's Laidlaw's understanding that
5 this defines or is intended to apply to New Hampshire
6 Class I RECs as defined by the legislature from time
7 to time, as opposed to the definition of New
8 Hampshire Class I RECs in the PPA, which freezes the
9 production of those RECs to the qualification --
10 eligibility qualifications that are in place today?
11 A. (Mr. Long) We could clarify that over lunch, if we
12 need to.
13 MR. SHULOCK: I have no further
14 questions.
15 CHAIRMAN GETZ: Thank you.
16 Ms. Hatfield.
17 Well, let me pose it this way: It's
18 about almost 12:25. If you have a short amount, you
19 could go ahead now. If you have a longer amount of
20 cross, we could wait until after lunch. Do you have
21 a preference?
22 MS. HATFIELD: It would be helpful to
23 wait until after lunch. Thank you.
24 CHAIRMAN GETZ: Okay. Then let's take

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1 the lunch recess and resume at 1:30.
2 And Mr. Bersak, if there's some
3 further clarification that can be provided about the
4 meaning of Section 3 of Exhibit 9, Rev. 1, then that
5 may be helpful.
6 MR. BERSAK: We shall do that,
7 Mr. Chairman.
8 MR. BOLDT: Matter of housekeeping,
9 Mr. Chairman? I'm sorry. One of the questions last
10 night was that there were certain tables that may not
11 have been included in the Ventyx materials we
12 produced in confidentiality that were 2009 and
13 earlier, for the fall 2009 and the spring 2010. We
14 have those materials. Ms. Roman brought them. I
15 have three copies to add to the materials, and then
16 we'll submit the others to those who are bound by the
17 confidentiality already.
18 CMSR. IGNATIUS: And a copy to the
19 clerk as well.
20 MR. BOLDT: Did we give you a set of
21 the confidentiality materials yesterday?
22 CLERK: No.
23 MR. BOLDT: So we have -- if you wish
24 us to, we'll give another set and mark that one as

1 well.
2 CMSR. IGNATIUS: Thank you.
3 CHAIRMAN GETZ: All right. Thank you.
4 Okay. We are recessed.
5 (WHEREUPON, the Day 3 Morning Session
6 recessed for lunch at 12:27 p.m. Day 3
7 Afternoon Session to resume under separate
8 cover so designated.)
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1 C E R T I F I C A T E
2 I, Susan J. Robidas, a Licensed
3 Shorthand Court Reporter and Notary Public of
4 the State of New Hampshire, do hereby
5 certify that the foregoing is a true and
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8 on the date hereinbefore set forth, to the
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11 I further certify that I am neither
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**DAY 3 - MORNING SESSION ONLY - January 26, 2011
DE 10-195 PSNH/LAIDLAW BERLIN BIOPOWER**

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