

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 5, 2012 - 1:43 P.M.
Concord, New Hampshire

DAY 2
AFTERNOON SESSION ONLY

RE:

**DE 10-261 PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE: Least Cost Integrated
Resource Plan**

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Michael D. Harrington
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES:

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 **ORIGINAL**

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WITNESS: KENNETH TRAUM

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1 P R O C E E D I N G S

2 CHAIRMAN IGNATIUS: Thank you,
3 everyone, for coming back promptly.

4 Mr. Traum, you are still on
5 the stand. And Mr. Eaton, you have
6 questions?

7 Before we begin, is there
8 anything else we should address
9 procedurally? At some point today we should
10 talk, if we don't finish -- and I'm happy to
11 be positive. But if we don't finish, we
12 should talk about other dates, and if people
13 have checked any of the dates that I read
14 off this morning. Do we know if April 12th
15 is a possibility, or is that a problem for
16 anyone?

17 MS. HOLLENBERG: I have
18 something I had to reschedule on account of
19 the Lakes Region hearing being extended. But
20 if it works for everyone else, I'll do what I
21 can to make it work. I think it works for our
22 witness.

23 CHAIRMAN IGNATIUS: All right.
24 Mr. Peress.

1 MR. PERESS: Madam Chair,
2 unfortunately, I'm leaving for vacation on
3 April 12th and returning on April 23rd.

4 CHAIRMAN IGNATIUS: We could
5 come with you.

6 CMSR. HARRINGTON: You can
7 vacation here.

8 MR. PERESS: I'm going fishing.
9 So, you're welcome.

10 CHAIRMAN IGNATIUS: All right.
11 So our next date was April 23rd. And you're
12 still away at that point?

13 MR. PERESS: I return on the
14 23rd.

15 CHAIRMAN IGNATIUS: And that
16 gets us into May 1st is the next possible
17 date, which is awfully late.

18 MR. SPEIDEL: That doesn't work
19 for Staff's witness, actually, Mr. Arnold.

20 CHAIRMAN IGNATIUS: So what do
21 we do? Why don't we leave at a break and
22 everybody talk about that, because none of
23 those dates worked. We can look farther out
24 into May to try to accommodate everyone, or we

1 go to some other way of having it covered with
2 other people from your offices or something.
3 I don't want to try to work that out right now
4 with everyone on the record, but we need to
5 come up with a plan. So, at an afternoon
6 break we'll work on that.

7 So, Mr. Traum.

8 CROSS-EXAMINATION

9 BY MR. EATON:

10 Q. Thank you. Mr. Traum, could we talk about
11 some of the parameters of least cost planning,
12 what's required and other standards that
13 apply?

14 A. Certainly.

15 Q. The least cost planning statute in Chapter 378
16 requires us to look at compliance with the
17 Clean Air Act standards of -- or the
18 requirements of the Clean Air Act; is that
19 correct?

20 (Witness reviews document.)

21 A. If you could -- not being an attorney, at a
22 minimum, if you could provide me the
23 citation?

24 Q. 378:38. And I'm reading, "Each such plan

1 shall include, but not be limited to the
2 following" -- and I'm reading Roman Numeral
3 VII -- "assessment of the Plan integration and
4 impact on state compliance with the Clean Air
5 Act amendments of 1990."

6 So the Company is required to assess
7 our compliance with the Clean Air Act of
8 1990; correct?

9 A. That's what it appears to indicate.

10 Q. And the standards from the Commission's letter
11 concerning the language that what is
12 reasonably foreseeable also talks about
13 compliance planning; correct?

14 MS. HOLLENBERG: Excuse me. Do
15 you have the letter in front of you, Mr.
16 Traum?

17 A. Give me a second, please.

18 (Witness reviews document.)

19 A. Okay. You're referring to Exhibit TC2,
20 which was the Commission secretarial letter
21 of December 28, 2010.

22 Q. Yes.

23 A. Yes, I have that in front of me.

24 Q. And does that talk about compliance planning?

1 A. It talks about, and I'll quote, "to plan for
2 compliance with environmental requirements
3 imposed or established after the date of the
4 Least Cost Integrated Resource Plan initial
5 filing," unquote. And then it goes on to
6 say, "The Commission notes, as a general
7 matter, that a sound planning process should
8 consider reasonably foreseeable regulatory
9 changes," et cetera.

10 Q. So if I could read those two phrases together,
11 "complying with reasonably foreseeable
12 environmental standards."

13 A. Plan for complying with reasonably
14 foreseeable regulatory changes.

15 Q. Fine. Based upon your experience at the
16 Commission and your participation in energy
17 service cases, is PSNH required to use its
18 plants to supply energy service?

19 A. By statute. And I believe it was an issue
20 that was raised by Commissioner Harrington
21 yesterday about if -- for supplying the
22 needs of their energy service customers, in
23 part, you dispatch their plants when it's
24 economical to, and other times go to ISO and

1 the market.

2 Q. And have you been involved in previous least
3 cost planning dockets?

4 A. I have been, to an extent. As noted by your
5 witness, Mr. Large, yesterday, there had
6 been waivers in a number of years with
7 regards to least cost compliance.

8 Q. With respect to the most recent two or three,
9 has the question of planning for divestiture
10 come up?

11 A. I believe it was an issue within the last
12 Least Cost Plan. I don't know if it was in
13 the one preceding that.

14 Why divestiture has become an issue is
15 because the world has changed with regards
16 to energy pricing and what has happened to
17 the natural gas market, making your plants
18 more and more uneconomic on a variable cost
19 basis.

20 Q. But as far as the adequacy of the Plan that
21 was filed, was PSNH required to or even
22 permitted to analyze divestiture?

23 A. I would say you were certainly permitted to.

24 Q. Didn't the Commission rule in the previous

1 proceeding that divestiture and retirement are
2 part of a different statutory scheme that the
3 Commission is required to follow?

4 MS. HOLLENBERG: Excuse me, Mr.
5 Eaton. Do you have a reference that you can
6 refer the witness to, please?

7 MR. EATON: The question from
8 counsel is what?

9 MS. HOLLENBERG: Do you have a
10 reference? I think you're asking Mr. Traum to
11 opine about whether or not there's another
12 statutory scheme that applies to the
13 divestiture or retirement --

14 MR. EATON: Yeah.

15 MS. HOLLENBERG: -- and I just
16 wondered if you had a reference to refer him
17 to.

18 MR. EATON: Yes. I'm looking at
19 369-B:3 -- I'm sorry -- 369-B:3-a.

20 MS. HOLLENBERG: Is that
21 something that would be helpful for you to
22 look at while you're asked the question, Mr.
23 Traum?

24 THE WITNESS: Either look at, or

1 if counsel has some specific section, if he
2 could read it out loud, I'd appreciate it.

3 BY MR. EATON:

4 Q. All right. Notwithstanding R.S.A. 374:30 --
5 and I'm reading from the statute --
6 "Subsequent to April 30th, 2006, PSNH may
7 divest its generated assets if the Commission
8 finds it is in the economic interest of retail
9 customers of PSNH to do so and provides for
10 the cost of recovery of such divestiture."

11 A. Okay.

12 Q. So, did the Commission -- when divestiture was
13 brought up in the past, did the Commission
14 cite to this statute saying that that is the
15 proper forum for discussing divestiture and
16 not least cost planning?

17 A. I do not know if -- I do not recollect what
18 the Commission did or not. My issue, in
19 terms of least cost planning, is I want to
20 look at what is in the long-term least cost
21 benefit of your customers or your
22 ratepayers. And in order to determine that,
23 you've got to look at: What are the ongoing
24 costs long term, including capital

1 investments? What are the alternatives to
2 that? You know, is retirement an
3 alternative? Is divestiture an alternative?
4 What is the best result for ratepayers in
5 the long run? That's why I feel it should
6 be included in the Least Cost Plan.

7 What I had thought you were getting at
8 was does the Commission have the authority
9 to require divestiture and --

10 Q. You think that would take a legal analysis,
11 what's in the Commission's authority? I was
12 asking you about your recollection of what the
13 Commission had ruled in the past.

14 MS. HOLLENBERG: Are you -- I'm
15 sorry. If I could just have some
16 clarification. Are you objecting to the
17 witness's statement in response to your
18 question or --

19 MR. EATON: Well, he was about
20 to say -- he was about to opine as to the
21 Commission's authority to order divestiture,
22 and I don't believe he's been offered as a
23 legal witness.

24 MS. HOLLENBERG: I think,

1 though, that you asked -- I think that your
2 question asked him to respond whether or not
3 the Commission has in the past addressed
4 divestiture in the statute as being the one
5 that's applicable to those circumstances. So,
6 to the extent that you asked that question, I
7 would suggest that Mr. Traum be allowed to
8 answer.

9 CHAIRMAN IGNATIUS: I would
10 agree with that. I think you asked him for
11 his view on a number of statutes. I'm not
12 sure what the relevance of the Commission's
13 authority on divestiture is to this
14 proceeding, however.

15 But you may answer the
16 question.

17 A. I'm going to answer the question by saying I
18 do not have a legal opinion on whether or
19 not the Commission can, on its own accord,
20 require divestiture. What I think the
21 Commission could do, if it determined that
22 divestiture was in the ratepayers' best
23 interests, and PSNH did not want to divest
24 and sought to continue charging ratepayers

1 for the cost of those units, the Commission
2 could disallow costs over market.

3 BY MR. EATON:

4 Q. Mr. Traum, do you have a copy of Mr. Smagula's
5 and Ms. Tillotson's rebuttal testimony?

6 A. Yes, I have.

7 Q. Could you look to the last attachment in that
8 testimony. I think it's Bates No. 35.

9 A. I'm sorry. I do not have the attachments,
10 just the testimony.

11 CHAIRMAN IGNATIUS: For the
12 record, is this the rebuttal testimony, PSNH
13 Exhibit 4?

14 MR. EATON: Yes.

15 CHAIRMAN IGNATIUS: Thank you.

16 BY MR. EATON:

17 Q. Mr. Traum, I'll show you the testimony. And
18 the last three pages have an attachment,
19 "Technical Session TS-02 Q-Tech-014."

20 A. Yes.

21 Q. Do you have that?

22 A. You have just handed it to me.

23 Q. Okay. Did you read this attachment to Mr.
24 Smagula's and Ms. Tillotson's testimony?

1 A. Yes, I have.

2 Q. And are you still of the opinion that --

3 CMSR. HARRINGTON: Excuse me.

4 Could you further identify which attachment to
5 their testimony it is?

6 MR. EATON: It's Attachment 4.

7 It's a three-page document. The first page is
8 labeled "Technical Session, TS-02,
9 Q-Tech-014."

10 CMSR. HARRINGTON: Thank you.

11 BY MR. EATON:

12 Q. And were you able to understand the writing on
13 the third page, Mr. Traum?

14 A. I sort of, let's say, understood the gist of
15 it. Whether I was able to understand the
16 exact writing, I don't know. I don't
17 recall.

18 Q. And the second page is called what, Mr. Traum?
19 The second page of that three-page attachment.

20 A. This is a PSNH document, and it's labeled,
21 "Sole Source Justification Form."

22 Q. And the requester is a person identified as J.
23 TenBrok?

24 A. Yes. Jody TenBrok, I would assume.

1 Q. Are you familiar with him?

2 A. Yes.

3 Q. And who is he?

4 A. He's a PSNH or an NU employee in fuel
5 purchasing.

6 Q. And on the third page, about in the middle of
7 the page, it states, "Emera has been highly
8 dependable and flexible, both important
9 attributes required to support Newington
10 station" -- "Newington station's widely
11 ranging natural gas needs that are
12 intermittent and mostly unpredictable." Do
13 you agree I've done my best to read that
14 language?

15 A. I would agree with that.

16 Q. And then, "Repsol, the owner/operator of a
17 large LNG facility in St. Johnsbury, NB, is
18 dedicated to supplying only a few customers in
19 the Boston area, as most of the LNG tankers
20 supplying the plant have sailed to Europe
21 where the gas market is more profitable." Is
22 that a fair way of reading that?

23 A. I believe you read the words correctly.

24 Q. And the third one is "Shell has shown little

1 interest in supplying gas to PSNH. When asked
2 to bid, they have not bid."

3 So, Mr. Traum, if we can understand
4 this to see there are three suppliers on the
5 pipeline, and two aren't ready to supply the
6 needs, are you still of the opinion that
7 PSNH shouldn't be sole sourcing the gas
8 supply?

9 A. That seems to be in contradiction to what
10 PSNH Witness White had said in response to
11 some questions you had of him in Docket DE
12 10-257 on June 23rd, 2011. On Page 48 and
13 49 of that transcript, you asked him, and
14 I'll just quote: "The Consumer Advocate,
15 Attorney Hatfield, asked you questions about
16 having a single supplier for natural gas,
17 and then you just mentioned that your use of
18 gas at Newington is, quote, intermittent,
19 unquote. Do all gas suppliers serve a load
20 like Newington on an interruptible basis,
21 and, as you said, quote, intermittent?

22 Answer from Mr. White: "Well, I think
23 a lot of gas suppliers serve combined cycle
24 gas-fired generation, which would be a large

1 quantity used day after day. I think
2 perhaps the point would be that there would
3 be a smaller number of suppliers willing to
4 interact in the manner that we typically do,
5 where we want and where we want and request
6 gas delivered on short-term notice."

7 I took that to mean that there is
8 potentially an additional supplier or more.

9 Q. Would one be a smaller number than the large
10 number of suppliers that Mr. White was talking
11 about?

12 A. He said "a smaller number of suppliers," so
13 I would take that to mean more than one.

14 Q. Would one be smaller?

15 A. One is smaller than two, I'll grant you
16 that.

17 Q. And was Mr. White offered as a fuel buyer for
18 Newington station?

19 A. He was testifying on Newington, on behalf of
20 Public Service.

21 Q. Is he a fuel buyer for Public Service, do you
22 know?

23 A. I do not recollect. I would assume you
24 would have put up a witness that was

1 responsible for the area he was testifying
2 in.

3 Q. Mr. Traum, could you turn to your
4 Attachment 2.

5 A. I have it.

6 Q. I'd like you to turn to Page 3. It's Page
7 No. 49 of your testimony attachments.

8 A. I have it.

9 Q. And there's a table on that page; correct?

10 A. Yes.

11 Q. And that table has certain proposal dates and
12 final rule dates?

13 A. Yes, it does.

14 Q. And how many proposal dates come after
15 September 30th, 2010?

16 (Witness reviews document.)

17 A. I believe five.

18 Q. Okay. And as far as the transport rule, the
19 first one that was listed there, that date --
20 let me start again.

21 As far as the transport rule is
22 concerned, is it your understanding that
23 that rule applies to PSNH or New Hampshire,
24 or does not apply?

1 A. And I guess here's where we get right down
2 to the bottom one on this particular issue.

3 As I said on Page 4 of my testimony,
4 I'm not offering expert testimony on the
5 specifics of environmental regulations and
6 what they require. On Page 5, I said I
7 brought two resources to the Commission's
8 attention. That was the only purpose. I'm
9 not saying I'm an expert in this. You've
10 heard other experts in this area earlier
11 today.

12 Q. Mr. Traum, do you think that PSNH's planning
13 in environmental matters should be "more
14 robust"? Is that a term you used?

15 A. I'm not sure if I used that exact --

16 MS. HOLLENBERG: Could you point
17 the witness -- I'm sorry, Mr. Eaton. Could
18 you please point the witness to the reference
19 you're making to his testimony?

20 MR. EATON: I don't have a
21 direct cite to the testimony. If he doesn't
22 agree with the characterization, perhaps he
23 can -- I was going to ask him what would he --
24 what? Page 16.

1 (Witness reviews document.)

2 A. You're referring to Page 16, Line 17. And I
3 would agree that the planning process must
4 be more robust in order to protect
5 ratepayers.

6 Q. And what does that include?

7 A. The planning process should incorporate
8 reasonably anticipated regulatory change
9 impacts on O & M costs and capital costs for
10 PSNH's generating units. It should include
11 things like forecasts of new installations
12 of distributed generation, more rigorous
13 forecasts of PSNH's generating costs,
14 incremental as well as all in. It should
15 include updated degree-day data, base case
16 migration case, incorporate targeted
17 spending for system benefit charges. And
18 also what I'm recommending for more robust
19 is new CUO studies for Newington, Schiller
20 and Merrimack that would include things like
21 reasonably foreseeable regulatory changes in
22 different pricing scenarios and divestiture
23 and retirement as options.

24 Q. Should PSNH be conducting engineering studies

1 concerning reasonably foreseeable regulatory
2 changes?

3 A. What I heard from the witness, Dr. Ran --
4 and excuse me, your last name -- this
5 morning that I agree with, is that it
6 appears as though there's information out
7 there in the public domain now that PSNH
8 could at least be looking at to develop
9 ballpark estimates, different scenarios,
10 without having to spend extensive dollars on
11 engineering studies.

12 Q. And is there anything in the record to suggest
13 that PSNH doesn't look at information that's
14 readily available and make assessments in
15 strategic planning as to how to operate their
16 plants and plan for the future?

17 MS. HOLLENBERG: Excuse me. I
18 guess I'm going to object to that question,
19 and I'll defer to the Commission. But it
20 seems odd that the Company's attorney would be
21 asking my witness if there's anything in the
22 record. I think the record speaks for itself.
23 And to the extent that Mr. Eaton wants to make
24 an argument based on what is or is not in the

1 record, he can do that in closing arguments.

2 CHAIRMAN IGNATIUS: Well, I
3 think it's a fair follow-up on Mr. Traum's
4 statement that these are things that ought to
5 be included in the Plan, suggesting that
6 they're not now included. So...

7 A. And I can say, based on information -- say,
8 for instance, the rebuttal testimony of Mr.
9 Smagula and Ms. Tillotson -- it seemed to
10 indicate for at least Least Cost Plan
11 purposes, the Company is using a known and
12 quantifiable measure for regulatory changes.

13 BY MR. EATON:

14 Q. Do you have the PSNH Exhibit 1, the Least Cost
15 Plan, in front of you?

16 A. I do now.

17 Q. You do have it?

18 A. Yes.

19 Q. Could you turn to Page 137.

20 A. Yes, I'm there.

21 Q. And the first sentence of the last paragraph
22 says, "A subgroup of PSNH generation
23 management team meets at least annually to
24 comprehensively analyze PSNH's position and

1 set strategic direction for PSNH generation."
2 I've read that correctly?

3 A. Yes.

4 Q. "Also during an additional 8 to 10 meetings
5 throughout the year, an emissions management
6 team formally discusses the systems and
7 emission status, makes pro forma adjustments
8 [sic] with sensitivity analyses and makes
9 tactical decisions to achieve its goal of
10 complying with the emission regulations in a
11 cost-effective manner." Have I read that
12 correctly?

13 (Witness reviews document.)

14 A. I believe so.

15 Q. So, unless PSNH spent money on outside
16 contractors to do what you say ought to be
17 done, isn't it being done already?

18 A. Not necessarily. I believe there had
19 been -- and I'm searching my memory here --
20 some discovery and discussion in technical
21 sessions about this particular paragraph.

22 And the latter part about the
23 additional 8 to 10 meetings throughout the
24 year, I believe we're looking at short term,

1 within the year, how can PSNH comply with
2 whatever the environmental mandates are.

3 And as far as the first sentence, I
4 believe, again, that was more looking at
5 shorter term issues, not the long term that
6 meet -- longer term, meaning more than a
7 year or two.

8 Q. Would the cost of planning be a legitimate
9 cost that PSNH could include in its energy
10 service rates?

11 A. If you could explain what you mean by
12 "cost."

13 Q. If PSNH incurred incremental costs, such as
14 outside consultants to conduct an analysis of
15 potential compliance costs for reasonably
16 foreseeable regulations, would the cost of
17 that outside consultant be a legitimate
18 expense to pass through the energy service
19 charge?

20 A. If the Commission determined the costs were
21 appropriate, then I'd assume that the
22 Company would be entitled to recover the
23 cost. Whether it was an energy service or a
24 different mode, I do not know.

1 Q. Doesn't the Company collect its generation
2 costs through the energy service charge?

3 A. Yes.

4 Q. And is this a cost that is directly related to
5 energy service?

6 A. It certainly would be. It would -- and it
7 overlaps the migration issue if PSNH is
8 looking at what to do with its generation.
9 It potentially impacts all customers. So,
10 should just energy service customers pay for
11 that, or should all customers pay for that?
12 And I'm not offering an answer.

13 Q. If PSNH were to conduct a study of what it
14 believed to be a potentially applicable
15 regulation, or what they thought to be a
16 reasonably foreseeable application of an
17 environmental standard, and it turned out that
18 standard changed by the time it became final,
19 would the OCA take the position that that's a
20 proven expense?

21 MS. HOLLENBERG: I'm going to
22 object because Mr. Traum is not retained for
23 the purposes of opining on that question, as
24 well as it's a hypothetical question based on

1 hypothetical facts.

2 MR. EATON: Mr. Traum's being
3 offered, I believe, as an expert, so
4 hypothetical questions are perfectly
5 legitimate in cross-examination. And given
6 his experience in representing the Office of
7 Consumer Advocate, I think he could opine as
8 to whether that would be an expense that the
9 office would or would not oppose.

10 CHAIRMAN IGNATIUS: I think it's
11 legitimate if it's in the context of Mr.
12 Traum's personal view based on his years of
13 experience at the OCA. It may have no bearing
14 on what the current or future consumer
15 advocate might take as a position, but --

16 MS. HOLLENBERG: Yeah. I guess
17 to clarify, I just want to make sure that I
18 understand it's not for the purpose of making
19 a definitive statement that would be used
20 against the OCA in a future docket, what Mr.
21 Traum opines about today, because he's not
22 discussed this with me. And there's no
23 opportunity for us to even take a position on
24 that issue at this point in time.

1 CHAIRMAN IGNATIUS: With that,
2 Mr. Traum, you may answer.

3 A. Sorry. I'm going to ask you to repeat the
4 question.

5 BY MR. EATON:

6 Q. Assuming PSNH conducted an engineering
7 analysis and incurred incremental costs to
8 study a potentially applicable environmental
9 standard, and it turns out that the
10 environmental standard was not connected, was
11 not -- the proposed rule did not become the
12 final rule, would the OCA -- based upon your
13 experience, would the OCA take the position
14 that that cost should not be recovered from
15 customers?

16 A. Okay. As Attorney Hollenberg indicated, I
17 cannot say what the OCA would or would not
18 do. I'm not an employee of the OCA at this
19 point.

20 In terms of what Ken Traum as an expert
21 witness, individual would say, first, okay,
22 was it a prudent cost? But I would also
23 say, first, we need a Continuing Unit
24 Operations Study to give us a handle -- or

1 give everybody at the Commission a handle --
2 on whether it's cost-effective to even look
3 at capital costs as opposed to going a
4 different route for the generating unit.

5 Q. Mr. Traum, was a Continued Unit Operations
6 Study for Merrimack an issue in the last
7 proceeding?

8 MS. HOLLENBERG: Relevance?

9 MR. EATON: Mr. Traum has
10 recommended that our plan is not adequate and
11 that we should be doing Continued Unit
12 Operations Studies. I'm asking him if it was
13 a requirement that we conduct a Continued Unit
14 Operations Study of any plant other than
15 Newington for the purposes of this Least Cost
16 Plan.

17 CHAIRMAN IGNATIUS: I think
18 that's fair.

19 A. And you get the answer you wanted: No, it
20 was not. But as I said, the world, in
21 effect, has changed in terms of the cost of
22 generation because of natural gas. So it's
23 become a more critical issue. It's become a
24 critical issue.

1 Q. All right. But our -- PSNH's plant is not
2 inadequate because we didn't conduct a
3 Continued Unit Operations Study for plants
4 other than Newington.

5 A. I believe we -- I would recommend that
6 Continued Unit Operation Studies be done for
7 all three plants by independent entities as
8 soon as possible. I would agree that, no,
9 you were not required to do Continuing Unit
10 Operations [sic] for Merrimack and Schiller
11 in here. But this is a Least Cost Plan.
12 And as part of the Least Cost Plan, in order
13 to determine what's in the best interest of
14 your customers or your ratepayers, you
15 should have done that.

16 Q. So we're not required to, but we should have.
17 Is that your answer?

18 A. I guess that's fair.

19 Q. Thank you. I have nothing further.

20 CHAIRMAN IGNATIUS: All right.
21 Commissioner Harrington, questions?

22 CMSR. HARRINGTON: Yeah, I have
23 a couple, and unfortunately added a couple
24 more.

1 INTERROGATORIES BY CMSR. HARRINGTON:

2 Q. Getting back to the Public Service Exhibit 1,
3 Page 137 that was brought up in your last line
4 of questioning, Mr. Traum -- you have that?

5 A. Yes, I do.

6 Q. That last paragraph there says, "A subgroup of
7 PSNH's generation management team meets at
8 least annually to comprehensively analyze
9 PSNH's position and to set strategic direction
10 for PSNH generation."

11 In your review of this plan, and maybe
12 in whatever other things you've done as --
13 in your former job at the Consumer
14 Advocate's Office, have you been able to
15 determine what strategic direction was set
16 in these meetings for PSNH's generation?

17 A. No.

18 Q. So they have these meetings, apparently, but
19 the results of this, or whatever strategic
20 direction is determined, does not become part
21 of the Integrated Least Cost Plan?

22 A. Beyond the sentence, that's correct.

23 Q. A few other questions. Dealing with your
24 testimony now, which I assume you have a copy

1 of?

2 A. Certainly.

3 Q. On Page 12 --

4 A. Yes, sir.

5 Q. -- there was some question on this single
6 supplier of natural gas. And without getting
7 into specific, in your experience, is this
8 standard practice, that there's a sole source
9 purchase, or is it normally put out to bid?

10 A. It would certainly be very preferable
11 putting it out to bid, just like the --

12 Q. I understand why that would be preferable,
13 because then you'd get competing bids. But is
14 it standard practice to do that in the utility
15 industry, as far as you're aware?

16 A. Yes, I believe it is.

17 Q. On Page 15, here they're talking about --
18 you're talking migration levels -- or
19 potential migration levels.

20 In a totally different case, there was
21 a question that I had brought up on the
22 very, very low participation of people in a
23 voluntary renewable energy program. I think
24 the numbers were somewhere in the vicinity

1 of 25 people out of -- 25 customers out of
2 78,000 voluntarily were willing to pay
3 higher rates for renewable energy. The
4 reason I bring that up is because I asked
5 why people thought that was the case, and
6 their response was they just didn't think
7 people were willing to voluntarily pay
8 higher electric rates.

9 So, in your experience as a consumer
10 advocate, would you find that higher
11 electric rates would be something that
12 people would try to avoid if they could?

13 A. All other things being equal, absolutely.

14 Q. So, if we had the situation we're starting to
15 see now, where migration rates are going up,
16 which causes energy service rates to go up,
17 and looking ahead from 2010, would you
18 consider it would have been prudent for Public
19 Service to look ahead and realize that they
20 would be, in the next five years, at least
21 requesting the addition of substantial cost to
22 their energy service rates due to the scrubber
23 at Merrimack station?

24 A. I think they should certainly take that into

1 account in any Least Cost Plan or any
2 planning they're doing.

3 Q. So if the engineering service rates could at
4 least propose -- would be proposed to go up,
5 would you think that that would increase the
6 rate of migration?

7 A. I'll say yes. And what I'm thinking is,
8 what is the spread between what Public
9 Service's energy service rate would be
10 versus what a customer could get on the
11 market from a competitive supplier. If that
12 spread increases, then I would think more
13 customers would migrate. And I think the
14 addition of scrubber costs will result in a
15 greater spread. So, yes, more migration.

16 Q. And again, in your experience in the OCA's
17 office, would you say -- you mentioned the
18 "death spiral," I think was the term, and I
19 think it kind of goes along with higher
20 engineering service rates causes more
21 migration, which causes higher engineering
22 service rates, which causes more migration, et
23 cetera, et cetera. Would you think that it
24 would have been prudent to include in this

1 plan at least some analysis of that and the
2 possible ramifications if it were to occur,
3 and let's say residential migration rates
4 didn't stop at .2 percent, but went to 10 or
5 12 or 15 percent?

6 A. I would be absolutely concerned if PSNH's
7 40-percent high migration forecast had
8 0.2 percent as the residential migration
9 rate, and that's already exceeded that.

10 Q. So would it be correct to say what you're
11 saying, that the lack of analysis of that
12 potential shows a defect in the least cost
13 planning document?

14 A. It's one of them. It would, because if
15 customers are seeing much higher prices, if
16 nothing else, there will be less demand. So
17 the load analysis might be off.

18 Q. All right. Thank you. That's all I have.

19 CHAIRMAN IGNATIUS: And
20 Commissioner Scott.

21 CMSR. SCOTT: Thank you.

22

23

24 INTERROGATORIES BY CMSR. SCOTT:

1 Q. Following the same -- pretty much the same
2 line, on Page 14, where you talk about
3 migration in your testimony, you talk about a
4 base case. Can you -- just to make sure I'm
5 thinking and what you're saying are the same
6 thing, what do you mean by a "base case"?

7 A. What they actually expect to occur.

8 Q. Okay. So, their best projection --

9 A. Correct.

10 Q. -- based on the information at the time.

11 And on that same page, you have on
12 Line 16, you say, "OCA considers such a
13 scenario crucial for long-term planning." I
14 know you're not OCA, but you're a consultant
15 for OCA. What does that mean? Why?

16 A. As migration occurs, the fixed costs of
17 their own -- PSNH's own generation, the
18 above-market costs, have to be recovered
19 from a smaller and smaller pool of energy
20 service customers, thus driving up the
21 price; so, as a for instance, the scrubber
22 results in a one-cent increase in energy
23 service rate. Initially, you know, it may
24 result in 10 percent more migration, so

1 that, again, a smaller pool of
2 residential -- of energy service customers
3 would be responsible for paying for those
4 costs. And that's what I view is, you know,
5 the death spiral or whatever.

6 Q. Okay. Thank you.

7 INTERROGATORIES BY CHAIRMAN IGNATIUS:

8 Q. Welcome back, Mr. Traum --

9 A. I'm not sure.

10 Q. -- back to the Commission. It's nice to see
11 you.

12 The base case on migration, if I can
13 ask a few more questions about that, in your
14 testimony that's on Page 14, you noted
15 PSNH's response that they do not have a base
16 case migration scenario and cited the data
17 response -- which, by the way, is extremely
18 helpful. We don't usually see things put
19 together this way, and it's been interesting
20 to be able to flip back and forth and see
21 the information you were dealing with when
22 you when made the statements you did.

23 So if we look at that attachment, which
24 is on Page 145, the PSNH response says there

1 is no base case migration scenario. And
2 then it describes looking at migration level
3 assumptions for each customer class for each
4 migration level and those reflected trends
5 seen for these classes in 2009 and 2010.

6 What would you think should have been
7 done in addition to that? Is that -- that's
8 obviously some analysis of migration and
9 some attempt to project it. So what leads
10 you to conclude that there should have been
11 something more, and what might it have
12 looked like if there had been more?

13 A. I used to have a graph on my office wall
14 showing what had happened with migration,
15 and it was like this (gesturing). And all
16 of a sudden, now PSNH is saying it's going
17 to be leveling off at a maximum of
18 40 percent.

19 Q. So, for the sake of the record, you just made
20 an upward slant and then it leveled off. All
21 right. Go ahead.

22 A. Yes, a rapidly increasing rate of migration
23 was what was being shown historically. And
24 PSNH's range of forecast had it topped off

1 at 40 percent, which did not seem
2 reasonable.

3 Q. And you know that the levels of migration and
4 trends as of the time of the 2010 plan varied
5 among customer classes; correct?

6 A. Very unfortunately, I was very aware of
7 that, because I was constantly arguing for
8 somehow or other to get -- that somehow we
9 could get a competitive supplier or
10 suppliers to provide residential customers
11 choice so they can take advantage of market
12 opportunities, as opposed to being captive
13 customers of a PSNH energy service rate that
14 we saw as growing higher and higher than
15 market prices.

16 Q. Were there residential suppliers, suppliers
17 interested in the residential market in 2010?

18 A. As far as I know, no. Again, to the best of
19 my knowledge, the first one to appear on the
20 scene was Resident Power, and I think
21 they've only appeared on the scene in the
22 last three to six months.

23 Q. So how would you have thought PSNH would
24 factor in residential supply options if there

1 were no suppliers at the time?

2 A. Public Service was very aware of the issues
3 with migration and cost shifting. I believe
4 Mr. Baumann's testimony in, might have been
5 the migration case and some other cases, had
6 addressed that. And I'd agreed with him
7 that there was a real cost shifting problem.

8 In the migration docket, we were -- I
9 believe in my testimony and others, it
10 proposed ways to maybe incense competitive
11 suppliers to get into the residential
12 market. So there was certainly glimmers of
13 hope on the horizon -- you know, maybe more
14 than glimmers. In PSNH's sister company,
15 Connecticut Light & Power, subject to check,
16 something like 30 percent of their
17 residential load had gone to customer
18 choice.

19 Q. In your testimony, you raise concerns about
20 certain energy-efficiency investments. And
21 then today you said that, having heard the
22 testimony yesterday from the Company, you were
23 now satisfied that that issue was not one of
24 concern anymore; is that right?

1 A. Yes. My concern was that Public Service, by
2 legislation, had been granted the authority
3 to use SBC funds for efficiency purposes to
4 get around investments, capital investments
5 due to load growth, and that they weren't --
6 and my concern is they got this approval,
7 but they weren't taking advantage of it.
8 And I base that on a particular data
9 response that I believe I incorporated in my
10 testimony. Since then, in PSNH's rebuttal
11 testimony, they expanded upon that response
12 and indicated that, apparently, yes, they
13 are -- they always look at if there's an
14 EE-type alternative. And to the extent that
15 that's correct, I applaud them for that.

16 Q. How about the distributed generation concerns
17 you raised on Page 13? Are you still -- do
18 you still have concerns that there's
19 inadequate planning for those, or is that
20 resolved with the other issue?

21 A. No, that's an independent issue. And what
22 it was, was that I had received, for a
23 number of years, what the new installations
24 and cumulative installations of DG were and

1 what the potential generation from those
2 options are, and had asked: Okay, is PSNH
3 forecasting additional DG in the future,
4 which would thus reduce their load? And
5 they never responded to that in the rebuttal
6 and did not include it in any forecasted
7 growth.

8 Q. So if they are making those assessments, it's
9 not contained in the Plan.

10 A. That's correct. As far as I know, that's
11 correct.

12 Q. The issue on the next page, Page 14, about
13 heating degree days and cooling degree days,
14 what is your concern on those?

15 A. PSNH rightfully includes in developing their
16 forecast for load, they use the 30-year
17 average degree days. That's -- I agree.
18 You should do that. But why don't you use
19 the most recent 30-degree average. They
20 were not. They were using one that I
21 believe went through 2006. And I think they
22 should have been using one that went through
23 2009 or 2010, the most recent data. Whether
24 or not, as PSNH indicated in response, it's

1 only a small change, I still think that for
2 least cost planning purposes, they should
3 use the most accurate data that would have
4 been available at that time.

5 Q. It occurs to me that a conversation yesterday
6 with, I think Mr. Large, about an installation
7 that may be the kind of distributed generation
8 that you're talking about may have come up.
9 And I'm forgetting the details. Do you recall
10 conversations about putting in something to
11 forestall certain upgrades to a substation?

12 A. Right. And yes, I do. And I don't believe
13 that related to DG as opposed to the use of
14 SBC funds on a targeted basis. And I
15 believe he said, No, we don't -- We haven't
16 been using SBC funds on a targeted basis,
17 but we're looking at it, and this is
18 something we did on this particular case as
19 a way to address the issue.

20 Q. But to the extent there are opportunities for
21 a targeted investment that forestalls
22 distribution upgrade, either through energy
23 efficiency or through some distributed
24 generation, that presumably is something that

1 you would support?

2 A. It's certainly an option that should be
3 looked at: What's the least cost. And for
4 planning purposes, it should be something
5 that's automatically looked at, is what is
6 the least cost, before going to traditional
7 approaches.

8 Q. And so what you're asking for, in the context
9 of the Least Cost Plan, is that there be those
10 sorts of opportunities, and analysis should be
11 laid out in the Plan itself.

12 A. Correct. This is one of the things we do
13 for planning purposes.

14 Q. All right.

15 CHAIRMAN IGNATIUS: We have no
16 other questions from the Bench. Ms.
17 Hollenberg, any redirect?

18 MS. HOLLENBERG: Just a few
19 questions, please. Thank you.

20 REDIRECT EXAMINATION

21 BY MS. HOLLENBERG:

22 Q. Mr. Traum, you were asked on cross by the
23 Company about your commentary recommendations
24 related to PSNH's use of sole source contract

1 process for its supply from Emera. Do you
2 recall those questions and answers?

3 A. Yes.

4 Q. Would you agree that you're not saying that
5 PSNH should not contract with Emera; rather,
6 you're saying PSNH should use a competitive
7 bidding process in order to select a supplier
8 for their supply?

9 A. That's correct. As I read Mr. White's
10 comments, it seems to me as though there's a
11 potential for other suppliers other than
12 Emera. So, rather than just going to Emera,
13 put it out to bid and see if somebody can
14 come in at a better price than Emera on
15 behalf of ratepayers.

16 Q. Because typically, competitive bidding results
17 in lower cost.

18 A. I'd say typically.

19 Q. Thank you.

20 You were asked some questions about
21 PSNH Exhibit 1, Page 137, by the Company's
22 attorney, and you were also asked some
23 questions -- or a question by Commissioner
24 Harrington about the language that appears

1 in the first full paragraph of that page.
2 And my understanding of the exchange with
3 Commissioner Harrington was basically that,
4 you know, although PSNH may participate in
5 this type of activity, the information
6 related to this activity is not provided
7 within the context of the IRP. Is that a
8 correct summary?

9 A. That's correct. It really just -- the
10 sentence was included.

11 MS. HOLLENBERG: And may I
12 approach the witness, please?

13 CHAIRMAN IGNATIUS: Of course.

14 MS. HOLLENBERG: Thank you.

15 BY MS. HOLLENBERG:

16 Q. I'd like to show you a document. And I don't
17 need it to be marked as an exhibit because
18 it's a small document. It's Data Request CLF
19 1-28 in Docket DE 10-261. Did I identify that
20 correctly?

21 A. Data Request CLF Set 1, No. 28 in this
22 docket, dated February 25th, 2011.

23 Q. And would you agree that the question -- I'm
24 going to read the question and ask you to

1 confirm that I read it correctly.

2 Page 137 of Exhibit -- it doesn't say
3 this, but it's referring to -- Would you
4 agree it's referring to PSNH's IRP filing?

5 A. Yes.

6 Q. Page 137 described a process involving 8 to 10
7 meetings per year of an emissions management
8 team and decision-making with regard to the
9 goal of complying with the emissions
10 regulations in a cost-effective manner.

11 "Please provide the records of these meetings
12 over the last two years, and any documents or
13 analysis prepared by or for or considered by
14 the emissions management team."

15 Did I read that question correctly?

16 A. Yes.

17 Q. And the response states, "The Content" -- and
18 this is Mr. Smagula's response; is that
19 correct?

20 A. That's correct.

21 Q. "The content of internal business strategy
22 discussions constitutes confidential business
23 information. In addition, because of ongoing
24 litigation challenges, PSNH presently conducts

1 internal strategy meetings with an attorney
2 present for the purpose of getting legal
3 advice and in anticipation of litigation. As
4 a result of this litigious climate, no minutes
5 were taken." Is that correct?

6 A. You've read that correctly, yes.

7 Q. So, not only was there no information provided
8 in the IRP about these discussions, but there
9 was no information about these discussions
10 provided in response to discovery; is that
11 correct?

12 A. In response to that discovery, yes. I don't
13 know if there was a -- I do not recall if
14 there was a fight about confidentiality --
15 an issue about confidentiality brought up
16 after that.

17 Q. Okay. Mr. Traum, you were asked on
18 cross-examination by the Company witness [sic]
19 about whether or not the OCA would oppose in
20 the future some sort of cost incurred to study
21 divestiture and/or retirement options for the
22 PSNH generation plants. Do you recall that?

23 A. I don't think they had asked about the cost
24 for divestiture or retirement. I think it

1 was asking about the cost with regards to
2 specific potential capital additions driven
3 by regulatory changes that does not occur in
4 the future.

5 Q. Thank you. It was whether or not the OCA
6 would support or oppose the cost of
7 engineering analysis of future capital
8 additions.

9 A. That's -- basically, that's correct. And I
10 indicated that I can speak for myself, not
11 for OCA.

12 Q. And in your experience with the Office of
13 Consumer Advocate -- and I think you were with
14 us for maybe more than 19 years, if not 20 --
15 did the OCA ever oppose the recovery of
16 prudently incurred costs by a utility in
17 service to customers?

18 A. Of course not.

19 Q. Thank you.

20 MS. HOLLENBERG: No other
21 questions.

22 CHAIRMAN IGNATIUS: Then, Mr.
23 Traum, you are excused. Thank you.

24 Mr. McCluskey, I think -- is

1 that the next witness?

2 MR. SPEIDEL: That is correct.

3 CHAIRMAN IGNATIUS: All right.

4 (WHEREUPON, GEORGE McCLUSKEY was/were
5 duly sworn and cautioned by the Court
6 Reporter.)

7 GEORGE McCLUSKEY, SWORN

8 DIRECT EXAMINATION

9 BY MR. SPEIDEL:

10 Q. What is your name and place of employment?

11 A. My name is George McCluskey, and I work for
12 the Public Utilities Commission.

13 Q. What is your position at the Commission?

14 A. I'm assigned to the Electric Division as an
15 analyst.

16 Q. What do you consider to be your area of
17 professional expertise?

18 A. In the roughly 30 years that I've been
19 working in the utility-rated -- related
20 activities in England and the United States,
21 I've covered most aspects of economic
22 regulation at the Commission, but
23 principally ratemaking, most types of
24 pricing, integrated resource planning,

1 analysis of contracts, DSM analysis, and
2 various other activities.

3 Q. Excellent. I'm going to distribute a document
4 and ask you to identify it in a moment. That
5 would be two documents.

6 CHAIRMAN IGNATIUS: Mr. Speidel,
7 we have copies already. So if you need more,
8 these are duplicates.

9 MR. SPEIDEL: Thank you very
10 much. I think I should be all set for the
11 time being.

12 BY MR. SPEIDEL:

13 Q. All rightie. Now, Mr. McCluskey, I'm going to
14 bring these documents to your own personal
15 attention.

16 Mr. McCluskey, do you recognize the
17 document that has been styled "Staff
18 Exhibit 1?"

19 A. Yes, I do.

20 Q. What is that document?

21 A. That is the direct testimony of myself and
22 Edward Arnold for Jacobs Consultants.

23 Q. Thank you. And do you also recognize the
24 document that has been styled "Staff

1 Exhibit 2"?

2 A. Yes. This is supplemental testimony that
3 was submitted in this case, again, authored
4 by myself and Edward Arnold.

5 Q. Were both the documents styled as "Staff
6 Exhibit 1" and "Staff Exhibit 2," were those
7 documents prepared under your control and
8 supervision?

9 A. They were. That's correct.

10 Q. Thank you.

11 MR. SPEIDEL: Commissioners, I
12 would ask that these two documents be marked
13 as Staff Exhibit 1 and 2, respectively.

14 CHAIRMAN IGNATIUS: Before we
15 mark them for identification, I think there's
16 a little confusion about different versions of
17 things.

18 CMSR. HARRINGTON: Yeah. We
19 have -- I have a copy of your testimony dated
20 July 27th, which is identified as "Pretrial
21 Testimony of George McCluskey" and so forth.
22 Then I have another document that's dated
23 September 8th, and this says "Pretrial
24 Testimony," and it says, "With Updated Format

1 with Indicated Redactions. Is the information
2 in each exactly the same, other than that
3 updated format?

4 MR. SPEIDEL: That is correct,
5 Commissioner Harrington, but for one element.
6 The redaction format was updated in this
7 version. That's why I distributed it as such.
8 And also, Staff had inadvertently omitted
9 Staff Exhibit 15 at the time of the July
10 filing. So this is including all Staff
11 exhibits. But the information is
12 substantively the same. And I've included
13 Staff Exhibit 2 now just for administrative
14 efficiency. Even though it relates to
15 Newington, we'll just have it marked it for
16 now. It won't be referred to in this portion
17 of the testimony.

18 CHAIRMAN IGNATIUS: All right.
19 With that, we'll mark for identification Staff
20 Exhibit 1, the September 8, 2011 filing; and
21 Staff Exhibit 2, the October 12, 2011 filing.

22 (Staff Exhibits 1 and 2 marked for
23 identification.)

24 MR. SPEIDEL: Thank you,

1 Commissioners.

2 BY MR. SPEIDEL:

3 Q. Now, Mr. McCluskey, what issues do you address
4 in your testimony, aside from the Newington
5 Continued Unit Operations Study?

6 A. Exhibit 1?

7 Q. Yes, that's correct.

8 A. Okay. In Exhibit 1, I address two issues:
9 One is related to the general Integrated
10 Resource Plan and also to the Newington
11 Continued Unit Operations Study. The
12 IRP-related issue has to do with PSNH's DSM
13 assessment, and I address certain aspects of
14 that assessment.

15 Q. Do you consider the matters that you've just
16 discussed within this testimony to be within
17 your area of professional expertise?

18 A. With regard to the non-Newington.

19 Q. Yes.

20 A. Yes, I do. As I indicated before, I've got
21 extensive experience in integrated resource
22 planning and also with regard to
23 energy-efficiency economic analysis.

24 Q. Mr. McCluskey, do you have any corrections or

1 other line edits to make to your non-Newington
2 testimony presented as Staff Exhibit 1?

3 A. I've got two minor corrections/changes to
4 make.

5 On Page 31, Line 18, you'll see the
6 word "prepared" in parentheses. I'm not
7 sure how that got in there. It's intended
8 to be a quote. And so if we could strike
9 the word "prepared" from that line.

10 Q. Any others?

11 A. Yes. On... just give me one moment. It's
12 on Page 38, Line 11. It reads, "close this
13 gap." I'd just like to insert the word
14 "information" before the word "gap." It
15 should read "close this information gap."
16 And those are the two changes that I wanted
17 to make.

18 Q. Thank you very much.

19 Since we are on Page 38 of your
20 testimony, Mr. McCluskey, can we draw
21 attention to Lines 5 through 11?

22 A. Okay. Yes.

23 Q. All right. You say there that one possible
24 explanation for the increasing costs to

1 achieve a declining savings potential is the
2 inclusion of fuel-blind programs in the
3 Company's calculations. Now, we're talking
4 about energy-saving programs; correct?

5 A. That's correct.

6 Q. Were you able to confirm that understanding?

7 A. Yes, I was. The Company submitted a
8 response to a Staff discovery request. I
9 believe it was -- the response is actually
10 dated December of 2011, which is several
11 months after the filing of the testimony.
12 So I believe the question was issued
13 subsequent to the Company filing its
14 rebuttal testimony.

15 Q. Very good. So do you mind if I were to
16 distribute this?

17 A. Please.

18 Q. Excellent.

19 CHAIRMAN IGNATIUS: So this is a
20 three-page exhibit, a cover letter and then
21 two data responses; is that correct?

22 MR. SPEIDEL: That is correct.
23 I would like to have these exhibits marked
24 collectively as Staff Exhibit 3.

1 CHAIRMAN IGNATIUS: So marked
2 for identification.

3 (Staff 3 marked for identification.)

4 Q. All right. Mr. McCluskey, are you ready to
5 discuss these matters?

6 A. Yes. Now, this part of my testimony, you'll
7 see -- actually, if you turn the page back
8 to 37, you'll see that I'm discussing
9 Exhibit IV-8 of the Company's filing, which
10 was on Page 55 of their filing.

11 Q. So, shall we turn to that?

12 A. Yes, I've got it. Mr. Speidel, did I get a
13 copy of the --

14 Q. Of the filing itself?

15 A. No, of the discovery responses.

16 Q. Just one moment, please.

17 A. Okay.

18 MR. McCLUSKEY: Commissioners,
19 if you're looking at this exhibit, IV-8 --

20 CMSR. HARRINGTON: What page
21 again?

22 MR. McCLUSKEY: Page 55 of the
23 filing.

24 A. So what I'm addressing in my testimony is

1 this particular exhibit breaks down into the
2 residential and C & I classes information
3 that is in the Exhibit IV-7, just above.
4 And in particular what I'm focusing on is
5 the first column, the Residential Program
6 Expenditures, and the associated savings
7 that result from those expenditures which
8 are shown in the third column. And in my
9 testimony I'm talking about the increasing
10 cost of programs and the expenditures and
11 the declining savings. So in my testimony I
12 was speculating as to what was the cause of
13 this significant difference in these two
14 trends.

15 In the response that we received
16 from -- I'd requested them to break down the
17 program expenditures into electric program
18 expenditures and what they refer to as
19 "non-electric program expenditures," and
20 which this first response does.

21 And so I think the primary reasons for
22 this difference is that, while the first
23 column of expenditures includes the costs of
24 non-electric programs, the savings does not.

1 So we're showing that apples-to-oranges
2 comparison. And the reason it does not is
3 because the savings that are produced by
4 those non-electric programs are not electric
5 savings. That's what the purpose of this
6 filing is, is to do with the impacts of
7 programs on the electric utility. The
8 actual savings could relate to natural gas,
9 or more likely fuel oil that the
10 consumers -- that the participants in these
11 non-electric programs would actually
12 consume, more than likely heating their
13 homes.

14 So this response clarifies that the
15 expenditures actually include non-electric
16 expenditures. And Mr. Large confirmed, I
17 believe it was yesterday, that Column 3 does
18 not include any savings from the
19 non-electric programs.

20 CMSR. HARRINGTON: Excuse me.
21 When you say "Column 3," could you be clear as
22 to which chart you're referring to?

23 MR. McCLUSKEY: This is -- I'm
24 referring to Page 55 of the filing, and it's

1 Exhibit IV-8. And the third column is headed
2 "Residential Annualized Savings" in megawatt
3 hours. Okay?

4 A. So the -- if I could kind of step back a
5 little bit. And this exhibit is headed
6 "Market Potential By Customer Sector." So,
7 what is the market potential? The prior
8 exhibit referred to a market potential
9 scenario. What is -- so what does that
10 market potential scenario mean? Is this the
11 Company's plan for de-modified management?
12 Is this a guide? It doesn't actually say.
13 It refers to a scenario. It's in a Least
14 Cost Plan document. Are we to understand
15 that this is where the Company would want to
16 go? If so, the rising expenditures, which
17 are significant from -- for the residential
18 class only, from just over \$6 million to
19 \$18 million is a significant increase. So,
20 if it is intended to be a plan or a guide to
21 where they would want to go, then obviously
22 they would need to find a way to fund that
23 larger expenditure that is going to produce
24 a declining electric energy savings, but

1 also these additional non-electric savings
2 as well.

3 So it's not totally clear to me what
4 this scenario is. But I simply wanted to
5 point out to the Commission that, one, the
6 rising expenditures level is really
7 significant; and, two, it doesn't include
8 these other savings. And that's the next --
9 and the fact that it doesn't include the
10 non-electric savings that I want to talk
11 about later.

12 If we just assume that this is a plan
13 where the Company would like to go, or at
14 least it's guidance for regulators as to
15 what they perhaps would like to consider,
16 the fact that the dollars are increasing
17 significantly, in my mind, should not be a
18 concern if the programs themselves are
19 cost-effective. Because if they are
20 cost-effective, it's essentially saying,
21 well, we think we could substantially expand
22 our programs at some significant cost, but
23 the savings to consumers would be worth
24 that. So the fact that the expenditures are

1 not -- are increasing rapidly is not in
2 itself a major concern; it's the issue of
3 the non-fuel savings. Those programs --

4 MR. McCLUSKEY: Yes,
5 Commissioner?

6 CHAIRMAN IGNATIUS: I just want
7 to remind you, let's not get into a
8 re-statement of all of your testimony that's
9 prefiled. It's only the items in rebuttal
10 testimony that came up yesterday or earlier
11 today that you need to speak to. Otherwise,
12 we're not having everyone restate everything.

13 MR. McCLUSKEY: Okay.

14 CHAIRMAN IGNATIUS: So I
15 understand this exhibit was in response to the
16 rebuttal, but the general principles I think
17 you do go into in your prefiled testimony.

18 MR. McCLUSKEY: Yes. And it's
19 what is done with the non-electric savings
20 which is my primary concern, and it goes to
21 the heart of least cost planning.

22 A. Least cost planning is generally regarded as
23 a plan to minimize costs for that specific
24 utility for the benefit of the consumers of

1 that utility. If dollars are being expended
2 on programs for customers that are not
3 customers of the utility itself, then it
4 would seem inappropriate to include the
5 value of those non-electric savings in any
6 test to determine whether this plan or
7 guideline is cost-effective for consumers.

8 And, again, we heard from Mr. Large
9 yesterday that, when the Company calculated
10 what's called a "total resource cost ratio,"
11 which is the standard test that is used to
12 determine whether a set of programs are
13 cost-effective, they used, on the benefit
14 side, not just the value of the electric
15 savings consistent with this exhibit, but
16 also the value of the non-electric savings,
17 which would provide no benefits to the
18 electric customers.

19 So it's that -- after realizing the
20 magnitude of the non-electric component of
21 this plan or guideline, that's what raised
22 the concern for me that the significant
23 component of these expenditures are on
24 non-electric programs. And in fact, I've

1 calculated that approximately 50 percent of
2 the savings come from the non-electric
3 programs, which, if you take it out of the
4 total resource test, you are going to have a
5 significant impact on that ratio; perhaps
6 bring it down to a level where the electric
7 programs overall are not cost-effective.

8 So I think it's the use of those
9 non-electric savings in the TRC test which I
10 think is not consistent with the standard
11 practice for least cost planning.

12 BY MR. SPEIDEL:

13 Q. Does that summarize your testimony to your
14 satisfaction?

15 A. It does.

16 Q. Thank you, Mr. McCluskey.

17 MR. SPEIDEL: I invite
18 cross-examination.

19 CHAIRMAN IGNATIUS: Thank you.
20 Let's keep the order we've been working with.
21 Mr. Patch.

22 CROSS-EXAMINATION

23 BY MR. PATCH:

24 Q. Good afternoon, Mr. McCluskey.

1 A. Good afternoon.

2 Q. You were here for the testimony yesterday, I
3 believe; correct?

4 A. Yes.

5 Q. And you heard the questions and the responses
6 with regard to sort of the, I guess I would
7 call it the viability or the usefulness of the
8 Plan, including Mr. Large's statement that it,
9 sadly, has very limited value. Do you recall
10 that?

11 A. I don't recall Mr. Large saying that, but I
12 know there was a lot of discussion on the
13 value of the Plan, whether it was a static
14 or a live document. But I don't recall
15 Mr. Large saying that.

16 Q. And you've been involved in prior review of
17 Least Cost Integrated Resource Plans; is that
18 correct?

19 A. Yes, for all of the electric utilities and
20 for the two gas companies in the state.

21 Q. And I believe you're familiar with the
22 statutes that relate to this --

23 A. Yes, I am.

24 Q. -- including R.S.A. 378:40, which says, "No

1 rate change shall be approved or ordered with
2 respect to any utility that does not have on
3 file with the Commission a plan that has been
4 filed and reviewed in accordance with the
5 provisions of R.S.A. 378:38 and 378:39." Are
6 you familiar with that provision?

7 A. I am, yes. I haven't reviewed that for
8 quite some time, but I am familiar with it.

9 Q. And you're familiar with R.S.A. 378:41, which
10 is titled "Conformity of Plans," which
11 basically says that any proceeding before the
12 Commission, initiated by a utility, shall
13 include within the context of the hearing and
14 decision reference to conformity of the
15 decision with the Least Cost Integrated
16 Resource Plan most recently filed and found
17 adequate by the Commission. Are you familiar
18 with that provision?

19 A. Yes, I am.

20 Q. So, in terms of the viability of the Plan, I
21 guess I didn't hear anybody on the PSNH panel
22 yesterday cite to either of these statutes and
23 the fact that the Plan might have some
24 usefulness and, in fact, would have to meet

1 these requirements of the statute, or that it
2 provided a basis for being able to fulfill the
3 requirements of these statutes. I don't
4 recall hearing that. Do you recall hearing
5 any discussion of that yesterday?

6 A. No, I don't.

7 Q. Thank you. That's all the questions I have.

8 A. Thank you.

9 CHAIRMAN IGNATIUS: Mr. Moffatt.

10 MR. MOFFATT: No questions.

11 Thank you.

12 CHAIRMAN IGNATIUS: Mr.

13 Cunningham.

14 MR. CUNNINGHAM: No questions.

15 Thank you very much.

16 CHAIRMAN IGNATIUS: Mr. Steltzer.

17 MR. STELTZER: Yes, just a

18 couple.

19 CROSS-EXAMINATION

20 BY MR. STELTZER:

21 Q. Do you happen to know how many customers PSNH
22 is serving?

23 A. No. I know it's a substantial percentage of
24 the state. But no, I couldn't give you that

1 number.

2 Q. Would it be fair to say that it's somewhere
3 around 420,000 customers, subject to check?

4 A. I agree, subject to check.

5 Q. Would it also be fair to say that there's
6 approximately 11,500 customers out of PSNH
7 that heat their homes with electric heat,
8 subject to check?

9 A. Subject to check.

10 Q. Would it be fair to say, then, that those
11 customers who heat their homes with a fossil
12 fuel other than electricity are also PSNH
13 ratepayers?

14 A. They -- yes. They obviously would use
15 electricity for lighting. But it would
16 appear that the majority of fuel consumption
17 for that home would be fossil fuel.

18 Q. Thank you.

19 MR. STELTZER: No further
20 questions.

21 CHAIRMAN IGNATIUS: Mr. Peress.

22 MR. PERESS: No questions, Madam
23 Chair.

24 CHAIRMAN IGNATIUS: Ms.

1 Hollenberg.

2 MS. HOLLENBERG: No questions.

3 Thank you.

4 CHAIRMAN IGNATIUS: Mr. Eaton.

5 MR. EATON: Thank you.

6 CROSS-EXAMINATION

7 BY MR. EATON:

8 Q. Mr. McCluskey, how long have you been
9 evaluating least cost plans for the
10 Commission?

11 A. I couldn't put a figure on it. But this is
12 my second time around working for the
13 Commission, and I was evaluating plans my
14 first time, which was maybe 15 years ago.

15 Q. How many plans that have been submitted by the
16 utilities have you testified that were
17 adequate?

18 A. The complete plan was adequate?

19 Q. Yes.

20 A. I don't recall filing any testimony which
21 found every element of the companies' IRPs
22 were adequate.

23 Q. So in your experience, you don't think that
24 any New Hampshire utility that's required to

1 file least cost plans conducts fully adequate
2 planning.

3 A. I wouldn't say that. I've certainly -- my
4 job is to review Integrated Resource Plans.
5 And my testimony has addressed aspects of
6 those plans that I consider to be not
7 adequate, and I've recommended changes to
8 them.

9 Q. Can I direct your attention to your Staff
10 Exhibit 3?

11 A. Okay.

12 Q. And I believe one of your criticisms of the
13 residential projection are that costs are
14 going up but savings are going down, as far as
15 what the Company filed.

16 A. Yes. I said the electric savings are going
17 down, which is what is shown on
18 Exhibit IV-8.

19 Q. Right. And Exhibit 3 shows the residential
20 program expenditures broken down into electric
21 expenditures and non-electric expenditures;
22 correct?

23 A. That's correct.

24 Q. And the residential non-electric savings do go

1 up from 2010 to 2015 in the far right-hand
2 column; correct?

3 A. Yes, they run up substantially.

4 Q. But there's no depiction of electric savings
5 in that Exhibit 3.

6 A. That's correct. The savings that we see
7 from the non-electric are also in a
8 different unit from the units used on
9 Exhibit IV-8; one is dealing with megawatt
10 hours, the other one is dealing with MMBtu.
11 So, really, what we should have is a
12 comparison of the two and the same units.

13 Q. And what can you tell me about changes that
14 are going to happen in standards for electric
15 lighting for residential customers?

16 A. You're referring to a particular part of my
17 testimony or...

18 Q. Yes, your DSM testimony.

19 A. Okay. Any particular page?

20 Q. Yes. Page 35 to 36, I believe.

21 CHAIRMAN IGNATIUS: In which
22 exhibit, Mr. Eaton?

23 MR. EATON: That, I believe,
24 would be Staff Exhibit 1.

1 A. Yes. Page 35 is referring to the -- had
2 relation to lighting and the Energy
3 Independence and Security Act of 2007. Is
4 that what your question is getting to?

5 Q. Yes.

6 A. Okay. And what's your question?

7 Q. What is going to happen as a result of the
8 passage of the Energy Independence and
9 Security Act of 2007 regarding lighting
10 performance standards?

11 A. That particular act is going to impact
12 incandescent bulbs. It's going to -- it's
13 requiring higher standards of those bulbs,
14 increasing the efficiency of them. And from
15 the standpoint of this particular
16 proceeding, the efficiency of incandescent
17 bulbs was the standard that the Company
18 would measure the savings from CFLs. So, if
19 this Act changes the efficiency standards
20 for incandescents, improves the standards,
21 then the amount of savings relative to
22 incandescents that you get from CFLs would
23 fall, and that would have an impact on the
24 potential energy savings that could be

1 gotten from lighting programs in the future.

2 Q. And would you agree that, to date, much of the
3 savings for the residential sector have come
4 from the promotion of CFLs compared to the
5 current incandescent bulbs before the standard
6 is changed?

7 A. That's my understanding.

8 Q. And so if that's what the residential sector
9 has depended on in the past, it's reasonable
10 to say that savings from that large portion of
11 the residential program will go down,
12 depending when the standard changes.

13 A. That's correct. And I believe I say this in
14 my testimony. And I say that the Company
15 appropriately reflected that change in the
16 law in its determination of the potential
17 savings for the residential class.

18 Q. And traditionally, the Company has promoted
19 CFLs with what measures of incentives? Not
20 the dollar level, but what are the incentives?

21 A. I understand they've had rebates to promote
22 the use of that product.

23 Q. And will incandescents and compact
24 fluorescence, under the new standard, be

1 closer in price?

2 A. Based on the responses to discovery that we
3 received from the Company, that is indeed
4 the case.

5 Q. So, would a rebate program be appropriate when
6 the price is very close?

7 A. Since I'm not involved in the CORE programs,
8 I don't feel as though I'm sufficiently up
9 to speed to respond to that question whether
10 there should be a rebate or whether there
11 should be something else. But in this
12 proceeding, I've heard the Company's
13 arguments that the incremental costs for
14 CFLs would be too small to not justify the
15 rebate, and I'm just accepting that at face
16 value.

17 Q. Okay. Do you understand how savings are
18 attributed to DSM programs?

19 A. The calculation of the savings?

20 Q. Yes.

21 A. The avoided costs? Is that what you're
22 referring to?

23 Q. Yes.

24 A. Yes, I've got experience in that.

1 Q. Okay. So when a dollar is rebated for a CFL
2 lightbulb currently, we can assume it's
3 replacing an inefficient current lightbulb of
4 the same wattage, and we can calculate what
5 the savings will be.

6 A. That's my assumption as to what the savings
7 are. That's correct.

8 Q. And if it's perhaps more appropriate to simply
9 stimulate the sales of CFLs after the
10 standards change, because they are more
11 efficient, through a marketing program, can
12 PSNH take credit for the savings from having
13 spent X-number of dollars on a marketing
14 program?

15 A. If the Company determines that it's more
16 effective or efficient to use a marketing
17 program compared with a rebate program, and
18 that achieves the results that it's seeking,
19 then I would expect the Company would
20 propose that change to the participants in
21 the CORE programs and have them discuss it.
22 But the method does not seem unreasonable to
23 me that you just described.

24 Q. But if -- through that marketing program, how

1 can you tell how much savings were created or
2 achieved by the marketing program?

3 A. It may not be as obvious as a rebate program
4 where you can determine how many customers
5 availed themselves of the rebate program,
6 but I think it's reasonable to say that the
7 Company has good enough minds who can make
8 estimates as to the likely response of the
9 marketing program. In fact, I would expect
10 that they would do that if they did switch
11 the approach from rebates to marketing. I
12 would expect that one of the elements of
13 that change would be to monitor the
14 effectiveness of that program compared with
15 rebates and determine whether the dollars
16 spent on marketing have been spent wisely.

17 Q. Do you know what I'm talking about when I
18 describe a study called "Opportunities for
19 Energy Efficiency in New Hampshire" that was
20 prepared by GDS?

21 A. Yes, I'm familiar that.

22 Q. And were -- was the Company required to
23 analyze that report and also base some of its
24 projections on similar types of analysis that

1 were in the GDS report?

2 A. I don't recall the words in the Commission's
3 order saying "similar type of analysis."
4 The Commission said that you should use the
5 GDS results, as they applied to PSNH, as the
6 basis of your planning for DSM.

7 Q. And did GDS incorporate in its analysis the
8 change in the lighting standards?

9 A. No, it didn't. And I comment on that in my
10 testimony. And I've already said that I
11 thought that change made by the Company was
12 an appropriate one.

13 Q. And would you agree, subject to check, that
14 the GDS study finds that the technical
15 potential savings for electric energy is over
16 27 percent?

17 A. What is the 27 percent?

18 Q. The technical potential savings for electric
19 energy is over 27 percent.

20 A. Of what?

21 Q. Of projected 2018 sales.

22 A. Subject to check. I don't recall what that
23 percentage is.

24 Q. And that it also is over 27 percent for

1 non-electric efficiency measures.

2 A. That may be the case. I don't have the
3 study in front of me.

4 Q. So, whether we use a rebate program or whether
5 we use a marketing approach to residential
6 lighting is a matter of choice when we come to
7 the point of proposing programs in future
8 years under the CORE programs' dockets;
9 correct?

10 A. So we're talking about lighting now?

11 Q. Yeah, but back to the --

12 A. Back to lighting.

13 Q. Yes.

14 A. So your question is it's the Company's
15 decision whether to go with a rebate or a
16 marketing program to incentivize purchases
17 of CFLs; is that correct?

18 Q. Yes.

19 A. I think it's the Company's decision
20 initially. My understanding as to how the
21 CORE program works is that the Company's
22 decisions get debated, and eventually
23 something gets sent to the Commission for
24 approval. So it would be the start of the

1 process, I would think, what the Company
2 decides.

3 Q. So the choice of approaches in this proceeding
4 is not really a measure of whether the Plan is
5 or conservation in the residential sector is
6 appropriate or not.

7 A. No. The issue of the rebate or marketing
8 program to incentivize CFLs has to do with
9 the potential that the Company is reporting
10 for the residential class in the IRP.
11 That's how it gets into the Integrated
12 Resource Plan. I recognize there is also a
13 CORE element to that decision. But what
14 we're discussing here is the impact on the
15 potential, the savings potential. So it
16 really is an IRP issue that I've raised in
17 my testimony.

18 Q. Do you know if, to date, any marketing
19 programs approved in the CORE proceedings have
20 definitely been attributed with calculated
21 savings in electricity?

22 A. I don't -- the answer is "no" to your
23 question. But I would say with -- we've
24 just been discussing whether the Company is

1 going to use a rebate or a marketing program
2 with regard to the CFLs.

3 In discovery, I asked the Company, "If
4 you think a marketing program is more
5 effective, are you proposing to switch from
6 a rebate to a marketing program?" And you
7 said you were not intending to do that. So
8 the question you've just asked has surprised
9 me because you indicated you weren't going
10 to make that switch, even though you argued
11 that it was more effective to have a
12 program, which seems contrary. If it's more
13 effective, why are you not going to switch
14 from rebates to marketing?

15 Q. But to date -- I think you answered my
16 question initially as "no," that to date there
17 has not been a way to compute the energy
18 savings that are projected or realized from a
19 marketing program.

20 A. That was not my response to your question.
21 You asked me was I aware of whether
22 marketing programs in the CORE had a certain
23 effect. My answer is no. Why? Because I
24 don't participate in the CORE proceedings.

1 That's why I don't know.

2 Q. Okay. Are appliance standards going to change
3 in the planning period in this docket?

4 A. Which appliance standards?

5 Q. Energy-efficiency appliance standards that the
6 industry developed. Do you know if there's
7 going to be any change to those standards,
8 similar to the change in the lighting that I
9 talked about?

10 A. I have no specific knowledge with regard to
11 any appliance standards, whether it relates
12 to lighting or other appliances. So I think
13 that's a direct response to your question.

14 Q. But if there was a -- if there was a change
15 that raised efficiency, a change in standards
16 that raised efficiency in the manufacturing of
17 appliances, so that all appliances would be
18 more efficient than previous ones, would that
19 have an effect upon the savings that you could
20 project in the future?

21 A. Yes. If you had knowledge of appliance
22 standards to change in the future, I would
23 expect that you would utilize that knowledge
24 in developing the potential savings that

1 could be accessed by the Company's programs.

2 Q. Thank you.

3 MR. EATON: I have nothing
4 further.

5 CHAIRMAN IGNATIUS: Thank you.
6 Commissioner Harrington.

7 INTERROGATORIES BY CMSR. HARRINGTON:

8 Q. Just on your Staff Exhibit 3 there, Page 2,
9 you have all those different expenditures and
10 so forth in savings. These are the
11 expenditures from the Plan that are proposed
12 expenditures by Public Service?

13 A. Well, Commissioner, that's really one of the
14 issues that I was getting into. I don't
15 really know what the significance of the
16 expenditure dollars are in this Exhibit
17 IV-8. Is it something they'd like to do?
18 Is it something they intend to do? Or is it
19 just intended as guidance, that if they were
20 to develop programs that achieved the
21 electric and non-electric savings underlying
22 these expenditures, this is what they would
23 have to spend?

24 Q. And along with that, there's nothing that you

1 could find that tells where the source of this
2 money is going to come from. I mean, we have
3 a huge increase from 2010 to 2015 that's
4 almost three times as much. Is there anything
5 in the Plan that says where these additional
6 revenues are coming from?

7 A. There is not. I believe we might have
8 touched on that issue in discovery. But it
9 was such a long time ago, I don't recall
10 what the response was. But I think the
11 Company indicated that they -- obviously,
12 they would have the Company seek approval of
13 anything of this magnitude.

14 Q. And just so I'm clear on this, in your
15 Exhibit 3, Page 2, what it's saying is that,
16 getting out to the year 2015, the Company is
17 proposing to spend significantly more on
18 non-electric expenditures than on electric; is
19 that correct?

20 A. Well, yes. Two things it's showing: One is
21 that the expenditures on electric --
22 non-electric outstrip those on electric;
23 and, two, the ramp-up is significant for the
24 non-electric. It's a 250-percent increase

1 over that five-year period. My
2 understanding is that it would be affecting
3 two programs: The Home Performance Program
4 and the program that addresses new
5 construction for residential. I forget what
6 that one is called now. Energy Star Homes?
7 PSNH witnesses are not helping me at all.
8 So I think it's those two which would be
9 targeted in achieving this kind of growth.

10 Q. And we've had a lot of discussion on -- you've
11 heard over the last couple days here on
12 environmental regulations proposed and whether
13 the Company should be planning in accordance
14 with a regulation that hasn't been finalized
15 yet. And you've heard different opinions on
16 whether that's a good idea or a bad idea and
17 so forth.

18 Having basically the Company's position
19 that they shouldn't be spending any money or
20 doing any analysis to determine the cost of
21 implementing environmental regulations that
22 have not become yet mandatory, in this
23 case -- and I'm looking for some guidance
24 here from your review of this -- it appears

1 they spent a lot of time developing numbers
2 out to an exact dollar. When we're talking
3 18 million, it's not just "around
4 18 million." It's \$18,001,673. So I'm
5 assuming they spent a lot of time in
6 analysis on developing figures that you say
7 they haven't even determined a funding
8 mechanism for, let alone how they broke it
9 down into non-electric and electric
10 expenditures, which I assume there must be
11 analysis there on what type of programs it
12 can be spent on and how much return on that
13 dollar would be. That seems like a lot of
14 electrical -- I mean a lot of engineering
15 analysis. Am I missing something, or is
16 that --

17 A. There's obviously some analysis behind it.
18 I personally do not think it would require
19 extensive analysis. The Company has all the
20 details about the savings from various
21 programs and what kind of participation you
22 might be able to expect and what they could
23 deliver themselves within a year. So I
24 don't think it would be too difficult to

1 come up with a set of programs that produce
2 these dollars.

3 And I think you said doing this even
4 before they got a funding source.
5 Personally, I think doing it the way they're
6 doing it is correct. You analyze the
7 potential benefits that they can receive
8 from these programs, and if you think they
9 are cost-effective, very cost-effective,
10 then you propose them, and then you seek
11 permission from the regulator or from the
12 legislature to allow the kind of level of
13 expenditure. What you need to do is you
14 need to make the case that, even though
15 these are significant dollars, that they are
16 well worth doing it. And all I'm raising is
17 the fact that a significant component of the
18 dollars relates to non-electric programs.
19 And so I'm questioning how can they benefit
20 the electric customers. They simply can't.
21 There is no avoided costs associated with
22 these programs that the electric customer
23 would benefit from.

24 Q. Okay. Thank you.

1 CMSR. HARRINGTON: That's all I
2 have.

3 CHAIRMAN IGNATIUS: A few
4 questions, Mr. McCluskey.

5 INTERROGATORIES BY CHAIRMAN IGNATIUS:

6 Q. The issue of whether the CORE programs
7 should -- by the electric company should
8 involve services that don't necessarily bring
9 them electrical usage is something that's
10 pending in the CORE docket; isn't that right?

11 A. It is, yes.

12 Q. So, how do you see the relationship between a
13 planning docket and a specific docket on those
14 kinds of program expenditures?

15 A. The relationship comes through the
16 cost-effectiveness standard, the TRC ratio.

17 My understanding is, as I've said, that
18 the utilities should be selecting supply- or
19 demand-side programs, or a combination of
20 the two, in a way that reduces the cost to
21 electric customers overall. And so if the
22 Company is including non-electric savings in
23 its TRC test in order to boost that ratio
24 and not to make a case that these are

1 cost-effective, then that's working against
2 the whole idea of least cost planning.
3 Least cost planning is about electric
4 utility planning. It's not about all the
5 fuel industries within the state. It's
6 about the benefits for electric customers of
7 this particular utility. And so including
8 those non-electric savings in there is
9 distorting the picture of cost-effectiveness
10 that we're receiving through this filing.

11 Q. But if the utilities are being encouraged
12 through Commission orders in the CORE
13 proceedings to explore some of these
14 fuel-neutral programs, then isn't it a little
15 unfair for the criticism, then, for the --
16 that they discuss those in a plan? Aren't
17 they being sort of caught in the middle?

18 A. No. I think if the Commission is making a
19 policy decision that it is okay for the
20 electric utilities to develop programs for
21 non-electric customers, then, fine, that's
22 the end of the decision. But now we've got
23 to go back, when we talk about least cost
24 planning, we have to change the definition

1 of what we mean by "least cost planning,"
2 because they are now including savings from
3 non-electric sources in there. And so we've
4 now changed the standard test that we've
5 been using for the last 20 years. And it's
6 been that long since we've been doing least
7 cost planning.

8 Q. Is it fair that your concern here isn't so
9 much how PSNH developed the materials -- and
10 in the course of discovery it's become more
11 refined and clearer -- but your concern really
12 has more to do with the policy direction of
13 the Commission encouraging or authorizing, at
14 least on a pilot basis, the fuel-neutral
15 programs?

16 A. I think that's fair. Obviously, I believe
17 in least cost planning. I wouldn't be
18 working on Integrated Resource Plans if I
19 were not. And I truly think that we should
20 be focused on the electric customer and
21 reducing rates as much as we can. So I
22 don't think, from a policy standpoint, it's
23 appropriate for the utilities to be getting
24 into, in a big way -- and we're seeing

1 fairly rapid increase in these programs --
2 programs that, one, benefit the non-electric
3 customers but are paid for by the electric
4 customers. But if the Commission decides
5 that's that appropriate, and these level of
6 expenditures on those programs is
7 appropriate, then that's the end of the
8 story. We know what to do in the next IRP.
9 The decision's already made. But my
10 understanding is that certainly this level
11 of expenditures has not been approved by the
12 Commission at this point; hence, that's why
13 I'm raising it in this proceeding.

14 Q. All right. That's fair.

15 In your review of least cost planning
16 over the years, have you seen other periods
17 of time where there was a lot of uncertainty
18 on the part of the utility on significant
19 capital expenditures that might be required
20 because of changing market conditions or
21 changing regulatory standards?

22 A. You're referring to environmental
23 regulations?

24 Q. Or whatever. Is PSNH's situation of having a

1 lot of unknowns that it has to contend with an
2 isolated situation?

3 A. I don't think it's isolated. I think this
4 is kind of a new issue. Integrated resource
5 planning addresses -- there's new issues
6 bubbling to the surface all the time. And
7 the issues change. We just happen to be in
8 a phase of utility regulation, both state
9 and federal, where environmental regulations
10 is really a big deal. And since PSNH
11 happens to own -- continues to own and
12 operate generating plants that could be
13 impacted by those regulations, then not
14 surprisingly it's going to be an issue in an
15 IRP. It should be an issue. It should be
16 expected to anticipate what's coming down
17 the pipe [sic] and include both the benefits
18 and the costs of those regulations in its
19 planning. And at the moment, the -- I'm not
20 seeing that happening. I think the
21 discussions that we see on environmental
22 regulations are minimal, and certainly no
23 analysis what the Company may be doing
24 appears in the IRP.

1 Q. You heard the discussions about a concern that
2 ratepayers may be forced to foot the bill for
3 studies that turn out not to have been
4 necessary because regulations might not have
5 passed as initially proposed. And I know from
6 your other comments that you share a real
7 concern about not letting rates rise higher
8 than they should and always be looking for the
9 least cost way to deliver service.

10 So, do you share the concern that these
11 might be unnecessary costs imposed on
12 ratepayers, to spend more time evaluating
13 potential regulatory changes before they've
14 become final?

15 A. No. The Company, if it does spend dollars
16 on analyzing the impacts of regulations, and
17 it turns out to be a wasted effort, then I
18 consider that to be prudent. I think the
19 Company -- we can't have it both ways. We
20 can't, on the one hand, ask them to
21 anticipate impacts of these regulations and
22 then turn around and penalize them if the
23 regulations turn out to be different than
24 what we initially thought. To me, analyzing

1 the regulations and their effects is a
2 prudent activity, and any cost associated
3 with that should be recoverable.

4 Q. Thank you.

5 CHAIRMAN IGNATIUS: Commissioner
6 Scott.

7 INTERROGATORIES BY CMSR. SCOTT:

8 Q. If you're not the right one to answer this,
9 that's fine, too.

10 So, looking forward, I think we've
11 ascertained, if I understood right from some
12 of the testimony, that there was no --
13 there's not a particular deliberative look
14 at projecting natural gas prices, if I
15 understood right. The balance, obviously,
16 is that it would appear that, to the extent
17 that the existing plants are challenged,
18 it's because of the price of natural gas on
19 the market. Is that --

20 A. The falling price of natural gas is
21 producing wholesale power prices. That's
22 making it very difficult for PSNH's
23 portfolio to be dispatched, or be dispatched
24 the way it used to be dispatched. So that's

1 raising questions about the value and
2 profitability of those power plants.

3 Q. So, given that dynamic, my long-term concern
4 is, if natural gas is the cheapest fuel,
5 ultimately that drives only natural gas plants
6 to exist. And that creates some risk also.
7 Is it your opinion that, in planning towards
8 the future, there would -- it's supposed to be
9 least cost planning. I understand that. But
10 there's also a risk element if you have all
11 your fuel in one basket, so to speak. Do you
12 follow?

13 A. Yes. That kind of scenario would impact
14 PSNH. Of course, they don't have
15 significant resources to use natural gas,
16 other than Newington. Both use very, very
17 little. It turns out that a lot of new
18 natural gas facilities were developed and
19 inserted into the regional portfolio, and
20 then the prices turned around, resulting in
21 much higher wholesale power prices than we
22 projected. PSNH would incur that additional
23 cost through the purchases it makes from the
24 market, and those purchases can be

1 significant if existing resources are so
2 competitive that they're not being used or
3 they've been retired or sold.

4 So, PSNH -- or PSNH's customers are not
5 exposed -- are not -- are exposed -- are
6 exposed to that risk just like every other
7 utility customer in the region. Does that
8 respond to your concerns?

9 Q. I think so. Would that be -- going with that,
10 that would be a good reason to project gas
11 prices in the future, or make an attempt?

12 A. Certainly more than five years. Just
13 because we have a five-year plan, that
14 should not mean you cut off your analysis at
15 five years. You should be doing some
16 long-term forecasting, or hiring consultants
17 to do that for you and look at the risks.

18 PSNH really didn't have control of
19 this. This is a regional decision. Is the
20 region going to allow this to happen? If it
21 does, then all the region's utilities and
22 their customers could be impacted by that
23 risk --

24 Q. That's helpful. Thank you.

1 A. -- which is a much bigger issue than what we
2 address in this proceeding.

3 CHAIRMAN IGNATIUS: Commissioner
4 Harrington had another question.

5 INTERROGATORIES BY CMSR. HARRINGTON:

6 Q. Just as quick follow-up on that same issue, we
7 heard earlier from Public Service, as part of
8 this plan, that they're not projecting future
9 gas prices at all, not just out for five
10 years. They're not projecting as part of the
11 Plan from day one.

12 Would you agree that, in order to make
13 a projection of the future capacity factors
14 of the plant -- i.e., how much these plants
15 will run during the time frame of the
16 Plan -- that you'd have to make some
17 assumptions on the price of natural gas?

18 A. Yes, but PSNH does not have to make those
19 projections itself. Most people purchase
20 natural gas price projections. There's lots
21 of consultants, firms out there that are
22 publishing this data for a price. And so --
23 and I'm sure most utilities purchase this
24 kind of information. And PSNH -- we're not

1 suggesting that it should have a team that
2 would work on where the market is going.
3 It's easy to purchase that information. And
4 they should use this as the basis of studies
5 of how their plants are going to operate.
6 Are they going to be cost-effective? And if
7 not, what do you do with them?

8 Q. So I guess what I'm looking at here is the
9 fact that in this Plan it doesn't contain
10 anything about the future prices of natural
11 gas, and it also doesn't -- it makes an
12 assumption that the plants are going continue
13 to be baseline run -- meaning, they'll run
14 whenever there's not a maintenance outage.

15 So, my question would be, then, how can
16 you make an assumption on the capacity
17 factors without -- in the Plan, without
18 having in the Plan an assumption on natural
19 gas prices?

20 A. Well, I'm just saying if you don't do the
21 analysis, you can't make any reasonable
22 assumption of how they're going to operate.

23 Q. And if you don't have a reasonable assumption
24 of capacity factors, how do you plan on making

1 fuel purchases over the life of the Plan? If
2 you don't know how much your plant is going to
3 run, how can you make any judgments in your
4 five-year plan as to how much fuel you're
5 going to have to buy?

6 A. Well -- oh, fuel for your --

7 Q. For your plants. If you don't know how much
8 they're going to run, how do you make a
9 decision on the amount of fuel you purchase?

10 A. Well, you can't make a very accurate one, I
11 think as one of the witnesses indicated.
12 You just buy a lot and put it in storage,
13 and you'll have sufficient to cover
14 whatever, however it runs, which is not a
15 very sophisticated fuel-purchasing strategy
16 I would think.

17 Q. Would you say that that doesn't go along with
18 Least Cost Plans?

19 A. Not knowing the costs of purchasing fuel and
20 storing it and comparing it with shorter
21 term purchases when taking advantage of the
22 change in the markets, I couldn't say one
23 way or the other. But that's the kind of
24 analysis that you would do to determine

1 what's cost-effective.

2 Q. And given your experience in the utility
3 regulation business, what you've seen here,
4 what's in the Plan, would you think that there
5 would have to be much more going on that's not
6 in the Plan, as far as strategy being
7 performed by Public Service with regards to
8 things as future gas prices, migration of its
9 customers, the effect on future energy service
10 rates, capacity factors of its plants, et
11 cetera, so they could make a realistic
12 assessment of where they're financially going
13 to stand over a five-year period?

14 A. Absolutely. I believe what's in the Plan
15 does not reflect the actual planning for the
16 Company.

17 CMSR. HARRINGTON: Thank you.
18 That's all I have.

19 CHAIRMAN IGNATIUS: Mr. Speidel,
20 opportunity for redirect. And before you do,
21 I want to ask you a question. We have also
22 confidential versions certainly of the
23 September 8th testimony. Are you marking that
24 as an exhibit as well?

1 MR. SPEIDEL: As a matter of
2 fact, I am not, Commissioner, for the reason
3 that it would be a little bit clunky to have
4 that distributed in the context of Mr.
5 McCluskey's general, non-Continuing Unit
6 Operations Study testimony. Not only that,
7 but it's a little bit ambiguous as to whether
8 the material that's discussed in the
9 confidential segment is still confidential.
10 I'm keeping it away from public inspection
11 from an abundance of caution at this point,
12 but little bits and pieces of the information
13 have been disclosed by the Company in
14 subsequent discovery. But out of courtesy to
15 the Company, I've decided not to enter that
16 into evidence at the present time.

17 CHAIRMAN IGNATIUS: All right.
18 We can take that up when the second issue is
19 addressed?

20 MR. SPEIDEL: Yes. Perhaps at
21 the tail end of Staff's presentation of the
22 case I'd like to maybe have that confidential
23 testimony marked separately and assign it a
24 number at that time.

1 CHAIRMAN IGNATIUS: All right.

2 That's fine. So do you have any redirect?

3 MR. SPEIDEL: As a matter of
4 fact, I do not.

5 CHAIRMAN IGNATIUS: All right.
6 Then I think, Mr. McCluskey, you are excused.
7 Thank you.

8 Let's go off the record for a
9 moment.

10 (Discussion off the record)

11 CHAIRMAN IGNATIUS: We've been
12 looking at the scheduling opportunities to
13 finish the case. I need to make absolutely
14 certain with the Commission calendar, but it
15 appears that May 8th and 9th are available to
16 continue. And if there's any conflict with
17 that, we'll obviously let you know. We'll
18 send a letter confirming the next date and
19 time, but ask you to hold the 8th and 9th, and
20 possibly the 11th. Just hold those for now
21 until you hear from us. And beginning at 9:00
22 would be appropriate. So, until May 8th,
23 assuming that that works, and we will confirm
24 it, we will stand adjourned. I appreciate

1 everyone's attention. It's been two long and
2 complicated days. So we will see you on the
3 8th.

4 CHAIRMAN IGNATIUS: Oh, I'm
5 sorry. Mr. Eaton, you have something?

6 MR. EATON: Yeah.

7 CHAIRMAN IGNATIUS: I'm sorry.
8 We stopped, and we need to give people a
9 chance to respond to a few things.

10 MR. EATON: Madam Chairman, you
11 mentioned at the close of the proceeding, if
12 anyone -- that we could make a request to put
13 on our panel again to rebut some of the
14 measures that were spoken about this morning.
15 And I would like to put on our panel for the
16 sole purpose of responding to the testimony
17 this morning that the testimony of Mr. Smagula
18 and Ms. Tillotson is inconsistent, that one
19 witness is saying one thing and one witness is
20 saying the other and that they're inconsistent
21 and can't be reconciled.

22 PSNH, under Rule PUC 203.25,
23 has the burden of proof in this proceeding.
24 And under 203.26, in hearings on petitions

1 "The petitioner shall have the opportunity
2 to open and close any part of the
3 presentation." So I would request that we
4 be able, either today or beginning on May
5 8th, to put them back on and to address that
6 one issue of whether their testimony is
7 inconsistent.

8 CHAIRMAN IGNATIUS: Well, Mr.
9 Eaton, their testimony is what it was. And
10 that was one witness's interpretation of their
11 testimony. And you'll have an opportunity in
12 closing to argue how you evaluate their
13 testimony. I don't understand why there's
14 need for further evidence.

15 MR. EATON: Would be to respond
16 to what was brought up for the first time
17 today, why they're -- to explain that their
18 testimonies are consistent and do -- and are
19 appropriate.

20 CHAIRMAN IGNATIUS: I don't
21 understand why that's evidence. Their
22 evidence is what they testified to, and your
23 argument is how it should be evaluated by the
24 Commission. So I don't see the need for

1 further evidence on their views. You may
2 disagree with the witness's interpretation of
3 their testimony, and that's fair. And you can
4 argue that. But to have them come back and
5 explain some more of what their positions
6 were, we could do that all day with everybody.
7 I'm not seeing it.

8 I guess, why don't we -- we'll
9 take it under advisement. We'll discuss it.
10 But I'm afraid that opens the door to a lot
11 of people wanting to restate their positions
12 and explain again why what they said made a
13 lot of sense. So we'll take it under
14 advisement and report back at the start of
15 the next proceeding. Thank you.

16 (WHEREUPON, DAY 2 AFTERNOON SESSION
17 was adjourned at 4:05 p.m.)
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C E R T I F I C A T E

I, Susan J. Robidas, a Licensed
Shorthand Court Reporter and Notary Public
of the State of New Hampshire, do hereby
certify that the foregoing is a true and
accurate transcript of my stenographic
notes of these proceedings taken at the
place and on the date hereinbefore set
forth, to the best of my skill and ability
under the conditions present at the time.

I further certify that I am neither
attorney or counsel for, nor related to or
employed by any of the parties to the
action; and further, that I am not a
relative or employee of any attorney or
counsel employed in this case, nor am I
financially interested in this action.

Susan J. Robidas, LCR/RPR
Licensed Shorthand Court Reporter
Registered Professional Reporter
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