

DM 11-066



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February 14, 2014

VIA E-FILING AND MAIL

NHPUC 18FEB'14AM11:59

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities
Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Re: People's Power & Gas, LLC - DM 11-066 – ISO-NE Update

Dear Ms. Howland:

As requested by Public Utilities Commission ("Commission") staff, pursuant to Rule Puc 2003.01, People's Power & Gas, LLC ("People's") hereby provides the Commission with a written update concerning its recent defaults with the ISO-New England ("ISO-NE").

1. December 2013 Default. People's received a request from the ISO-NE just before Christmas to provide increased collateral in anticipation of higher prices resulting from cold weather. People's immediately made arrangements to furnish substantially more than the minimum funds required. Due to tight time frames involved and holiday staffing schedules on the day before Christmas, however, the funds became available and were transferred to ISO-NE approximately 48 minutes after the ISO-NE deadline. Even though the transmission was only minutes late, the untimely filing resulted in an automatic default of People's status as an ISO-NE market participant and loss of People's Load Asset identification numbers maintained by the ISO-NE. ISO-NE immediately restored People's effective at 11 a.m. on the day after the Christmas holiday (December 26, 2013) and issued it new Load Asset identification numbers effective as of January 3, 2014. Undersigned counsel for People's advised Commission staff (Anne Ross and Amanda Noonan) of these default-related developments on an informal basis. The financial institution supporting the People's bond maintained with the Commission confirmed for Commission staff that the bond remained in effect notwithstanding the default.

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2. January 2014 Default. By a notice filing made with the Commission on Friday, January 31, 2014, People's provided the Commission with notice of a second ISO-NE default and loss of Load Asset identification numbers, effective as of Wednesday, January 29, 2014. The basis for this second default is as follows:

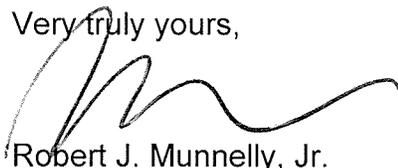
At 3:29 p.m. on January 27, 2014, the ISO-NE issued to People's a Notice of Material Adverse Changes ("Notice") under ISO-NE rules. The ISO-NE cited the fact that a financing company doing business with People's advised ISO-NE it had obtained an ex parte temporary court order from a Maryland court purporting to place a hold on certain funds deposited by People's with the ISO-NE's collateral agent. The ISO-NE established an expedited deadline of January 29, 2014 – approximately 48 hours after issuance of the Notice – for People's to lift the court order. People's was unable to meet this impossibly short deadline for resolving resolution of a lawsuit that had, at that point, not even been served on People's officials. People's was able to obtain a court order dismissing both the action and the temporary order less than one day after the ISO-NE deadline, on Thursday, January 30, 2014.

People's has serious concerns with the lack of factual and legal merit underlying the financing company legal action, and secured a prompt dismissal. Moreover, People's has very serious due process and fairness concerns with ISO-NE's decisions to (1) issue the Notice without any attempt to contact People's to confirm the validity or lack thereof of the claims asserted by the financing company on which the Notice is based and (2) set a Wednesday deadline for removing the alleged impediment when the Notice was not issued until just before Monday close of business. In fact, People's believes that the facts upon which the Notice was based were not correct, including that court order hold did not affect any funds on account with the ISO-NE's agent used to secure People's obligations with the ISO-NE; the hold only affected additional funds owned by People's and/or its principal. People's is working on addressing the default.

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Please contact the undersigned or Eileen Routhier, the Compliance/Regulatory Officer of People's, if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Munnely, Jr.', with a long, sweeping horizontal stroke at the end.

Robert J. Munnely, Jr.

cc: Eileen Routhier, People's
David Goyette, Commission Staff