

ORIGINAL

N.H.P.U.C. Case No.	DE 11-250
Exhibit No.	23
Witness	T.J. Large - J.J. Vancho
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STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

REBUTTAL TESTIMONY OF TERRANCE J. LARGE AND JAMES J. VANCHO

DOCKET NO. DE 11-250

July 11, 2014

1 **Q. Mr. Large, please state your name, title and business address**

2 A. My name is Terrance J. Large and my business address is 780 N. Commercial Street,  
3 Manchester, New Hampshire 03101. I am currently employed by Public Service Company  
4 of New Hampshire ("PSNH") as its Director - Generation Engineering and Technical  
5 Support. During the 2008-2009 time period, I was employed by PSNH as its Director of  
6 Business Planning and Customer Support Services. Prior to that assignment, I was PSNH's  
7 Technical Business Manager for Fossil/Hydro Engineering and Operations.

8 **Q. Have you previously testified before this Commission?**

9 A. Yes, I have testified on a number of occasions in various regulatory proceedings on behalf of  
10 PSNH.

11 **Q. Mr. Large, please discuss your background and qualifications.**

12 A. I have received an Artium Baccalaurei degree from Dartmouth College majoring in  
13 Engineering Science, and a Bachelor of Science (Mechanical Engineering) degree from  
14 Union College (Schenectady, New York). My work experience includes employment with  
15 the State of New York Department of Public Service, as a staff member to the New York  
16 Public Service Commission, and over 16 years of varied and increasing responsibilities  
17 within the Fossil/Hydro generation function of the Northeast Utilities System Companies.

1 During my Northeast Utilities service, I have been a Staff Engineer responsible for  
2 regulatory filings and associated matters before the Massachusetts Department of Public  
3 Utilities, and the New Hampshire Public Utilities Commission. I have served in fossil  
4 station management roles, including Technical Services Supervisor and Operations Manager,  
5 and as Technical Business Manager overseeing all support and administrative functions  
6 associated with operation of the PSNH generating system. Following that, I was promoted  
7 to Director of Business Planning and Customer Support Services where I was responsible for  
8 PSNH's internal and corporate business planning processes, and preparation and defense of  
9 PSNH's Integrated Least Cost Resource plan which was filed and reviewed by the  
10 Commission in Docket No. DE 10-261. In my present position, I have direct responsibility  
11 regarding all engineering and technical support functions related to PSNH's generation  
12 assets.

13 **Q. Mr. Vancho, please state your name, title and business address**

14 A. My name is James J. Vancho and my business address is 107 Selden Street, Berlin, CT  
15 06037. I am currently employed by Northeast Utilities Service Company ("NU") as its  
16 Manager-Financial Analysis. During the 2008-2009 time period, I was employed by NU as  
17 its Manager of Financial Planning and Analysis, which is the same role as my current  
18 position but with a new title. Prior to that, I had served as Manager of Corporate Planning  
19 and Manager of Corporate Finance.

20 **Q. Have you previously provided testimony before any court or administrative agency?**

21 A. No, I have not testified before any court or administrative agency.

22 **Q. Mr. Vancho, please discuss your background and qualifications.**

23 A. I received a Bachelor of Science (Business Management) degree from Sacred Heart  
24 University in Fairfield, CT in 1993 and a Masters of Business Administration (Finance) from  
25 the University of Rochester (Rochester, NY) in 2001.

26 I joined NU in 2001 as a Financial Analyst in its Corporate Finance department and was  
27 promoted to Senior Analyst and then to Manager of Corporate Finance. As Manager, I  
28 supported the Assistant Treasurer in raising the funds necessary to support the capital and  
29 operating needs of all of the NU system companies. From 2001 to 2006, I had worked on  
30 various financings, including project debt, securitizations, bank revolving credit facilities,

1 accounts receivable financing programs, secured and unsecured capital market debt  
2 offerings, lease financing, interest rate derivatives, and many miscellaneous financial  
3 analyses.

4 In 2007, I became Manager of Corporate Planning. In that role, I was responsible for  
5 Managing NU's enterprise planning process, including the development of the company's  
6 annual operating plan and long-term strategic plan. I have been in my current role since  
7 2008, and I am responsible for evaluating the financial merits of corporate business  
8 initiatives and emerging opportunities, providing the corporation with financial expertise on  
9 business issues, and developing the necessary tools to provide decision support to senior  
10 management.

11 **Q. What is the purpose of your joint testimony?**

12 A. The purpose of this testimony is to discuss the indicative economic analyses we conducted  
13 regarding the scrubber project on behalf of PSNH. These analyses were previously provided  
14 to the parties to this proceeding in response to various data requests during the summer of  
15 2012.

16 **Q. What is your understanding of the role of such analyses with respect to a legislatively-**  
17 **mandated project such as the Merrimack scrubber?**

18 A. It was and continues to be our understanding that PSNH faced a statutory mandate to install  
19 the Merrimack scrubber. For such a legislatively-mandated project, economic analysis can  
20 be instructive in terms of sanity-checking the investment requirements for budgeting  
21 purposes, as well as obtaining a directional understanding of the major drivers of project  
22 development and execution risk. However, it is not appropriate to consider economic  
23 analysis as a stand-alone product to confirm the investment in a project that is required by  
24 law, such as the scrubber. This Commission noted in Order No. 24,979 in Docket No. DE  
25 09-033 at page 15, that it was the Legislature that made the decision to install the Scrubber,  
26 not PSNH:

27 In the instant case, by contrast, *the scrubber installation at Merrimack*  
28 *Station does not reflect a utility management choice among a range of*  
29 *options. Instead, installation of scrubber technology at the Merrimack*  
30 *Station is a legislative mandate, with a fixed deadline. See RSA 125-O:11,*  
31 *1,11; RSA 125-O:13, I. **The Legislature, not PSNH, made the choice,***  
32 *required PSNH to use a particular pollution control technology at*  
33 *Merrimack Station, and found that installation is in the public interest of the*

1 citizens of New Hampshire and the customers of the affected sources.” RSA  
2 125-O:11, VI.  
3 Because the scrubber was a legislatively-mandated project and not one entered into at the  
4 discretion of company management, our economic analyses were for informational purposes  
5 only -- certainly not as the basis to determine whether the Scrubber Project should go  
6 forward: “The Legislature, not PSNH, made the choice.”

7 **Q. What analyses were performed regarding the scrubber project?**

8 A. A number of analyses regarding the scrubber project were performed during 2007 and 2008,  
9 primarily as part of Northeast Utilities’ oversight process for large capital projects leading to  
10 procurement decisions. Copies of those analyses as well as additional information provided  
11 by PSNH relating to those analyses are attached as follows:

- 12 • Attachment TJL/JJV 1, Economic Analysis prepared in April/May 2007 for the  
13 Northeast Utilities Risk and Capital Committee, included as an attachment to PSNH’s  
14 response to TransCanada data request TC 01-001 SP01.
- 15 • Attachment TJL/JJV 2, Economic Analysis prepared in April 2008 for the Northeast  
16 Utilities Risk and Capital Committee, included as an attachment to PSNH’s response to  
17 TransCanada data request TC 01-001 SP01.
- 18 • Attachment TJL/JJV 3, Economic Analysis prepared in June 2008 for the Northeast  
19 Utilities Risk and Capital Committee, included as an attachment to PSNH’s response to  
20 TransCanada data request TC 01-001 SP01.
- 21 • Attachment TJL/JJV 4, Economic Analysis prepared in July 2008 for the Northeast  
22 Utilities Risk and Capital Committee, included as an attachment to PSNH’s response to  
23 TransCanada data request TC 01-001 SP01.
- 24 • Attachment TJL/JJV 5, PSNH’s filing with the Commission in Docket No. DE 08-103  
25 dated September 2, 2008, which included analyses of the effect of the Clean Air Project  
26 on Energy Service rates and the effect on Energy Service rates is Merrimack Station was  
27 retired.
- 28 • Attachment TJL/JJV 6, PSNH’s response to TransCanada data request TC 03-Q003,  
29 providing workpapers associated with the Company’s September 2, 2008 filing.
- 30 • Attachment TJL/JJV 7, PSNH’s response to TransCanada data request TC 03-Q004,  
31 providing workpapers associated with the Company’s September 2, 2008 filing.
- 32 • Attachment TJL/JJV 8, PSNH’s response to TransCanada data request TC 03-Q006,  
33 providing workpapers associated with the Company’s September 2, 2008 filing.
- 34 • Attachment TJL/JJV 9, PSNH’s response to TransCanada data request TC 03-Q008,  
35 providing workpapers associated with the Company’s September 2, 2008 filing.
- 36 • Attachment TJL/JJV 10, PSNH’s response to TransCanada data request TC 03-Q010,  
37 providing workpapers associated with the Company’s September 2, 2008 filing.

- 1 • Attachment TJJ/JJV 11, PSNH's response to TransCanada data request TC 03-Q011,  
2 providing workpapers associated with the Company's September 2, 2008 filing.
- 3 • Attachment TJJ/JJV 12, PSNH's response to TransCanada data request TC 01-Q002  
4 SP01, providing fuel price forecasts available to PSNH at the time initial contracts were  
5 signed in October, 2008.

6 **Q. Please summarize the conclusions of the analyses you have provided.**

7 A. Overall, the analyses prepared by PSNH indicated that, independent of the legislative  
8 requirements mandating installation and operation of the scrubber at Merrimack Station,  
9 complying with the mandate to proceed with the scrubber project represented a reasonable  
10 economic alternative for PSNH's customers. As the attachments cited above indicate, the  
11 base-case present value of economic benefits to PSNH customers was approximately \$132  
12 million the last time these analyses were conducted. We also conducted sensitivity testing  
13 on key inputs to illustrate to senior management some of the key drivers of uncertainty in the  
14 economics and how reasonable changes in these drivers could lead to both upsides and  
15 downsides from the base case.

16 **Q. Were additional similar economic analyses prepared by PSNH after the Legislature  
17 decided that the Scrubber Project should continue?**

18 A. No. The signing of project contracts occurred during the same timeframe that the  
19 Legislature began its reconsideration of the Scrubber Law via the introduction of Senate Bill  
20 152 and House Bill 496 during the 2009 Legislative session. When the Legislature decided  
21 not to change the law, and instead expressly stated through the House Science and  
22 Technology Committee's March 19, 2009 Majority Report on HB 496 that it did not want "a  
23 pause in or cancellation of the project," the majority of contracts necessary for the project  
24 had been executed. Based upon the Legislature's decision and the status of the project itself,  
25 further detailed analyses of the project were not necessary. In response to the Commission's  
26 request for updated project information, a high-level cost review was conducted as part of  
27 PSNH's report to the Commission in Docket No. DE 08-103 dated October 15, 2010, which  
28 included analyses of the effect of the Clean Air Project on Energy Service rates and the  
29 effect on Energy Service rates if Merrimack Station was retired. Please see Attachment  
30 TJJ/JJV 13.

1 **Q. The gas prices used in the analyses performed by PSNH have been criticized by**  
2 **TransCanada’s witness, Mr. Hachey. Do you feel that the gas prices utilized in the**  
3 **analyses were reasonable?**

4 A. Yes, we do. As we stated in response to data requests, the gas prices used in the PSNH  
5 analyses were consistent with NYMEX futures prices available in the summer of 2008. That  
6 NYMEX data is included in Attachment TJJ/JJV 14. That data was supported by  
7 information before the Commission at that time. For example, in Order No. 24,911 dated  
8 October 31, 2008 in Docket DG 08-116, *Concord Steam Corporation*, the Commission  
9 noted, "natural gas, at an average cost of about \$12 per mmbtu, will make up approximately  
10 20 percent of Concord Steam’s energy supply." Similarly, in Docket No. DG 08-107,  
11 Concord Steam Corporation informed the Commission that the price of gas delivered was  
12 \$10.15/MMBTU as of March 4, 2009. Exhibit 6, Docket No. DG 08-107 (Attached hereto  
13 as Attachment TJJ/JJV 15). The gas prices used by PSNH in its analyses were consistent  
14 with these referenced gas prices. For these reasons, we feel that the gas prices used in the  
15 indicative economic analyses were well within the range of reasonableness.

16 It must be noted that the refusal of TransCanada to provide the “voluminous” information it  
17 claims to have regarding gas prices and the expected impact of gas “fracking” during this  
18 time period has adversely impacted our ability to further rebut the claims made by  
19 TransCanada and other parties regarding the reasonableness of the data used in our analyses.

20 **Q. Are you familiar with the independent economic analysis performed by NERA for**  
21 **PSNH regarding the Scrubber Project?**

22 A. Yes we are.

23 **Q. How does the result of your analysis compare to the analysis performed by NERA?**

24 A. The base case result of our analysis falls well within the range of results for the scenarios  
25 developed by NERA.

26 **Q. Does this conclude your testimony?**

27 A. Yes it does.