STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 18, 2012 - 10:12 a.m.
Concord, New Hampshire

RE: DE 12-292
PUBLIC SERVICE OF NEW HAMPSHIRE:
2013 Default Energy Service Rate.

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:
Matthew J. Fossum, Esq.

Reptg. Residential Ratepayers:
Susan W. Chamberlin, Esq., Consumer Advocate
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.

Court Reporter: Steven E. Patnaude, LCR No. 52

I N D E X

E X H I B I T S

P R O C E E D I N G

CHAIRMAN IGNATIUS: Good morning. I'd like to open the hearing in Docket DE 12-292. This is Public Service Company of New Hampshire's 2013 Default Energy Service rate. The Company filed a petition to set the ES rate on January 1, 2013, that has since been revised with a filing submitted on December 12th, 2012. We issued an order of notice to address the case, and have received no intervention requests, other than the notice from the Office of Consumer Advocate that it would be participating.

So, let us begin first with appearances. Mr. Fossum.

MR. FOSSUM: Good morning. Matthew Fossum, for Public Service Company of New Hampshire.

CHAIRMAN IGNATIUS: Good morning.

MS. CHAMBERLIN: Susan Chamberlin, Consumer Advocate, for the residential ratepayers. With me is Steve Eckberg.

CHAIRMAN IGNATIUS: Good morning.

MS. AMIDON: Good morning. Suzanne Amidon, for Commission Staff. And, to my left is Steve Mullen, the Assistant Director of the Electric Division.

CHAIRMAN IGNATIUS: Good morning. I

understand we have a panel of witnesses this morning. Are there any procedural matters to take up before we begin with evidence?

(No verbal response)

CHAIRMAN IGNATIUS: It appears there are none. So, I'll ask the court reporter to swear the witnesses.

(Whereupon *Robert A. Baumann*, *Frederick B. White*, and *Stephen R. Hall* were duly sworn by the Court Reporter.)

ROBERT A. BAUMANN, SWORN

FREDERICK B. WHITE, SWORN

STEPHEN R. HALL, SWORN

DIRECT EXAMINATION

BY MR. FOSSUM:

Q. And, even though we just did this, we'll do it again. We'll start with Mr. Baumann and work down from there. Mr. Baumann, can you state your name and place of employment for the record?

A. (Baumann) My name is Robert Baumann. I'm employed by Northeast Utilities Service Company, in Berlin, Connecticut. And, I'm the Director of Revenue Requirements for New Hampshire and Massachusetts.

Q. And, have you previously testified before this

Commission?

A. (Baumann) Yes.

Q. And, Mr. Hall, could you state your name and place of employment for the record please.

A. (Hall) My name is Stephen R. Hall. I am Manager-New Hampshire Revenue Requirements for PSNH.

Q. And, have you previously testified before this Commission?

A. (Hall) Yes, I have.

Q. And, finally, Mr. White, could you state your name and place of employment for the record please.

A. (White) Frederick White. I'm employed by Northeast Utilities Service Company. I'm a Supervisor in the Energy Supply Department.

Q. And, Mr. White, have you previously testified before this Commission?

A. (White) Yes, I have.

Q. Now, Mr. Baumann, on September 28th, did you -- or, did you file prefiled testimony in this docket?

A. (Baumann) Yes.

Q. And, do you have any changes, corrections or updates to the testimony that you filed on September 28th?

A. (Baumann) No.

Q. And, is that testimony true and accurate to the best of

your knowledge and belief today?

A. (Baumann) Yes.

MR. FOSSUM: I'd like to offer as "Exhibit 1" for identification the September 28th filing.

CHAIRMAN IGNATIUS: So marked.

(The document, as described, was herewith marked as Exhibit 1 for identification.)

BY MR. FOSSUM:

Q. Mr. Baumann, could you very briefly summarize what was in that testimony.

A. (Baumann) The September 28th filing supported with schedules an initial Energy Service rate proposed for 2013 of 8.97 cents per kilowatt-hour. And, that Energy Service rate was an increase from the current rate that is being billed of 7.11 cents per kilowatt-hour that will end in December. That increase was driven by a few factors. Primarily, a large credit that is in the current 7.11 cents will have been refunded by December. That's going away. And, then, we have an increase in market prices in the fourth quarter of 2012, and projected into 2013. And, those increase in market prices are also driving up the rate. And, in the 7.11 cents, we also had a one-time sale of oil of

approximately $8 million, which was, in effect, a credit in the existing rate, which was also a one-time credit. So, that's going away. So, all of those factors, combined with a slight increase in migration, has driven the Energy Service rate as proposed up from the current rate.

Q. And, Mr. Baumann, did you prepare a technical statement and update in this docket?

A. (Baumann) Yes.

Q. And, that was a joint technical statement with Mr. White, is that correct?

A. (Baumann) Yes. That was the one that was filed on December 12th.

Q. And, that was -- and, that was filed on December 12th in this docket with this Commission?

A. (Baumann) That's correct.

Q. And, do you have any changes or updates to that filing at this time?

A. (Baumann) No, I do not.

Q. And, the information in that filing is true and accurate to the best of your knowledge and belief today, is that correct?

A. (Baumann) Yes.

MR. FOSSUM: I would like to offer as

"Exhibit 2" for identification the technical statement of December 12th.

CHAIRMAN IGNATIUS: So marked.

(The document, as described, was herewith marked as Exhibit 2 for identification.)

BY MR. FOSSUM:

Q. And, Mr. Baumann or Mr. White, who may be appropriate, can you describe very briefly what updates or changes are in that technical statement?

A. (Baumann) Well, in the December 12th filing, we filed a final updated proposed ES rate effective in January 2013 of 9.54 cents. That is up from the September rate of 8.97 cents, which was our initial filing, primarily due to increase in market prices for that time period. The rates contain the same cost and cost detail analysis that was contained in the September rate, just updated for market prices, and actual known costs for September and October as well.

Q. I have one other exhibit. I believe Mr. Hall will be the witness for this. Mr. Hall, I'm handing you a copy of a document. Can you please very briefly describe what that document is?

A. (Hall) Certainly.

(Atty. Fossum distributing documents.)

BY MR. FOSSUM:

Q. Whenever you're ready.

A. (Hall) This is a document that summarizes the rate changes that we're proposing, both in this docket and in the Stranded Cost Recovery Charge docket that was held -- the hearing was held this morning, that was DE 12-291. This exhibit we have --

Q. Hold on just a moment.

A. (Hall) Whoops.

Q. Thank you. I just wanted a brief description.

MR. FOSSUM: So, I would like to mark then for identification as "Exhibit 3" the rate comparison sheet that Mr. Hall has just described.

CHAIRMAN IGNATIUS: Before we mark it, let me make certain that this accurately reflects what we just heard in the prior hearing. Is the Stranded Cost Recovery Charge changed to accommodate the mistake that was discovered in the rate that was submitted before?

MR. FOSSUM: That is not reflected in this document.

WITNESS HALL: But I think I can provide -- I did some quick calculations, and I think I can provide at least some summary information.

CHAIRMAN IGNATIUS: All right. And, do the parties have copies of this?

MS. CHAMBERLIN: Yes.

CHAIRMAN IGNATIUS: All right. Then, let's mark it as "Exhibit Number 3" for identification.

(The document, as described, was herewith marked as Exhibit 3 for identification.)

CHAIRMAN IGNATIUS: Please proceed.

MR. FOSSUM: Thank you.

BY MR. FOSSUM:

Q. With that identification, please, Mr. Hall, continue with your description of the document.

A. (Hall) Sure. This is an exhibit that we've presented in the last three or four Energy Service and Stranded Cost Recovery Charge proceedings. And, the purpose of the exhibit is basically to show what current rates are and what we're proposing, and the impact of all of the changes, so that the Commission can get a feel for what we're proposing and what the result would be.

The first page shows PSNH's overall average rate level expressed in cents per kilowatt-hour, by rate component. Rate component is distribution, transmission, Stranded Cost Charge, and

so on. Those are the columns. And, the rows are the various classes of customers: Residential, General Service Rate G, Rate GV, and so on. So, that's a snapshot of where we are today.

If you go to the next page, the next page shows what the proposed rate levels are for each of those components. And, in this case, the only numbers that are changing from what was on Page 1 are numbers in the "SCRC" column and in the "Energy Service" column. Now, as we talked about just a few minutes ago, if you look at the bottom line of the "SCRC" column, it still says "0.67 cents" or "$0.0067". We've now amended that request to "0.00737" for an overall average SCRC rate. I haven't had time to go through and recalculate all of the numbers. We can do so, and file this later today or first thing tomorrow.

CHAIRMAN IGNATIUS: Okay.

BY THE WITNESS:

A. (Hall) With the change to the SCRC number, in the bottom line, if you look at the far right-hand side, the "Total Revenue" column, bottom line, instead of "16.115 cents", that should be "16.182 cents". So, again, Page 2 is basically a spreadsheet that shows where we would be if our proposals today, and in the docket earlier this morning, were approved by the Commission.

The third page shows the change between Page 1, today's rates, and Page 2, the proposed rates for effect January 1st. And, as you can see, the only columns that change are the "SCRC" column and the "Energy Service" column. And, again, the bottom line of that "SCRC" column, instead of a "negative 0.01210", with our revised proposal in the earlier docket, that should be a "negative $0.01142" per kilowatt-hour.

CHAIRMAN IGNATIUS: Can you do that number again please?

WITNESS HALL: Sure. Replace "0.1210" with "0.01142", or 1.142 cents.

BY THE WITNESS:

A. (Hall) Going to the far right-hand column, the "Total Revenue" column, replace the bottom line, the "0.01220", that should be a "$0.01288" per kilowatt-hour, or 1.288 cents.

CHAIRMAN IGNATIUS: I'm sorry, I got lost.

WITNESS HALL: Okay.

CHAIRMAN IGNATIUS: Tell me again why the SCRC number -- oh, I'm sorry it says there's a

difference. I got it.

WITNESS HALL: Yes.

BY THE WITNESS:

A. (Hall) The third page of the attachment -- I'm sorry, the fourth page of the attachment, shows the percent changes that we're proposing by rate component. So, if you look at the bottom line of the "Stranded Cost Recovery Charge" column, instead of "negative 64.38 percent", that ought to be "negative 60.78 percent". And, what that means is, the change that we're proposing in just the Stranded Cost Recovery Charge portion of rates, from "1.879 cents" on Page 1, to "0.737 cents" on Page 2, that's a decrease of 60.78 percent in that one component of rates. And, of course, the "Total Revenue" column should also change, from "8.19 cents" to "8.64 percent" -- I should have said "8.19 percent" to "8.64 percent".

The last page also shows percent changes. But, instead of percent changes to individual rate component, it shows percent change to overall revenue level. So, let's first make the correction to the "SCRC" bottom line amount, instead of a "negative 8.12 percent", that ought to be "negative 7.67 percent". And, what that says is, the Stranded

Cost Charge decrease that we're proposing, on average, would result in a 7.67 percent overall bill decrease, if you will. And, the "Total Revenue" column, "8.19 percent", that should also be "8.64 percent". And, we will revise these, and we can submit them very quickly.

CHAIRMAN IGNATIUS: Thank you.

BY THE WITNESS:

A. (Hall) Yes. The "Total Revenue" column, that represents an overall rate change, assuming customers are taking Energy Service rates. We have to somehow make an assumption as to what the Energy Service portion of the customer's bill will be. Since we don't know what customers are paying competitive suppliers, customers who don't take Energy Service from PSNH, we make a simplifying assumption for the purpose of this calculation, assuming that all customers do take Energy Service from PSNH. And, therefore, we come up with the total revenue percent changes shown in that "Total" column.

BY MR. FOSSUM:

Q. Just very briefly, I just wanted to ask one other question. In a prior ES docket, the Commission had requested that PSNH produce a report of certain

generation-related information. Has PSNH produced that report?

A. (Baumann) Yes, we have.

Q. And, has that been filed in this docket?

A. (Baumann) Yes. It was filed in a letter dated December 12th, 2012, under Docket 12-292, which is this docket.

Q. Oh. And, one --

A. (Baumann) It's a separate filing.

Q. Yes. One last question I had, regarding Exhibit 2, the technical statement, just as a point of clarification. In the technical statement, there's a reference to the Rate ADE, in Docket DE 11-216. Is the Company requesting anything relative to that docket in this docket?

A. (Baumann) No, we are not. We just put that in for perspective, as the paragraph states.

MR. FOSSUM: Thank you. Just wanted to make that clear. I have no further direct.

CHAIRMAN IGNATIUS: Thank you. Ms. Chamberlin.

MS. CHAMBERLIN: Thank you.

CROSS-EXAMINATION

BY MS. CHAMBERLIN:

Q. Mr. Hall, to follow up on Exhibit 3, when you talked

about the assumptions that you're making for customers taking the ES rate, when you referred to "all customers", who is that?
A. (Hall) It's all customers taking delivery service.
Q. Today?
A. (Hall) Yes.
Q. Today? Right now, you've got some customers that have migrated and some that have not.
A. (Hall) Correct.
Q. Are you talking about all those collectively or are you just talking about the customers that have stayed?
A. (Hall) The former.
Q. All customers collectively?
A. (Hall) Yes. And, again, the reason that we make the assumption is we're trying to demonstrate what the overall rate change amount would be that we're proposing on customer's bill amounts. If a customer isn't taking Energy Service from us, we don't know what they're paying for their Energy Service rates. I mean, they're all different. So, in order to try to demon -- in order to try to show an approximate average percent increase in total bill amounts from what we're proposing, we have to make some sort of assumption for the amount that they pay for Energy Service. And,

without any other information available, all we assume is that they would pay PSNH's Energy Service rate.
Q. So, for the Energy Service rate, it's an actual -- it's an actual cost?
A. (Hall) Yes.
Q. Because the whole transmission rate has all of these variable components, but you're not talking about those. You're just talking about the actual market components?
A. (Hall) I'm not quite following your question.
Q. Well, I just -- let me get at it another way, perhaps. I was looking at your December 12th filing. And, you had -- it's the Joint Technical Statement, Section C, and you're going over the changes. And, in Line 4 you talk about -- I mean, in Line 5 on, I don't know what this -- the page number is not given, you talk about "an increase in migration from 40 to 42 percent."
A. (Hall) Uh-huh.
Q. And, I'm just not understanding why you don't reflect that in this particular total revenue calculation?
A. (Hall) Because you'd get some pretty unusual results.
Q. Well, I must be looking at apples and oranges. Tell me what I've done wrong.
A. (Hall) Yes. The only purpose of this total revenue

calculation is for illustration.
Q. It has no actual rate impact?
A. (Hall) No.
Q. Oh.
A. (Hall) No. Exhibit 3 is just illustrative, to try to show the impact of all of the changes.
Q. All right. Then, let me go back to the Joint Technical Statement and go through your major drivers of the changes. Number 1, you talk about "higher forward electric market prices". What are the major drivers increasing the prices?
A. (White) The major drivers in the forward market prices?
Q. Right. Why do you project that they're going up?
A. (White) Well, we don't project. Those are -- those are publicly provided prices from brokers in the market. So, it's not unlike quotes on the New York Stock Exchange, is at the end of the day there are publicly published results of the trading day for transactions for electricity in New England in forward months. And, through time, as market conditions change, major drivers being weather forecasts and gas price forecast, natural gas price forecast, as the dynamics change due to those factors, what people are willing to buy and sell energy for in the future changes through time.

So, we monitor those markets. And, generally speaking, that's -- those are accepted assumptions for the price of power going forward.
Q. And, do you have a single source or is this a composite of various sources that you put together?
A. (White) There are multiple sources. And, they all essentially arrive at the same answer at the end of every day. We get what are referred to as "broker sheets" from a couple of different brokers, and, in addition, NYMEX publishes electronically results from their trading days.
Q. Okay. Going to Line 2, you've got Newington generation decreasing. This is the Newington gas plant, and it's decreasing because the gas prices are going higher?
A. (White) Yes. It's a dual-fired capability plant. But, generally, in these times, it's on -- it's fired by gas. And, what happened is, although market energy prices increased, gas prices, its fuel, increased more. So, its relative economics decreased slightly, and it generated a bit less.
Q. And, Line 3 simply follows that, it's the IPP prices are based on market prices, they are now going up, as we discussed in the last docket?
A. (White) Correct. Those are in the ES rate at market

prices.

Q. Line 4, you talk about "higher coal generation and lower loads". Can you explain that a little more fully?

A. (White) Well, on the "higher coal generation", which I believe is Item 1 in this list of changes, since market prices increased, the amount of energy provided from our coal-fired generating fleet has increased. At the same time, migration has increased. So, it's lowered the overall load, the energy requirements to serve load. The combination of those factors roughly equals the "407 gigawatt-hours" noted in Item 4, adjustments to market energy purchases.

Q. So, this projection for the next year doesn't take into account a plant being shut down, this assumes a plant continuing to operate?

A. (White) Well, it takes into account periods when generating plants are on "economic reserve" status.

Q. Which is simply not operating, but still available to operate?

A. (White) Yes.

Q. So, all I'm getting at is that you've made this assumption that this plant is operating, it's going to operate a little bit more, maybe not a lot more, but

that's your projection for the year?

A. (White) Correct.

Q. Did you include the Berlin Plant coming on line? Is it the Laidlaw Plant? He's telling me the proper name is the "Berlin BioPower Plant"?

A. (White) We have not included the assumption that that will be on line in the fall. We're aware that's the current projection. We haven't made the assumption that that's going to come to pass. It may well, but schedules, construction schedules can change dramatically through time. It's far enough out that we have not included that in this forecast.

Q. In terms of customer migration, on Line 5, you have the increase from "40 to 42.5 percent". Do you, in your projection, does that line continue to go up or does it flatten at about 42 percent?

A. (White) In this forecast, for the proposed 2013 rate, 42 percent is the assumed migration throughout 2013.

Q. And, you're not looking beyond that, you're just looking at 2013?

A. (White) Well, this is a 2013 ES rate docket. So, in that context, no, we're not looking beyond 2013. Some of the thinking with that is that, if you were to assume increasing or decreasing migration, you've

modeled an assumption into the rate that could in and of itself impact migration. If we assumed increasing migration, the rate would be higher, that would drive further migration. If we assumed less, it would lower the rate, that could drive reverse migration. So, we feel it's best to use the figure, actual data that we know, the latest available, at the time of the forecast.

Q. One way to stop or slow migration would be to lower your prices, correct?

A. (White) A lower rate you would believe would tend to stop or slow migration, or reverse it.

Q. Which you're not proposing in this docket?

A. (White) No, we're not.

Q. From historic numbers, looking at migration, has the curve gone up, down, up, you know, wavered, from the past to the present?

A. (White) There are -- there's a monthly variation to this migration statistic. It's not continually increasing. It goes up and down some. The general slope of migration over the past three years has been positive, which perhaps is what you're getting at. In 2012, the rate of migration is a bit higher than it was in 2011. So, that slope is a little higher. Is

that --

Q. That's what I was getting at. Yes.

A. (White) Just to add one point. I mentioned the "monthly variation", in fact, that statistic decreased a bit through November. We now have available actual data through November, and it dropped to below 42 percent. So, there are -- it does vary a bit on a monthly basis.

Q. One of the other points, are we on number -- number 7, we're talking about increases to Schiller 5, "Other forecasted changes totaling a net 1.3 million". Are you with me?

A. (White) Yes.

Q. Can you explain the updates to Schiller 5?

A. (White) The update to Schiller 5 has to do with the credit to customers based on the value of Class I RECs that are sold, generated by Schiller 5 and sold in the market. And, the assumed price at which those sales would occur was lowered slightly in this forecast. So, the credit to customers is a little bit less than in the prior forecast.

Q. "Congestion and losses" is the next issue?

A. (White) The primary component of that is the cost to move output from our coal fleet, from their price nodes at their locations to the New Hampshire load zone, which is the price that load sees. There's a small price separation, and with -- and it's an overall cost, it's an added cost, with higher generation that cost has increased somewhat.

Q. Are there plans to improve the transmission to lower that increasing price?

A. (White) The transmission topography is always changing. Maintenance and projects are always in play. I don't believe we're aware of any that would dramatically change the relationship we've seen.

Q. The "ISO ancillary and expenses", what makes that?

A. (White) That component actually decreased. And, essentially, those are ratable components. And, with less load, there are administrative charges from ISO-New England that are charged off to load, that we've modeled a little less load in this forecast, those costs have gone down.

Q. And, is that the same with the "RGGI expenses", if you modeled less load, the expenses go up?

A. (White) No.

Q. Oh. All right.

A. (White) RGGI expenses are actually based on generation output at our coal fleet and Newington, and the coal

fleet producing more energy, moves RGGI costs up.

Q. Okay. On the Class I RECs, there were changes in the Massachusetts definition of a "REC". Does that affect your ability to count on those revenues coming out of Massachusetts?

A. (White) It would affect our ability to make sales into Massachusetts. However, there are other markets out there to sell into, New Hampshire, Rhode Island, we have transacted in those markets in the past. They will be available in the future. In addition, we intend to sell into Connecticut markets as well. So, it's true that some of our RECs will not qualify in Massachusetts markets anymore, but there are other outlets to make those sales.

Q. So, this is a regional market, the New England region, essentially?

A. (White) Yes.

MS. CHAMBERLIN: That's all I have.

CHAIRMAN IGNATIUS: Thank you. Ms. Amidon.

MS. AMIDON: Thank you. I ask that Steve Mullen be permitted to conduct the cross. Thank you.

CHAIRMAN IGNATIUS: That's fine.

MR. MULLEN: Good morning.

WITNESS BAUMANN: Good morning.

BY MR. MULLEN:

Q. Sticking with the REC issue for a moment, with respect to Massachusetts, could you explain, Mr. White, the changes for 2013 and how that impacts the sale? And, for the next couple of years or so after that, what, if anything, may change beyond that?

A. (White) I'm going to qualify my statements up front that I'm not an expert on this. And, if what I provide isn't sufficient, there are others in the room who could probably provide more detail. Massachusetts has changed their REC regulations in that, for the output from biomass facilities to qualify in Massachusetts, they have made the requirement stricter. And, my understanding is, it's based on an addition to how the wood is harvested, the type of wood, and even soil composition. The impact on us is that we believe that we -- we acquire wood for burning at Schiller 5 from many different suppliers. And, some of the fuel supplied will qualify, some of it won't. We believe it will be less than 50 percent of what we buy as fuel will qualify in Massachusetts. Therefore, as discussed previously, we'll sell the other output into other

markets.

There's been a little price separation seen in the markets, in that Class I RECs, in Massachusetts, their price has increased a bit relative to Class I RECs in other markets. In addition to that, the Mass. regs are changing efficiency requirements effective in 2016. And, Schiller 5 output will not qualify under those stricter efficiency standards.

Q. But, with that, you currently still expect to be able to sell those RECs, as you mentioned, in New Hampshire and Rhode Island? And, are you certified yet in Connecticut?

A. (White) I believe that's in process. That's subject to check. I don't believe we are yet.

Q. Okay.

A. (White) But, yes. Yes. The price assumptions in this forecast are from the broker sheets from the markets we've been talking about. And, there hasn't been a decrease in the market assumptions for the value of RECs. As I said, the only change has been the Massachusetts RECs have increased slightly. So, for a portion of our output, it may actually have a little bit more value, to the extent we can still sell into Massachusetts.

Q. Overall, in terms of not just Class I, but for the various classes of RECs, do you see PSNH's costs increasing going forward?

A. (White) In out years?

Q. We'll start with 2013, and then beyond that.

A. (White) Well, I guess, yes. I mean, the market is designed, I think, that prices will increase, the requirements for the various classes are typically -- the volume necessary is typically a percent of load. And, those percentages increase every year, at varying rates for the different classes. In addition, the Alternative Compliance Payment is indexed to CPI. So, absent a physical sale or purchase, the rate that's applied is a rate that increases through time, presumably as the CPI increases. So, costs would go up through time, I think, by design.

Q. And, that's essentially, all else being equal, assuming like your load stayed the same, if your load were to decrease, then, of course, your percentage of that load that you have to pay in -- that you would have to acquire RECs would also change accordingly?

A. (White) That's correct.

Q. So, it's kind of a trade-off from one to the other?

A. (White) Yes. I was speaking more in terms of a rate.

But, in terms of dollars, absolutely, your load volume would have a large impact on the dollar amount.

Q. In terms of, and I don't know if you could address individually, the Newington and Schiller and Merrimack Station, how the planning assumptions for those may have changed for purposes of this filing, as compared to the past?

A. (White) Okay. I'll start with Newington, which the planning assumptions for Newington are essentially unchanged, compared to previous projections. Newington is a gas-fired utility. Gas is the most economic fuel currently, and has been for the last few years. So, our approach for modeling Newington really hasn't changed.

With regard to Merrimack, not a lot of change there. We adjust -- we adjust months during which they will operate, based on changes in forward market prices. And, given different forward prices, the pattern of generation changes, as we've seen from our September projection to now. And, we typically view Merrimack dispatch on either a monthly or a weekly basis. That hasn't changed a whole lot.

With regard to Schiller, as our fuel stock for Schiller has increased a bit, and its

capacity factor was decreasing in our projections, when based on a monthly average view. So, we've, this year, implemented a more rigorous dispatch algorithm for the Schiller plants based on a daily dispatch, to, we feel, more accurately represent its expected operation during 2013. So, it's a more detailed dispatch algorithm.

Q. Mr. Baumann, if you could turn to Exhibit 2, and I'm looking at Attachment RAB-2, Page 7. And, this is showing detail of wood IPP purchases. We had some discussion of the Wood IPPs in the prior proceeding this morning, and I wanted to just touch base on this a little bit.

CMSR. SCOTT: Mr. Mullen, can you tell us where we are again?

MR. MULLEN: Sure. I'm on Attachment RAB-2, Page 7, of Exhibit Number 2. It should have at the top, the top right corner should say "Docket Number DE 12-292". And, this should be a spreadsheet that has detail of wood IPP purchases for the year 2013.

CMSR. SCOTT: Just for clarity sake, that's "RAB-4", correct? "Attachment RAB-4"?

MR. MULLEN: No. I'm looking at RAB-2, Page 7.

CMSR. SCOTT: Got it. Thank you.

MR. MULLEN: Okay.

BY MR. MULLEN:

Q. Mr. Baumann, looking at this, if I was to look at the first set of horizontal lines that are labeled "Generation - Megawatt-Hours", and starting in the months where the zeros show, does that mean that those contracts will be ending in the prior month?

A. (Baumann) Yes.

Q. So, as we look through the end of 2013, looks like there's only one of those contracts that's still in effect as of the end of the upcoming year?

A. (Baumann) Yes. That would be Springfield.

Q. And, beyond -- and, beyond those contracts, there's no additional commitments to purchase from those units?

A. (Baumann) That's correct.

Q. Would it be a fair summary of the changes in Exhibit 2, as compared to Exhibit 1, to say that gas prices have increased a bit and market prices have increased a bit, therefore, you plan to run the Newington on gas less, but your coal plants more to meet the load?

A. (White) Yes. That's accurate.

Q. And, with the other major change associated, it has to do with customer migration, in terms of the loads?

A. (White) Yes.

Q. Mr. Baumann, will this be the last time you're before the Commission as a witness?
A. (Baumann) No. I believe I may be here in January, some week in January.
Q. Then, I won't put the cart before the horse.
A. (Baumann) Giddy-up.
(Laughter.)
MR. MULLEN: Thank you. I have nothing further.
WITNESS BAUMANN: But thanks, though.
CHAIRMAN IGNATIUS: I feel like we missed an announcement somewhere. I guess we have to wait until January. Questions from the Commissioners?
CMSR. HARRINGTON: Yes.
CHAIRMAN IGNATIUS: Commissioner Harrington.
BY CMSR. HARRINGTON:
Q. Okay. I guess we'll start with Exhibit 2, on Section C.1. And, I guess it's Page 2. And, on the top line there, which is 1, it says "Projected coal generation increases...due to higher forward electric market". So, apparently, what you're saying is, because the clearing price in the electric market -- the energy markets is going to increase, that the coal plants

will, therefore, clear more often and they will be dispatched more often economically?
A. (White) That's correct.
Q. So, then, in your previous estimate, what were you estimating for your capacity factor for the coal plants for the year?
A. (White) Approximately 25 percent at the Merrimack units, and 5 percent at the Schiller units.
Q. And, now, the new estimates had them go to?
A. (White) Just over 30 percent at the Merrimack units, and seven and a half percent at the Schiller units.
Q. Okay.
A. (White) Eight percent, actually.
Q. Okay. Thank you for that information. And, on, I guess, again, whoever is most appropriate should answer, rather than me try to select them, on Exhibit 3, which has the various charts of how rates get affected and so forth, on each of the charts, up in the title, it talks about "Based on Actual Sales for the Twelve Months Ending December 2009." First, I guess to start with, why are we using old information? I assume we know actual sales much more updated than that.
A. (Hall) This information is prepared from information we use to file what's known as a "bingo sheet" for rate

changes. The Commission rules require the filing of a document called a "bingo sheet".
Q. A "bingo sheet"?
A. (Hall) "Bingo sheet", yes. It's basically a -- I can't remember what rule it is, but it's basically a table that shows present rates, proposed rates, amount change and percent change, by rate class. And, bingo sheets are based on kilowatt-hour sales from the test year, which is also the time frame used to calculate PSNH's rates and prices -- rates and charges in its tariff. So, to be consistent with the rates and charges that are calculated in the tariff, and with the bingo sheet requirement, we use the same data here. So that the "twelve months ending 2009" was the test year in our last rate case.
Q. Okay. Now, I understand. Then, when you say "actual sales" here, are you talking sales as in distribution or sales as in energy?
A. (Hall) Distribution.
Q. Distribution?
A. (Hall) Yes.
Q. And, has there been much of a change over that period of time?
A. (Hall) Bear with me for just one moment.

Q. I'm not looking for an exact number, but just maybe a round --
A. (Hall) Well, I can give you sales from the test year. In megawatt-hours, it was 7,657,472 megawatt-hours, 7,657,472. What I was doing is I was going to try to compare that to the numbers in Mr. Baumann's attachment that was a projection of sales for 2013.
Q. Which, if memory serves me right, it's going to be pretty close.
A. (Hall) It is. 2013 projected sales are 7,785,920.
Q. Okay. Thank you. There was discussion on the migration. And, it was stated that the migration dropped through November or is that -- I guess I take it, some customers who left had come back?
A. (White) Yes. I think there's always customer movement. It could also be the way different customers' energy usage changes from month to month, as they adjust operations, because it's really a statistic that looks at the relative consumption between two groups.
Q. So, that could be a statistical anomaly showing a small return?
A. (White) It's possible. I think it's real, it's actual data.
Q. Uh-huh.

A. (White) And, there's a seasonal pattern to it. So, it may well have to do with heating, some customers heating more than others, things like that.

Q. Okay. And, you -- in the exhibit, it says "45" -- "42.5 percent" was the migration rate that you were using for the year. Now, does that represent what you project it to be on January 1st or is it a monthly average or for the whole year or what exactly does that figure mean?

A. (White) That's based on actual data through October of 2012, which was the latest available data we had for this filing.

Q. Okay. And, as I think in the questions from the OCA, you said that the trend for migration has been going up. So, it would be safe to say that, if this is actual data from October, that, once we hit January, that number is probably going to be outdated, and, in fact, the number would be higher, and it would continue to get higher as the higher rate came in and progressed that way throughout the year?

A. (White) You could make that assumption, I suppose. I think market conditions would probably logically leave you there -- lead you there. Again, we don't want to influence that by making an assumption up front. So,

we go with what we know.

Q. So, you go with what you know, and you go into 2013 and you just close your eyes and cover your ears and hope that "I don't know anything about migration rates, and let's hope they don't go up when we look at them next time"? I mean, there's no projection by the Company as to what you think a year from today, for example, the migration rate will be?

A. (White) Well, again, if we made those assumptions, we would influence the result. Keep in mind also that weather patterns can have a great deal to do with load volume.

Q. Well, let me make my question a little bit clearer then. I can understand where you're afraid of the cause-and-effect relationship of making an assumption that will tend to drive more people to migrate, so you don't want a public number. But are you sitting there telling me that the Company has no internal confidential number of what they think the migration rate will be in 2013? You just ignore that fact?

A. (White) Well, no. I think it's been the subject of much discussion, internally and in this forum. That, should migration continue to increase, what are the impacts to customers and the Company? There have been

some discussions and proposals around that. There was a docket established to discuss migration. I don't think we're unaware of what's been happening and what may happen in the future.

Q. But the Company, for economic planning purposes, has not done any analysis as to what they think the migration rate will be in 2013?

A. (White) Well, --

Q. That should be a "yes" or "no" question please.

A. (White) No. We have looked at different scenarios. Was that -- does that answer --

Q. Yes. So, you have done analysis then. I guess you would say that would qualify, looking at different scenarios, would say you've done analysis on what could be migration rates in 2013?

A. (White) Yes.

Q. Okay.

A. (Baumann) Commissioner, just to add, there is -- I believe there's a data request in this docket that asked for that. And, Mr. White may be referring to that as his analysis. I think it assumed a migration rate up to 48 percent, and what the rate impact potentially would be.

Q. That's what I was looking for.

A. (Baumann) And, I think that -- I think it was about a tenth of a cent for every two, two and a half percent of migration, would be a general ballpark figure.

CHAIRMAN IGNATIUS: Can you say that again? A tenth of percent -- a tenth of a cent for --

WITNESS BAUMANN: Yes. About a tenth of a cent, which I call a "mill", some people like mills, for about two, two and a half percent. It's Data Request OCA 1, Number 2.

CHAIRMAN IGNATIUS: All right. We don't have that available to us. So, perhaps OCA can produce that when Mr. Eckberg is on the stand. Thank you.

CMSR. HARRINGTON: That would be helpful. Thank you.

BY CMSR. HARRINGTON:

Q. Getting off migration rates for a little bit. Someone had said that bringing on the -- I guess the correct term is "Berlin Biomass Power Plant", something to that effect, it was scheduled to come on in the fall. But, in your projected rates, you didn't account for that coming on line, is that correct?

A. (White) That is correct.

Q. And, the reason for that is, do you know something about it? Are they behind schedule? Are they facing

some delays or --
A. (White) No. I believe that projected fall in-service date is actually a significant acceleration to the original schedule, which was something like mid 2014.
Q. And, then, why was that not incorporated into the rate for 2013, if it looks like it could have an impact on the rates? Excuse me.
A. (White) I guess the confidence level in that in-service date is -- didn't lead us to believe it should be included.
Q. Okay. So, what happens then, if it does come on, let's, for the sake of argument, October 1st, that's kind of mid fall, the fall, then would you be coming back with your Default Service rates for next year and have to recoup that money, so it would be slightly higher to make up for, say, whatever, October, November, December, the Laidlaw production?
A. (White) Yes. Eventually, it would have to be recovered. Typically, we would update the ES rate for July 1st.
Q. Uh-huh.
A. (White) Filing in the May and June time frame. We'll know more at that point whether that schedule has moved.

Q. So, you have a high confidence level of the schedule at that time, so you're waiting until then to make any adjustments?
A. (White) We'll have a higher confidence level, yes.
Q. Fair enough. The ISO has been looking at things for probably this winter, and maybe the winter after this, there's been a concern over overdependence on natural gas, the fact that there's a lack of dual-fuel capability from a lot of the plants. And, one of their proposals is to basically run some plants out of merit in preparation for potential cold snaps, where they would think that they would need non-gas provided generation. Is there any thing in your proposed rate that would account for this fact that, you know, that Merrimack Station could possibly be dispatched a day or two in anticipation of extremely cold weather, and they could, even if the cold weather didn't materialize, that they would be paid uplift costs, and, of course, if it did, then they would be up and running and ready to go at a time of what would potentially be higher rates? I know that's very difficult to account for. I'm just wondering if there was any attempt to do that in here?
A. (White) We haven't explicitly modeled that. And, we do

communicate with ISO regarding fuel inventories. And, so, they're aware of our ability to run in those circumstances. So, we are prepared to meet those needs. Our coal facilities may be some they turn to.
Q. And, in Newington, you mentioned selling the oil. If there was one of these cold snaps, and gas -- does Newington have firm gas? Let me start with that.
A. (White) Newington does not have firm gas. They would be impacted by constraints on the system. Newington does have oil inventory.
Q. So, they would be able to run in a gas constraint situation?
A. (White) That's correct.
Q. Okay. Good. Just a general question on, when you do your projections, you had said you had had capacity factors, and then they went up slightly due to increase in market rates. Overall, is there a point where the -- I'm trying to get the level of where the cost becomes beneficial, the running becomes more beneficial to the consumer? In other words, we have the cost, and let's just take Merrimack, whether it's running or not, it's in the rate base, the customers are paying for that. Now, if it's running at a lower percentage, that's because it's cheaper for the customers to buy

the power from the market than it is to turn that on and absorb the additional cost of fuel. So, is there some point where -- some capacity factor where you actually could lower rates through increased running or is that just strictly based on getting a market rate high enough so that that would occur?
A. (White) As market prices increase, a pure market -- a pure full requirements service off the market increases faster than our ES rate would increase. Because, as you said, as the price increases, our units would come on line at a certain price and cap costs at that point. So, yes, there is a price point in the market. And, if it was met in every month, our units would generate in every month.
Q. And, that is around 45? I mean, or is that confidential?
A. (White) Forty-eight dollars, let's say.

CMSR. HARRINGTON: Forty-eight dollars, okay. All right. Thank you. That's all I had.

CHAIRMAN IGNATIUS: Commissioner Scott.

CMSR. HARRINGTON: I appreciate, because those were kind of complicated questions, bearing with me. Thank you.

CMSR. SCOTT: Thank you. Good after --

good morning still. And, again, I'll direct these questions to whoever is best.

BY CMSR. SCOTT:

Q. And, probably, back to the migration question, and this may be just my faulty memory, which is not unheard of. So, on Exhibit 2, you talk about an increase in migration up to 42 and a half percent. I thought I remembered recent filings on 44 to 45 percent, is that correct?

A. (White) I believe that's correct. There are a -- there are separate filings for migration, that I'm not directly involved with. It's a slightly different statistic than what's utilized here. This looks at both energy and capacity. The other quarterly filings that the Company makes are energy only. And, this is monthly load, and the other filing is based on sales, which has some meter read components to it, in the timing. So, I think you're correct, some of those more recent filings indicated a higher migration level than what's shown here. They're two -- they're calculated two different ways, both are valid statistics. We feel that, for this purpose, this is the correct calculation to be made. Does that get to your question?

Q. Okay. I think so. So, you don't find the two

inconsistent then, the way you've done it?

A. (White) No. There are good reasons for the differences between the two.

Q. Okay. I'll accept that. All right.

A. (White) Well, as I said, they are calculated -- the calculations are simply different.

A. (Baumann) The calculations that he's referring to, some of them are based on billed sales. So, they're not as, in my opinion, they're not as accurate, on a monthly basis, on looking at the actual monthly migration rates. Because, you know, Mr. White goes off of actual generation load in a particular calendar month. Whereas, billed sales will be calendar reads from the previous month and the current month, it's kind of a blend. So, any time you do an analysis of energy and generation, we always stay with the load analysis. Because, when you start looking at billed sales, you know, you may say "gee, the billed sales were down in November". Well, not really, because half of those billed sales in November come from October, depending on weather patterns. Billed sales analysis can get a little less intuitive, just because of the change and the impact that you have on billed sales, and then the delay and timing of those billed sales, you know,

getting on the customers' meters.

Q. Okay.

A. (White) The data used here is actual monthly data. It's load that actually occurs during a calendar month.

Q. Okay. And, again, I apologize for rehashing this with some of the same questions. So, I believe I understand the Company's position, that you don't want to project -- you want to take a snapshot, I don't mean -- I don't want to put words in anybody's mouth, but you effectively want to take a snapshot of migration and apply that, so you don't, basically, have an impact on causing more migration by doing a projection. Is that a fair statement?

A. (White) Yes. That's a fair statement. We use the most recently -- the most current actual data available.

Q. Okay. But, having said that, and I understand they're perhaps apples and oranges, obviously, your projection on fuel prices and other things that potentially raise your service rate, is that correct?

A. (White) Yes. There are many assumptions that go into this forecast. Cost of fuel being a major one.

Q. Okay. I'll go onto another topic.

A. (Baumann) Commissioner, I just want to add, I'm sitting here with a burning desire, but we've talked about this

internally. But, then, you have to start bringing the situation, let's say we get the Alternative Default Service rate. How would that impact migration? I mean, there are a lot of, really, a lot of unknowns. And, that's one of the drivers that has, you know, brought us to the decision as to not to try to project something because of the unknowns. Certainly, we're not sitting here today saying that this increasing rate is going to decrease migration. But the question is, what will the markets do and what is going to happen with an ADE, and how might that impact the markets? Because the ADE rate that we've put down here in the lost paragraph of the technical statement is starting to become market competitive. Depending on when we set that ADE rate, it may even be set lower in the future. What's the presumption of large customers? It doesn't take a lot of customers to come back, potentially, to impact migration, if they're large. You know, tens of thousands of small residential customers can be dwarfed by one or two large industrials. So, relationships that they might have with their suppliers; sometimes they're smooth and sometimes they're not, and sometimes customers want a little more stability.

So, there's just so many unknowns to us.

And, we've sat there and discussed this, and we said "not sure how we would even do it." Other than, "yes, well, price is going up, will probably be some more migration." But then we get into the "what ifs" and "what ifs" and "what ifs", and it's just very difficult to quantify.
Q. Okay. Thank you for that. So, moving on to RAB-4 -- excuse me, 2. I just, generally, when I look at, in this case, the RGGI costs, there are certain months where you show zero cost. I was just curious how you project all that?
A. (White) RGGI costs are a result of generation -- emissions from generation. So, in months where our generation is not running, --
Q. Oh. Okay.
A. (White) -- we show no RGGI costs in those months.
Q. Okay. That makes a lot of sense. Okay. Thank you. Similarly, the RPS costs, I assume, since you're projecting selling as much as you can in the Massachusetts market, where you get -- I assume that's because you get the most money for the RECs you generate, you've already talked about perhaps selling into the New Hampshire and Connecticut markets to make up for anything that you can't do for the Massachusetts

market. So, are the costs shown here for the RPS, are those for making the New Hampshire ACP payments? Is that what that is?
A. (White) Essentially, yes. Those are the costs associated with our load. They do not include the credits associated with the revenues we receive for Schiller 5, which are actually netted out of Line 12 in RAB-2, "Fossil energy costs".
Q. Okay. You anticipated my question, so that's -- all right. Great.

CMSR. SCOTT: Excuse me for just a second.

(Cmsr. Scott conferring with Chairman Ignatius.)

BY CMSR. SCOTT:
Q. I wanted to briefly discuss your separate filing, which you've asked to be considered "confidential". And, my intention is to ask you questions that are not confidential in nature, but general. But, again, we can go, well, --

CHAIRMAN IGNATIUS: Yes. I think, in any of these, when we have confidential information, we want to be very careful to first start general, and see how far we can go without going into confidential matters.

If it's necessary to do that, we will. We just need to make sure the court reporter knows that we're heading there, and we need to have people who are not authorized to receive the confidential information to be out of the room. So, it's a cumbersome thing to do. We want to block those questions together and not have people popping in and out. So, think about questions and answers, and try to reserve anything that really delves into the confidential matters to do as a block.

MR. FOSSUM: And, Commissioner, before you begin, I don't know that, necessarily, the members of the panel who are present up there are the best -- would be the best to answer any questions you might have. We have others in the room who would probably be better suited for your questions about that report specifically. If you'd like, we can have them sworn, I guess. But that would depend on the nature of your questions.

CMSR. SCOTT: So, would it be best to do this later in the proceeding?

CHAIRMAN IGNATIUS: Maybe so. Why don't we continue with the materials contained in the Energy Service filing, testimony and Joint Statement, Joint Technical Statement. And, then, maybe think about what the questions are, and whether we need to call Mr. Smagula

or otherwise, whoever else to the stand.

CMSR. SCOTT: If that's the case, I'm all set for now.

CHAIRMAN IGNATIUS: All right. I have a few more questions on the matters having to do with the calculations for Energy Service.

BY CHAIRMAN IGNATIUS:
Q. You gave us capacity factors for Merrimack 1 and 2, and the Schiller coal units, in questioning from Mr. Harrington. Do you have the current capacity factors for, and then the projected ones, for 2013, for Newington and for the Schiller Bio, Unit 5?
A. (White) The projected capacity factors in this filing, will that answer your --
Q. If you have current and projected, that would be helpful.
A. (White) Current being our September filing versus the December filing?
Q. If that's -- if that was the basis of the ones to Commissioner Harrington, --
A. Yes.
Q. -- was it September?
A. (White) Yes, it was.
Q. Okay. That's fine.

A. (White) Excuse me. Schiller 5 was 79 percent, and remains at 79 percent. It's baseload dispatch. Newington went from 3 percent to 2 percent. I believe there's some rounding in those numbers. I don't know that it's a full one percent delta there, but those are the rounded numbers. The hydro facilities were at 67 percent, and are still at 67 percent. And, the ICUs do not dispatch in either, in either case.

Q. What are "ICUs"?

A. (White) The jets, the internal combustion units, the very high-priced peaking units.

Q. All right. So, that's consistent with a response I think you gave to Ms. Chamberlin, that you expected that, with market increases in natural gas, you would dispatch Newington a bit less, and coal, the coal units a bit more?

A. (White) Correct.

Q. So, is it correct then that the increases in natural gas you're expecting are significant enough that coal is now a more economic fuel source?

A. (White) Yes. That's what's occurred in the changes to price projections. So, they have dispatched in more months and saved customers money. They're still available in all months, should prices increase in

those months, to a certain level. But that's what's happened.

Q. Also, on the RPS changes in Massachusetts, and the impacts on Class I RECs, is it -- is it a flash-cut in the changes under the new Massachusetts rules or is there a phasing out of the -- or, a phasing in of the new requirements, if anyone knows? It seems to me I've heard that it's a phased process, but it seems as though your testimony was it was a flash-cut?

A. (White) It's my understanding that it's a "flash-cut", as you say, effective January 1st, 2013, for the new qualification as Class I RECs. The efficiency standards are phased in in 2015 and '16, I believe.

Q. All right. Is there any analysis of what it would take for Schiller Unit 5 to become eligible under the new standards in Massachusetts?

A. (White) Again, I'm not the expect. We worked with a consultant to look at exactly that. As we discussed, we have multiple suppliers of wood fuel for the facility. So, it would -- it's a look at each supplier's capability to provide the new RECs that meet the new Mass. qualifications. So, that's probably about as much as I know about it.

Q. So, it's wood supply, and not the operating efficiency

of the plant, that would make the difference? Or, are there two different changes going on at once?

A. (White) It's both. There are two different changes to the regulations.

Q. On the changes to how the Company intends to dispatch Schiller, were you talking about Schiller Unit 5 or would it be the other Schiller units?

A. (White) It was the coal units, 4 and 6.

Q. Okay. And, that you were, instead of looking at them on a monthly basis, you'd be looking at them on a daily basis?

A. (White) Correct. That's a change to the modeling that we made.

Q. Is it your expectation that, by looking at on a day-by-day basis, there will be more opportunities where it would be economic to bid in the Schiller unit -- those Schiller coal units?

A. (White) Yes. And, that's why we did it. In the past, it was, let's say, it was efficient to look at monthly averages. We didn't feel that was an accurate representation any longer. Schiller 4 and 6 do, in fact, have a fair amount of dispatch flexibility. So, and, in fact, ISO, in recent months, has utilized them in that fashion more and more. So, we felt it was the

correct adjustment to make.

CHAIRMAN IGNATIUS: All right. I have no other questions. I think what would make sense -- okay, another question, Commissioner Harrington, not on the confidential portion?

CMSR. HARRINGTON: Yes. Just getting back -- excuse me for all this coughing, I apologize.

BY CMSR. HARRINGTON:

Q. On, let's say, Merrimack, you said your projection was going up to about a 30 percent capacity factor for next year. And, again, if this is anything confidential, just say so. As far as bidding strategy, you bid into the day-ahead market?

A. (White) Yes.

Q. And, is there a minimum time offer associated with that? Because, being a large thermal plant, you don't -- you know, clearing for one hour is not going to do you much good.

A. (White) Unit parameters are part of the offers that go into ISO-New England on a daily basis.

Q. So, you bid in daily. And, then, when those parameters are met, and the clearing price is high enough, then you would be dispatched?

A. (White) That's correct.

CMSR. HARRINGTON: Okay. That's what I was trying to get clarified. Thank you.

CHAIRMAN IGNATIUS: What I'd like to do is take a fifteen minute break to give everybody a chance to think about questioning in the confidential matters, and including the ultimate question, "is it appropriate at this point to go there or should that be taken up at another time?" I've just been sort of stewing over that in my own mind for the last few minutes. I know it was submitted on September -- excuse me, December 12th. I don't know if the OCA received a copy of it?

(Atty. Chamberlin nodding in the affirmative.)

CHAIRMAN IGNATIUS: Looks like you did. And, I know, in Mr. Eckberg's testimony, there was a comment about, you know, not being able to really address things that haven't yet been received. It has now been received, but not for very long. And, whether there's been any discovery among the parties on those matters.

MS. CHAMBERLIN: Your Honor, we were going to ask that we address this sometime in the future. Because we've read it, but we've done no discovery, and we don't really have time to do an analysis of it.

CHAIRMAN IGNATIUS: Ms. Amidon.

MS. AMIDON: Thank you. I would echo that. And, our approach, as Staff, is that we, obviously, didn't have time to look at it, when we have an Energy Service rate that they want for effect January 1. And, as this docket continues into 2013, we believe it will be appropriate to make inquiry of it, and perhaps have some kind of recommendation in the mid year review or the mid year adjustment to the rates. And, we briefly sort of aired that with everyone, which is why we, the Consumer Advocate mentioned that, we envision this going forward and being able to take more careful examination going forward. Thank you.

CHAIRMAN IGNATIUS: Mr. Fossum, any thoughts on that to add or --

MR. FOSSUM: No. That is accurate. That was shared with us, the desire to continue reviewing this, the report, going forward, with a potential recommendation or discussion sometime down the road.

CHAIRMAN IGNATIUS: All right. Let's take a short break, and we'll talk about that among ourselves as well. Thank you. Let's resume, actually, in ten minutes, at 11:45.

(Recess taken at 11:37 a.m. and the hearing resumed at 11:50 a.m.)

CHAIRMAN IGNATIUS: We had a chance to think a little bit about how best to approach the filing that the Company made at our request. And, I think, for a number of reasons, we're not going to go into it today with witnesses. We agree with all of the parties' comments that there is more discovery and more detailed analysis needed on all of our parts, and don't want to launch into it today.

There are a couple of things that would help to clarify, really, let the parties know that we would find it useful to clarify as you go through the discovery process. And, so, really just to make sure that you know a couple of things that occurred to us in the first very quick read through the materials, just let you know what we were thinking, and that will help in the discovery, so you're not caught by surprise when we do come back to go into it in more detail. I think each, both Commissioner Scott and Commissioner Harrington had things they wanted to raise, to just sort of give you a heads-up.

CMSR. SCOTT: This may be the same issue for both of us. As you move forward, I would just ask the Company to, in the filing you gave us a little lot of metrics, and we certainly appreciate it, what you've done

here. It would be helpful for the Commission to -- if the Company could make an attempt to look at and give us, basically, a frame of reference. So, what do other companies, to the extent of your knowledge, do for these different metrics that you've discussed. Certainly, the closer you can get to New Hampshire and your competition, so to speak, that that would be helpful. Obviously, you have other sister/brother entities in the region, certainly could do that, I'm sure, also. So, it would be helpful just to have a baseline of that type of information, if that's clear enough. I can go into more details, if you need it.

MR. FOSSUM: I guess I would be curious, since it's a generation report, and you said, you know, the Company has sister companies in the area, none of which own generation, though. So, I'm not sure what comparisons it is that you'd be looking for us to make there.

CMSR. SCOTT: All right. I'll be more specific, so thank you. The last thing I want is you to walk away with a big question mark in your mind, which I may cause anyway. So, on the generation side, to the extent you can, and I know merchant plants are, again, it may not be public, but, to the extent you can compare some of the data you've provided to a comparable merchant plant, that's important to us.

Less generally, your labor costs, that type of thing, and, you're right, it has to do with generation. But, if there are other type of overhead-type things that you can compare to your sister companies, and if that's not -- you don't feel that's constructive, that's fine also. But I was really looking for something we could look at to judge against others, if that makes sense.

CHAIRMAN IGNATIUS: Commissioner Harrington.

CMSR. HARRINGTON: Yes. Just to sort of follow up on that, I feel the same thing that Commissioner Scott did, that, you know, you need to look at your competition in this market, what sets the price that we talked, of the $48, is being set by merchant plants. And, whether we -- everybody likes it or doesn't like it, that's the way the market works in New England. So, I think that's what you need to compare to. There's certainly a large number of, for example, oil plants that have a very low capacity factor, even lower than the proposal for Newington. How much do they reduce staff? What do they do with maintenance requirements? Have they

been able to cut their operating costs substantially, simply because they're not running very often? So, those are the type of things that we need to be looking at there. There's other coal plants in New England that have had a major reduction in capacity factor as well. What kind of reaction have they taken? I don't know how much of this information is public, but, to the best you could, to provide that would be very helpful.

One other, just as a question on the report, without getting into specifics or anything confidential, I'm just looking for a definition. On Page 3, it says "Overview: Capacity factor discussions". And, on the top of the page, it talks about "high capacity factor", and then goes into Newington Station historically. And, you're talking what I assume is the standard use of the word "capacity factor". How many hours do you run at what percentage of full power in the course of a year? And, then, down the bottom of the page, sort of a new term comes out that I'm not that familiar with, where you talk about Newington's operation "45 to 50 percent of the days", and Merrimack Unit 1 and 2 from "60 to 70 percent of the days". So, I just would like to see that defined. And, I could guess to mean, if you operated one hour in each day for a year, you would be

operating 100 percent of the days, is that what that implies, even though your capacity factor would be very, very low? So, maybe for consistency, this seems to be a new term, if you could stick with the standard definition of "capacity factors", rather than this new one, or at least define what this new one is, it would help me out. And, thanks for putting up with all my coughing, by the way.

CHAIRMAN IGNATIUS: One other, just clarifying thing. On the Pages 10 through 12, there are a number of graphs. And, I'm sure, in color, it's clear which is which, but, in black and white, it's a little mysterious. Do the numbers -- do the lines follow the order, you know, to the right, is it "Merrimack", "Schiller", "Newington", and "Totals", do the lines depicted follow that same pattern or do they move up and down? They all look the same to me.

MS. TILLOTSON: You want an answer? The totals would typically be on the top. So, even though it's listed on the bottom, that -- so, no, they don't go together. Sorry.

CHAIRMAN IGNATIUS: So, maybe, if it's possible, to resubmit at some point, with either one in color or change to some sort of hash marks across them or

something, so that we can follow. You don't need to print everything in color, that's expensive. But something to differentiate would be helpful. Thank you.

We have the OCA calling Mr. Eckberg in this case, correct?

MS. CHAMBERLIN: Yes.

MR. FOSSUM: Before continuing, may I ask one process question about this report is, the request itself from the Commission was set out in an order, and was very particular to PSNH and PSNH's operations, materials, and capital costs. And, it sounds like now you're looking for a comparison with other companies or other entities and additional information. Will there be an additional order that comes out that sort of explains this differently, in light of the questions that you have about the report?

CHAIRMAN IGNATIUS: That wasn't our intent. It was really to be able to have some sort of a benchmark to compare, put the submission in context with other units. If you feel you don't have that information, we can explore other ways to obtain it.

MR. FOSSUM: No, no. As I said, it was a process question mostly. Because the way that I had read the Commission's request before, it was very particular to PSNH's costs and what those costs are, and that's what we had provided. So, to the extent that it's a comparison of PSNH's costs to some other costs, that's what I was curious as to -- if you'd prefer not to issue that as part of a separate order, we can simply issue an addendum to the report for some additional information or to just expand the report and resubmit it, we can do that.

CHAIRMAN IGNATIUS: All right. And, we'll consider your question, whether we should have an order. I don't think it was a conclusion that you weren't in compliance or there was something inadequate in the filing. It's just, as we looked at it, realized that that context was important.

All right. Anything further? I think our hope is to plow forward right now, call Mr. Eckberg, not take a lunch break, and see if we wrap up without need to take a break. Is that acceptable to everyone?

MS. CHAMBERLIN: That's fine.

CHAIRMAN IGNATIUS: All right. Good. Then, Ms. Chamberlin.

(Whereupon *Stephen R. Eckberg* was duly sworn by the Court Reporter.)

STEPHEN R. ECKBERG, SWORN

DIRECT EXAMINATION

BY MS. CHAMBERLIN:

Q. Mr. Eckberg, please state your name and position for the record.

A. My name is Stephen R. Eckberg. I'm employed by the Office of Consumer Advocate.

Q. And, did you file testimony in this docket on November 21st, 2012?

A. Yes, I did.

Q. And, do you have any changes to make to that testimony?

A. No, I do not.

MS. CHAMBERLIN: I'd ask that this be submitted as the next exhibit, "Exhibit 4".

CHAIRMAN IGNATIUS: So marked.

(The document, as described, was herewith marked as Exhibit 4 for identification.)

MS. CHAMBERLIN: And, I'll go ahead and do this now. At the request of the Commission, I think everybody already has copies of this, but this is the response to OCA 1 of 1 -- 002 of 01. So, we will hand that out.

(Atty. Chamberlin distributing documents.)

CHAIRMAN IGNATIUS: This is the response

to OCA 01-002, is that correct?

MS. CHAMBERLIN: That's correct. Right?

CHAIRMAN IGNATIUS: All right. And, I appreciate you digging that out. And, we will mark this as Exhibit 5.

(The document, as described, was herewith marked as Exhibit 5 for identification.)

MS. CHAMBERLIN: We're going to assume that everyone has read the testimony, and we'll forgo a summary, unless you wish it?

CHAIRMAN IGNATIUS: Can you speak into the microphone?

MS. CHAMBERLIN: Oh.

CHAIRMAN IGNATIUS: Thank you.

MS. CHAMBERLIN: Would the Commission like a summary of the testimony or are you fine?

CHAIRMAN IGNATIUS: I think everyone has read it, I know everyone's read it. So, I don't think we need to do a summary.

MS. CHAMBERLIN: Then, I would make Mr. Eckberg available for cross-examination.

CHAIRMAN IGNATIUS: All right. Mr. Fossum.

MR. FOSSUM: Thank you. I just had a few clarifying questions for Mr. Eckberg.

CROSS-EXAMINATION

BY MR. FOSSUM:

Q. In your testimony, you had noted a couple of things that you had concern about, and you were waiting for more information. So, I would just like to ask about those very briefly. The first one that I'm looking at is on Page 4 of your testimony. And, on Lines 15 to 19, you noted a concern about the "increase in property taxes for Merrimack Station that may be related to...the Clean Air Project". Has that concern been addressed by the Company?

A. Yes. As you correctly stated, at the time I prepared my testimony, we were waiting for additional information from the Company. And, additional tech session data responses were provided by the Company. And, one of those responses addressed this issue. And, the Company replied, in fact, that the increase in property taxes that was observed, that was of concern, was related to an increase in the property tax rates for 2013, rather than any increase in the plant value for -- that may have been related to the Clean Air Project. So, that response did alleviate my concern on that issue, yes.

Q. Thank you. And, I think, similarly, going onto the next page, you had mentioned a concern about "possible payroll tax increases". And, has the Company addressed that concern as well?

A. To the best of my knowledge, I don't believe that any additional information was provided by the Company on that issue. Though, there were -- I may be in error there, and you're welcome to correct me. Looks like I'm about to be corrected.

Q. I'll just provide this to you. Tell me what that document is.

A. This looks to be the Company's response to Tech Session Question 1-3.

Q. And, does that address the payroll tax issue from your testimony?

A. It does address this issue, generally, yes. It may very well be the case that, in reading the many data responses and tech session responses, that I missed this one. But this is -- that is certainly the subject of this response, yes.

Q. Okay. Thank you. I don't have any particular question on it. I just wanted to make sure that the Company had indeed addressed the concern that you had raised?

A. I can confirm that by looking at that response, yes.

Q. Thank you. And, again, just, as I say, just going right down your testimony and the concern that you raised, a little lower on Page 5, you had raised a concern about "depreciation costs" for Schiller Station. Has the Company addressed that concern as well?

A. I did have -- I do have that response. And, indeed, the Company did provide some additional information about the depreciation amounts in their response, Tech Session 1-1, a supplemental response that they provided to that. And, I would say that, generally, they did address the issue. I think that I still have some outstanding questions about this issue. But I understand that the Energy Service rate that is under consideration here today is comprised of the Company's best estimates for a number, a large number of ingredients that go into that rate. And, whereas the Commission has directed its Staff to engage in a specific review of depreciation costs in the reconciliation docket for 2012, which is not yet filed, I believe that there will be certainly plenty of additional opportunities to review these numbers for 2012, as well as for 2013 ongoing. So, I would say

that I am comfortable with the numbers that are in the filing now. And, I don't need to -- I don't feel the need to make any recommendation to change the amounts that are included in the filing.

MR. FOSSUM: Thank you. I have nothing further at this time.

CHAIRMAN IGNATIUS: Thank you. Ms. Amidon.

MS. AMIDON: We have no questions for Mr. Eckberg.

CHAIRMAN IGNATIUS: All right. Questions from Commissioners? I have a question about a couple of things of the clarifications you just made.

BY CHAIRMAN IGNATIUS:

Q. On the depreciation, on Page 6 of your testimony, you described that, because of certain changes to depreciation rates, the overall impact was a reduction in depreciation expense, but that, for Schiller Station, there was an increase. Is that something that, the clarification you just went through with Mr. Fossum, which we haven't seen, is it -- does it explain how that happens, that some things going down, some things going up, or were some of the number assumptions not correct?

A. Well, the explanation that was provided by the Company said that there was no change to the depreciation rate for Schiller Station, which the Company has confirmed in other responses, and I believe actually an attachment to my testimony, Attachment SRE-5, which would be Bates Page 25, the next to last page of my testimony package. This is a data response from a prior Energy Service docket, last year. And, where the Company -- where we got more information about the changes to average year of final retirement for certain generation plants. And, the reader can see that, on Line 8 here, for instance, the Schiller Station shows no change in the average year final retirement. That means that there was no change to the depreciation rate or the period over which the remaining asset value is going to be depreciated. However, this supplemental response that the Company provided indicated that there was a change to the book value of the Schiller Station plant. And, that is one of those areas where I would, you know, seek to get some more information from the Company in future proceedings. This docket will remain open, and we'll probably have an opportunity to pursue that further, or we'll have an opportunity to inquire about that in the reconciliation docket for 2012 as well.

Q. All right. And, the payroll tax issue that you said was resolved with further discovery information, since we haven't seen that, and it's all right, you don't need to make that an exhibit, but can you just summarize what the resolution of your concern now is?

A. Well, Mr. Fossum provided the response for me. I looked at it briefly. And, I can see, as I tried to indicate in my statement a few moments ago, that it seems clear that the Company was responsive and provided some additional information. But I haven't looked at it extensively in response to Mr. Fossum's question. I was indicating that the Company was responsive to the issue that I raised.

So, I guess I don't know -- I don't have an exact further clarification on the information that was provided in that response. I don't feel able to expound upon that for you further at the moment.

Q. So, is there still a concern for this docket or is this still one of the items to make note of for future -- the reconciliation docket, perhaps, the issue of payroll taxes?

A. I would say that I would continue to look at this issue and examine it a little further as future opportunities

arise. I know there's certainly plenty of information in the general press about changes in tax rates potentially coming January 1st. And, so, I don't know whether the Company has included some possible impact of that. I think that we know that there's a very high likelihood that Social Security taxes or FICA taxes will increase by about two percent. And, so, one of the components that they may refer to in this increased payroll taxes might be related to that. It's all about that "fiscal cliff" thing that we've been hearing a lot about.

CHAIRMAN IGNATIUS: Thank you. Those are my questions. Anything further from the Commissioners?

(No verbal response)

CHAIRMAN IGNATIUS: No. Any redirect, Ms. Chamberlin?

MS. CHAMBERLIN: No. Nothing further.

CHAIRMAN IGNATIUS: All right. Then, you're excused. Thank you, Mr. Eckberg. Although, why don't you just stay where you are.

The only procedural matters that I'm aware of before we conclude have to do with, obviously, the exhibits, but also whether the parties have positions

on the Motion for Confidential Treatment of the materials submitted in response to the Commission's request on generation costs. Thank you for submitting a Motion for Confidential Treatment. And, do the OCA and Staff have positions on whether confidentiality is appropriate?

MS. CHAMBERLIN: Your Honor, I have to say I did not analyze it with that question in mind. It looked to me that, you know, quite a bit of it is non-confidential, but I did not parse it. And, would be interested in meeting with the Company to see if we could at least agree on certain areas.

CHAIRMAN IGNATIUS: One second.

(Cmsr. Scott and Chairman Ignatius conferring.)

CHAIRMAN IGNATIUS: Mr. Fossum.

MR. FOSSUM: I was just thinking that the Company, to the extent that the OCA and/or the Staff would like to discuss further possible revisions to the report to provide some public information, the Company is willing to have that conversation certainly.

CHAIRMAN IGNATIUS: All right. I think we would welcome that in any filing, to try to make it a redacted document, rather the entire document, and that some -- much of this it seems to me appropriate to

protect. So, it may be not all that useful in the redacted version, but still to try to -- to try to limit the amounts protected as much as possible. So, I'd welcome that. And, then, maybe people can submit in writing, if they have -- if there's a revised version and any responses people want to submit in response to that, before we rule on it, on the motion. Prior to completion of that process, we will keep it confidential. That's always our practice, that it not be released during the pendency of sorting out the appropriate level of confidentiality.

Is there any objection to striking the identification on the exhibits?

(No verbal response)

CHAIRMAN IGNATIUS: Seeing none, we will make them full exhibits. Are there any other matters to take up before closings?

MS. CHAMBERLIN: Your Honor, I have one. And, it is a request, essentially, to the Commission to address RSA 378:40. This was an issue that was raised in a filing in the Least Cost Integrated Resource Plan. And, it just states that "no rate change shall be approved with respect to any utility that does not have an IRP plan filed and approved." However, the Commission has the authority to waive that. And, so, since it has been more than two years since they filed the IRP filing, to keep us statutorily and procedurally in line, I would simply ask that the Commission exercise its authority to either direct PSNH to file a new plan or to suspend -- to allow rate changes to take place, even though the integrated rate plan is over two years old.

CHAIRMAN IGNATIUS: It's actually a funny statute, because I think it says "changes have to be in conformance with the last plan approved", not necessarily the last plan "submitted". And, so, it's a little bit odd as it was drafted. But it's a very good point. I think we're a little behind in getting that order out on the LCIRP docket, and working to be able to issue it. Asking for a new plan right now I don't think serves anyone's purposes. And, it -- we have not gone -- it's a good point, we have not gone into questions of witnesses today on whether the plan -- that the rate changes that are requested are in accordance with the last plan that was filed and reviewed.

I suppose we have a couple of choices. One is to recall a witness and address that. The request that we waive the requirement, we couldn't do, because we have a statute. Or a rule, we can waive a rule, but we

can't waive a statute. So, and I think we, at times, are more focused on this provision than others, and at times we think to ask it and at times we do not. One second.

(Chairman and Commissioners conferring.)

CHAIRMAN IGNATIUS: All right. Everyone's been madly flipping through -- now you can go sit down.

MR. ECKBERG: Thank you, madam Chairman. I was hoping I wouldn't get any questions about that new issue.

CHAIRMAN IGNATIUS: We've all been flipping through the statute. And, I think you really need to read 378:40 and 378:41 together, that -- to be able to make sense of what, to the extent you can, make sense of what this is requiring, it helps.

Mr. Fossum, it looks like you do have a view on this, before I go any further?

MR. FOSSUM: Well, I have a view sitting here right now, you know, subject to further discussion and research that may be appropriate. My understanding about the issue in the Least Cost Integrated Resource Plan came up in a filing from Conservation Law Foundation that was made yesterday. And, as I understand the nature of that filing, that was made in response to our motion to

strike a filing that they had made. Their statements about "PSNH not being in compliance for having not filed a plan within two years", we've not really had a chance to review those meaningfully. They don't appear to have any bearing whatsoever on the motion to strike, that at least it would presume to be their genesis. So, you know, the nature of that request and where that came from and why that's all of a sudden a front and center issue before the Commission is not entirely clear to us at the moment.

That said, while, again, we haven't had time to fully review this issue, there was not, to my reading, any place in that statute that indicated when the two years begins to run. And, if it is, in fact, two years between dates of filing, then, yes, more than two years has passed. But, if it's two years from the date of the most recently approved Commission plan, we filed our previous plan in 2010. It's still pending. It's pending review. To file another plan now, before that review has been finished, and we know what the Commission is expecting of us for future filings, I think would serve no practical purpose whatsoever. So, those are some other issues that are bound up in this request. And, so, to deny PSNH the opportunity to have a rate change in that circumstance would seem to be at least unfair.

CHAIRMAN IGNATIUS: Well, I don't think anyone's suggesting that. I think it was, and I don't know, I haven't looked at the other filing, and I want to keep that very separate, because Commissioner Scott is not a part of that other docket, but assuming it's -- well, maybe I've got the wrong docket, I don't know.

MR. FOSSUM: It's 2010 -- or, DE 10-261.

CHAIRMAN IGNATIUS: Oh. All right. I was assuming a different docket. So, I think that the real question today is, for full conformance with the statutory requirements, and there are times where we have inquired in any rate change proceeding the relationship between the request and the Least Cost Plan on file, we haven't done that in this case. And, in some we have -- sometimes we do and sometimes we don't, and that's our problem, that we should be more consistent on.

I think the only question is today, what -- how best to complete the record? Not to require a new filing or to reject the petition in this docket. So, my thought is to ask one of your witnesses to take the stand who could address, and if you look particularly at 378:41, the extent to which the request the Company's made today, and in the 292 -- 291 docket we heard earlier this morning, that the request is in conformance with the Least

Cost Integrated Resource Plan most recently filed and found adequate by the Commission, which would refer you back to the prior -- the prior filing, not the one that's currently pending.

MR. FOSSUM: I suppose we could do that. We don't have anybody here today who's particularly familiar with our existing and approved Least Cost Integrated Resource Plan. So, to the extent that you'd be looking for any specifics, I don't know that we could provide them as we sit here today.

So, you know, I don't know, we could provide a statement perhaps later today from somebody more familiar, you know. Yes. I'm not exactly sure what else to offer right at the moment. I don't -- I don't know that the Company could, in good faith, offer somebody to make that representation at this moment.

(Chairman and Commissioners conferring.)

MS. CHAMBERLIN: Your Honor, if I may?

CHAIRMAN IGNATIUS: Yes, please.

MS. CHAMBERLIN: My intent was to forestall a collateral attack on whatever order is issued, essentially. I certainly don't have any objection to the Company bringing the -- you know, making a filing from someone who's best, you know, who can best do it in a

short turnaround. I also -- I learned about this statute, this is new for me, too. I learn about the statute yesterday. And, in reading it, I realized that it had an effect. I'm also happy to write up what I think the effect is. I don't know that you need -- that you want that. But, if you do, I'd certainly do that.

CHAIRMAN IGNATIUS: Well, I appreciate that. Our thought had been to, rather than have someone take the stand today, to offer to do it through a record request, if that's agreeable to the parties. There's no opportunity for questioning on it. And, so, that's the only issue, if that would be a concern. But, if not, then to do it through a record request, submit it in the next few days would be acceptable to us. Is there any --

MR. FOSSUM: We are willing to do that.

CHAIRMAN IGNATIUS: Okay. Does that work for everyone?

MS. CHAMBERLIN: So, the record request would come in and we would not have an opportunity to say anything about it?

CHAIRMAN IGNATIUS: That's the difficulty in doing it through a record request. There's no cross-examination. We could further expand the record by an opportunity for people to respond through briefs to

the evidence that's submitted, or even to have some further recalling of witnesses and questioning. But I don't -- my sense is it's not an issue that really calls for that.

MS. CHAMBERLIN: No, I don't think so either. Well, it's hard to make a decision with not knowing what they're going to file. But I see it from my -- primarily as a procedural one. I'm not looking for them to file another IRP before they can get this rate. I just wanted to be, you know, to get things in order and to keep things moving forward, and that was my intent.

CHAIRMAN IGNATIUS: Okay. Thank you.

(Chairman and Commissioners conferring.)

CHAIRMAN IGNATIUS: All right. We've got two different ideas to throw out as a way to wrap this up. One would be to forgo oral closings today, give everyone an opportunity, within a couple of days of receipt of the record request we just spoke about, to submit a written closing, and in that address any responses that they feel they need to say, having seen the Company submission. The alternative would be to, in addition to reserving the record request for the Company's submission, to set aside a exhibit, to the extent anyone wants to respond, from OCA or Staff, to the Company's

exhibit, so that there's both, you know, there could be two additional exhibits, if people felt the need to respond to that, and go forward with oral closings this afternoon. Because of the timing and trying to meet a January 1 date, we just don't have a lot of days to work with, and know that people are maybe traveling over Christmas Holiday and that sort of thing. So, do you have a preference on the two? We can do either one.

MS. AMIDON: Staff prefers oral closing.

CHAIRMAN IGNATIUS: And, just the opportunity, if you felt the need to respond to the Company's submission, to submit your own?

MS. AMIDON: Yes.

MS. CHAMBERLIN: OCA will agree with that.

CHAIRMAN IGNATIUS: Is that all right with the Company?

MR. FOSSUM: That's fine.

CHAIRMAN IGNATIUS: Okay. Let's do that then. So, we'll set aside Exhibit 6 for the Company submission. And, then, to the extent OCA or Staff want to submit, the OCA would be 7 and Staff would be 8. All right. And, if there's no need to submit, you don't need to use your number.

(Exhibit 6, Exhibit 7, and Exhibit 8 were reserved.)

CHAIRMAN IGNATIUS: All right. Let's go then to Ms. Chamberlin for a closing statement.

MS. CHAMBERLIN: Thank you, your Honor. If I were looking at this filing from a vertically integrated utility that did not have any competition, I would have very few problems with it. The information that I received certainly is consistent with market data and other information that I have reviewed and my staff has reviewed.

My ongoing problem is that we've got a large amount of older generation, which has now become peaking generation, essentially. The cost of that generation being borne by an ever-diminishing number of people. And, just that inverted triangle is -- it's an unjust -- it results in an unjust rate. It's an unjust concept. It's simply -- it's neither -- it's neither competition nor regulation. And, that has to -- we have to move out of that.

And, my example I think of is, you know, my mom, who is 80 years old, and she's on a fixed income, and she's paying her electric rate, and she's probably not going to switch, even if I told her to. She should not

have to pay for the Merrimack Station and the Schiller Station. That's simply -- that simply is not correct.

The fact now that there are competitive options for residential ratepayers is a good thing. Absolutely, there's some more options, people are exercising them. As the witness said, the rate of migration is going up. I would argue that it's likely to continue to go up when the rates increase even further. They're getting further away from the market price and they're getting more and more top heavy. And, people are going to really dig in and look at their options.

I don't think there's a magic number, once we hit X rate, it's no longer fair. I think the situation is unfair. Where the industrial customers have all left already, they're not sharing this cost. It may be, and it likely is, that these coal plants have some value, but to have that value borne by primarily the residential ratepayers is unjust and unreasonable.

As I said, the actual -- the actual filing, when we look at its components, it's a reasonable filing. It's consistent with the information I'm aware of. But it's the overall structure that cannot -- cannot continue. And, exactly when that changes? The sooner the better. Will it change by January 1? No, probably not.

But that it just needs to move.

CHAIRMAN IGNATIUS: Are you recommending a different rate for January 1st?

MS. CHAMBERLIN: I cannot recommend a different rate, because I don't have any indication that the rate that they are proposing is not consistent with Default Energy Service rates. All their components seem to add up. My issue is the larger -- the larger issue, the structural one, which is not specifically at issue in this case, but is really the overall problem with the rates.

CHAIRMAN IGNATIUS: Thank you. Ms. Amidon.

MS. AMIDON: Thank you. Staff has reviewed the filing, and has determined that the Company calculated the Energy Service rate for 2013 as they have in the past. But we can't ignore the fact that the resulting rate is above market, and that is of concern for customers of PSNH.

And, further, you know, if customer migration continues to be an issue, we are concerned that there will be an additional increase as time goes by. However, insofar as the rate proposed for January 1 in the December 12th filing, we have no objection to that.

CHAIRMAN IGNATIUS: Thank you. Mr. Fossum.

MR. FOSSUM: Thank you. Just briefly. While we understand the concerns of the OCA and Staff, and, to a degree, share them ourselves, this is a docket to set PSNH's proposed Energy Service rate going forward. And, as you've heard, PSNH has done so in a manner consistent with that which it has done in the past, and has done so based on the costs that are part of its structure. So, to that extent, PSNH would request that the Energy Service rate as proposed be permitted to go into effect January 1st. Thank you.

CHAIRMAN IGNATIUS: All right. Unless there's anything further, we will take it under advisement. Excuse me, Commissioner Harrington.

CMSR. HARRINGTON: The record request on the Least Cost Integrated Plan, when will we expect to see that?

MR. FOSSUM: My hope would be before the close of business tomorrow.

CHAIRMAN IGNATIUS: Thank you. That's fine. Then, we will take it under advisement. We know that there's a January 1 date for this, which we will meet. And, we appreciate everyone's time and attention in sorting out a couple of unusual things today. Thank you. We're closed.

(Whereupon the hearing ended at 12:37 p.m.)