



ORIGINAL

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

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February 3, 2016 - 2:18 p.m.
Concord, New Hampshire

DAY 2
AFTERNOON SESSION ONLY

RE: DE 14-238 PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE: Determination regarding
PSNH's Generation Assets.

DE 11-250 PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE: Investigation of
Scrubber Costs and Cost Recovery.

PRESENT: Commissioner Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Special Commissioner Michael J. Iacopino

Jody Carmody, Clerk

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ZZ	Eversource 1st quarter 2015 Customer Migration Report	7
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P R O E E D I N G S

(Hearing resumed at 2:18 p.m.)

MS. AMIDON: I stood up to remind myself of a couple administrative issues.

Attorney Aslin wants to address a matter, and Attorney Ross does as well. One concerns a record request response that was submitted but not discussed with the Commission. And we'll see what else Ms. Ross has. Thank you.

CHAIRMAN HONIGBERG: Thank you for the preview.

Mr. Aslin.

MR. ASLIN: Thank you, Mr. Chairman. Just a couple quick administrative pieces.

First was we did submit this morning the record request response that was marked as Exhibit WW. And I wanted to ask Commissioner Bailey if that response adequately answered her question. If not, we'd be happy to provide a further response. And if you don't know yet, that's also an appropriate answer.

COMMISSIONER BAILEY: Thank you. I haven't had a chance to look at it. But I'll let

1 you know tomorrow if there's any issue.

2 MR. ASLIN: That'd be great.

3 COMMISSIONER BAILEY: Thank you.

4 MR. ASLIN: The second
5 administrative piece for me was Senator Feltes
6 asked that I make one clarification from his
7 testimony earlier. To the extent that he was
8 speaking about the docket -- or sorry -- the Order
9 25,302 that was in his testimony, his testimony is
10 correct, but there may have been a misstatement
11 that that order was part of the Burgess Biomass
12 docket. It was actually part of the small woods --
13 small wood plant docket that came after Burgess.
14 That's Docket 11-184. And that's reflected
15 correctly in his prefiled testimony. But the
16 Burgess approval docket was actually Docket 10-195.
17 So, just to make sure there was no confusion about
18 that, I wanted to clarify that piece.

19 CHAIRMAN HONIGBERG: All right.
20 Thank you.

21 And Ms. Ross.

22 MS. ROSS: I just would like to
23 ask that this exhibit, which is the migration data
24 for the past year for PSNH, be marked as an

1 exhibit. It was referenced in Mr. Franz's direct
2 testimony, and I used it in friendly cross with
3 him, but this would be the first time it would
4 appear in the record.

5 CHAIRMAN HONIGBERG: We're going
6 to mark that as YY?

7 THE CLERK: ZZ.

8 CHAIRMAN HONIGBERG: ZZ. Sorry.

9 (Exhibit marked for identification.)

10 (Discussion off the record)

11 CHAIRMAN HONIGBERG: We're back
12 on the record. I'm also told that Exhibit YY is an
13 errata sheet that Susan Geiger has already
14 submitted electronically. That will make its way
15 through to everyone presently.

16 All right. Mr. Speidel or Ms.
17 Amidon, I believe the next witness is Mr. Chagnon;
18 is that right?

19 MR. SPEIDEL: That is correct,
20 Mr. Chairman. I would like to invite Mr. Chagnon
21 to approach the stand to be sworn.

22 (WHEREUPON, RICHARD CHAGNON was duly
23 sworn and cautioned by the Court
24 Reporter.)

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RICHARD CHAGNON, SWORN

DIRECT EXAMINATION

BY MR. SPEIDEL:

Q. Mr. Chagnon, could you please state your full name for the record.

A. Richard Chagnon.

Q. And what is your business affiliation and title?

A. I am a utility analyst here at the PUC.

Q. Did you prepare the testimony that has been marked as Exhibit S in this docket?

A. Yes, I did.

Q. And do you have any corrections or additions to that testimony?

A. No, I do not.

Q. May you please, for the benefit of the Commissioners and the assembled parties here today, provide a brief summary of your testimony.

A. Yes, I will.

Q. Thank you.

A. My testimony is to present Staff's additional options to the Stranded Costs Recovery Charge allocation to customer rate classes for PSNH

1 customers for the Commission's consideration.

2 My direct testimony previously submitted

3 included three alternative options regarding

4 the rate design and stranded cost recovery.

5 Staff understands and appreciates the economic

6 value and jobs that LG customers and businesses

7 deliver to New Hampshire. Staff believes that

8 all commercial and industrial customers

9 contribute to the economic vitality of New

10 Hampshire. Staff also believes that the

11 Commissioners are better served with more than

12 one option when considering the allocation of

13 costs from divestiture of PSNH generation

14 assets. Our job here at Staff is to advise the

15 Commission on the fair allocation of costs of

16 the divestiture among customer classes.

17 Staff's alternative options represent

18 three of many for the Commission to consider.

19 And to just quickly go over the options, Option

20 A, it was designed to equalize the manner

21 achieved for the same average bill increase for

22 the average bill in each rate class. Option B

23 was to equalize rates LG, GV and G, and give

24 additional relief to rate R. Option C was to

1 equalize costs throughout rates LG, GV and G,
2 while leaving the allocation for rate R the
3 same that was in the Settlement Agreement.

4 Staff has recommended Option B as a way to
5 equalize the average percent increase on the
6 average monthly bill within each LG, GV and G
7 customer based on the electric rates that were
8 in effect in July of 2015. This Option B also
9 gives residential rate customers some
10 additional rate relief while keeping the actual
11 rate for R and G at a similar dollar or penny
12 level. These options were presented and
13 designed as a method to arrive at a fair
14 allocation of stranded costs within each rate
15 class. We believe that Option B is a more fair
16 and more reasonable allocation.

17 Going back to Senate Bill 221, it
18 expressly stated that the Commission may
19 incorporate rate designs that fairly allocate
20 the cost of divestiture of some or all of PSNH
21 generation assets among customer classes.
22 Staff believes that our Option B is a more fair
23 allocation of those costs. It also states
24 that, in considering rate designs, the

1 Commission shall consider the impacts on the
2 economy and PSNH's service territory, and the
3 ability to attract and retain employment across
4 industries. Staff believes that our
5 rate-allocation option will have a similar
6 effect on New Hampshire's economy and potential
7 new jobs created, as proposed in the
8 Restructuring and Rate Stabilization Agreement,
9 through the savings achieved for all rate class
10 customers at PSNH.

11 Q. Thank you, Mr. Chagnon. I have a few
12 housekeeping questions I'd like to ask.

13 For starters, is this your first time
14 testifying before the Commission?

15 A. Yes, it is.

16 Q. Could you describe your previous work
17 experience very briefly prior to coming to the
18 Commission as a new utility analyst.

19 A. Yes. I did work for PSNH for 36 years, and I
20 held many positions throughout my career. But
21 some that are directly related to what we're
22 testifying today have to do with my work with
23 large power billing and accounting, those
24 customers. Also served as an accounting

1 executive for G-rated customers, LG customers
2 and GV customers, as well as credit analyst.

3 Q. Thank you. Mr. Chagnon, in light of earlier
4 testimony early this afternoon and this
5 morning, do you specifically have any position
6 on the inclusion of PPAs and the stranded costs
7 included for rate recovery on distribution
8 rates?

9 A. No, I do not.

10 Q. And do you have an opinion that the settlement
11 as proposed before the Commission globally is
12 in the public interest generally?

13 A. Yes, we believe it is in the public interest
14 generally.

15 Q. And one last question. Are you of the opinion
16 that your rate design counterproposal would
17 have at least a neutral or perhaps even a
18 beneficial effect for jobs and the economy in
19 this state?

20 A. Yes, I do.

21 Q. Thank you very much.

22 MR. SPEIDEL: I invite
23 cross-examination of Witness Chagnon.

24 CHAIRMAN HONIGBERG: All right.

1 Who has questions for Mr. Chagnon? I see Senator
2 Feltes's hand. Anybody else besides Senator
3 Feltes?

4 (No verbal response)

5 CHAIRMAN HONIGBERG: All right.
6 Senator Feltes, you're up.

7 SENATOR FELTES: Thank you, Mr.
8 Chairman.

9 CHAIRMAN HONIGBERG: Is your
10 microphone on? It is now.

11 SENATOR FELTES: Thank you, Mr.
12 Chairman. Thank you, Mr. Chagnon.

13 CROSS-EXAMINATION

14 BY SENATOR FELTES:

15 Q. As I understand your testimony, the options
16 presented by Staff specifically in your
17 testimony you regard as more fair, particularly
18 Option B; is that right?

19 A. That's correct.

20 Q. But your testimony isn't that the Settlement
21 Agreement rate design is unfair.

22 A. That is correct as well.

23 Q. Okay. And did you solicit input from the
24 business community or any chamber of commerce

1 in constructing these rate design
2 recommendations?

3 A. No, I did not.

4 SENATOR FELTES: Thank you, Mr.
5 Chairman.

6 CHAIRMAN HONIGBERG: Any other
7 questions? Anyone else have questions for Mr.
8 Chagnon? Commissioner Bailey.

9 COMMISSIONER BAILEY: Thank you.
10 I want to say congratulations, first time
11 testifying.

12 THE WITNESS: Thank you.

13 INTERROGATORIES BY COMMISSIONER BAILEY:

14 Q. Just so that I know that I sort of understand
15 your three options, Option A is the
16 equi-proportional distribution of the stranded
17 costs; right?

18 A. Correct.

19 Q. And if the Commission were to adopt that
20 option, residential customers would get a
21 decrease from what is proposed in the
22 settlement.

23 A. That's correct.

24 Q. And they would pay the same proportionate

1 amount of the stranded costs as every other
2 customer.

3 A. Based on an average bill within that rate, yes.

4 Q. Okay. And Option B, residential customers
5 would get a slightly lower percentage of the
6 stranded costs than they would under the
7 Settlement Agreement.

8 A. Correct.

9 Q. And the business customers would get the same
10 proportion. So the large C and I and the
11 medium and small customers, business customers,
12 would all pay the same.

13 A. That's correct.

14 Q. And in C, residential customers would pay the
15 same as is proposed in the Settlement
16 Agreement.

17 A. Yes.

18 Q. And then the remainder would be equally split
19 between the business customers.

20 A. That's correct.

21 Q. Okay. Did you -- are you familiar with the
22 letter from BIA that Senator Feltes and Senator
23 Bradley had attached to their rebuttal
24 testimony?

1 A. Yes, I am.

2 Q. And do you believe that the Business and
3 Industry Association would represent the
4 interests of all businesses? I mean, it was a
5 pretty strong recommendation to adopt the
6 proposal that doesn't give the business classes
7 equal treatment.

8 A. I believe that they have done their best job
9 for their association members of the
10 association. However, I'd like to point out
11 that manufacturing jobs aren't just LG
12 customers, and LG customers aren't just
13 manufacturers. They're scattered throughout
14 the three industrial commercial rates. So
15 we've got manufacturing at all levels, not just
16 at the LG level. It's a rate class. It's not
17 an industrial rate.

18 Q. Okay. But the Business and Industry
19 Association, I would imagine, understands the
20 difference between LG, GV and G rates.

21 A. Hmm-hmm.

22 Q. And they understood that the largest rate
23 class, LG, would have the smallest proportion
24 of the stranded costs, largely because, as I

1 understand it, they don't pay any of those,
2 any -- they wouldn't pay any of those if we
3 didn't divest because they've all migrated.

4 A. Correct.

5 Q. So I don't -- I want to understand why you
6 think it's more fair to allocate those costs
7 equally among business classes when the
8 business association thinks it's more fair to
9 do it the other way.

10 A. In regards to fairness, when we're looking at
11 jobs, it's the whole economy of New Hampshire.
12 It's not just the LG customers, even though
13 they employ about 10 percent of total
14 employment in New Hampshire.

15 Throughout the rate structure at PSNH,
16 you've got many customers that are truly GV
17 customers, that are still large customers, per
18 se -- meaning that they have multiple
19 accounts -- because a rate is just a meter, and
20 a meter is just a billing location for the
21 delivery of power. So if we're looking at job
22 increase and creation, then we should also be
23 considering that these LG class customers are
24 really -- I'm sorry. Excuse me -- these GV

1 rate customers are really LG rate customer
2 wannabes. And if they're going to grow, how
3 are we enticing them to grow if we're actually
4 putting more cost onto them through this rate
5 structure? I know it's just a small component,
6 but we're adding all these up for businesses.
7 And so the intent really is to make sure that
8 there's a level playing field for all
9 commercial and industrial rates to succeed in
10 New Hampshire.

11 Q. Okay. I'm sorry. I'm looking for your
12 testimony.

13 CHAIRMAN HONIGBERG: S.

14 COMMISSIONER BAILEY: I'm in the
15 right place. Here it is. Okay.

16 BY COMMISSIONER BAILEY:

17 Q. Page 5, where you have calculated -- and I
18 appreciate this because I didn't see it
19 anyplace else, and maybe I missed it -- what
20 the actual rate impact would be, assuming the
21 stranded costs are what they are predicted to
22 be.

23 A. Yes.

24 Q. And these rates are if we adopt the Settlement

1 Agreement.

2 A. That's correct.

3 Q. Okay. And so residential rates would see about
4 a penny. But without divestiture, they'd see
5 about 1.9 cents when we include the Scrubber
6 costs, and the charge becomes a permanent rate
7 that we just recently approved.

8 A. Yes.

9 Q. And is there any equivalent rate on any of
10 these other rate classes right now? I guess it
11 would be 1.9 cents for every rate class. But
12 the argument is that the large majority of
13 those, of LG and GV, don't pay it because they
14 are not taking default service.

15 A. Correct.

16 Q. So, should we be comparing the default service
17 rate to the rate impact that the Settlement
18 Agreement would bring?

19 A. There's so many different ways of creating
20 rates, and sometimes it can become more of an
21 art than a science.

22 Another way to look at it is to, for true
23 comparisons, is to take out that 1.72 from the
24 whole Scrubber cost out of the EES rate

1 currently and compare that to all companies --
2 or all rates. Excuse me. If you did that,
3 you'd come out with a similar percentage
4 allocation because now you're backing them all
5 out of all rates because you put them in the
6 rates to do the comparison to begin with.

7 Q. So you're saying that we should compare 1.72,
8 which is the cost of the Scrubber --

9 A. Yes.

10 Q. -- to these rates that you have calculated
11 here.

12 A. Yeah. And I'm saying that the 1.72 -- all
13 these rates for comparisons are including
14 PSNH's energy service rate, as well as if LG
15 and GV customers were actually paying those
16 rates.

17 Q. Right. So if you take out the energy service
18 rate --

19 A. The Scrubber piece.

20 Q. -- and you just compare the Scrubber piece --

21 A. You take out the Scrubber piece, and everything
22 left, if you compare those across the board of
23 all rates, you would still come out with a very
24 similar allocation in percentage to each rate

1 class.

2 Q. But the rates here don't include the energy
3 service rates. This is just the piece for
4 stranded costs, the rates that you calculated.

5 A. Nope. All these rates do include the energy
6 service rate so that there's a true comparison.

7 Q. So, for -- oh, so, for the residential class of
8 1.0632 cents per kilowatt hour, that includes
9 the energy service rate? Isn't the energy
10 service rate like 9 cents a kilowatt hour, 9.2,
11 9.8, something like that?

12 MR. SPEIDEL: Commissioner
13 Bailey?

14 COMMISSIONER BAILEY: Yeah.
15 What am I confused about? I'm sorry.

16 MR. SPEIDEL: Considering that
17 this isn't a court, I can interpose myself a little
18 bit --

19 COMMISSIONER BAILEY: Thank you.

20 MR. SPEIDEL: -- in the spirit
21 of the day. I do this but rarely, as the sitting
22 commissioners know.

23 I think what Mr. Chagnon is
24 referring to is the fact that the Scrubber will be

1 amortized through a stranded cost rate that will be
2 applied equally to all distribution rate classes,
3 as opposed to being assigned directly just to the
4 energy service rate.

5 COMMISSIONER BAILEY: And the
6 Scrubber rate, if you assign it to the energy
7 service rate, that piece of it is what? Is it
8 1.72?

9 MR. SPEIDEL: Well, I would
10 prefer Mr. Chagnon answer that.

11 COMMISSIONER BAILEY: That's
12 what I think he said.

13 BY COMMISSIONER BAILEY:

14 Q. Is that what you said?

15 A. Yes, I did.

16 Q. Okay. So, without divestiture, every rate --
17 well, no. Every default service rate would
18 include a penny -- 1.72 cents to recover the
19 cost of the Scrubber.

20 A. Correct.

21 Q. And under the settlement proposal, because it's
22 distributed over distribution rates rather than
23 default service rates, everybody pays
24 something, but less than what the default

1 service customers would have paid.

2 A. That's correct.

3 Q. And it sort of makes it -- by spreading it over
4 the distribution rates, that's probably better
5 for competition; right?

6 A. Yes, it is.

7 Q. Okay. So what would the rate be -- I know you
8 have it in here somewhere -- but for LG if you
9 implemented rate Option B?

10 A. The rate, the stranded cost rate under Option
11 B, the percentage allocation would be somewhere
12 around 12.6 percent.

13 Q. Well, tell me what the rate would be. Is that
14 on your table, too?

15 A. Yes, it is. It would be .67 cents under the
16 scenario.

17 MR. SPEIDEL: Mr. Chagnon, can
18 you direct us to a specific page reference for that
19 table?

20 COMMISSIONER BAILEY: Page 12, I
21 believe.

22 THE WITNESS: Page 12 is
23 correct.

24 BY COMMISSIONER BAILEY:

1 Q. But I thought that Option B had the same -- oh,
2 they have the same percentage, but it doesn't
3 turn out to be the same rate?

4 A. Correct. So, it's the same percentage of the
5 average bill within each rate class.

6 Q. Okay.

7 A. It's a different rate --

8 Q. Got it.

9 A. -- based on the class, but it's the same
10 percentage on average bills.

11 Q. Okay. All right. Thank you very much.

12 A. You're welcome.

13 CHAIRMAN HONIGBERG: Commissioner
14 Iacopino.

15 INTERROGATORIES BY SP. COMMISSIONER IACOPINO:

16 Q. Just a follow-up on what -- I'm sorry. Just to
17 follow up on what Commissioner Bailey was
18 asking you, then I should compare that column
19 where you have the .67 cents on Page 12 for
20 your Option B in the Stranded Cost Recovery
21 Charge rate column, where you're doing the
22 analysis with the .3050 cents for rate LG on
23 Page 5.

24 A. Yes, that's correct.

1 Q. That's the correct comparison.

2 A. Yes.

3 Q. Okay.

4 A. And it's all on the same page, on Page 12, for
5 comparison.

6 Q. Okay. My questions are a little less specific.
7 I want to get more into your -- I understand
8 you're not saying that the Settlement Agreement
9 is unfair. But you're giving us your opinion
10 that your Option B, and perhaps some of these
11 other options, are more fair. And if I
12 understand your reasoning for coming to that
13 conclusion, I sort of take it in two parts.
14 The first is that, in the past, historically,
15 when there's been an attribution of a stranded
16 recovery cost, it's been equal proportion to
17 each rate class.

18 A. Yes, sir.

19 Q. And where does that come from? I know in both
20 Mr. Franz's testimony and in your testimony you
21 reference it being "historical." But I guess I
22 don't sit here every day, as you know. I'm
23 just curious. Is that just from other cases,
24 or is there a statute? Or what's the basis for

1 that?

2 A. I don't have the history for that only because
3 I've been here nine months. So I apologize.

4 Q. Okay. Well, I can talk to you when we
5 deliberate then.

6 Okay. So my second question, then, is you
7 also seem to make this argument that the
8 smaller users over the past 10, 15 years or so
9 have not had the benefit of deregulation.

10 A. Correct.

11 Q. And I asked this of the prior panel. That's
12 sort of -- the way I look at it, you're sort of
13 looking backwards and trying to make up. Is
14 that what you consider that part of what you're
15 doing to be, trying to make it up to the
16 smaller ratepayers this time around?

17 A. No, not at all. I'm actually moving forward
18 and saying that wiping it clear and saying --
19 by going forward, this is the social situation
20 where everyone pays evenly on average bills
21 within each rate so that you've got more fair
22 billing. And specifically, companies, upon
23 competition, you've got -- as I mentioned
24 before, you have many companies that have

1 multiple accounts. They may have one LG
2 account and they may have three GV accounts,
3 all right. So you're billing them differently.
4 And as a company grows, they could become an LG
5 account if indeed they're all billed under one
6 meter.

7 Q. Well, isn't that what we want, though?

8 A. That is what we want, yes. But you also
9 have -- you may have a company that has two GV
10 accounts and a similar company, not that same
11 one, that has one LG account. These two GV
12 accounts could have more kilowatt hours, more
13 usage, and even more customers, all right. But
14 meanwhile, this other company, just because of
15 the way they're billed and electrically
16 connected could actually have a competitive
17 advantage in regards to electric bills.

18 Q. But is that something that we should be trying
19 to remedy in the context of a proceeding like
20 this, or should there be a different remedy for
21 that, something that deals with the way things
22 are billed?

23 A. Yeah, I suggest that we look at it right now.
24 Just saying that, going forward, everyone pays

1 their fair share, if you will, even though
2 large customers may not like that. Now we're
3 all in this together.

4 Q. You also say that you give the opinion that you
5 believe that awarding the more favorable rate
6 to the LG customers challenges the fair and
7 reasonable mandate of the Commission. And I
8 just want to get a sense of when you say it
9 "challenges the fair and reasonable mandate,"
10 at the same time you said it's not unfair. So
11 what does that mean, that it "challenges the
12 fair and reasonable." Is it just a way to put
13 these options in context for us, or is it -- do
14 you have a real concern that we're pushing the
15 envelope on being "fair"? Because you said
16 it's not unfair.

17 A. It's not unfair because at the end of the day
18 all customers will benefit. It's how much will
19 they benefit, and is it a fair allocation. And
20 so the point is that it is less fair, if you
21 will, to have an LG rate, have a less
22 percentage of allocation of stranded costs. So
23 that was the intent.

24 Q. I think that's all my questions. Thank you.

1 INTERROGATORIES BY CHAIRMAN HONIGBERG:

2 Q. Mr. Chagnon, I think I'm in the same area that
3 Commissioner Iacopino was just talking about.
4 And this may not really be a question for you
5 ultimately. May be more of a legal question of
6 what the statute calls for us to consider. But
7 fair and unfair is kind of a binary concept.
8 It either is or it isn't. It's fair or it's
9 not fair.

10 In your view, does the statute call for us
11 to find the best, the most fair, the maximum of
12 all fairness possibilities in doing this, or
13 are we just directed to find a fair one? We
14 could consider many possible fair ones. But if
15 it's fair, it's fair, and that means we can
16 approve it.

17 A. It says that the Commission may incorporate
18 rate designs that fairly allocate cost of
19 divestiture. "Fairly." And I would say that
20 less fair means it's not fair. And so that's
21 why we approached fairness across each of the
22 rate classes.

23 Q. I think Senator Feltes may want to follow up
24 with you on that, because I think his question

1 was a fairly stark question regarding the rate
2 presentation as it is in the Settlement
3 Agreement. And his question was, is that, in
4 your opinion, fair, and you said yes. So I'm
5 not sure what you just said is consistent with
6 that.

7 A. I guess you're correct. I didn't understand
8 the question perfectly.

9 Q. So let's make sure we are clear then. I think
10 we're probably going to give Senator Feltes an
11 opportunity to follow up.

12 So your testimony now is that, in your
13 view, the rate allocation in the -- or the
14 allocation in the Settlement Agreement is not
15 fair.

16 A. Correct.

17 Q. That was all I had.

18 CHAIRMAN HONIGBERG: I think
19 before we circle back, before we circle back to
20 Staff, I want to give Senator Feltes a chance, if
21 he's interested, because of the way this arose.

22 SENATOR FELTES: Thank you, Mr.
23 Chairman.

24

1 CROSS-EXAMINATION (cont'd)

2 BY SENATOR FELTES:

3 Q. Mr. Chagnon, in light of your changed
4 testimony, is it your suggestion that the rate
5 design agreed to by all the stakeholders that
6 is supported by the Business and Industry
7 Association which represents LG, G and GV, that
8 everybody agreed on something that's unfair?

9 A. I believe that they did, and only in the sense
10 that it's -- they obviously moved forward to
11 make this all work for everyone. And as you
12 had said earlier, it was a negotiation. And we
13 understand how the agreement landed where it
14 did. However, it was Staff's job to look at
15 this and see if indeed it was fair. And it is
16 not fair amongst classes of PSNH rate classes.

17 SENATOR FELTES: Just one
18 follow-up, Mr. Chairman?

19 CHAIRMAN HONIGBERG: You don't
20 need to ask permission. You are questioning now.

21 SENATOR FELTES: Thank you, Mr.
22 Chairman.

23 BY SENATOR FELTES:

24 Q. So, in light of the change from the rate design

1 in the settlement being fair to now being
2 unfair in your changed testimony, are you
3 changing your testimony, too, about whether or
4 not the Settlement Agreement as a whole,
5 including the rate design, serves the public
6 interest?

7 A. No, I am not. It does serve the public
8 interest.

9 CHAIRMAN HONIGBERG: Commissioner
10 Bailey.

11 INTERROGATORIES BY COMMISSIONER BAILEY (cont'd):

12 Q. So do you believe that the only way to fairly
13 allocate the costs, the stranded costs, is to
14 make sure that everybody sort of pays the same
15 amount? There's no wiggle room?

16 A. No, I believe that the fair way is to levelize
17 the playing field throughout small commercial,
18 medium commercial and large commercial rate
19 classes.

20 Q. So the only way to make it fair is if the
21 percentages across all three business classes,
22 that all businesses pay the same amount.
23 That's the only way to make it fair.

24 A. Correct. The same percentages on average

1 bills.

2 Q. If it were that simple -- and maybe this is a
3 legal question, and it's not fair to ask you.
4 But if it were that simple, wouldn't the
5 Legislature have told us that? I mean, the law
6 says, "The Commission may incorporate rate
7 designs that fairly allocate the costs among
8 customer classes." And they didn't define what
9 "fairly" means. And we had testimony this
10 morning that suggested that the panel believed
11 that the way they allocated was fair, and
12 because all the businesses -- or the BIA agreed
13 it was fair, that it must be fair. And I guess
14 your testimony is the only way to make it fair
15 is if all businesses pay the same percentage of
16 the costs.

17 A. Correct. Yes.

18 Q. All right. Thank you.

19 CHAIRMAN HONIGBERG: Mr.
20 Speidel, do you have any further questions for your
21 witness?

22 MR. SPEIDEL: This will be an
23 interesting form of redirect, insofar as I think my
24 witness was given a hypothetical and he had to

1 answer the hypothetical in a black and white way,
2 where in fact he may have wanted to answer in
3 shades of gray, insofar as --

4 CHAIRMAN HONIGBERG: Do you need
5 to take a short break, Mr. Speidel?

6 MR. SPEIDEL: No, I don't think
7 so.

8 CHAIRMAN HONIGBERG: Okay.

9 REDIRECT EXAMINATION

10 BY MR. SPEIDEL:

11 Q. Mr. Chagnon --

12 A. Yes.

13 Q. -- would you agree that, if there's a
14 hypothetical question that's posited to you
15 wherein your alternative rate design is
16 described as "fair," and that the only basis
17 for challenging the proposed rate design in the
18 Settlement Agreement is unfair, that was kind
19 of the premise that you were forced to accept
20 in a way?

21 SENATOR FELTES: Objection, Mr.
22 Chairman. You know, that's restating I think a
23 cross-examination question. His testimony is his
24 testimony. You know, I asked questions. There was

1 an answer. I think restating my questions I think
2 is not necessarily permissible.

3 CHAIRMAN HONIGBERG: Oh, I'm not
4 sure you want to go there, Senator Feltes. That's
5 overruled.

6 MR. SPEIDEL: Yeah, I wasn't
7 referring to the Senator's question as much as the
8 Bench questioning.

9 BY MR. SPEIDEL:

10 Q. One way or the other, Mr. Chagnon, would you
11 reiterate that, in your view, there's a
12 spectrum of fairness wherein you believe that
13 your rate design alternative is more fair, but
14 that does not necessarily mean that in any
15 circumstance the proposed rate design within
16 the Settlement Agreement is unfair?

17 SENATOR FELTES: Objection, Mr.
18 Chairman. I think that this is a leading question,
19 and I think on redirect or direct you want to ask
20 open-ended questions, not leading questions.

21 CHAIRMAN HONIGBERG: The Rules
22 of Evidence don't apply, and so I'm going to
23 overrule.

24 SENATOR FELTES: Thank you, Mr.

1 Chairman.

2 A. Yes, I agree.

3 BY MR. SPEIDEL:

4 Q. Thank you, Mr. Chagnon. I appreciate it.

5 MR. SPEIDEL: I have no further
6 redirect questions, Mr. Chairman.

7 CHAIRMAN HONIGBERG: All right.
8 You may return to your seat, Mr. Chagnon.

9 Let's go off the record for a
10 minute.

11 (Discussion off the record.)

12 MS. ROSS: I would like to call
13 Billy Leung, Tom Frantz and Eric Chung. And I was
14 just about to ask the Commission, the reason I'm
15 calling Eric is that he has provided the inputs for
16 the REMI model, and we thought it might be handy to
17 have him up there. If you prefer he not be up
18 there, we can query him if necessary. But it's at
19 your pleasure.

20 CHAIRMAN HONIGBERG: Mr.
21 Chung -- Mr. Bersak, is it okay if Mr. Chung is up
22 there?

23 MR. BERSAK: Fine.

24 MS. ROSS: And I need to find

1 Mr. Frantz. Excuse me.

2 CHAIRMAN HONIGBERG: Off the
3 record.

4 (Discussion off the record.)

5 (WHEREUPON, BILLY S. LEUNG was duly sworn
6 and cautioned by the Court Reporter, and
7 panel witnesses Frantz and Chung having
8 been previously sworn.)

9 BILLY S. LEUNG, SWORN

10 THOMAS C. FRANTZ, SWORN

11 ERIC H. CHUNG, SWORN

12 DIRECT EXAMINATION

13 BY MS. ROSS:

14 Q. You do need to have the mic very close to you.

15 Would you state your name for the record,
16 please.

17 A. (Leung) Billy S. Leung.

18 Q. And who do you work for?

19 A. (Leung) I work for REMI, Regional Economic
20 Models, Incorporated.

21 Q. And what is it that you do with REMI?

22 A. (Leung) I am a vice-president at REMI. I've
23 been with REMI for the last 15 years. My focus
24 at REMI is to do economic consulting and

1 leading the team with economic reports and
2 model usage.

3 Q. And I'm going to refer you to Exhibit M, as in
4 mother, which is the direct testimony of Thomas
5 Frantz. And attached at the back of that
6 testimony is a report titled "REMI - Measuring
7 The Economic Impacts of Public Service New
8 Hampshire Electric Generation Asset Divestiture
9 Options." Do you have that document?

10 A. (Leung) Yes, I do.

11 Q. And can you confirm that that document was
12 prepared under your supervision?

13 A. (Leung) Yes, it was.

14 Q. And at the time that that -- I'm actually going
15 to ask you now for the subsequent document.

16 MS. ROSS: And I'm also going to
17 ask the Commission that we substitute a newer
18 version of this one-page exhibit which is currently
19 designated Exhibit Y. So I'm going to pass --
20 there are minor text changes on the first page. So
21 I'm going to pass this out.

22 (Atty. Ross distributes new Exhibit Y
23 page to all parties.

24 BY MS. ROSS:

1 Q. Mr. Leung, I'm referring you now to the
2 one-page Exhibit Y that I've shown you. Can
3 you confirm that that was also prepared under
4 your supervision?

5 A. (Leung) Yes, it is -- it was.

6 Q. And could you give the Commissioners a little
7 bit of information on the REMI model.

8 A. (Leung) Okay. The REMI model is a model that
9 was developed under Dr. George S. Treyz 35
10 years ago. We're a specialist in regional
11 economics. We follow the same type of
12 methodology as Dr. Lawrence Klein that
13 developed CG models back in the 1960s, '50s,
14 '60s and '70s, and won a Nobel Prize in the
15 1980s. Where Dr. Klein focused on macro
16 models, global and national models, the REMI
17 model we focus under the supervision of Dr.
18 Treyz focused on regional models. So we
19 focused -- our model is a model of 3,000 by
20 3,000, done by county, by 170 industry sectors.

21 (Court Reporter interrupts.)

22 A. (Leung) So we have a cross-matrix of 3,000 by
23 3,000 county by 170 industries out to the year
24 2050 forecast. So the model has been used by

1 every state in the U.S, by every major
2 metropolitan area over the last 35 years. Our
3 international client base -- we cover around
4 70 percent of the global gross world product.
5 Our client base includes North America, Canada,
6 U.S. and also Mexico. We work very closely
7 with Asian countries, such as China and South
8 Korea, and also countries in the Middle East.
9 We advise governments on different types of
10 policies using the model to show the economic
11 impacts of their policies. The model is not
12 just solely used for energy. It's used across
13 different areas, such as transportation,
14 security issues, competitive issues and things
15 like that.

16 Q. And Mr. Leung, can you scale your model to look
17 at a specific state like New Hampshire?

18 A. (Leung) Yes, it can.

19 Q. And this past summer, were you asked to do some
20 work by Mr. Frantz, Director of our Electric
21 Division?

22 A. (Leung) Yes, we were.

23 Q. Could you describe the work assignment that
24 REMI was given.

1 A. (Leung) The work assignment that REMI was given
2 was we would take input data from Mr. Frantz,
3 and we would model simulations on the different
4 types of price changes and impact to the New
5 Hampshire economy.

6 Q. Thank you. And recently you were asked to
7 update that work. And could you describe what
8 the work request was for the update?

9 A. (Leung) The work request for the update was to
10 take an input from Dr. Murphy, and we were
11 given changes of \$163 million in energy cost
12 savings to incorporate that into the REMI.

13 Q. And could you briefly summarize the results of
14 that modeling effort.

15 A. (Leung) Okay. So we modeled that \$163 million
16 in energy cost savings from 2017, shared out
17 from 2017 to 2021. And what we put in for
18 price changes was, we put in a consumer energy
19 savings of 36.58, consumer commercial price
20 savings of 30.1 million, and industrial price
21 savings of 7.79 million, public street light
22 savings of 22 -- .22 million. And then from
23 the results we showed that there was a net
24 positive impact towards the New Hampshire

1 economy, with a total employment gain of 1,658
2 man years for employment. It grew the economy,
3 drawing population to 2,759 people, grown the
4 labor force by 1,733; also, additional personal
5 income of \$188 million to this date over a
6 five-year period.

7 But also what's interesting is there was
8 also additional growth in the commercial and
9 industrial sector, too, from competitiveness
10 from the energy side of things.

11 Q. Thank you. What inputs did you obtain? Inputs
12 by customer class from Eversource, from Mr.
13 Chung?

14 A. (Leung) Correct.

15 MS. ROSS: I think with that I
16 would make the witness available for cross. I
17 would reserve the right to redirect if necessary.

18 CHAIRMAN HONIGBERG: All right.
19 Who is going to have questions for this panel? Mr.
20 Cunningham, Mr. Aslin.

21 Mr. Aslin, you're going to be on
22 the settling side, so you're going to go first it
23 looks like. Anyone else besides those two?

24 (No verbal response)

1 CHAIRMAN HONIGBERG: All right.
2 Mr. Aslin, you may proceed.

3 MR. ASLIN: I just have one
4 quick question for Mr. Leung.

5 CROSS-EXAMINATION

6 BY MR. ASLIN:

7 Q. If you had the discretion to allocate customer
8 savings that came out of divestiture to a
9 particular industry sector in order to maximize
10 job growth and economic development, or
11 economic growth in the state -- or I should say
12 in the PSNH region -- there's a better term,
13 but I'll leave it at that -- which sector would
14 you put the savings into to get the maximum
15 economic benefit?

16 A. (Leung) That's a very interesting question,
17 because we put it in all residential and
18 commercial and industrial. But also what we
19 found out was when you put it in residential,
20 although there was an increase in economic
21 output, once this savings was gone, that
22 provided consumption spending. So that's not
23 really -- in the model, it's not really an
24 investment. But if you put it in commercial

1 and industrial, what happens is it lowers
2 production cost, it increases market share, and
3 it grows the economy that way. So, from the
4 model reaction and from competitiveness, I
5 would put it in industrial and commercial
6 relative to residential, because residential is
7 a spending, where industrial and commercial is
8 an investment.

9 Q. Thank you. No further questions.

10 CHAIRMAN HONIGBERG: Mr. Aalto,
11 you have something you want to ask?

12 MR. AALTO: Yes, a very brief
13 question, just to confirm --

14 (Court Reporter interrupts.)

15 CHAIRMAN HONIGBERG: Pentti,
16 find a microphone, please.

17 CROSS-EXAMINATION

18 BY MR. AALTO:

19 Q. Just to confirm that your model ran on a number
20 that was provided to you as the savings and to
21 identify what effect that would have. Am I
22 correct on that?

23 A. (Leung) Yes, it was. It was provided to us by
24 Dr. Murphy from The Brattle Group.

1 A. (Chung) Just to clarify, so Dr. Murphy provided
2 the aggregate level of savings, the \$163
3 million that he spoke to the other day. What
4 the Company did was, we translated that into
5 the customer accounting classes that Mr.
6 Leung's model anticipates, which is
7 residential, commercial, industrial and public
8 street lighting. Those don't necessarily map
9 one-to-one to the revenue-requirement
10 allocation percentages specified in the
11 Settlement Agreement. So the Company helped
12 translate that using billing data as a proxy,
13 which tends to be good for a proxy going
14 forward.

15 CHAIRMAN HONIGBERG: Mr.
16 Cunningham.

17 CROSS-EXAMINATION

18 BY MR. CUNNINGHAM:

19 Q. You substituted -- if I understand your
20 testimony, Mr. Leung, you substituted The
21 Brattle Group data for assumptions for La
22 Capra?

23 A. (Leung) Yes, we did.

24 Q. How did that change?

1 A. (Leung) The results -- as you can see right on
2 the back, the results were less. So, instead
3 of on Table 3 and Table 4 it summarizes that,
4 where the range was ranging per dollar
5 investment of 204 --

6 (Court Reporter interrupts.)

7 A. (Leung) Where the -- we're at Table 3 and Table
8 4. You can see the total employment dropped
9 from a high of 1,900 to 1,658. So there was a
10 300-job difference.

11 Q. And who asked you to change the data base that
12 you used?

13 A. (Frantz) I did. Well, not the database, but
14 the input.

15 Q. The data input.

16 A. (Frantz) Yeah.

17 SP. COMMISSIONER IACOPINO: Can
18 you just show us where on the exhibit? I can't
19 find that on here.

20 THE WITNESS: (Leung) I
21 apologize. It's on Table 4, where it shows total
22 employment.

23 SP. COMMISSIONER IACOPINO: Okay.

24 THE WITNESS: (Leung) So the new

1 information is BPD. The old simulations are TC-46,
2 TC-46B, TC-46BB, TC-46BC.

3 SP. COMMISSIONER IACOPINO: Okay.
4 Thank you.

5 COMMISSIONER BAILEY: I still
6 can't find it.

7 THE WITNESS: (Leung) Table 4.

8 COMMISSIONER BAILEY: Thank you.

9 BY MR. CUNNINGHAM:

10 Q. And Mr. Leung, did Mr. Frantz explain to you
11 why he wanted to change the data input from La
12 Capra to Brattle?

13 A. (Leung) No. We just were just told that we
14 needed to adjust a model 163 million.

15 Q. And just a few more questions. Part of your
16 analysis was of the rate design, was it not, as
17 proposed in the Settlement Agreement?

18 A. (Leung) Unfortunately, I only understand the
19 economic modeling component. They give us the
20 inputs, we model it.

21 Q. Well, I guess my specific question is: Did you
22 analyze what impact among rate classes the
23 settlement would have vis-a-vis residential
24 ratepayers as compared to industrial and

1 commercial ratepayers?

2 A. (Leung) The impact, we were just looking at
3 impacts. And the impact showed that the model
4 group from residential and industrial
5 benefitted from competitiveness for market
6 share, that that's basically just the results
7 of the model that we showed.

8 Q. So --

9 A. (Leung) But no --

10 Q. -- you did not analyze whether or not this deal
11 would help residential ratepayers?

12 A. (Leung) It was just an outcome. So with the
13 model, it's just the outcome from the model,
14 how it helped the residential and how it helped
15 commercial and industrial.

16 Q. I'm not sure I understand what the answer is.

17 MS. ROSS: I'm not sure that
18 you're asking -- I think you're asking a
19 question -- maybe Mr. Frantz can assist in
20 describing what the REMI model was measuring. I
21 don't believe it was measuring the stranded costs
22 separately. I think it was based on overall
23 savings. But maybe Tom can help us.

24 A. (Frantz) We asked REMI to model the output from

1 the Brattle analysis. And that was the \$163
2 million over five years using the same
3 rate-design cost allocation that was in the
4 Settlement Agreement.

5 A. (Chung) So, just to add on to that, an input to
6 the REMI model was the savings broken down by
7 residential, commercial, industrial and street
8 lighting. And as I understand the REMI model,
9 the economic impacts are an aggregate based on
10 that mix.

11 A. (Leung) Right.

12 Q. So is it fair to say, then, there's no discrete
13 analysis of the benefits to residential
14 ratepayers or not?

15 A. (Leung) Correct. There was no discrete
16 analysis. We just modeled the \$163 million.

17 Q. Thank you.

18 CHAIRMAN HONIGBERG: Just want
19 to confirm that other counsel didn't have questions
20 for this panel. Mr. Speidel.

21 MR. SPEIDEL: Thank you.

22 CROSS-EXAMINATION

23 BY MR. SPEIDEL:

24 Q. Mr. Leung I would just like to ask a few

1 clarification questions about what each of
2 these graphical tables mean.

3 So, just to recap, Table 1 is a summary
4 output table on the basis of The Brattle Group
5 energy savings calculations for their baseline,
6 their base case scenario; is that correct?

7 A. (Leung) Correct, the \$163 million.

8 Q. Very good. Under Table 2, there is a breakdown
9 of various subcategories of data outputs:

10 Total employment, private non-farm employment,
11 et cetera, in either individuals or millions of
12 current dollars of percent change. That is
13 also based on the base case of The Brattle
14 Group output scenario that was presented
15 earlier in this proceeding; is that correct?

16 A. (Leung) Yes.

17 Q. Okay. Now we're going to move on to Table 3
18 and Table 4. I think it would be fair to say
19 that the only element of both of these tables
20 that comports specifically with the energy cost
21 savings outputs presented by The Brattle
22 scenarios, prepared by Dr. Murphy and his team,
23 are the first numerical column that has the
24 heading "BPD" in each table. Is that fair to

1 say?

2 A. (Leung) Yes.

3 Q. And that all of these TC-46A, TC-46B, TC-46BB
4 and TC-46BC columns in both Table 3 and Table 4
5 relate to hypothetical scenarios that apply the
6 original, for lack of a better term, "Chung
7 analysis" that was fed through a number of
8 reruns that Staff -- that is, Non-Advocate
9 Staff, had requested during the pendency of
10 this proceeding; is that correct?

11 A. (Leung) Yes.

12 Q. So those tabular outputs relate to the higher
13 Chung savings calculations as opposed to the
14 slightly lower Brattle Group savings
15 calculations; is that right?

16 A. (Leung) Correct. Yes.

17 MR. SPEIDEL: Thank you very
18 much. I have no further questions.

19 CHAIRMAN HONIGBERG: Commissione
20 r Bailey.

21 INTERROGATORIES BY COMMISSIONER BAILEY:

22 Q. Okay. So I want to make sure I really
23 understand this. Looking at Table 1, in 2017,
24 you assumed -- or you were given as an input

1 that the overall savings would be \$75 million?

2 That's what the "75" means in the first box?

3 A. (Leung) Correct.

4 Q. And then you spread that out among the savings
5 among the four different types of ratepayers.

6 Or Mr. Chung, you did that?

7 A. (Chung) Yes, that's correct.

8 Q. Okay. So, and then from there you figured out
9 what the effect of that kind of savings on the
10 economy would be.

11 A. (Leung) Yes.

12 Q. Okay. So if -- were you here for the last
13 discussion about rate design?

14 A. (Leung) No. The one that just --

15 Q. Yeah, the one that just took place.

16 A. (Leung) Yeah. Essentially, yeah.

17 Q. Okay. And Mr. Frantz, you're probably going to
18 have to help me out with this.

19 If we increased the rate in the industrial
20 group, the savings of \$7,790,000 would be
21 reduced; is that correct?

22 A. (Frantz) Yes.

23 Q. So if the savings in the industrial category
24 were reduced, what would the effect on the

1 economy be? Could you predict that just based
2 on what you know how the model works?

3 A. (Leung) If there was -- if the savings was
4 reduced?

5 Q. Yes.

6 A. (Leung) Okay. If the savings was reduced,
7 then --

8 Q. No. Actually, it would be reduced there and
9 increased somewhere else.

10 A. (Leung) The model can predict that. But I
11 would have to go into detail looking at the
12 industrial sectors of -- the industrial and
13 commercial sectors of New Hampshire to where
14 that would be re-allocated to.

15 Q. So you can't give me any kind of --

16 A. (Leung) Unfortunately, not right now. I'm
17 sorry. I would have to rerun the model.

18 Q. Okay. Can you go through more specifically the
19 impacts on the economy and PSNH's territory
20 resulting from the savings that are displayed
21 in Table 1? Just walk me through the other
22 tables.

23 A. (Leung) Okay. So what we have right here is
24 the total employment first starts out at around

1 501 job growth --

2 Q. Okay. Wait a second. Wait, wait, wait. Total
3 employment, that's how many new jobs we would
4 have in 2017?

5 A. (Leung) Correct. Yes.

6 Q. Okay.

7 A. (Leung) And then that would go down to 168 by
8 2021. So, average for the years would be
9 around 332 jobs.

10 Q. Three hundred and thirty-two new jobs every
11 year for the first five years, on average.

12 A. (Leung) It would probably be the same jobs over
13 the year period. Those are -- that's a part of
14 the 500 -- in 2018, the 401 jobs, that's
15 already part of the 501 jobs. So, basically
16 it's the delta between the baseline. So --

17 Q. So, in 2017 we'd add 500 jobs, roughly, and
18 then in 2018 we'd lose 100?

19 A. (Leung) Lose a hundred, correct. But these are
20 job years.

21 (Court Reporter interrupts.)

22 Q. Can you explain that?

23 A. (Leung) "Job years" meaning full-time
24 employment equivalent for that particular year.

1 So that the -- so that by 2021, the long-term
2 effect is 168 jobs. So the 168 jobs was
3 probably part of the 260 jobs at year 2020.

4 And part of that --

5 Q. So, over five years the net growth in jobs
6 would be 168?

7 A. (Leung) The net new?

8 Q. What?

9 A. (Leung) The net new jobs, yes.

10 Q. The net new jobs would be 168. Okay.

11 All right. What does the next row mean?

12 A. (Leung) And that's private non-farm employment,
13 meaning that's taking out our farm and that's
14 taking out government employment. So the total
15 job years generated now would be 1,480. So
16 that's how we can account that in economics.
17 And on average, it's 296 jobs that you get
18 beyond the baseline that we have.

19 Q. Right. But let's talk about the net jobs. So
20 you would get 137 over five years net new jobs
21 in non-farm employment?

22 A. (Leung) Permanent jobs, right.

23 Q. Permanent jobs. And what's resident-adjusted
24 employment?

1 A. (Leung) Resident-adjusted employment is based
2 off your competitiveness. You actually get
3 jobs from people that -- because the growth of
4 the New Hampshire economy. You also get jobs
5 that are in other regions. So you have
6 commuters coming in, living in New Hampshire,
7 working in other areas and bringing that income
8 back to the state of New Hampshire.

9 Q. And is that as a result of the energy savings
10 in New Hampshire?

11 A. (Leung) Correct, yes, because it's what we call
12 "economic geography," because when one region
13 grows, you pull up the other regions also
14 around you.

15 Q. Oh, so people would move here because the
16 energy prices are lower?

17 A. (Leung) And then that's going to generate
18 economic activity, that's going to generate
19 employment across the board, and that's going
20 to feed back into your region.

21 Q. Okay. All right. Okay. What's the population
22 row mean?

23 A. Population means this is the net new population
24 that you're going to take in from the rest of

1 nation. So your region is going to experience
2 population growth.

3 Q. Oh, by 580 people net over the five years?

4 A. (Leung) Correct. Yes. The labor force growth
5 is basically the net new labor force that you
6 have. So that's the labor force you're going
7 to bring into the region.

8 Q. Why is that larger than the total net new jobs?

9 A. (Leung) There will be unemployment. So you're
10 bringing in net new jobs, but you're also
11 bringing in job seekers that are moving to the
12 state that seek economic opportunity, and not
13 everybody is going to be hired.

14 Q. Oh, so there's going to be 339 new people
15 looking for jobs, but only 168 of them are
16 going to have jobs?

17 A. (Leung) But in the long run, what happens is
18 that it balances out, too. So when they can't
19 find jobs, they tend to leave the region.

20 Q. They what?

21 A. (Leung) They tend to leave the region if they
22 can't find opportunity.

23 Q. Okay. What's gross regional product?

24 A. This is gross state product. So this is how

1 much net new economic activity that you're
2 going to get in your region. So this you look
3 at as a real delta. So you'll get 200 million,
4 around 198 million, around 200 million of net
5 new gross state product for the region over
6 that five years.

7 Q. The "23" represents 2 million or --

8 A. (Leung) One hundred ninety-eight.

9 Q. Oh.

10 A. (Leung) So you get 23 million that year.

11 Q. So, 198, it's 198 --

12 A. (Leung) Over five years.

13 Q. -- million over five years?

14 A. (Leung) Correct.

15 And output is the economic activity. So
16 you can think of gross regional product as
17 profits that the state makes if you're a
18 business owner. And output is including all
19 the activities - so the intermediate
20 company-to-company interactions. So that's why
21 it's higher than the -- that's why it's 302
22 compared to 198.

23 Q. Okay. And what's value added?

24 A. (Leung) The "value added concept" is almost

1 exactly the same as the gross state product.
2 So this is how much value you add to your
3 economy. So it looks at a industry standpoint
4 compared to C plus I plus G, which is gross
5 regional product is consumption plus
6 investment --

7 (Court Reporter interrupts.)

8 Q. Wait, wait, wait. Consumption plus
9 investment --

10 A. (Leung) Goes back to economics, Economics 101.

11 Q. Yeah, I'm not an economist.

12 A. (Leung) Consumption plus investment plus
13 government spending, input and exports; so
14 that's GDP.

15 Now, value added, the components of the
16 Company. So you look at companies by specific
17 sectors and you add that all up.

18 MR. SPEIDEL: And Mr. Leung,
19 those would be economic activities and value added,
20 where you take, say a primary product like wood
21 shavings, or a secondary product, and then you make
22 them into wood pellets. When you convert that into
23 each higher stage of production, that's another
24 value-added chain element; correct?

1 THE WITNESS: (Leung) It's the
2 profits for each of the production process.

3 MR. SPEIDEL: Thank you.

4 BY COMMISSIONER BAILEY:

5 Q. Okay. Let's talk about personal income.

6 A. (Leung) So that's net new personal income
7 that's going to -- consumption that's going to
8 happen in the before taxes. That's going to
9 happen in the state. So this is personal
10 income before taxes. And the disposable
11 personal income takes into consideration of
12 taxes. The real disposable personal income
13 takes into consideration the change in what we
14 call de -- I won't say deflation, but the less
15 cost of energy prices. That's why it's higher.
16 It takes into consideration price index. So,
17 because you're lowering the -- we're having
18 energy savings or lowering the cost of energy,
19 so that's why the disposable income is higher.
20 The real disposable income is higher than the
21 regular disposable income because you're taking
22 into consideration now the basket of goods, and
23 it became a lot cheaper because of energy cost
24 price savings.

1 Q. Okay. All right. Given all of this
2 information on this table, would you say that
3 the -- if the Settlement Agreement were
4 approved and the savings that are predicted
5 that you used in this model are achieved, would
6 that -- do you think that's a significant
7 impact on the economy in New Hampshire?

8 A. (Leung) It's hard to say. I mean, I'm not sure
9 what "significant" means. I'm sorry.

10 Q. Mr. Frantz, do you have an opinion? Is that
11 significant, or is it just positive?

12 A. (Frantz) It's positive. The state's economy is
13 very, very large, and so impacting it by \$163
14 million over five years, though positive, I'm
15 not -- you know, "significant" has different
16 words. I don't think the statute requires that
17 it be "significant."

18 Q. Right.

19 A. (Frantz) But it's positive, and I think that's
20 important.

21 Q. Okay.

22 A. (Leung) But also, I believe it also helps build
23 up on competitiveness because it helps reduce
24 the cost of production for industry and the

1 commercial sector, and that's clearly shown in
2 the model.

3 Q. Where is that reflected?

4 A. (Leung) Unfortunately, I didn't put it in this
5 document. But it will show up in basically the
6 cost of production and for all the sectors. It
7 would be a positive for all the sectors. And I
8 can provide that at a later date.

9 MS. ROSS: Would you like a
10 record request with that additional information?

11 COMMISSIONER BAILEY: Sure.

12 BY COMMISSIONER BAILEY:

13 Q. And that will show us how the settlement has
14 the ability to attract and retain employment
15 across industries?

16 A. (Leung) Correct.

17 COMMISSIONER BAILEY: All right.

18 Yes, I would like to see that, please.

19 BY COMMISSIONER BAILEY:

20 Q. Okay. How about the impact on all PSNH
21 customer classes, is that -- well, no, that --
22 I mean, Table 1 is just basically the inputs.

23 A. (Leung) Right.

24 Q. So do you have something that shows the impact

1 on all PSNH customer classes?

2 A. (Leung) We can do it, but we would have to run
3 it. We don't have it right now, but we would
4 have to run it in the model.

5 Q. Mr. Frantz, do you think it would be worth the
6 money to run that?

7 A. (Frantz) If it helps make the decision easier,
8 I think it's worth running.

9 Q. Mr. Bersak, what do you think?

10 A. (Frantz) I think, you know, based on the
11 savings, I think we'll see that it has positive
12 effects across the different classes. But
13 that's something that they definitely could
14 model.

15 Q. Could -- okay.

16 A. (Frantz) It may take several days.

17 MR. BERSAK: You're asking my
18 opinion, Commissioner Bailey. And frankly, you're
19 the commissioner. If you feel it would be
20 beneficial to help your understanding of the
21 record, I'm sure REMI can do it, and we will get it
22 to you as quickly as possible. So we leave it to
23 you.

24 COMMISSIONER BAILEY: Okay.

1 We'll take you up on that.

2 (Commissioners conferring)

3 CHAIRMAN HONIGBERG: So we have
4 two record requests that I think have been
5 identified. And I think their letter designations
6 are going to be AAA and BBB.

7 THE CLERK: I have a question,
8 though. The document that Anne distributed, I
9 would think that that is an errata sheet as well?

10 CHAIRMAN HONIGBERG: Well, let's
11 talk about that for a minute.

12 I don't like to break your flow,
13 Commissioner Bailey, but Attorney Ross, the
14 document you gave us that you say is a different
15 version of Exhibit Y, is it a replacement for what
16 we have as Y?

17 MS. ROSS: Substitute it,
18 please, because it was just --

19 CHAIRMAN HONIGBERG: Okay.

20 MS. ROSS: As far as I know,
21 it's just some textual changes on the first page.
22 But REMI did give it to me recently and say that it
23 was the corrected version.

24 CHAIRMAN HONIGBERG: Is that

1 clear enough?

2 THE CLERK: I only say that
3 because we had commission -- I mean Ms. Geiger's
4 errata sheet marked.

5 CHAIRMAN HONIGBERG: That's a
6 different situation because that was making a
7 number of corrections to different pages of
8 testimony. But it's one sheet. So I think it made
9 sense. I think that's why we decided to mark it
10 separately. I understand Attorney Ross to be just
11 replacing like for like.

12 THE CLERK: Okay. So it would
13 be -- the first record request would be AAA and the
14 second, BBB.

15 MS. ROSS: What was that?

16 CHAIRMAN HONIGBERG: Triple A
17 and triple B.

18 MS. ROSS: Could I get a
19 description of -- I got the first one. But what is
20 the second one specifically? Broken down by rate,
21 customer class?

22 COMMISSIONER BAILEY: Right.
23 The impact on all PSNH customer classes.

24 MS. ROSS: Okay.

1 A. (Chung) Commissioner Bailey, could you clarify?
2 Do you mean rate classes; so, LG versus GB
3 versus G?

4 Q. I believe that's what I mean. I'm taking it
5 right out of the statute.

6 A. (Chung) Okay.

7 COMMISSIONER BAILEY: So,
8 Ms. Ross, you can decide. But, you know,
9 369-B:3(a) requires us to consider the impact on
10 the ability to attract and retain employment across
11 industries and whether the proposed rate design --
12 oh, we already talked about that. Impact on all
13 PSNH customer classes.

14 MS. ROSS: I think, just to
15 explain the distinction, there are specific rate
16 categories in the tariff, and then there are more
17 general customer classes that are more aligned with
18 the way the REMI model breaks out segments. And so
19 we may decide to break it out by customer class
20 rather than specific rate groups at PSNH. I assume
21 either way will demonstrate to you how different
22 types of customers are going to be impacted.

23 COMMISSIONER BAILEY: So what
24 would be a different definition of "customer

1 classes" other than by "rate group"?

2 MS. ROSS: Maybe I could ask Mr.
3 Chung to help us with that.

4 A. (Chung) Yeah, this is why I was helping with
5 the translation before. So, just the rate
6 classes are distinctions for the purposes of
7 setting rates, but they aren't specifically
8 mapping one-to-one to residential, commercial,
9 industrial and public street lighting.
10 Residential does map to residential in REMI's
11 model. I believe C & I is kind of distributed
12 across the middle three rate classes. And so
13 it's not as if, say, rate LG is strictly
14 industrial.

15 Q. Okay. So what I would expect to see then is
16 residential, commercial and industrial all --
17 or like residential and business would be
18 different customer classes?

19 A. (Chung) I think if I understand the REMI model,
20 the REMI model is characterized as residential,
21 commercial, industrial and street lighting. So
22 that would probably be, if an output could be
23 broken out that way, I believe that's what
24 could be provided.

1 Q. And commercial and industrial are two separate
2 classes when you say that?

3 A. (Chung) Yes.

4 Q. Okay.

5 MR. SPEIDEL: So that would be a
6 blended rate that's set into the inputs on the
7 basis of the average of all the distribution rates?

8 THE WITNESS: (Chung) It's
9 essentially blended.

10 A. (Chung) I think, just to make sure we're on the
11 same page, is the request to break out Table 2
12 according to those classes? I'm not -- I
13 happen to not understand what that means.

14 Q. I just wanted to see if there was some
15 information in the REMI report that establishes
16 what the impact on PSNH customer classes is if
17 we approved the Settlement Agreement. And I'm
18 not really sure how you want to show me that,
19 but I think Mr. Leung said that that
20 information was not in the model.

21 A. (Chung) Well, we may have a disconnect. So let
22 me just --

23 Q. Okay.

24 A. (Chung) -- try it this way. So as I read --

1 and I'm not a lawyer. But as I read the Senate
2 Bill 221, it talks about the impact to customer
3 classes. And I believe that is represented by
4 the impacts that we provided Mr. Leung. So, in
5 other words, as you characterized it, the
6 "inputs" would be how does that \$163 million
7 savings break down across different classes.
8 So I believe that's how I read what Senate Bill
9 221 is saying, rather than economic impacts,
10 which is then specified later in that sentence.

11 Q. Okay. So then you believe that the impact on
12 PSNH customer classes in 2017 would be \$36.58
13 million in savings for residential customers,
14 \$30 million for commercial, and \$7- almost \$8
15 million for industrial? All right. I can
16 accept --

17 A. (Chung) That's how I interpret it, yes.

18 Q. I can accept that.

19 Do you think that's reasonable, Mr.
20 Frantz?

21 A. (Frantz) I do.

22 CHAIRMAN HONIGBERG: So does
23 that mean that the second record request is being
24 withdrawn?

1 COMMISSIONER BAILEY: Yeah.

2 CHAIRMAN HONIGBERG: All right.

3 COMMISSIONER BAILEY: So do we
4 need to discuss the first record request, or that
5 one should be --

6 MS. ROSS: My notes indicate
7 that you want a description of the production cost
8 savings across industries so that it's broken out
9 by whatever sectors REMI can do.

10 And Mr. Leung I'd ask you to
11 comment if that's --

12 THE WITNESS: (Leung) Yes, we
13 can provide that information.

14 COMMISSIONER BAILEY: Without
15 running another model?

16 THE WITNESS: (Leung) Without
17 running another model.

18 COMMISSIONER BAILEY: Okay. All
19 right. Then let's do that.

20 BY COMMISSIONER BAILEY:

21 Q. Okay. I just have one more question on Page 8
22 of the original report just because I'm not an
23 economist and I was curious. I didn't write
24 down the line number.

1 (Commissioners conferring)

2 MS. ROSS: Are you on Page 8 of
3 the REMI report? Because there are no line numbers
4 on the REMI report.

5 COMMISSIONER BAILEY: Yeah,
6 there we go. I am on Page 8 of the REMI report.
7 Thank you.

8 BY COMMISSIONER BAILEY:

9 Q. So, in the middle paragraph that starts with
10 "For the economic benefit," do you see that
11 paragraph, the second paragraph on the page?

12 A. (Leung) Correct.

13 Q. In the middle of that paragraph you start with,
14 "Lower electricity prices associated with
15 securitized divestiture of PSNH assets are
16 possible for two primary reasons. First, all
17 electric generators would be subject to full
18 competition for electricity at market-
19 established rates" --

20 CHAIRMAN HONIGBERG: Slow down.

21 COMMISSIONER BAILEY: Oh, I'm
22 sorry, Sue.

23 BY COMMISSIONER BAILEY:

24 Q. -- "yielding lower costs of electricity for

1 customers."

2 And my question is: Do competitive
3 markets always yield lower rates?

4 A. (Leung) That's a very interesting question. I
5 would say that's a very good question, because
6 I have worked on competitive markets that, in
7 an ideal scenario, yes, ideally. But I worked
8 on -- and currently I'm working on some very
9 interesting markets that are, if they're --

10 Q. If they're what?

11 A. (Leung) If they're badly planned, then no. But
12 ideally, and if they're planned accordingly,
13 then yes. For instance, I've been working on
14 some Middle Eastern countries where there's
15 widespread corruption and things like that.
16 And unfortunately, it can be used as a tool.

17 Q. Okay. But that's not really competitive then,
18 is it?

19 A. (Leung) They're competitive by market --

20 SP. COMMISSIONER IACOPINO: They
21 are market competitors.

22 A. (Leung) Market competitors, yes.

23 Q. Okay. And Mr. Frantz, have we designed this
24 market badly?

1 A. (Frantz) I think we could spend a long, long
2 time --

3 Q. That was supposed to be a softball.

4 A. (Frantz) There's a lot of aspects in this
5 market that I'm not sure, when we designed it
6 and started it over 15, 20 years ago, we
7 anticipated where we are at now.

8 Q. You did or you did not?

9 A. (Frantz) I think some parts we did, and there's
10 lots of parts we didn't.

11 Q. Do you think that, looking forward, this new
12 competitive world where PSNH is fully divested
13 will result in lower rates?

14 A. (Frantz) Yes.

15 Q. Okay. Thank you.

16 A. (Frantz) More importantly, I think it shifts
17 the risk where we intended it in electric
18 restructuring away from customers and prudence
19 cases and to the wholesale market and to the
20 generators and suppliers in that market.

21 COMMISSIONER BAILEY: All right.
22 I'm not going to go any further out of my comfort
23 zone on the economics. Thank you very much.

24 CHAIRMAN HONIGBERG: Commissioner

1 Iacopino.

2 SP. COMMISSIONER IACOPINO: Than
3 k you.

4 INTERROGATORIES BY SP. COMMISSIONER IACOPINO:

5 Q. I just have some basic questions about the
6 report. First of all, is Exhibit Y that we
7 received today intended to change anything in
8 the report itself, or is it just using a
9 different set of numbers in your model?

10 A. (Leung) Currently it's just using a different
11 set of numbers in the model.

12 Q. Okay. So when I look at Table 1 and Table 2 on
13 the original report, which is on Page 5, and
14 this was attached to Exhibit M of Mr. Franz's
15 testimony --

16 CHAIRMAN HONIGBERG: M, as in
17 Martin.

18 BY SP. COMMISSIONER IACOPINO:

19 Q. -- those tables are still valid. They're just
20 using a different set of inputs; correct?

21 A. (Leung) Correct.

22 Q. Okay. And if I understand, what you did
23 originally was you tried to model what the
24 Settlement Agreement suggested, but also what

1 would happen if we had a good auction or a bad
2 auction of the generating assets; correct?

3 A. (Leung) I just took in the values from them,
4 right.

5 Q. Well, somebody else on the panel can answer.

6 A. (Chung) Yeah, we agreed to provide scenarios
7 with a different range of proceeds, sales
8 proceeds. I didn't characterize them as "good"
9 or "bad" auctions, just a range of proceeds to
10 see how the economic output measures would be
11 impacted.

12 Q. And that's what the settlement high and
13 settlement low cases represented here.

14 A. (Chung) Yes.

15 Q. So Table 1 really isn't -- we can still rely on
16 Table 1 despite the work that went into
17 Exhibit Y.

18 A. (Chung) It's my understanding, looking at
19 Table 1, that that is based on -- that is not
20 based on the Brattle analysis. And this is --
21 so I guess I'll say it a different way. The
22 only scenario that's being looked at is the one
23 that says "Settlement Agreement." And the
24 difference between the Table 1 and Table 2 in

1 the original report is that the savings, the
2 aggregate savings number that was used has been
3 replaced by the Brattle analysis. The
4 subsequent, the PUC ordered divestiture, low
5 case, high case, those are not rerun.

6 Q. Okay. Just wanted to make sure.

7 Whoever on the panel can answer this. It
8 seems to me that you made some key assumptions
9 in the original report, and those are reflected
10 on Page 28. Are those still key assumptions
11 for what's contained on Exhibit Y? I'm sorry.
12 When I say "Page 28," I mean of the original
13 REMI report.

14 A. (Chung) So you're looking at Appendix 3, "Key
15 Assumptions for REMI Scenarios"; is that
16 correct?

17 Q. Yes. Yes.

18 A. (Chung) Okay. Give me one moment and I'll see
19 if it changes anything.

20 (Witness Chung reviews documents.)

21 SP. COMMISSIONER IACOPINO: It
22 was a good idea to have Mr. Chung on the panel.

23 COMMISSIONER BAILEY: Hmm-hmm.

24 A. (Chung) There are two inputs that I think are

1 different, subject to check. But I think I'm
2 reasonably comfortable representing this. The
3 first one is the Scrubber deferral to recover
4 from customers. That says 103.2 million.
5 Given the passage of time versus when this was
6 run, I believe the deferral number is higher,
7 and it would be the number that is found in the
8 temporary rate filing in Docket 11-250. I
9 believe, subject to check, it's around 123
10 million.

11 Q. Okay. But just -- so you think a different
12 input was provided to REMI to provide -- to
13 prepare Exhibit Y?

14 A. (Chung) I do, because the 123 million was
15 provided to Brattle, and Brattle's results are
16 based on that 123 million versus the 103. So
17 it's reflected there. I don't think the impact
18 is that significant, that material. But I
19 believe that's different. The other number, I
20 believe is not -- actually, I know is not
21 reflected in the Brattle analysis -- is the
22 line that says "potential two-year savings due
23 to rate case stay-out." They didn't --

24 (Court Reporter interrupts.)

1 THE WITNESS: (Chung) I'm sorry.

2 A. (Chung) The line that says "potential two-year
3 savings due to rate case stay-out," that number
4 was not provided to Brattle, so it wasn't
5 included in their savings number. Those are
6 the two lines that I think have changed.

7 Q. So, to the extent that those things have
8 changed, and I know you're not familiar -- I'm
9 sorry, Mr. Frantz.

10 A. (Frantz) If I may, I think my expert to the
11 right would be much better at this, and he can
12 correct me. But I believe they just took the
13 163 million over each year, and that's the main
14 input into the actual modeling on here. These
15 are assumptions for getting to savings before,
16 but I believe, based on the Brattle analysis,
17 the input, the key input for the REMI modeling
18 was Dr. Murphy's average of \$33 million per
19 year over five years.

20 Q. Well, I guess that's what I'm trying to get at
21 is, what is this based on, this change?
22 Because one of the questions I was going to
23 have is, if the 61 million, for instance, for
24 the potential rate case savings is not included

1 in Dr. Murphy's report -- or Dr. Murphy's
2 consideration, then would Mr. Leung's analysis
3 contained in Exhibit Y be more positive?

4 A. (Chung) The way to answer that is, so Dr.
5 Murphy's analysis assumes zero savings from a
6 rate case stay-out. As I testified before on
7 the panel, I believe that is historically not
8 the case with rate cases in New Hampshire. And
9 if you assume some savings, certainly the
10 aggregate savings would go up and, you know,
11 Mr. Leung's results would be more positive. So
12 I would agree with that statement. But that's
13 the mechanism.

14 Q. Mr. Leung, do you --

15 A. (Leung) Yeah, I agree with that.

16 Q. Mr. Frantz?

17 A. (Frantz) I agree, if you included the rate case
18 savings, they'd be higher numbers. What we
19 decided to do was to use and agree to the
20 Brattle analysis that had 163 million. So that
21 analysis is very simple, very clean, and that's
22 what -- and under a very tight time constraint,
23 that's what REMI was asked to model.

24 Q. Okay.

1 MS. ROSS: Just for
2 clarification, I think that Settling Staff intended
3 to offer Exhibit C as a more recent REMI analysis
4 based on the Brattle model. So I think we're just
5 now trying to figure out how to put the two reports
6 together. And the REMI description may still apply
7 from the original report. But I think in terms of
8 the numbers and the impacts, we would encourage you
9 to look at Y, which is run on sort of an agreed set
10 of assumptions among the parties to the Litigation
11 Settlement.

12 SP. COMMISSIONER IACOPINO: And
13 I'm just trying to test out what those assumptions
14 are and whether or not in this particular case, the
15 rate case stay-out assumption is in there.
16 Apparently it's not, which I have my answer.

17 BY SP. COMMISSIONER IACOPINO:

18 Q. Okay. And if I understand -- this is for Mr.
19 Chung because I guess it's your number -- that
20 rate case stay-out figure, the value that
21 you've assigned to that is merely based on an
22 average of prior rate case increases? Is that
23 accurate?

24 A. (Chung) Yes, and then netted out, per the

1 Settlement Agreement, the extension of the
2 Reliability and Enhancement Program. So that's
3 how we derived that proxy at the time.

4 SP. COMMISSIONER IACOPINO: All
5 right. I don't have any other questions.

6 INTERROGATORIES BY CHAIRMAN HONIGBERG:

7 Q. It's been a long time since you started, Mr.
8 Leung, and I just want to make sure I
9 understood something that you said really early
10 in your testimony. I think you said that you
11 did consider or you did model sending more of
12 the savings back to residential ratepayers, and
13 what the model produced was more consumption,
14 but not investment. And so the shift over to
15 sending more back to C & I increased
16 competitiveness and was a better, in your view,
17 economic solution and economic impact for the
18 state.

19 A. (Leung) Chairman, we put all the inputs in at
20 once. So, looking -- but just examining the
21 results and outputs from the variables, I just
22 noticed that how, when you model consumption in
23 the model, it goes directly into economic
24 output because that's the spending. But when

1 we look at industrial and commercial, we put
2 that into industrial cost savings because
3 that's where we -- that's the leverage. That's
4 the input into the REMI model. And that allows
5 for market share growth. And for market share
6 growth, basically it substitutes a way -- it
7 allows those industries to be competitive
8 compared to, you know, industrial and
9 commercial competitors outside of the region.
10 So, the industry -- the companies in New
11 Hampshire would be more competitive relative to
12 the rest of the nation.

13 Q. Okay. I understand that. Thank you. That was
14 very helpful. I think that was the only thing
15 I wanted to hit on.

16 CHAIRMAN HONIGBERG: Mr. Aalto,
17 it's really not your turn, but what would you like
18 to say?

19 MR. AALTO: I'm sorry for the
20 interruption in this. The concern I have is with
21 the data that goes in and my understanding of it.
22 And I guess Mr. Frantz would be the person who
23 would respond.

24 CHAIRMAN HONIGBERG: I'm not

1 sure that you're in order right now to ask a
2 question. You had an opportunity to ask questions
3 of this panel. Why don't you -- before you address
4 the question to Mr. Frantz, why don't you tell us
5 what it is you would ask if we let you ask it.

6 MR. AALTO: The question I would
7 ask is, if the savings number that we're using is
8 the savings from a future, more expensive
9 alternative that would come from not doing the
10 process, if that's the case, then the question is:
11 Is that the appropriate number to use if we're
12 trying to look at the effects from the present
13 going forward? It would seem that it would have to
14 be the difference between the two or need two runs.
15 One would be a result of the higher -- or the
16 higher cost alternative and then run the lower
17 savings model on that to bring it back down. It
18 seems like it gives two different, two very
19 different results.

20 CHAIRMAN HONIGBERG: I'm going
21 to let Mr. Frantz address this if he feels he can.

22 THE WITNESS: (Frantz) I believe
23 this was a delta analysis. It actually was based
24 on Brattle's analysis of divestiture versus non-

1 divestiture and keeping the units. We used the
2 five-year time frame. It was based on the \$33
3 million average per year of savings from
4 divestiture and total cost over non-divestiture.

5 MR. AALTO: That is exactly what
6 I was worried about. The end result of that is
7 that the number we're looking at is related to a
8 future that's more expensive using --

9 CHAIRMAN HONIGBERG: Mr. Aalto,
10 you're going to be able to make this argument
11 tomorrow.

12 MR. AALTO: Thank you.

13 CHAIRMAN HONIGBERG: Ms. Ross, I
14 think you called these people. Do you have any
15 follow-up questions for the panel?

16 MS. ROSS: I have two. Is this
17 working? For some reason I'm not --

18 CHAIRMAN HONIGBERG: You sound
19 great.

20 MS. ROSS: Great. Okay. I just
21 have two redirect questions to Mr. Leung.

22 REDIRECT EXAMINATION

23 BY MS. ROSS:

24 Q. And I hope these are fair questions, because

1 they're somewhat general, and I know you try to
2 be very specific with your model.

3 But can you make a general statement in
4 the REMI model that, if you increase savings to
5 any group of, we'll call them "customers," but
6 people or companies in New Hampshire, that you
7 increase economic activity in the state?

8 A. (Leung) That's a fair and difficult question to
9 answer. But thinking about the REMI framework,
10 it's best to invest in industries that are more
11 competitive in the REMI model because this
12 allows you to leverage market share and grow,
13 and that's much more sustainable. Because if
14 you invest in an industry that is less
15 competitive, what's going to happen is that
16 that money is -- you're throwing good money
17 after bad.

18 Q. So I guess the follow-up question, and this
19 one's probably also going to be a little
20 tricky, is if you have a choice of how you
21 direct your savings money, and you want to
22 choose between directing to, say residential
23 customers, or directing it to commercial and
24 industrial customers, which customer group, on

1 a dollar-for-dollar basis, is more likely to
2 have the greater positive impact on the
3 economy?

4 A. (Leung) From my experience of economic
5 modeling, the consumer base, there's a leakage,
6 because consumers buy goods and services. So
7 if you think about what happens a lot with
8 people and their tax rebates, after that they
9 go out and buy goods produced outside of the
10 region. So there's a fair amount of leakage
11 from that.

12 (Court Reporter interrupts.)

13 A. (Leung) So, if you give it to the residential,
14 I'm thinking -- not thinking about equity
15 issues. I'm thinking about economic issues,
16 economic gains. So if you give it to
17 consumers, there's a lot of leakage because you
18 buy goods and services from outside the region.

19 But if you provide that over to that
20 industrial and commercial base, what happens is
21 that there might be a larger multiplier effect
22 because the production facility tends to buy
23 goods and services from within the region, and
24 then you have a multiplier that's supporting

1 industries to grow from that. And usually you
2 capture a much higher share of economic growth
3 from supporting the industrial and commercial
4 sector.

5 Q. Thank you. I have no further questions.

6 CHAIRMAN HONIGBERG: All right.
7 I think you gentlemen are done. You can return to
8 your seats.

9 Let's go off the record for a
10 minute.

11 (Discussion off the record.)

12 CHAIRMAN HONIGBERG: I think
13 we're done for the day. We will be reconvening
14 tomorrow morning at 9:00, and we'll be hearing from
15 Mr. Reed first thing tomorrow morning. So, thank
16 you all very much. We are adjourned.

17 (Hearing adjourned at 4:10 p.m.)

18
19 (This concludes the Afternoon Session of
20 Day 2 regarding DE 14-238 & DE 11-250.
21 Please note that the Morning Session
22 was provided under separate cover
23 so designated.)
24

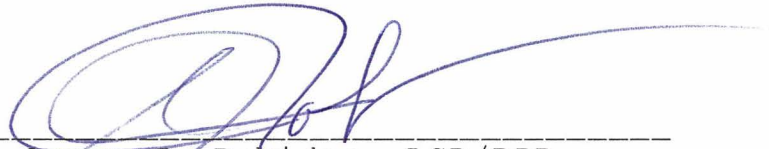
[WITNESS PANEL: Leung|Frantz|Chung]

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C E R T I F I C A T E

I, Susan J. Robidas, a Licensed
Shorthand Court Reporter and Notary Public
of the State of New Hampshire, do hereby
certify that the foregoing is a true and
accurate transcript of my stenographic
notes of these proceedings taken at the
place and on the date hereinbefore set
forth, to the best of my skill and
ability under the conditions present at
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I further certify that I am neither
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Susan J. Robidas, LCR/RPR
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