

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

May 25, 2016 - 2:04 p.m.
Concord, New Hampshire

NHPUC JUN20'16 AM 9:35

RE: DE 15-132
EVERSOURCE ENERGY:
*Annual Reconciliation of Energy
Service and Stranded Costs for 2014.*

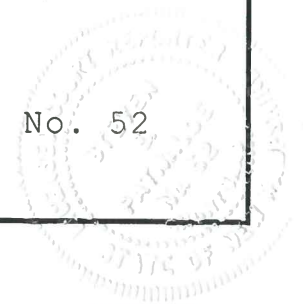
PRESENT: Commissioner Robert R. Scott, Presiding
Commissioner Kathryn M. Bailey
Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New
Hampshire d/b/a Eversource Energy:
Matthew J. Fossum, Esq.

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Richard Chagnon, Electric Division

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



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E X H I B I T S

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P R O C E E D I N G

1
2 CMSR. SCOTT: Good afternoon. We're
3 here for Docket DE 15-132, for Public Service
4 of New Hampshire doing business as Eversource
5 Energy's reconciliation between revenues and
6 expenses contained within Eversource's Energy
7 Service and Stranded Cost Recovery Charge rate
8 filing for the 12-month reporting period from
9 January 1st, 2014 through December 31st, 2014.

10 We'll start with appearance
11 importances.

12 MR. FOSSUM: Good afternoon,
13 Commissioners. Matthew Fossum, for Public
14 Service Company of New Hampshire doing business
15 as Eversource Energy.

16 CMSR. SCOTT: Good afternoon.

17 MS. AMIDON: Mr. Ionescu.

18 MR. IONESCU: Istrate Ionescu. I'm a
19 seasonal service person. I have some comments
20 dealing with that.

21 CMSR. SCOTT: Okay. Thank you.

22 MR. IONESCU: Thank you.

23 MR. KREIS: Good afternoon,
24 Commissioners. I'm Donald Kreis, the Consumer

1 Advocate, here on behalf of residential utility
2 customers.

3 MS. AMIDON: Good afternoon. Suzanne
4 Amidon, for Commission Staff. And with me
5 today is Rich Chagnon, who is an Analyst in the
6 Electric Division.

7 CMSR. SCOTT: Thank you. Since we
8 have a member of the public here wishing to
9 make a statement, why don't we start with that,
10 and keep it relatively brief. And do
11 understand this particular docket is a
12 reconciliation docket, but we would love to
13 hear what you say.

14 MR. IONESCU: Thank you, sir.
15 Appreciate it. This whole -- okay. This is a
16 statement by a PSNH electric power customer to
17 have the Commission consider lack of seasonal
18 service provisions in the tariff for electric
19 power.

20 Seasonal customers are not recognized
21 in the tariff. Thus, PSNH treats seasonal
22 customers in an unfair, capricious and
23 arbitrary manner, extracting excess profits,
24 inconsistent with Public Utility Commission

1 regulations.

2 As it stands, the tariff treats
3 seasonal customers the same as regular
4 customers. The tariff does not address needs
5 of the seasonal customer. The monthly minimum
6 is applied regardless of consumption. The
7 monthly minimum skews significantly the cost
8 per kilowatt-hour for this seasonal user
9 because of low usage. Where usage is under 100
10 kilowatt-hour per month, the monthly fixed cost
11 typically doubles the billed cost per
12 kilowatt-hour to the consumer.

13 For example, monthly fees these days
14 are \$12.75, and the cost per kilowatt-hour is
15 16.487 cents. Thus, for a seasonal user using
16 20 kilowatt-hour per month, which is rather
17 typical for a low usage, total cost would be
18 about \$16.04, or about 80 cents per
19 kilowatt-hour for the supplied 20
20 kilowatt-hours.

21 The tariff does not have a 25
22 kilowatt-hour per monthly threshold, which is
23 about \$3.00, to avoid fixed fees for low
24 electric usage. Meter connect fees are \$35,

1 further raising the cost per kilowatt-hour.
2 For this seasonal user, PSNH charges excess
3 fees for low delivery of electricity.

4 The other option, to disconnect,
5 faces re-connect charges and delays. And this
6 is not in accordance with the spirit of the law
7 and reflects PSNH unfair approach to seasonal
8 customers.

9 Pursuant to RSA 369-B:3, IV
10 (b)(1)(A), customers taking power from PSNH are
11 supposed to be billed "PSNH's actual, prudent
12 and reasonable costs of providing power" as
13 approved by the Commission. An example, in
14 accordance with PUC Order Number 25,448, dated
15 December 28, 2012, the cost of power is about 9
16 cents per kilowatt-hour. In contrast, PSNH
17 charges this consumer a fixed \$12.75 even if
18 consumption is a modest 20 kilowatt-hours per
19 month.

20 This implies an excessive cost per
21 kilowatt-hour. PSNH can do this, because the
22 applicable tariff does not include provisions
23 for seasonal customers, thus arbitrary and
24 capricious fees cannot be challenged.

1 To rectify this, this customer
2 petitions the Public Utility Commission to
3 consider provisions for seasonal customers in
4 the tariff.

5 PSNH's zero power consumption
6 threshold for seasonal accounts is against
7 public policy. Lack of a minimum threshold
8 discourages visits to a seasonal property and a
9 presence in New Hampshire. Because PSNH
10 suggests disconnecting power to avoid minimum
11 fees, owner visits to a seasonal property are
12 discouraged, encouraging thefts, break-ins,
13 vandalism. Reduced visits to New Hampshire
14 also reduce tourist income to New Hampshire
15 from that visit. PSNH current zero threshold
16 policy also frustrates energy saving measures
17 by the customer, suggesting the use of an
18 inefficient, small, emergency style generator
19 to avoid monthly fees.

20 PSNH's current arbitrary and
21 capricious policies do not reflect historical
22 precedent. Historically, a minimum threshold
23 for power consumption was provided before a
24 monthly delivery service was invoiced to allow

1 for short visits to the seasonal property.
2 PSNH's own historical precedents are not
3 reflected in the tariff.

4 In view of the above, the Public
5 Utility Commission is hereby petitioned by this
6 customer to revise the applicable tariff to
7 reflect seasonal usage, institute a minimum
8 usage policy before fixed fees are charged by
9 PSNH. PSNH's approach of charging fixed fees
10 during no significant power delivery, being
11 defined as less than 25 kilowatt-hours per
12 month, is unfair, capricious and arbitrary.

13 This customer petitions to have the
14 tariff require a minimum electricity monthly
15 usage threshold before PSNH can invoice
16 delivery service monthly fees are imputed. For
17 example, if a usage of 200 kilowatt-hours
18 (about \$33) was set before applying monthly
19 fixed delivery fee [sic] charges, a balance may
20 be achieved. This \$33 threshold would be
21 commensurate with the minimum monthly fee of
22 \$12.75. If the threshold minimum is not met
23 during any month of the year, of course, the
24 customer is to pay for cumulative total power

1 consumption on November 1st of the year, for
2 example.

3 It should be noted that this
4 consumer's dissatisfaction stems from paying
5 very high kilowatt per hour prices because
6 fixed charges are applied to low consumption.
7 Fixed monthly charges should reflect power
8 consumption, not an arbitrary value set to
9 maximize PSNH profits. The required per
10 kilowatt-hour parity is reflected in RSA
11 369-B:3, where customers taking power from PSNH
12 are supposed to be billed "PSNH's actual,
13 prudent and reasonable costs of providing
14 power" as approved by the Commission, not some
15 artificial monthly fixed charge, unrelated to
16 power consumption. Thank you.

17 CMSR. SCOTT: For the record, can you
18 give us your name, spell your name for the
19 record.

20 MR. IONESCU: The name is Ionescu,
21 I-o-n-e-s-c-u. First name is I-s-t-r-a-t-e.
22 Do you need more than that?

23 *[Court reporter interruption.]*

24 MR. IONESCU: I'll give you a copy.

1 I can give you a copy of that. No problem.

2 CMSR. SCOTT: Thank you very much.

3 MR. IONESCU: Thank you.

4 CMSR. BAILEY: Could we get a copy
5 for the Clerk?

6 CMSR. SCOTT: That's what he just ask
7 for.

8 CMSR. BAILEY: Well, he asked for his
9 copy.

10 CMSR. SCOTT: Give one to the Clerk.

11 CMSR. BAILEY: Right. And, then,
12 maybe we can treat it as a consumer complaint.

13 MS. AMIDON: Commissioner Bailey,
14 Commissioner Scott, Mr. Ionescu did talk with
15 Jody Carmody about filing this. If you think
16 it -- if your recommendation to him is to file
17 it as a complaint, then perhaps he could do
18 that. He didn't make sufficient copies to meet
19 the filing requirement today.

20 CMSR. BAILEY: Thank you.

21 CMSR. SCOTT: Why don't we do that.
22 We'll treat that as a complaint, and if you
23 could do so.

24 MR. IONESCU: Thank you. Appreciate

1 it.

2 CMSR. SCOTT: Okay. So, thank you
3 very much.

4 So, moving into the docket at hand,
5 let me first ask, are there any administrative
6 issues? I gather, Mr. Fossum, you're going to
7 put a panel on, is that correct?

8 MR. FOSSUM: Yes. That's correct.

9 CMSR. SCOTT: Okay. Are there any
10 administrative issues to be addressed up front?

11 MS. AMIDON: Yes. Staff would like
12 to clarify the record. Initially, when this
13 proceeding began, when the filing was made,
14 Staff anticipated that we would need an
15 engineering review, as we customarily do with a
16 reconciliation. And we asked that the
17 proceeding be suspended for a period of time so
18 we could obtain that review. As it turned out,
19 after discussions with the Company, we
20 determined that an engineering review was not
21 necessary in this instance. As you will hear
22 from the testimony of Ms. Tillotson, it was a
23 very different year for Eversource, in terms of
24 operating its generation units, due to the

[WITNESS PANEL: Tillotson~White~Goulding]

1 continued low price of natural gas. But she
2 can provide a more complete explanation of
3 that.

4 So, Staff concludes that we did not
5 need an engineering review, and I apologize if
6 the record is not clear on that point.

7 CMSR. SCOTT: Thank you for that.

8 Mr. Fossum.

9 MR. FOSSUM: Thank you. We have a --
10 I guess, if there's nothing further from the
11 Commissioners, we would have our panel seated.

12 CMSR. SCOTT: Please do so.

13 MR. FOSSUM: And, I would just note
14 for the record that I understand by -- at least
15 I think by agreement, what -- the Company's
16 initial filing from May 1st, 2015, by
17 agreement, would be "Exhibit 1".

18 CMSR. SCOTT: So marked.

19 (The document, as described, was
20 herewith marked as **Exhibit 1** for
21 identification.)

22 MR. FOSSUM: And, so, with that, have
23 our witnesses.

24 CMSR. SCOTT: And, just to clarify,

[WITNESS PANEL: Tillotson~White~Goulding]

1 that's the binder with all three prefiled
2 testimonies?

3 MR. FOSSUM: That is correct, yes.

4 CMSR. SCOTT: Thank you.

5 (Whereupon **Elizabeth H.**
6 **Tillotson, Frederick B. White,**
7 and **Christopher J. Goulding** were
8 duly sworn by the Court
9 Reporter.)

10 **ELIZABETH H. TILLOTSON, SWORN**

11 **FREDERICK B. WHITE, SWORN**

12 **CHRISTOPHER J. GOULDING, SWORN**

13 **DIRECT EXAMINATION**

14 BY MR. FOSSUM:

15 Q. I'll begin as we usually do. Going down the
16 line, if I could have, Mr. Goulding, if you
17 could begin by stating your name, your
18 position, and your responsibilities for the
19 record in this docket please.

20 A. (Goulding) My name is Christopher Goulding.
21 I'm the Manager of Revenue Requirements for New
22 Hampshire. And my current responsibilities
23 include calculations of revenue requirements
24 and rates associated with the TCAM, Energy

[WITNESS PANEL: Tillotson~White~Goulding]

1 Service, SCRC, Rate ADE, and some distribution
2 rates.

3 Q. And, Mr. White, the same questions for you.

4 A. (White) My name is Frederick White. I'm a
5 Supervisor in the Energy Supply Department. My
6 primary responsibilities involve providing
7 analytical support of the portfolio of load and
8 resources used to provide default service in
9 New Hampshire for Eversource customers, for the
10 purposes of rate setting and cost
11 reconciliations.

12 Q. And, Ms. Tillotson, the same questions to you.

13 A. (Tillotson) My name is Elizabeth Tillotson. I
14 work in the Generation Department of
15 Eversource. I'm responsible for facilitating
16 regulatory and environmental filings and
17 compliance, and otherwise strategies.

18 Q. I'll begin where we ended. Ms. Tillotson, back
19 in the filing that's just been referenced, that
20 was from May 1st, 2005 [2015?] and has been
21 referenced as "Exhibit 1" in this proceeding,
22 did you submit testimony and exhibits?

23 A. (Tillotson) Yes, I did.

24 Q. And that testimony, was that prepared by you or

[WITNESS PANEL: Tillotson~White~Goulding]

1 at your direction?

2 A. (Tillotson) Yes, it was.

3 Q. And do you have any changes or updates to that
4 testimony today?

5 A. (Tillotson) I do not.

6 Q. And, if you were asked those same questions
7 today, would your answers be the same today?

8 A. (Tillotson) Yes.

9 Q. And, Mr. White, did you also file testimony
10 that was included in what has been marked as
11 "Exhibit 1"?

12 A. (White) Yes.

13 Q. And was that testimony filed by you or at your
14 direction?

15 A. (White) Yes, it was.

16 Q. Or "prepared by you", I'm sorry. Prepared by
17 you or at your direction?

18 A. (White) Yes.

19 Q. And do you have any changes or updates to that
20 testimony today?

21 A. (White) I do not.

22 Q. And, if you were asked the same questions
23 today, would your answers be the same today?

24 A. (White) Yes, they would.

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1 Q. And, now, Mr. Goulding, did you file testimony
2 that has been included in Exhibit 1?

3 A. (Goulding) I did not.

4 Q. Well, could you explain who did?

5 A. (Goulding) Sure. Michael Shelnitz provided
6 testimony on the -- in the reconciliation of
7 energy costs for -- energy and SCRC costs for
8 2014. He has since moved on to a different
9 position within the Company. So, I'm here to
10 adopt his testimony.

11 Q. Did Mr. Shelnitz work for you at the time that
12 his testimony was prepared and filed?

13 A. (Goulding) He did.

14 Q. And did he prepare this testimony at your
15 direction?

16 A. (Goulding) Yes, he did.

17 Q. And have you reviewed the testimony that he
18 submitted?

19 A. (Goulding) Yes, I have.

20 Q. If you had been asked those same questions,
21 would your answers have been the same as
22 provided in that filing?

23 A. (Goulding) Yes, they would have.

24 Q. And, today, do you adopt Mr. Shelnitz's

[WITNESS PANEL: Tillotson~White~Goulding]

1 testimony as your own for purposes of this
2 proceeding?

3 A. (Goulding) Yes.

4 Q. Do you have any changes or updates to that
5 testimony?

6 A. (Goulding) Yes, one change. On Bates Page 002
7 of my testimony, Line 4 -- or, Line 3 and 4, it
8 says "Have you calculated replacement power
9 costs as a result of outages incurred during
10 the period as discussed in Mr. Smagula's
11 testimony?" That should be "Ms. Tillotson's
12 testimony".

13 Q. Do you have any other changes or updates?

14 A. (Goulding) No, I do not.

15 Q. Now, Ms. Tillotson, as you heard the Staff
16 indicate earlier, is there generally a fairly
17 in-depth engineering review that is undertaken
18 in these dockets?

19 A. (Tillotson) Yes, there is.

20 Q. And, in your experience, how generally is that
21 done and what does that review encompass?

22 A. (Tillotson) In past reconciliations, the Staff
23 would hire an engineering consultant typically
24 to come in, and the focus would be on reviewing

[WITNESS PANEL: Tillotson~White~Goulding]

1 the outages, forced outages, associated with
2 not only the six fossil plants, the Schiller 5
3 biomass, and the hydro units, to review them
4 and confirm that they have been handled well by
5 the Company.

6 Q. And, in this case, that more standard review
7 was not done, is that correct?

8 A. (Tillotson) That portion of the review was not
9 done. What was done is we obviously did our
10 filing, there were a couple of sets of data
11 requests, which often captures some of the
12 information that is then talked about during
13 these on-site visits. But the on-site visits
14 is what did not happen this time. We had
15 discussed that information, though, with Staff,
16 at their request, to go through and look at the
17 filing to see what information is there.

18 And I did note that sometimes, if you're
19 unfamiliar with the filing, that there's
20 actually some helpful information in that. And
21 we talked about that, so that, for those who
22 maybe didn't recognize some of the terminology
23 and what that might mean, I think we had a good
24 opportunity to discuss that, and actually

[WITNESS PANEL: Tillotson~White~Goulding]

1 gleaned a little bit more information from the
2 filing that was submitted initially on May 1st,
3 2015.

4 Q. Well, in light of that, I guess we can
5 enlighten the Commissioners. I was hoping and
6 ask that you turn to, in your testimony it is
7 Page 11, and it's Bates Page 059 of the filing.
8 Are you there?

9 In the middle of the page, there is a
10 chart that refers to "Planned Outages". Could
11 you describe what it is that that chart shows
12 and what that means relative to the operation
13 of Eversource's generating units?

14 A. (Tillotson) Sure. As just a bit of a backdrop,
15 I would like to take us back just a little bit
16 in time, when the fossil plants had a very
17 clear mission, the market price was at a price
18 point that our coal plants usually ran all the
19 time, and they would have these planned outages
20 that we're going to see on this page. And the
21 one other outage type that they would have
22 would be the forced outage, in other words,
23 something broke that required it to come off
24 line. We would fix it as quickly as possible,

[WITNESS PANEL: Tillotson~White~Goulding]

1 we would come back on, and then we would use
2 these planned outages to do longer maintenance.
3 And this setup of this filing really spoke to
4 that. Because of operations beginning a little
5 bit in 2010 and '11, and clearly in 2013 and
6 '14, the market price, as we all know, was such
7 that our coal plants would not run all the
8 time. So, it was important to look at what the
9 outages were under that kind of operation.

10 So, on Page 11, there's a list of planned
11 outages that are very much like what you always
12 would see at these units. It would be the
13 routine planned work that we would set up with
14 ISO ahead of time. We would know, we would
15 actually, I'll say "save work", we would
16 cluster work together to be very efficient
17 about it, and we would plan ahead of time. So,
18 we look at these periods as being preplanned
19 and approved by ISO. So, this is very typical
20 and consistent with past filings.

21 Q. And I'd like you now to turn back a few pages
22 to Page 6 of your testimony on Bates Page 054,
23 since you mentioned them in your response just
24 then. There's a list of, what it says at the

[WITNESS PANEL: Tillotson~White~Goulding]

1 top, the "NH Generation Steam Units Forced and
2 Maintenance Outage List". Could you explain
3 also what that chart is showing and what that
4 indicates relative to generation operations in
5 2014?

6 A. (Tillotson) Sure. So, this is the chart that I
7 think really demonstrates the change we've seen
8 over the recent past. If you looked at much
9 earlier reconciliation dockets, this list might
10 have been much longer, depending on the year.
11 It represents all outages for the Merrimack,
12 Newington, Schiller, Wyman, that are either
13 over 48 hours or over 96 hours. And,
14 historically, those would have been forced
15 outages, where the sense of urgency would have
16 been to come back on line, because, during that
17 period, we would be accruing replacement power
18 costs, a cost to our customers.

19 Over the last few filings, it became clear
20 that we had to do a better job of explaining
21 forced outages, because "forced" would not be a
22 term that would actually reflect the outages
23 that were either over that 48-hour or 96
24 thresholds -- 48- or 96-hour thresholds.

[WITNESS PANEL: Tillotson~White~Goulding]

1 So, we provided some additional
2 information here that explains the type of
3 outage. So, if you see a "tube leak" here,
4 those, in the winter months, would feel very
5 much like historical forced outages, where our
6 job would be to find the problem, find the
7 leak, and repair it as quickly as possible,
8 especially because this was that Winter of
9 2014, where prices were high. So, we had a few
10 outages at our Merrimack units. And I know, by
11 what they typically take to have all of those
12 under three days, means that we went in and we
13 worked very fast to get back on line to again
14 be providing value during the winter.

15 As you go down in this list, you see some
16 other terms. You see a term "Maintenance
17 Outage", you see "Reliability Outage". And
18 what that's telling the reader is that a
19 "Maintenance Outage" means that it didn't break
20 and just take us off line, we had the
21 flexibility to go in when it made sense. We
22 would preplan it with ISO. We would work with
23 wholesale marketing. We would find a time
24 where we were hoping that replacement power

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1 costs were zero. We would likely not work
2 overtime and incur those costs. And we would,
3 even though the availability would be less, it
4 would be a lower cost to our customers.

5 "Maintenance Outage" still means there is
6 something there that needed to be fixed. We
7 have Air Heater pluggage that will occur, it
8 will happen over time. So, we would go ahead
9 and look for an opportunity to take the unit
10 off so we have no replacement power costs.

11 Historically, those are the kinds of
12 outages that an engineer consultant would want
13 to be looking at to see if we were smart, and
14 the questions that would have been asked
15 historically is, you know, "Were you good at
16 getting an outside contractor in?" "Were you
17 fast at having your parts available?" All the
18 questions that sort of spoke to doing it quick,
19 because quick historically had been a better,
20 lower cost option. Here, we may purposely take
21 a longer outage, we'll purposely not work the
22 weekend.

23 The other similar outage you see here is a
24 "Reliability Outage". And those outages are a

[WITNESS PANEL: Tillotson~White~Goulding]

1 little bit different than a maintenance outage,
2 in that they don't have a specific item that's
3 necessarily broken or needs repair, but it's a
4 targeted outage where we want to be really
5 ready for a expected higher need period. So,
6 we'll do it in the fall, prior to the cold of
7 the winter. We'll do them in the spring, prior
8 to the hot of the summer. So, at that point,
9 our priority is not being quick, but rather
10 being thorough, thoughtful, and doing it at a
11 lower cost by using our own manpower, hopefully
12 not bringing in contractor labor.

13 So, as we discussed these aspects of the
14 outages, we tested our theory of -- so, if it's
15 a tube leak, that's kind of the traditional
16 forced outage, but there were only a handful of
17 those. The majority of these outages start
18 with the term "Maintenance" or "Reliability",
19 which is why, when you look at the replacement
20 power costs that we calculate as part of the
21 filing, you see an awful lot of these outages
22 having zero replacement power costs. And that
23 makes sense, that means, as we planned, we were
24 correct. I mean, there's always a risk that

[WITNESS PANEL: Tillotson~White~Goulding]

1 something could happen that you don't expect.

2 But all of the ones that are listed here
3 that have that kind of terminology, in our coal
4 plants especially, were done at zero
5 replacement costs. So, our goal was met.

6 And I think the last note I'll make there
7 is, Schiller 5 is our biomass plant, and that
8 is the one unit that truly still feels like the
9 old term "base load" unit. It's always below
10 market prices. We always operate that unit.
11 If it's available, we run it. We do do a
12 reliability outage in the fall, so we're ready
13 for winter. It's not good to have an outage in
14 the winter there, if we can avoid it. But that
15 is the one unit where you should always see
16 replacement power costs associated with it,
17 because it is always going to be lower than
18 market prices.

19 CMSR. SCOTT: Ms. Tillotson, when you
20 talk about replacement power costs, are you
21 talking about Bates 009?

22 WITNESS TILLOTSON: I think that's
23 correct. I just lost it. Yes.

24 CMSR. SCOTT: Thank you.

[WITNESS PANEL: Tillotson~White~Goulding]

1 BY MR. FOSSUM:

2 Q. And for purposes of direct, just one more
3 reference. Ms. Tillotson, if you can turn to
4 Bates Page 070. It is Attachment EHT-1,
5 Page 10.

6 A. (Tillotson) I'm there.

7 Q. And I just wanted to have you explain, if you
8 could, on what is listed on the line for
9 "Outage A" there. If you could, the -- is that
10 a common length of an outage, I guess I'll ask
11 first?

12 A. (Tillotson) No. That would certainly be picked
13 up as something unique.

14 Q. And, so, could you then, for the benefit of the
15 Commissioners, please explain what happened
16 there.

17 A. (Tillotson) I can. As I mentioned, we did have
18 the opportunity to talk to Staff. And, as we
19 looked through the filing and found so many
20 things that were uneventful, probably without
21 concern, something that you wouldn't have spent
22 a lot of time if you had a consultant,
23 appropriately this line item was identified as
24 being different. What made this particular

[WITNESS PANEL: Tillotson~White~Goulding]

1 outage interesting is, if you note the start
2 date here is "01/01/2014", the outage actually
3 began mid-December 2013. And, because this
4 outage was associated with a Schiller 5 very
5 short outage, it ended up being talked about in
6 the 2013 reconciliation.

7 Typically, you would go to the year that
8 has the majority of the period associated with
9 the outage. But, because it had a Schiller 5
10 outage that was fully contained in 2013, we
11 went ahead and talked about it. So, that gave
12 me an opportunity to revisit some of that
13 during our discussion.

14 And this is where we did rotor work on
15 our -- we rewound our rotor. Because of our
16 December outage, we identified some problems
17 that we wanted to inspect further. Because we
18 were concerned, we actually found that the
19 stator was okay, but that there was some
20 concerns with the generator rotor. It was
21 grounded. We removed the rotor at that time,
22 and, in the December and January time period,
23 removed it from the site. And what's
24 interesting is, because we took it out then,

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[WITNESS PANEL: Tillotson~White~Goulding]

1 looking for a very specific targeted issue
2 associated with the outage that occurred in
3 December, our OEM, our field inspection shop,
4 actually identified more concerns with the
5 rotor at that time.

6 So, their recommendation was they could
7 repair the targeted work, or their caution was
8 that they had found some other significant
9 issues with -- potentially significant issues
10 with the rotor. And their recommendation was
11 to go ahead and completely rewind the rotor
12 then, and, in fact, probably avoid what could
13 have been a catastrophic failure.

14 So, we did take the ten months to do all
15 of that work. And we're hopeful that, not only
16 did we produce a good work, but we avoided a
17 catastrophic-type failure, which is always a
18 more costly, harder-to-fix scenario.

19 So, the rotor was done then. There were
20 some controls done then also. And we also did
21 some control work on two other CTs that's
22 contained here.

23 So, good work to be done, it needed to be
24 done, and certainly avoided a catastrophic

[WITNESS PANEL: Tillotson~White~Goulding]

1 failure. And it was done in a period where it
2 was less likely needed. Our CTs typically have
3 very important jobs to do at more critical
4 times. So, we did it in a period that we felt
5 was better to have it completely worked on and
6 have it all ready for the fall/winter of
7 2014-15.

8 Q. And, so, generally, Ms. Tillotson, in your
9 experience, and in light of what's in the
10 testimony and what you've described, is it your
11 opinion that the plant operations and outages
12 and associated activities that are described
13 for 2014, were they, in your opinion,
14 reasonable and prudent operations by the
15 Company?

16 A. (Tillotson) Yes.

17 Q. And, very quickly, Mr. Goulding and Mr. White,
18 I'll ask you sort of both together. Is it your
19 opinion that the information that's provided in
20 the filing relative to both your testimonies
21 reflects Eversource's actual, prudent, and
22 reasonable costs of providing service to
23 customer in 2014?

24 A. (Goulding) Yes.

[WITNESS PANEL: Tillotson~White~Goulding]

1 A. (White) Yes.

2 MR. FOSSUM: Thank you. They're
3 available for cross.

4 CMSR. SCOTT: Thank you. Mr. Kreis.

5 MR. KREIS: Thank you, Commissioner.

6 **CROSS-EXAMINATION**

7 BY MR. KREIS:

8 Q. Ms. Tillotson, would it be fair to say that the
9 long outage that you were just describing at
10 the Schiller Combustion Turbine 1 is sort of
11 the utility equivalent of having to send your
12 relief pitcher out for Tommy John surgery?

13 A. (Tillotson) That could be an analogy, I
14 suppose.

15 Q. I just have a few questions beyond that. Let
16 me go back to what Ms. Tillotson was talking
17 about earlier, which is her chart, which is at
18 Bates Page 054, I want to make sure I
19 understand her testimony.

20 If I understood you correctly, what you
21 were saying is basically all of those outages
22 that were identified as either a "maintenance
23 outage" or a "reliability outage", were outages
24 that the Company had some discretion with

[WITNESS PANEL: Tillotson~White~Goulding]

1 respect to scheduling, so that it really is not
2 a traditional "forced outage", fair?

3 A. (Tillotson) Well said.

4 Q. And, so, all of the outages on that list that
5 are not either identified as a "maintenance
6 outage" or a "reliability outage" are your
7 old-fashioned forced outages?

8 A. (Tillotson) Correct.

9 Q. So, what would be the inference that one could
10 draw from the fact that all of the
11 old-fashioned forced outages, the tube leaks,
12 all either involved Schiller Unit 5, which runs
13 as an old-fashioned base load generation unit,
14 or took place during the cold winter months?
15 Is that just coincidence or is there any
16 significance to that fact?

17 A. (Tillotson) I will remind you that this chart
18 is a subset of all of the forced outages. If
19 you go back in the filing in one of the
20 attachments, there are other forced outages in
21 the traditional sense. These are only those
22 forced outages or maintenance outages or
23 reliability outages that exceeded the 48 hours
24 or the 96 hours. And that's really just being

[WITNESS PANEL: Tillotson~White~Goulding]

1 respectful of the filing. Once you have that
2 criteria met, then we go ahead and we put in
3 outage reports as part of the filing
4 requirement.

5 Had we left those reliability and
6 maintenance outages out, then we would have had
7 a very short list, and we would have just
8 relied on the listing of all of the forced
9 outages. And those tend to be the shorter ones
10 that are not untypical.

11 Q. Understood. In your testimony, Ms. Tillotson,
12 you testified that the Schiller Unit 5 biomass
13 unit had an 88 percent capacity factor. But
14 you didn't give capacity factors for the other
15 units. And I wonder if you could tell us what
16 the capacity factors were for Units 1 and 2 at
17 Merrimack?

18 A. (Tillotson) I can. We responded to a capacity
19 factor, I'm looking for it, in our data
20 requests.

21 MR. FOSSUM: Well, and before you do
22 that, I remind you that the Commissioners have
23 not seen any of those data requests. So, just
24 whatever your testimony is today is what your

[WITNESS PANEL: Tillotson~White~Goulding]

1 testimony is today.

2 WITNESS TILLOTSON: Okay. I'm
3 looking for it, and maybe that's why I was
4 speaking out loud.

5 **BY THE WITNESS:**

6 A. (Tillotson) I'm sorry, I have it labeled, but
7 it's on the wrong page, Mr. Kreis.

8 A. (White) Generally, while we're tracking it
9 down -- here you go.

10 A. (Tillotson) Oh, thank you. So, we did provide
11 that in a data request. The capacity factors
12 in 2014, Merrimack 1 was mid-30s, 36 percent;
13 Merrimack 2 was just under 30, at 28.3 percent.
14 I'll keep going. Newington, as we know, is
15 often in the single digits, it was 3.6 percent.
16 Schiller 4 and 6 are usually very similar, and
17 they were in the low 20s.

18 BY MR. KREIS:

19 Q. And would that be -- that's also reflected in
20 the graphs that are at the very end of Exhibit
21 1, that are, at least in -- look to be Bates
22 Pages 109 through 112?

23 A. (Tillotson) Yes.

24 Q. Super. Thank you. I think I just have a few

[WITNESS PANEL: Tillotson~White~Goulding]

1 questions for Mr. White, and then I'll be done.
2 Mr. White, at your testimony, Page 6 of your
3 testimony, I'm not sure what Bates Page number
4 that is, but I can find out. You testified
5 that "Eversource participated in Forward --
6 Financial Transmission Right auctions as a
7 method of hedging the congestion price
8 differential between the major fossil stations
9 and the New Hampshire load zone for periods and
10 in quantities according to the forecasted unit
11 operation." And this is, I guess, a question
12 that will display perhaps my cosmic ignorance
13 of how Financial Transmission Rights work.
14 But, given that the generation units and the
15 load are in the same load zone, why is it
16 necessary to engage in any of those
17 transactions?
18 A. (White) They are both in the same zone, but the
19 pricing locations are different. There is a
20 price for the zone which load pays, but the
21 price that generation is paid is a nodal price,
22 it's specific to their pricing node. So, there
23 are, in fact, pricing -- locational price
24 differences between generation nodes and the

[WITNESS PANEL: Tillotson~White~Goulding]

1 load zone.

2 Q. Thank you. And you testified that "Financial
3 Transmission Rights resulted in an overall
4 decrease in Energy Service expense of
5 \$965,348." And my question is, how do we know
6 that that was a prudent -- how do we know that
7 that was prudent, with respect to the Financial
8 Transmission Right transactions your company
9 engaged in?

10 A. (White) Well, again, it's addressed in a manner
11 that we typically have, over years of discourse
12 on Financial Transmission Rights, this is the
13 context in which we report it. To fully delve
14 into it would require, you know, a more
15 in-depth discussion. In the past, those
16 discussions have revolved around the quantities
17 that we bid for FTRs, how it matches up with
18 our generation operations, the prices at which
19 we bid to acquire FTRs, in relation to
20 historical cost differences between the
21 generation nodes and the load zones, and
22 whether those costs are prudent and in line
23 with reasonable judgment as to what was an
24 appropriate price to pay. And, if you were to

[WITNESS PANEL: Tillotson~White~Goulding]

1 have paid more, perhaps you would have
2 overpaid. And, so, you instead take the risk
3 in the market of what congestion may turn out
4 to be. So, it's a balance between cost and
5 risk.

6 I can tell you that our approach has
7 really not changed over the last several years.
8 In fact, this result is -- it's something of
9 a -- it's an indication of the way congestion
10 related between those price points in this
11 particular year. The fact of the matter is
12 that that \$965,000 is looking at the FTR in
13 isolation. If you were to combine it with the
14 costs to load, it really indicates that costs
15 to load were elevated, and the two sort of
16 offset one another, because what we've really
17 done is locked in a fixed price for the
18 congestion component of the LMP.

19 So, that's kind of a lengthy way to say
20 that it would involve a deeper dive, I guess,
21 to really round all that together. We provide
22 this, like I say, as an indication, as we have
23 in the past, of the relative size of our FTR
24 involvement and the relative costs involved in

[WITNESS PANEL: Tillotson~White~Goulding]

1 this particular year. So, it can be viewed in
2 relation to other years that we've experienced.

3 I will tell you that that number has been
4 a positive number in some years, a negative
5 number in other years.

6 Q. So, is it your testimony that, in a year when
7 it's positive, we should just let well enough
8 alone and assume that the Company did a good
9 job of participating in the Financial
10 Transmission Rights market?

11 A. (White) Well, what I can tell you is that we
12 certainly feel we acted prudently. We've
13 taken -- we have not changed our strategy in
14 the FTR market. I guess that's anyone's
15 judgment as to whether a positive or negative
16 number. Certainly, it reads better when it's a
17 positive number. But I guess what I'm telling
18 is that that's more an indication of the price
19 risk involved with regard to congestion during
20 that particular year.

21 Most of that number in 2014 was driven by
22 events in February alone, between Merrimack and
23 the load zone, related to transmission outages.
24 Other than that single event, which is probably

[WITNESS PANEL: Tillotson~White~Goulding]

1 95 percent of that value, the remainder of the
2 year was very benign, and the settlement, with
3 regard to FTRs, was relatively small dollars,
4 certainly, in relation to that nearly a million
5 dollars in one month. So, it's more an
6 indication of how volatile and the price delta
7 between our generation nodes and the load zone,
8 how it happened to work out in a given year.

9 Q. Super. Thank you. I would love to do that
10 deep dive sometime. But, obviously, we don't
11 necessarily have the time to do that here. So,
12 thank you.

13 A. (White) Okay.

14 MR. KREIS: Mr. Commissioner, I think
15 that's all the questions I have.

16 CMSR. SCOTT: Thank you, Mr. Kreis.
17 Ms. Amidon.

18 MS. AMIDON: Thank you. Good
19 afternoon.

20 WITNESS GOULDING: Good afternoon.

21 BY MS. AMIDON:

22 Q. Mr. Goulding, I wanted to direct your attention
23 to Bates stamp 004, and it's the question that
24 begins on Line 20. Please let me know when

[WITNESS PANEL: Tillotson~White~Goulding]

1 you're there.

2 A. (Goulding) Okay. I'm there.

3 Q. All right. And the second sentence there says
4 the net adjusted under-recovery of
5 122.3 million was "due primarily to deferred
6 Scrubber costs of 105 million". And you did
7 not include the 105 million in the calculation
8 of the stranded cost reconciliation in this
9 docket, did you?

10 A. (Goulding) No. It has been excluded.

11 Q. Right. And you know what the status is now of
12 the deferral?

13 A. (Goulding) Deferral is currently being
14 recovered in rates. Effective January 1st, the
15 Temporary Scrubber Rate was changed from 0.98
16 cents to 1.72 cents, which included one-seventh
17 of the deferral, Scrubber deferral recovery.

18 Q. Okay. So, this is an element of this filing
19 that the Commission won't be seeing in the
20 future filings, is that fair to say, a referral
21 to the -- a referral to the Scrubber deferral?

22 A. (Goulding) I think it would still be carved out
23 as a Scrubber deferral, because we still, as
24 part of our Energy Service rate filing, we do

[WITNESS PANEL: Tillotson~White~Goulding]

1 identify the Scrubber deferral separately and
2 the Scrubber costs separately.

3 Q. Okay. Thank you for correcting me. I didn't
4 think of that. Ms. Tillotson, as I understand
5 it, the testimony that you provided said that
6 "the generation units were available to run
7 when called", is that correct?

8 A. (Tillotson) That's certainly our goal. And the
9 exception would be on Page -- Bates Page 054, I
10 would point to the three units at the top of
11 the list that say "Tube Leak", which are
12 consistent, sort of the typical historical
13 outages, and Schiller 5's forced outage, as Mr.
14 Kreis said, you know, the original termed
15 "forced outages". But, for those times, when
16 called upon, we were available to run. Our
17 availability was very high in 2014.

18 Q. Thank you. And, in light of the pending
19 divestiture proceeding before the Commission,
20 could you just briefly describe, and I know
21 that's maybe not relevant to this particular
22 calendar year 2014, but can you just enlighten
23 us briefly on the Company's approach to
24 managing its generation units?

[WITNESS PANEL: Tillotson~White~Goulding]

1 A. (Tillotson) Sure. I'll start with 2014. 2014,
2 like 2013, reflected what I would have said,
3 lower capital expense years and lower O&M years
4 that would reflect the fact that we had lower
5 operation. And, certainly, some of our
6 maintenance costs get tied back to operations.
7 With lower operations, you're also allowed to
8 postpone some work. There's some cyclic work
9 that will always occur, but the cycle
10 associated might be extended. So, if one would
11 look at 2013 and 2014, they would see what I
12 would say lower expenses for both O&M and
13 capital.

14 To your question, coming into 2015, we did
15 recognize that some of those cycles were due
16 anyway. You know, you have your car
17 maintenance that you do because of miles, but
18 you have some that you just do routinely. So,
19 in 2015, we had some routine turbine
20 work/boiler work that we would do. We also had
21 some of that work that we were postponing on
22 purpose, we went ahead, and there's an element
23 of efficiency associated with sort of
24 collecting all that work. So, in 2015, it was

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[WITNESS PANEL: Tillotson~White~Goulding]

1 becoming appropriate to have that uptick in
2 budgets. One, because it was time, we had
3 lower costs in years 2012, '13, and '14, and it
4 certainly was consistent with us recognizing
5 that, if you were going to have people looking
6 at the plants, having things in reliable, good
7 working order seemed to make sense not to have
8 a list of things that would be done coming up.

9 So, 2015 is a year where we did
10 selectively and very purposely complete work,
11 probably still not as high as some of the
12 historical years, but that would be expected
13 because of overall lower operation. But
14 strategic, well-planned expenses and capital
15 that really target reliability. Because if you
16 were to ask us, as operators, our job is really
17 now very focused on high reliability. Because,
18 when you're not necessarily the base load unit
19 that runs all the time, it's of utmost
20 importance to be ready to run when you're
21 needed. So, we have maintenance people who
22 really focused on that, and their philosophy is
23 "what can I do today to make sure that, when
24 this unit is asked to run, it runs well and

[WITNESS PANEL: Tillotson~White~Goulding]

1 efficiently?"

2 Q. Thank you. I know that wasn't part of this
3 filing, but I appreciate your response.

4 Mr. White, we can't leave you out of this
5 discussion. I wanted to ask you if you recall,
6 from prior dockets, some of the recommendations
7 that the Company agreed, in terms of how you
8 purchase power on the market? In other words,
9 there was a point in time when you made
10 long-term commitments, and there was a
11 recommendation that the Company agreed to to
12 make more short-term or spot market purchases.
13 And could you tell me if you adhered to those
14 recommendations in Calendar Year 2014?

15 A. (White) Yes. As a result of going back several
16 years, and as longer term purchases were
17 expiring, we entered into a number of
18 discussions with Staff and Staff's consultants,
19 and discussed purchasing strategies. At that
20 time, we developed a guideline that we continue
21 to maintain and update as necessary.

22 But, yes. We still maintain that
23 approach, follow -- refer to those guidelines
24 and follow them. You know, it occurred at a

[WITNESS PANEL: Tillotson~White~Goulding]

1 time when market prices were falling, and other
2 than in the winter, when our generation is
3 running, with regard to purchases in other
4 months, we still enter in typically to shorter
5 duration and in a more near-term fashion than
6 would have been done several years ago. We're
7 maintaining that strategy today.

8 MS. AMIDON: Thank you.

9 WITNESS WHITE: Yes.

10 MS. AMIDON: I have no further
11 questions.

12 CMSR. SCOTT: Commissioner Bailey.

13 CMSR. BAILEY: Thank you. Good
14 afternoon.

15 BY CMSR. BAILEY:

16 Q. Mr. Goulding, on Bates Page 006 of your
17 testimony, at the bottom, on Line 25, you say
18 "the net balance", there's an "under-recover of
19 \$9.6 million" for the stranded cost recovery,
20 correct?

21 A. (Goulding) Yes.

22 Q. Is that the total amount that you're asking to
23 recover in rates going forward?

24 A. (Goulding) That number has since been updated.

[WITNESS PANEL: Tillotson~White~Goulding]

1 There was a settlement reached in DE 14-120,
2 and it was a resolution of the RRB dollars that
3 were outstanding. There was about 5.7 million,
4 plus interest. Where there was an agreement
5 where 50 percent was returned to customers and
6 50 percent was retained by shareholders. So,
7 the number would have been more in the range of
8 \$6.3 million.

9 Q. Because you've already recovered half of the
10 5.7 million or whatever it was?

11 A. (Goulding) Actually, sorry. It would have
12 been --

13 Q. I mean, look at the next sentence in that
14 paragraph, you did --

15 A. (Goulding) Yes. That's correct. The \$9.7 --
16 6 million [\$9.6 million] would have not have
17 represented that we gave 50 percent back to
18 customers.

19 Q. So, you're asking in this filing to recover an
20 additional \$9.6 million for stranded costs?

21 A. (Goulding) It's 9.6, minus the portion that we
22 would give back to customers. So, 9.6, minus
23 the 3.2.

24 Q. Okay.

[WITNESS PANEL: Tillotson~White~Goulding]

1 A. (Goulding) So, \$6.4 million.

2 Q. Okay. So, I'm trying to just summarize what
3 you're asking for. So, 6.4 million to be
4 recovered in stranded costs -- in the SCRC
5 charge on customers' bills, right?

6 A. (Goulding) Yes.

7 Q. And what does that equate to on a per
8 kilowatt-hour, for residential?

9 A. (Goulding) It's roughly 0.08 cents per kWh.

10 Q. So, that will be 0.0008 in dollars?

11 A. (Goulding) Yes. 0.0008.

12 Q. Three zeros?

13 A. (Goulding) Yes.

14 Q. Okay. And, right now, the stranded cost
15 recovery charge I believe is a credit or did
16 that change when the RRB settlement was
17 reached?

18 A. (Goulding) The current -- the rate that's in
19 effect right now, the January 1st rate, which
20 is a credit, actually reflects the \$3.2 million
21 being shared back with customers and it
22 reflects the under-recovery that's in this
23 filing.

24 Q. Oh. The January 1st rates are already

[WITNESS PANEL: Tillotson~White~Goulding]

1 collecting this, collecting?

2 A. (Goulding) They're in there subject to
3 reconciliation.

4 Q. So, the 0.008 [0.0008?] or the 0.08 cents per
5 kilowatt-hour is already being recovered in
6 rates?

7 A. (Goulding) Yes, due to the timing of it.
8 Because, normally, what happens is, we'd have
9 our January 1st rates like, say, for
10 January 1st, 2016, it would have 2015 activity
11 in it, and then we do our reconciliation filing
12 in May that would have the actual numbers. So,
13 if there's any kind of adjustment for
14 reconciling an item, we'd go back and reconcile
15 the over-/under-recovery.

16 Q. So, is there an adjustment that we need to
17 approve right now?

18 A. (Goulding) What's -- no, there's no adjustment.
19 What's being requested to be approved is that
20 the costs and the revenues that are in here,
21 and, well, particularly the costs, are deemed
22 to be prudent and reasonable.

23 Q. Because those are the costs and revenues that
24 are being collected in rates right now?

[WITNESS PANEL: Tillotson~White~Goulding]

1 A. (Goulding) Yes.

2 Q. Oh. Good to know.

3 A. (Goulding) Sorry. If I can just add, this
4 is -- yes, because this is a reconciliation
5 filing, versus a rate-setting filing.

6 Q. Okay. I mean, my understanding of
7 reconciliation is that you are reconciling
8 rates, and the rates are going to change as the
9 result of the reconciliation?

10 A. (Goulding) If there was anything that was
11 disallowed or deemed imprudent or a new cost
12 added on, then we would reconcile those into
13 the current rates that are in effect next time
14 we have a rate change.

15 Q. Okay. So, do the rates always change on
16 January 1st?

17 A. (Goulding) The SCRC rate and Energy Service
18 rate always change on January 1st.

19 Q. Okay.

20 A. (Goulding) And then again on July 1st.

21 Q. So, are we going to get another filing that we
22 need to approve for July 1st? This isn't the
23 July 1st filing?

24 A. (Goulding) This is not. We made a filing May

[WITNESS PANEL: Tillotson~White~Goulding]

1 9th to change the Energy Service and SCRC rates
2 for July 1st. And we'll update that filing
3 sometime in June, and then I believe there's a
4 hearing June 25th for the Energy Service and
5 SCRC rates effective July 1st.

6 Q. Okay. All right. So, just to make sure I
7 understood what you were saying in your
8 testimony, on Pages 4 and 5, which are Bates
9 Pages 004 and 005, if I net everything out that
10 you're asking to recover as a result of this
11 filing, which has been in effect since
12 January 1st, right? Is it \$17.3 million?

13 A. (Goulding) So, I'm assuming you're adding the
14 Energy Service deferral and the SCRC deferral
15 together, is that --

16 Q. I didn't include the Scrubber deferral. So, if
17 you look at the top of Page 5, you say the net
18 adjusted under-recovery was 18 and a half
19 million lower -- sorry. If you take the
20 122.3 million on the bottom of Page 4, and you
21 subtract out the Scrubber deferral of 105, you
22 get 17.3.

23 A. (Goulding) Right. So, that difference, the
24 17.3, is already included in our rates, our

[WITNESS PANEL: Tillotson~White~Goulding]

1 Energy Service rate that's in effect now, and
2 it will be in the updated rate.

3 Q. Right. But that's what you're asking us to
4 approve?

5 A. (Goulding) Yes.

6 Q. Okay.

7 A. (Goulding) But that's for the Energy Service
8 portion. There's also the SCRC portion we just
9 discussed.

10 Q. Yes. Yes, I understand that. Okay.

11 Okay. So, Mr. White, the same kind of
12 questions, because I guess I'm cosmically
13 unaware of these things. So, your testimony is
14 summarizing the amount of energy that you had
15 to purchase, because your generation didn't
16 make enough during some times, and excess
17 energy that it sold. And, where does that --
18 so, there was a net expense to you in
19 generation, I think, of about \$20 million,
20 rounded? Not sure?

21 A. (White) Well, you're correct, in that my
22 testimony is to sort of illustrate how load was
23 served during 2014. And it's essentially a
24 make or buy decision. When our generation is

[WITNESS PANEL: Tillotson~White~Goulding]

1 running, we're burning fuel expense and
2 providing megawatt-hours that serve load
3 essentially. When it's not economic to run our
4 generation, we purchase from the market. We
5 also have must-take purchases from IPPs and via
6 power purchase agreements.

7 And, essentially, in 2014, we made and
8 bought from the market about the same amount.
9 Most of the generation ran in the winter, the
10 cold weather months, and in the remainder of
11 the year is when we did the bulk of the
12 purchasing. And, then, there's about probably
13 less than half the amount that those two types
14 of resources provided were provided through
15 purchase agreements and must-take purchases
16 from small independent producers.

17 Q. And the over-market cost of that is what is
18 getting recovered in the Stranded Cost Recovery
19 Charge?

20 A. (White) Correct.

21 Q. From the power producers?

22 A. (White) That's correct.

23 Q. Okay.

24 A. (White) There's a portion of those that are on

[WITNESS PANEL: Tillotson~White~Goulding]

1 fixed rates that are currently above market,
2 and that above-market portion flows through
3 SCRC.

4 Q. Okay. So, to the extent that you purchased
5 more than you sold, what happens to that
6 difference?

7 A. (White) Well, it's a balancing function, I
8 guess. But I think you have to recognize that
9 those two activities are really occurring at
10 different times. We can look at annual volumes
11 and look at the relative size and the relative
12 cost of those things. The fact is that most of
13 the sales we made were in the winter months,
14 when our generation was running, and our total
15 portfolio of supply resources exceeded load.
16 So, we were surplus to load, and we were making
17 sales into the market in high-priced months,
18 which provides a fair amount of value to ES
19 customers. So, that's --

20 Q. I'm just trying to figure out how that
21 translates into rates. I understand what
22 you're saying. I just --

23 A. (White) Well, that subsidizes the rate,
24 effectively.

[WITNESS PANEL: Tillotson~White~Goulding]

1 Q. Okay.

2 A. (White) It lowers the rate.

3 Q. So, in those, in the winter months, when you
4 sell it, because you can sell it for a really
5 great price, it lowers the Energy Service --
6 overall Energy Service rate. And, when you
7 have to buy it, in the warmer weather months,
8 because it's not efficient for you to operate
9 your plant, --

10 A. (White) Correct.

11 Q. -- you have to pay for that?

12 A. (White) Right.

13 Q. So, if you take the difference between those
14 two, you had to pay a little bit more than you
15 sold?

16 A. (White) Okay.

17 Q. But that's not how -- you don't make that
18 calculation?

19 A. (White) Well, we do. But I'm not sure what
20 that indicates. It's a fact --

21 Q. It doesn't --

22 A. (White) -- that that's how it works out. It's
23 as much dependent on the relative price between
24 the two periods and the relative volumes. I

[WITNESS PANEL: Tillotson~White~Goulding]

1 mean, I think that particular net number could
2 work out almost any way and to any degree. It
3 isn't necessarily an objective function. We're
4 not trying to drive that number to one thing or
5 another. We're trying to operate in the most
6 economic fashion day-to-day, week-to-week, and
7 month-to-month.

8 Q. And I appreciate that.

9 A. (White) And that's what drives whether we're
10 buying or selling.

11 Q. I get that. So, when you have to sell -- I
12 mean, when you have to buy \$20 million of
13 power, and you put it in this filing, is that
14 what you're asking to have recovered?

15 A. (White) Yes. Yes. Essentially, all the costs
16 expensed to serve load, whether it be fuel
17 costs or power purchase costs, we've presented
18 that and said "We believe we have provided
19 service to default customers in a prudent
20 fashion. Here's how we did it. We made this
21 much, we bought this much." And it's really
22 all of those costs that are being subjected for
23 prudence review.

24 Q. And that's in the Energy Service rate?

[WITNESS PANEL: Tillotson~White~Goulding]

1 A. (White) And all those costs flow through the
2 Energy Service rate.

3 CMSR. BAILEY: Okay. Thank you.

4 WITNESS WHITE: Yes.

5 CMSR. SCOTT: I have a few questions
6 also. I want to -- I'll do the usual caveat,
7 whoever feels best to answer, certainly feel
8 free.

9 BY CMSR. SCOTT:

10 Q. I want to focus a little bit on the past
11 engineering consultant reports and kind of
12 tease out in my mind why it's okay to not do
13 one this time.

14 So, maybe one of you can help me out. In
15 the past, have there been any significant
16 disallowances recommended by the Staff
17 consultant?

18 A. (Tillotson) I would say that there have been
19 very small disallowances that are identified,
20 but they are usually a very small dollar value.

21 Q. Can you give me an order of magnitude? Are we
22 talking millions? Thousands? Hundreds? Tens?

23 A. (Goulding) In 2000 -- I'm trying to get my
24 years straight, 2012, I think it was around

[WITNESS PANEL: Tillotson~White~Goulding]

1 \$32,000 of replacement power costs, if I
2 remember correctly.

3 A. (Tillotson) And I want to say that was one of
4 the higher years.

5 A. (Goulding) Yes. Last year, there was no
6 recommendation, but I believe the value was
7 somewhere below \$2,000, if I remember
8 correctly.

9 A. (Tillotson) We've had years where it's been a
10 few thousand. I almost want to say one year
11 there was an \$8.73, because someone offered a
12 \$10 bill. They are modest. And, I would tell
13 you that we spend a lot of time making sure all
14 the lists of outages are understood, and that's
15 just an effort that's valuable. But,
16 certainly, you can go through those lists
17 pretty quickly for a lot of reasons. There
18 won't necessarily be replacement power costs if
19 there's no water at a hydro, but we'll still
20 spend time talking about it. So, there is
21 value to talking about it, and we certainly
22 have, and there's probably been a lot of
23 exchange over the years that's been helpful.

24 But, when you look at these lists, and

[WITNESS PANEL: Tillotson~White~Goulding]

1 then turn it into your question of, I'll turn
2 it around a little bit, "what's the potential
3 for lost dollars in this year that might have
4 been identified?" That item of lost
5 replacement power costs had dollar values
6 associated with boiler leaks that had a very
7 short outage. So, I think those would have
8 sort of satisfied the typical operation. And,
9 then, you had other outages with no replacement
10 power costs.

11 So, this would have been a year with very
12 little opportunity to have a disallowance of
13 significant dollars, just because it wasn't
14 even on the list to possibly end up with a
15 discussion.

16 Q. Thank you. And, along similar lines, can you
17 characterize this period that we're talking
18 about, as far as how much the units ran
19 compared to other periods?

20 A. (Tillotson) I can. When we were running in
21 what I call the "more typical higher market
22 prices", we would end up operating with
23 capacity factors anywhere from 70, 75, 80,
24 depending on how much forced outage time,

[WITNESS PANEL: Tillotson~White~Goulding]

1 depending on how much planned outage time.

2 In 2014, I'll use Merrimack as an example,
3 we operated about 50 percent of the time. So,
4 to the extent that we were in the market,
5 because we should be, and having lower cost
6 energy that way, then there's no risk to the
7 discussion -- there's no opportunity to talk
8 about why your plant was broken or didn't run.
9 And we actually weren't on line about
10 60 percent of the time. So, it's a step
11 change. We had no reserve outages, no reserve
12 shutdown in 2009.

13 So, you can see, in a very short period of
14 time, we went to having some reserve time that
15 was in that kind of 20 percent range. And,
16 then, all of a sudden, I think it's what we
17 recognized and talked about with Staff, that
18 2012 was a weird weather year. But then '13
19 and '14 were both very similar, and it did
20 behoove us to not run and be in the market,
21 which meant we weren't on line having forced
22 outages, which really becomes the focus of that
23 engineering review. So, the list ended up
24 being short and pretty easy to talk about with

[WITNESS PANEL: Tillotson~White~Goulding]

1 the conversations we had in the tech session.

2 Q. Thank you. And you've kind of gone there a
3 little bit. What about the converse? My
4 understanding is the units aren't necessarily
5 as agile as far as ramp-up time as others in
6 the regional fleet.

7 A. (Tillotson) Correct.

8 Q. Is that correct?

9 A. (Tillotson) It is correct.

10 Q. So, are there times where we should be looking
11 at where you, and I'm just throwing out a
12 hypothetical, you know probably, at seven in
13 the morning, there's going to be a higher
14 demand. So, because of your ramp-up time,
15 you've got to run in what amounts to
16 out-of-merit, so you're up and running in time
17 for the peak. I assume that happens, that's a
18 normal operating scenario?

19 A. (Tillotson) To the extent that 2013 and 2014
20 ended up looking very similar, both by numbers
21 and just as we talked about it, some of that
22 discussion came up in 2013. It did acknowledge
23 the fact that the big Merrimack coal units had
24 some of the lesser flexibility. And, so, when

[WITNESS PANEL: Tillotson~White~Goulding]

1 we would talk to wholesale marketing, we
2 wouldn't look at just short windows of time, we
3 would broaden the look. "So, would you come on
4 line and provide value through, say, a week,
5 and then choose to stay on in a weekend, even
6 if you were close or even just slightly above?"
7 Because what that would position you for is
8 being on line on that Monday that you thought
9 would go back up in price.

10 So, we sort of test the range of
11 scenarios, recognizing that each of the units
12 and locations has slightly different
13 flexibility. The coal units, with the
14 cyclones, are less flexible. So, they focus on
15 coming on and being effective at the higher
16 price times. We've done work at Newington to
17 make it more flexible. And we recognize that,
18 so that's going to build into the conversation.

19 The engineer consultant, in 2013, actually
20 participated in some of the calls that we have.
21 We have weekly calls. So, you're identifying
22 the constraints that the units have. We
23 recognize it's a part of the discussion. So
24 that truly our goal is to have them available

[WITNESS PANEL: Tillotson~White~Goulding]

1 with the most value, and sometimes that has a
2 little bit of, you know, a shorter operation or
3 a larger operation, so that, when you look at
4 the broadest picture, you end up with the
5 highest value.

6 Q. So, going back to not having an engineering
7 consultant this time. So, I see your logic in
8 that, the units ran less, so there's less
9 outages to pick apart to see whether they're
10 prudent, for want of a better word. And what I
11 think I'm hearing you say is, what I was asking
12 as the converse, is are there times you ran
13 where you really weren't in merit, and maybe
14 that should have been questioned? And
15 you're -- that sounds like you're saying "by
16 and large, no"?

17 A. (Tillotson) I would point you to the lack of
18 operation that says -- it certainly makes sense
19 that our operation in 2013 and '14 look
20 similar. So, we didn't end up running when you
21 say maybe we shouldn't have. Because of the
22 similarities and the commonness of those
23 numbers, you certainly wouldn't look at that
24 and say "I think we may have run too much."

[WITNESS PANEL: Tillotson~White~Goulding]

1 I think we've -- as the time has changed,
2 and the world has become a little clearer, we
3 had a couple of years where you really were not
4 as sure of where the market was going to go and
5 what would happen. We had some winter months
6 that were very high.

7 So, I would certainly say you could go
8 through an awful lot of discussion, but I don't
9 see that exposure, just because we really
10 didn't run in places where I went "Wow, I'm
11 surprised we ran." And it just doesn't end
12 up --

13 A. (White) Yes. To the extent those circumstances
14 existed, I think they were fairly similar to
15 circumstances, for example, as Ms. Tillotson
16 points out, in 2013. So, those types of
17 scenarios were reviewed by the consultant. We
18 experienced similar events throughout '14. But
19 nothing unusual that hadn't been looked at more
20 closely in the prior year, for example.

21 Q. Okay.

22 A. (White) Now, we do have to run to perform
23 environmental testing at times. We run, as
24 pointed out, through a lower price period,

[WITNESS PANEL: Tillotson~White~Goulding]

1 because we fully expect a high price period
2 right around the corner. It's those similar
3 types of scenarios, as we've experienced the
4 last few years, nothing out of the ordinary
5 with regard to that in 2014.

6 Q. Okay. And would I be fair to characterize,
7 again, the fact that you ran less period, would
8 indicate there's less opportunity for that
9 also, is that correct?

10 A. (Tillotson) Correct.

11 Q. All right. Thank you. And, Mr. White, you had
12 a discussion regarding FTR with Mr. Kreis. Am
13 I correct in my assumption that, if you got to
14 a point where you didn't have generation, that
15 the FTR would make less sense, that that
16 hedging wouldn't be as necessary, is that true?

17 A. (White) Yes. I would say that was true, except
18 to the extent if it drove to more purchases.
19 Purchases in New England are typically made at
20 the Mass. hub, which is in itself also a
21 different pricing location than the New
22 Hampshire load zone. So, it may just move to a
23 different pricing location. But, certainly,
24 that portion of FTRs that we probably tend to

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1 focus on that associated with the generation,
2 there would be no need for that.

3 CMSR. SCOTT: Okay. Thank you very
4 much. Mr. Fossum, do you have any redirect?

5 MR. FOSSUM: I do.

6 CMSR. SCOTT: Please.

7 **REDIRECT EXAMINATION**

8 BY MR. FOSSUM:

9 Q. So, Mr. Goulding, I have some questions for you
10 in hopes of -- hopes of making it clear what
11 we're looking for here. You were asked --
12 Commissioner Bailey asked you some questions
13 about some of the numbers that are in the
14 filing and what we're looking for here. Do you
15 recall that line of questioning?

16 A. (Goulding) I do.

17 Q. And I'm hoping you could work with me coming
18 through a -- sort of a -- not really a
19 hypothetical, but an explanation of how we got
20 to what this filing is. So, going back, since
21 this is a 2014 filing, going back to the end of
22 2013, how would the Company have set its, let's
23 just use Energy Service, how would the Company
24 have set its Energy Service rate for effect in

[WITNESS PANEL: Tillotson~White~Goulding]

1 2014?

2 A. (Goulding) So, the January 1st, 2014 rate would
3 have been set based on ten months of actual
4 information for '13 and -- or, yes, for 2013,
5 and two months of forecasted information. And,
6 then, we would have updated our July 1st rate
7 for a full year of actual information for 2013.

8 Q. So, it would have been based on the cost
9 information that you had at the time, as well
10 as some forecast information?

11 A. (Goulding) That's correct.

12 Q. And that would go into the rate, and the
13 Company would begin collecting that rate on
14 January 1st, correct?

15 A. (Goulding) Yes.

16 Q. Would the amount of money collected over
17 that -- in that, say, that first six months,
18 would that match the amount of money the
19 Company expected to collect in having set the
20 rate in late 2013?

21 A. (Goulding) No. There's always reconciliations
22 related to sales variances. We forecast out
23 what our sales are going to be, and then the
24 actual sales come in. So, in terms of

[WITNESS PANEL: Tillotson~White~Goulding]

1 revenues, they would be different from what we
2 forecasted, unless we're perfect, which I would
3 never say we are.

4 Q. And, so, we would make an adjustment in the
5 middle of the year?

6 A. (Goulding) That's correct.

7 Q. And, then, at the end of year, what would
8 occur?

9 A. (Goulding) At the end of the year, we would do
10 the same thing. We would use the actual
11 information available, and reconcile any
12 actuals to forecasted revenues and expenses
13 into the new rate that we set for the current
14 year.

15 Q. So, in this example we're walking through, so
16 that would be the rate that would then take
17 effect on January 1st, 2015?

18 A. (Goulding) That's correct.

19 Q. So, that -- those costs, the actuals, the
20 forecasts that you spoke to, they would be in
21 the rates effective January 1, 2015, if I
22 follow, is that correct?

23 A. (Goulding) January 1, 2016, sorry. Right?
24 Because you're looking at the 2014 actuals?

[WITNESS PANEL: Tillotson~White~Goulding]

1 Q. No, no. Not yet.

2 A. (Goulding) Okay.

3 Q. We just finish 2000 -- we're finishing 2014.

4 And, so, the actual information, and as well as
5 the forecast information, in 2014 would be in
6 rates beginning January 1, 2015, correct?

7 A. (Goulding) Yes.

8 Q. And, so, when the Company makes this filing,
9 the one that we're talking about today, in May
10 of 2015, what is in that filing?

11 A. (Goulding) This is the actual costs for the
12 12-month period of 2014, actual costs and
13 revenues.

14 Q. So, now that the books are all closed for 2014,
15 and all of the actual costs have come in,
16 that's what's contained in this filing for the
17 financial information?

18 A. (Goulding) That's correct.

19 Q. But, to the extent that there is a mismatch, an
20 over- or under-recovery, that was already in
21 the rates beginning at the start of that year,
22 is that correct?

23 A. (Goulding) Well, if there was a mismatch of the
24 actual information to forecast for 2014, it

[WITNESS PANEL: Tillotson~White~Goulding]

1 would have been incorporated into the July 1st,
2 2015 rate.

3 Q. And, so, by this filing, we're not looking to
4 add or remove any costs from the rates?

5 A. (Goulding) No, we're not.

6 Q. But, if there was a finding or an agreement,
7 however it comes about, that some costs that we
8 now have identified having occurred in 2014 was
9 improperly incurred, how would that be handled
10 in the rates?

11 A. (Goulding) The next time we adjusted our rates,
12 which for -- after the order was out, we would
13 reflect that finding or disallowance or
14 whatever in those new rates. So, we would
15 adjust our over/under or expenses by that
16 dollar amount.

17 Q. So, hypothetically, if the Commission were to
18 review this filing, and conclude in an order
19 issued next week that there was some imprudent
20 cost that was occurred -- that was incurred in
21 2014, how would that appear in customers'
22 rates?

23 A. (Goulding) For the rates that we file in June
24 for effect July 1st, we would incorporate that

[WITNESS PANEL: Tillotson~White~Goulding]

1 adjustment into those rates.

2 Q. But, absent such a finding, what is it that the
3 Company is requesting in this filing?

4 A. (Goulding) Approval of the costs and revenues
5 that are in this filing as being prudent and
6 reasonable.

7 Q. I hope that clarified. And, Ms. Tillotson, I
8 have just one other question. Commissioner
9 Scott asked you a question about historical
10 disallowances, do you remember that --

11 A. (Tillotson) I do.

12 Q. -- that line of questions? Beyond the dollars,
13 beyond the disallowance, were there any other
14 actions or requirements that came out of the
15 engineering reviews historically?

16 A. (Tillotson) Yes. I looked back, and that
17 review focused on the capacity and energy
18 transactions. It looked at our outages for the
19 year. And it also looked at recommendations
20 that were collected as part of the
21 Staff/consultant review.

22 Q. And, so, even if there were no dollars
23 recommended for disallowance necessarily, there
24 were still recommendations for improvement in

[WITNESS PANEL: Tillotson~White~Goulding]

1 operations that the Company undertook, is
2 that --

3 A. (Tillotson) That's true. And, for a period of
4 time, it was a very robust effort. There were
5 items on that that were multi-year items.
6 What's interesting is that, with 2013, I
7 believe all of those items, that it sort of had
8 some path along over prior years, came to
9 closure, with one exception. There was a
10 request, one recommendation that still had
11 activity on it. So, all of the recommendations
12 were closed, with the exception of we were
13 going to monitor some tree-trimming, on both
14 the transmission and distribution side. It was
15 a three-year window that we were going to
16 provide that information. And we provided it
17 in 2014, we provided it in 2015's filing, and I
18 believe we'll have one more year.

19 So, from a logistic standpoint, it was a
20 year that had very little activity associated
21 with some activity that had been more eventful
22 in prior years.

23 MR. FOSSUM: Thank you. That's all I
24 had.

1 CMSR. SCOTT: Thank you. And the
2 witness panel is excused, but it will probably
3 just be easier if you just stay there.

4 I'll start with, are there any other
5 procedural -- well, first, I'll ask, excuse me,
6 is there any objections to striking the ID on
7 the exhibit?

8 MS. AMIDON: No.

9 *(Atty. Kreis indicating in the*
10 *negative.)*

11 CMSR. SCOTT: Mr. Fossum?

12 MR. FOSSUM: No.

13 CMSR. SCOTT: Mr. Kreis?

14 MR. KREIS: None.

15 CMSR. SCOTT: Okay. Are there any
16 other procedural issues before we go to
17 closing?

18 MS. AMIDON: I believe not.

19 CMSR. SCOTT: Then, Mr. Kreis.

20 MR. KREIS: I'm sorry that Chairman
21 Honigberg isn't here to hear me say that I have
22 no florid closing, complete with lots of
23 adjectives and adverbs.

24 My Office is a signatory to the

1 Settlement Agreement that calls for the
2 divestiture of Public Service Company's
3 generation portfolio. And we continue to
4 believe that that's in the public interest.
5 And that resolves or would resolve
6 substantially all of the issues we have about
7 PSNH and its generation portfolio.

8 And, subject to that, we concur with
9 the proposal to reconcile the 2014 Energy
10 Service and Stranded Cost Recovery Charges as
11 proposed by the Company.

12 CMSR. SCOTT: Thank you. We'll relay
13 that to Chairman Honigberg.

14 Ms. Amidon.

15 MS. AMIDON: Thank you. Staff has
16 reviewed the filing, and we believe that
17 Eversource appropriately calculated the
18 reconciliation of Energy Service and Stranded
19 Cost Charges consistent with prior dockets and
20 prior orders of the Commission. And have
21 concluded that the Company exercised reasonable
22 and prudent management of the assets and
23 purchases in 2014, and that the result is the
24 actual costs of providing service to Default

1 Service is in the rates.

2 And, therefore, we recommend that the
3 Commission approve the filing.

4 CMSR. SCOTT: Thank you. Mr. Fossum.

5 MR. FOSSUM: Thank you. The Company
6 believes that the Staff ultimately reasonably
7 concluded that it would not need the type of
8 engineering review that it had done
9 historically, in light of the activities in
10 2014. And, as you've heard, it was, I suppose,
11 a "normal" year would be one way to describe
12 it. There was no -- nothing that was
13 remarkable or outstanding about the generation
14 operations that year.

15 The filing is, of course, different
16 in terms of the costs and revenues that are
17 shown, but consistent with how the Company has
18 done these reviews, with the input of the
19 Staff, the OCA, and others over the years. We
20 believe that the filing demonstrates the
21 Company's actual, prudent, and reasonable
22 costs -- the reconciliation of the actual,
23 prudent, and reasonable costs for providing
24 Energy Service and relative to Stranded Cost

1 Recovery in 2014, and we request that the
2 Commission accept the filing and approve the
3 reconciliation. Thank you.

4 CMSR. SCOTT: Thank you very much.
5 We'll take the matter under advisement. Seeing
6 no other business, we will stand adjourned.
7 Thank you.

8 *(Whereupon the hearing ended at*
9 *3:29 p.m.)*

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