

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 16, 2015 - 1:52 p.m.  
Concord, New Hampshire

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RE: DE 15-415  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE  
d/b/a EVERSOURCE ENERGY:  
Proposed Default Energy Service Rate  
for 2016.

PRESENT: Chairman Martin P. Honigberg, Presiding  
Commissioner Robert R. Scott  
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:  
Susan Chamberlin, Esq., Consumer Advocate  
James Brennan, Finance Director  
Office of Consumer Advocate

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

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

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   **CHRISTOPHER J. GOULDING**  
   **FREDERICK B. WHITE**

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Proposed Default Energy Service Rate for 2016 filing, including the Petition, Testimony of Christopher J. Goulding, with attachments, and the Testimony of Daniel J. Ludwig, with attachments (09-28-15)	5
2	Eversource Joint Technical Statement and updated exhibits of Christopher J. Goulding and Frederick B. White (12-11-15)	5
3	Chart entitled "Rate Changes proposed for Effect on January 1, 2016 Percentage Change in each Rate Component"	5
4	Chart entitled "Residential Service Rate R Typical Bill Comparisons, Including Default Energy Service"	5

**P R O C E E D I N G**

1  
2 CHAIRMAN HONIGBERG: All right. We're  
3 going to open the hearing in Docket DE 15-415, which is  
4 Eversource's proposed adjustments to the Default Energy  
5 Service rate. We have their filings and exhibits I think  
6 premarked, which we'll go over in a moment.

7 But, before we do anything else, let's  
8 take appearances.

9 MR. FOSSUM: Good afternoon,  
10 Commissioners. Matthew Fossum, for Public Service Company  
11 of New Hampshire, doing business as Eversource Energy.

12 MS. CHAMBERLIN: Susan Chamberlin,  
13 Consumer Advocate. And, with me today is Jim Brennan.

14 MS. AMIDON: Good afternoon. Suzanne  
15 Amidon, for Commission Staff.

16 CHAIRMAN HONIGBERG: All right.  
17 Mr. Fossum, your witnesses are already in place. Tell me  
18 what we're doing to proceed.

19 MR. FOSSUM: For the purposes of the  
20 record, we have discussed -- the parties have discussed,  
21 prior to the commencement of the hearing, that the  
22 Company's September 28th filing would be marked as  
23 "Exhibit 1" for identification; that the Company's  
24 December 11th update filing would be marked as "Exhibit 2"

[WITNESS PANEL: Ludwig~Goulding~White]

1 for identification. We also have a document showing  
2 various percentage changes, generally referred to as a  
3 "bingo sheet", that has been agreed to be marked as  
4 "Exhibit 3" for identification; and a "Typical Bill  
5 Comparison" sheet that has been, by agreement, marked as  
6 "Exhibit 4" for identification.

7 (The documents, as described, were  
8 herewith marked as **Exhibits 1** through  
9 **Exhibit 4**, respectively, for  
10 identification.)

11 (Whereupon **Daniel J. Ludwig**,  
12 **Christopher J. Goulding**, and  
13 **Frederick B. White** were duly sworn by  
14 the Court Reporter.)

15 CHAIRMAN HONIGBERG: We pre-placed the  
16 witnesses, and that through everyone off. Mr. Fossum, you  
17 may proceed.

18 MR. FOSSUM: Thank you.

19 **DANIEL J. LUDWIG, SWORN**

20 **CHRISTOPHER J. GOULDING, SWORN**

21 **FREDERICK B. WHITE, SWORN**

22 **DIRECT EXAMINATION**

23 BY MR. FOSSUM:

24 Q. I'll just go down the line. Mr. Ludwig, could you

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[WITNESS PANEL: Ludwig~Goulding~White]

1 state your name, your employer, and your position and  
2 responsibilities for the record in the docket please.

3 A. (Ludwig) My name is Daniel Ludwig. I'm employed by  
4 Eversource Energy. I'm a Senior Analyst in the Load  
5 Forecasting Group. I'm responsible for demand  
6 forecasting and economic analysis for multiple  
7 operating companies within Eversource Energy.

8 Q. And, does that include Public Service Company of New  
9 Hampshire?

10 A. (Ludwig) Yes.

11 Q. Okay. And, Mr. Goulding, the same questions to you.

12 A. (Goulding) My name is Christopher Goulding. I'm the  
13 Manager of Revenue Requirements, employed by Eversource  
14 Energy. In my role, I provide -- or, I'm responsible  
15 for coordination and implementation of revenue  
16 requirement calculations for Eversource, primarily for  
17 PSNH.

18 Q. And, Mr. White.

19 A. (White) My name is Frederick White. I'm employed by  
20 Eversource Service Company, in the Energy Supply  
21 Department. And, my primary responsibilities involve  
22 the analysis and management of the portfolio of load  
23 and supply resources of PSNH for the purposes of rate  
24 setting and cost reconciliation.

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[WITNESS PANEL: Ludwig~Goulding~White]

1 Q. And, Mr. Ludwig, did you prepare testimony in this  
2 docket that was filed back on September 28th, and  
3 included in what has been marked for identification as  
4 "Exhibit 1"?

5 A. (Ludwig) Yes, I did.

6 Q. And, that testimony was prepared by you or at your  
7 direction?

8 A. (Ludwig) Yes, it was.

9 Q. And, do you have any corrections or updates to that  
10 testimony today?

11 A. (Ludwig) No.

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

14 A. (Ludwig) Yes.

15 Q. Mr. Goulding, did you likewise file testimony in what  
16 has been marked as "Exhibit 1" for identification?

17 A. (Goulding) Yes.

18 Q. And, that testimony was prepared by you or at your  
19 direction?

20 A. (Goulding) Yes.

21 Q. And, do you have any corrections or updates to that  
22 testimony today?

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

24 Q. And, if you were asked those same questions today,

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[WITNESS PANEL: Ludwig~Goulding~White]

1 would your answers be the same?

2 A. (Goulding) Yes, they would.

3 Q. And, Mr. Goulding, did you also file a technical  
4 statement in what has been marked for identification as  
5 "Exhibit 2"?

6 A. (Goulding) Yes.

7 Q. And, that technical statement was prepared by you or at  
8 your direction?

9 A. (Goulding) Yes.

10 Q. And, it's true and accurate to the best of your  
11 knowledge and belief today?

12 A. (Goulding) Yes.

13 Q. And, Mr. White, did you also participate in preparing  
14 the technical statement that has been marked as --  
15 included in what has been marked as "Exhibit 2" for  
16 identification?

17 A. (White) Yes, I did.

18 Q. And, that was prepared by you or at your direction?

19 A. (White) Yes.

20 Q. And, it's true and accurate to the best of your  
21 knowledge and belief today?

22 A. (White) Yes, it is.

23 Q. Now, I guess, Mr. Goulding, could you very quickly  
24 explain what it is that the Company is requesting in

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[WITNESS PANEL: Ludwig~Goulding~White]

1 this filing.

2 A. (Goulding) The Company is requesting that the Energy  
3 Service rate in effect for July 1st, that's currently  
4 8.98 cents, be updated to 9.99 cents effective  
5 January 1st, 2016.

6 Q. And, either Mr. Goulding or Mr. White, could you  
7 explain -- well, stepping back, back on September 28th,  
8 the Company had proposed what rate for implementation?

9 A. (Goulding) 10.39 cents.

10 Q. And, as part of what is the Exhibit 2 updated filing,  
11 that has been modified to what rate?

12 A. (Goulding) 9.99 cents.

13 Q. Looking at what has been marked as "Exhibit 2", could  
14 you take us through that technical statement included  
15 with Exhibit 2, and explain what -- basically, where  
16 does that 9.99 cents come from?

17 A. (Goulding) Sure. So, the significant changes between  
18 the September rate and the current rate -- or, the  
19 current filed rate of 9.99 cents was there was a  
20 decrease in the market prices since the September  
21 filing of roughly 13 percent for 2016. In addition,  
22 there was a --

23 Q. Let's slow down. Could you explain where that is shown  
24 in Exhibit 2 please?

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[WITNESS PANEL: Ludwig~Goulding~White]

1 A. (Goulding) Okay. Sure. Well, let me -- I guess I'll  
2 walk through the exhibit one-by-one, then I was going  
3 to give a high-level --

4 Q. Oh.

5 A. (Goulding) -- of the key changes, and walk through each  
6 section.

7 Q. Well, then, do that. That's fine.

8 A. (Goulding) Okay. So, the key changes were a decrease  
9 in the forward energy prices of approximately  
10 13 percent for 2016, and then there was an RPS class --  
11 biomass Class III requirement that was reduced from 8  
12 percent, down to 8.5 [0.5?] percent. So, that was  
13 about 12 and a half million dollars of costs that were  
14 removed from the Energy Service filing that were  
15 included in the September 28th filing. And, then,  
16 there was updated migration assumptions, which put some  
17 upward pressure on the rate.

18 So, if I start with Section C of the  
19 technical statement, changes in forecasted Energy  
20 Service sales. There was two slight changes here --  
21 or, two changes here. There was a --

22 Q. And, when you refer to "changes", you're discussing  
23 changes between the September filing and the December  
24 filing, correct?

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[WITNESS PANEL: Ludwig~Goulding~White]

1 A. (Goulding) Correct. So, there's a -- the December  
2 filing reflected a slightly reduced sales forecast of  
3 approximately 1.1 percent. In addition, the migration  
4 assumption for 2016 was updated from 53.6 percent on an  
5 annual basis to 54.6 percent. So, the combination of  
6 those reduced -- or, resulted in lower kilowatt-hour --  
7 Energy Service kilowatt-hour sales.

8 Q. And, so, just for clarity, it's showing that there  
9 is -- the Company has forecast a higher level of  
10 overall migration for 2016 than it had in September, is  
11 that accurate?

12 A. (Goulding) That's correct.

13 Q. Okay. Please continue.

14 A. (Goulding) Section D changes from the September filing.  
15 These relate -- this is on Page 3, these relate  
16 primarily to the fuel assumptions. And, since there  
17 was a decrease in energy prices of about 13 percent  
18 from the September filing to the December filing, it  
19 causes reductions in PSNH generation output. So,  
20 there's a reduction in fuel costs, but that was offset  
21 by an increase in purchases.

22 And, then, Section E, in the September  
23 filing, there was no over or under -- or, minimal  
24 over/under recovery forecasted. But the December

[WITNESS PANEL: Ludwig~Goulding~White]

1 update forecast a 2.5 million over recovery, and that's  
2 due to a \$5.7 million decrease in the forecast in  
3 actual energy expense, which is offset by lower Energy  
4 Service revenues due to updated -- or, forecasted --  
5 actual and forecasted migration.

6 Then, Section F, this one's a little bit  
7 tricky. So, I'll try to identify what I've done here.  
8 All other costs, O&M, return on rate base have  
9 increased by 60 -- or, decreased by \$60.2 million from  
10 the September filing. And, the main driver of that was  
11 that we, in the September filing, we had 100 percent  
12 Scrubber costs included in the filing for 2016, and no  
13 Scrubber adder. For this, for the December update, we  
14 carved out the Scrubber costs for 2016 and have  
15 included a Scrubber adder, which basically captures  
16 those dollars.

17 Q. So, just to hang on that for a moment. So, the -- in  
18 September, that September filing, and the proposed rate  
19 at that time, included the total amount of proposed  
20 Scrubber-related rates in that rate calculation?

21 A. (Goulding) That's correct.

22 Q. And, that was changed for the December filing?

23 A. (Goulding) Yes.

24 Q. And, how so?

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[WITNESS PANEL: Ludwig~Goulding~White]

1 A. (Goulding) In the September filing, there was  
2 approximately \$18.1 million of fossil/hydro -- or,  
3 there was approximately \$18.1 million of O&M,  
4 distribution and taxes that was included in the  
5 September filing, but excluded from the December rate  
6 filing. And, then, there was \$26 million -- or, \$25.6  
7 million in return on rate base that was included in the  
8 September filing, but excluded from this December  
9 filing. And, additionally, in the September filing,  
10 there was \$17.6 million to capture the amortization of  
11 the forecasted year-end Scrubber deferral that was also  
12 excluded from this non-temporary rate ES calculation in  
13 this filing.

14 Q. So, I guess I was looking more at the rate calculation  
15 itself. So, is what you're saying that, in calculating  
16 the rate in September, all of the Scrubber-related  
17 costs was inside of that rate number, and now it is  
18 essentially being captured separately? Is that -- can  
19 you explain how that's being done?

20 A. (Goulding) Sure. So, in the September filing, when we  
21 calculate our O&M, return on rate base, and so forth,  
22 to calculate the Energy Service rate, we had Scrubber  
23 costs included, and we divided by a megawatt --  
24 forecasted kilowatt-hours to come up with the rate. In

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[WITNESS PANEL: Ludwig~Goulding~White]

1 the December filing, we have all of our costs for  
2 Energy Service, excluding the Scrubber costs, and then  
3 divided by a kilowatt-hour to come up with a rate.  
4 And, then, we take those excluded costs and divide  
5 those by a kilowatt-hour to come up with a Scrubber  
6 temporary rate that we filed in DE 11-250.

7 Q. And, so, the 9.99 rate that the Company is proposing  
8 is -- includes, as part of that calculation, that 1.72  
9 cents that will be discussed in the other docket?

10 A. (Goulding) Yes, it does.

11 Q. Turning now to what has been marked for identification  
12 as "Exhibit 3", could you explain how the Energy  
13 Service rate is shown, and what is -- what this exhibit  
14 is showing relative to the Energy Service rate?

15 A. (Goulding) Sure. So, the first page is the percentage  
16 change in each rate component. Again, I'll just focus  
17 on a residential customer, because they're the first  
18 line in the exhibit. If you go to the "Energy Service"  
19 column, you'll see there's an "11.2 percent" change in  
20 the Energy Service -- Energy Service rate, from 8.98  
21 cents to 9.99 cents. And, on a total revenue basis --  
22 or, total rate basis, for the whole bill, it's a  
23 "4.7 percent" increase in the total rate charged to  
24 customers.

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[WITNESS PANEL: Ludwig~Goulding~White]

1                   If we turn to Page 2 of that exhibit,  
2                   it's the "Change in each Rate Component as a Percentage  
3                   of Total Rate for Each Class". So, it's the change on  
4                   a total bill. So, roughly 50 percent of your bill is  
5                   energy. So, if you -- we know the first, that the rate  
6                   change itself was approximately 11.2 percent, so, we'd  
7                   assume that the -- which we assume, which it  
8                   represents -- it's a 5.7 percent increase in your total  
9                   bill related to Energy Service.

10 Q. So, is it a correct reading of this exhibit then to say  
11                   that the Energy Service rate is increasing by  
12                   "11.2 percent", as shown on Page 1, and that that 11  
13                   percent increase results in a "5.7 percent" increase in  
14                   the total bill, as shown on Page 2?

15 A. (Goulding) That's correct.

16 Q. And, looking now at what has been marked for  
17                   identification as "Exhibit 4", could you explain what  
18                   that exhibit is showing relative to the Energy Service  
19                   rate?

20 A. (Goulding) So, Exhibit 4 is basically showing what the  
21                   increase or decrease for different monthly  
22                   kilowatt-hour usage would be under the current rate  
23                   structure effective July 1st, 2015, and then the new  
24                   rates -- proposed rates for January 1st, 2016.

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[WITNESS PANEL: Ludwig~Goulding~White]

1                   If you look at the "625" monthly  
2                   kilowatt-hour usage, which is roughly the average usage  
3                   of a typical residential customer, they currently pay  
4                   \$110.59. If the SCRC and Energy Service rate are  
5                   approved as proposed, they will be paying \$115.79  
6                   effective January 1st, 2016, which is an increase of  
7                   \$5.20, or 4.7 percent. And, out of that \$5.20, it's  
8                   split between SCRC and Energy Service. It's the \$6.31  
9                   increase in the Energy Service rate, and a \$1.11  
10                  decrease in the SCRC rate.

11                  CHAIRMAN HONIGBERG: While you're  
12                  breaking, I have a question for the lawyers in the room.  
13                  It's based -- or, it's jumping off something,  
14                  Mr. Goulding, that you just said. That the Energy Service  
15                  rate includes the Scrubber-related recoveries that are  
16                  going to be part of the next docket. Did I understand  
17                  that correctly?

18                  MR. FOSSUM: That is correct.

19                  CHAIRMAN HONIGBERG: Ms. Amidon.

20                  MS. AMIDON: I observed the same thing.  
21                  It seems to me that what they're really asking for is an  
22                  Energy Service rate of 8.27 cents per kilowatt-hour, and  
23                  then the next proceeding will address whether or not the  
24                  Commission approves the proposed adjustment to the

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[WITNESS PANEL: Ludwig~Goulding~White]

1 temporary Scrubber recovery rate.

2 CHAIRMAN HONIGBERG: I think that pretty  
3 much has to be what it is, because Commissioner Scott  
4 won't be -- Commissioner Scott won't be signing off on any  
5 order related to the Scrubber costs. Are we -- he could  
6 sign an order that approves a rate with the Scrubber costs  
7 being an input, but that has to be set -- that component  
8 has to set separately.

9 We're all on the same page with this,  
10 right?

11 MR. FOSSUM: Yes. And, I'll state that  
12 is the reason, really, for the change that was made  
13 between the September version and the December version  
14 that the Company filed, was to set off that Scrubber  
15 amount separately, because it was going to be treated and  
16 addressed separately. So, the intention was to  
17 demonstrate essentially what an underlying, if you will,  
18 Energy Service rate would be. And, then, the Scrubber  
19 component will be whatever the Commission decides in that  
20 separate docket. We've proposed it at 1.72.

21 CHAIRMAN HONIGBERG: All right. I  
22 thought everybody was proceeding the same way. Just  
23 something about the way he put that gave me some concern  
24 there for a moment. But we're good now. You can

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[WITNESS PANEL: Ludwig~Goulding~White]

1 continue. Thank you.

2 MR. FOSSUM: And, actually, that was all  
3 that I had for now.

4 CHAIRMAN HONIGBERG: Perfect. I  
5 interrupted you at exactly the right time.

6 Ms. Chamberlin?

7 MS. CHAMBERLIN: No questions.

8 CHAIRMAN HONIGBERG: Ms. Amidon?

9 MS. AMIDON: Thank you.

10 **CROSS-EXAMINATION**

11 BY MS. AMIDON:

12 Q. In looking at Exhibit 2, and I don't -- I think  
13 everybody on the panel may have contributed to this,  
14 the way I read it, the reduction in the forward  
15 electricity prices, I had sort of cascading impacts on  
16 various components. For example, the decrease in coal  
17 generation, is that right?

18 A. (White) Yes. The units are -- the generation resources  
19 are dispatched against market prices. And, as the  
20 market price forecast changed and went down, the  
21 resulting impact on the generation resources was a  
22 decrease in volume of --

23 (Court reporter interruption.)

24 **CONTINUED BY THE WITNESS:**

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[WITNESS PANEL: Ludwig~Goulding~White]

1 A. (White) -- of generation.

2 BY MS. AMIDON:

3 Q. And, that would be true also then of Newington, is that  
4 correct?

5 A. (White) That's correct.

6 Q. And, for Mr. Ludwig, I'm assuming that the forward  
7 prices also impacted your calculation of migration  
8 rate, is that correct?

9 A. (Ludwig) Yes, that's correct. It's about one percent  
10 higher migration because of the lower prices.

11 Q. Okay. And, the -- and, similarly, the IPP costs go  
12 down, because there are -- the market price is down, is  
13 that right?

14 A. (White) Yes. The market -- the costs of the IPP  
15 generation that flowed through the Default Service rate  
16 is the market value of their output. So, as the market  
17 prices went down, the cost of the IPPs go down.

18 Q. Thank you. And, then, as indicated on Page 3, at Line  
19 5, the congestion, loss adjustments, and the RGGI costs  
20 also decreased. And, that's basically due to lower  
21 generation, is that right?

22 A. (White) That's correct. It picks up the price  
23 differences between the generation locations and the  
24 location of the load. And, as generation amounts go

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[WITNESS PANEL: Ludwig~Goulding~White]

1 down, the cost to move the energy, if you will, from  
2 the generation location to the load decreases. And,  
3 RGGI is a direct variable cost associated with the  
4 amount of generation.

5 Q. And, so, the ISO ancillaries went down slightly, as did  
6 capacity expense. But it all relates to the movement  
7 of the market, is that fair to say?

8 A. (White) Well, ISO expenses are estimated. Most of  
9 their expenses are recovered based on a *pro rata* share  
10 of energy. It's on the load side, rather than the  
11 generation side.

12 Q. Okay.

13 A. (White) So, as migration went up and loads went down,  
14 ISO expenses have gone down. What was the other? And,  
15 capacity, likewise, is you pick up a share of capacity  
16 expenses based on your level of load. So, the capacity  
17 load obligation of Energy Service load went down, so,  
18 the share of capacity costs went down.

19 Q. So, Mr. White, did you look at the markets this morning  
20 to see how they compared with this December 11th  
21 forecast? If you didn't, that's fine.

22 A. (White) I looked earlier in the week, I believe closing  
23 prices on Monday. And, they have further decreased not  
24 quite \$6.00, it's about another 13 or 14 percent

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[WITNESS PANEL: Ludwig~Goulding~White]

1 decrease than the filing.

2 Q. Okay.

3 A. (White) What I'd mention along with that is that -- and  
4 most of that volatility that we're seeing in the  
5 forward prices occurs in the winter months. In the  
6 winters months, our generation is surplus. So, we're  
7 making sales into the market. So, as the prices come  
8 down, a lot of costs in the portfolio go down. But the  
9 surplus revenue, that's essentially a credit to the ES  
10 portfolio, the surplus, due to our generation being  
11 surplus to load, the value of that credit goes down.  
12 So, they offset each other to some degree. It's not a  
13 full impact only in one direction from lower prices.

14 Q. Thank you. And, if you look at the table at the top of  
15 Page 3 in Exhibit 2, that shows a remarkable, to me  
16 anyway, decline in prices for January and February.

17 A. (White) And, as I think we've all become accustomed,  
18 winter price volatility is the paradigm we're in  
19 currently. We've had an extremely warm fall and early  
20 winter. Gas storage levels are at record high. That  
21 shouldn't necessarily impact New England, because it's  
22 more a pipeline constraint than available supply of  
23 gas. Nevertheless, it seems to be having an impact on  
24 forward prices. And, I would just point out that, when

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[WITNESS PANEL: Ludwig~Goulding~White]

1 we get some cold weather, if there's any pipeline  
2 constraints, the market could move just as quickly in  
3 the other direction. And, I believe you would see,  
4 again, the predominant change in the winter months.  
5 Just as it's come down, that's where you'd see the  
6 increases occur.

7 Q. Does Eversource plan -- still plan to continue to  
8 participate in the Winter Reliability Program this  
9 winter?

10 A. (White) Yes. We are participating with the Newington  
11 Station. We have qualified and are in the program that  
12 it began December 1st. And, we have pro-formed into  
13 this rate filing both the cost of load of that program  
14 and projected revenues to Newington from its  
15 participation. We have roughly a half a million dollar  
16 credit in this rate calculation that we're projecting  
17 as a benefit from participating, net of the cost of  
18 load, net of the Newington revenues.

19 Q. Thank you. I had another question, I think it's for  
20 Mr. White, but it's Exhibit 2. The Bates stamp is 006,  
21 and it's CJG-1. Let me know when you're there,  
22 Mr. White. I think this question is for you.

23 A. (White) Okay.

24 Q. You there?

{DE 15-415} {12-16-15}

[WITNESS PANEL: Ludwig~Goulding~White]

1 A. (White) Yes.

2 Q. Okay. So, Line 20 is "Burgess BioPower". And, if I'm  
3 reading that correctly, the total cost is  
4 "\$36.2 million". And, that component is about one cent  
5 of the rate, is that right?

6 A. (White) Yes.

7 Q. Does that one cent represent both the energy and the --  
8 and the REC costs?

9 A. (White) No. That 36 million is energy and capacity  
10 only. The RECs associated purchased from the Burgess  
11 facility are included in Line 17, the portfolio -- the  
12 cost of RPS compliance for the portfolio as a whole.  
13 We inventory and manage the RPS portfolio as one. So,  
14 all our REC resources and all the obligations are  
15 included on Line 17.

16 Q. Okay. I understand. Would you just briefly describe  
17 how the contract price for energy and RECs compare with  
18 the market as you look to the 2016?

19 A. (White) For the Burgess facility?

20 Q. Yes, for Burgess BioPower. Yes, I'm still on that.

21 A. (White) Okay. The \$36 million of cost is above market.  
22 Energy cost in the Burgess contract is about \$72 a  
23 megawatt-hour. In the Forward Price table on Page 3 of  
24 Exhibit 2, you can see that the current forward price

[WITNESS PANEL: Ludwig~Goulding~White]

1 forecast averages about \$41, just over \$41, on an  
2 annual basis. So, the Burgess energy price is above  
3 market, about 14 and a half million dollars in total.

4 Regarding the capacity and REC  
5 component, the capacity prices paid to the Burgess  
6 facility, on a calendar year basis, is about \$1 million  
7 above market capacity prices, and the REC purchases are  
8 approximately \$2 million above current market REC  
9 prices.

10 So, in total, the Burgess contract is  
11 just under \$18 million above market value for calendar  
12 year 2016 in this projection.

13 MS. AMIDON: Thank you. That's all the  
14 questions I have. Thank you.

15 CHAIRMAN HONIGBERG: Commissioner Scott.

16 COMMISSIONER SCOTT: Thank you. And,  
17 good afternoon.

18 BY COMMISSIONER SCOTT:

19 Q. I was curious in the -- maybe I can find it real quick  
20 for you, on Page 4 of Exhibit 2, you mentioned  
21 "1.3 million increase in non-Scrubber related rate  
22 base", is that correct?

23 A. (Goulding) Yes.

24 Q. I was just curious if I could get a little bit more



[WITNESS PANEL: Ludwig~Goulding~White]

1 detail on what that is?

2 A. (Goulding) Yes. As part of the order for the RPS Class  
3 III renewable or biomass, it reduced, there was an  
4 offset to rate base for the RPS dollars we're  
5 collecting. So, because we're collecting less money or  
6 less dollars in 2016 for that Class III requirement, it  
7 put less of a credit against rate base. So, rate base  
8 went up ever so -- or, slightly for that.

9 Q. Thank you. I wonder if you could go into a little bit  
10 more detail also, so, the migration forecast went up  
11 between September and your latest filing. And, could  
12 you elaborate a little bit more on why that is?

13 A. (Ludwig) Yes. So, the relationship that we're  
14 measuring is we're looking at the NYMEX forward prices,  
15 which act as a proxy for what the suppliers are  
16 charging, because we don't know what that is, and we  
17 estimate that relative to historic load, migrated load.  
18 And, then, we're projecting that relationship into the  
19 future. So, as we've seen from September to December,  
20 the prices have fallen, which means we expect more  
21 migration to occur across all sectors.

22 Q. So, stated more bluntly, I suppose, I assume, if the  
23 calculus is, if the competitive electric providers are  
24 going to be able to offer a cheaper alternative for

{DE 15-415} {12-16-15}

[WITNESS PANEL: Ludwig~Goulding~White]

1 ratepayers, --

2 A. (Ludwig) Correct.

3 Q. -- there's a presumption that more ratepayers will take  
4 advantage of that. Is that fair?

5 A. (Ludwig) That is the assumption that we're making in  
6 this modeling technique, yes.

7 Q. Right now, you're the only utility with the length of  
8 your service rate, the length of time, that is, is that  
9 an issue, do you think? I mean, are you comfortable  
10 with that? Does that still work for you?

11 A. (Goulding) Are you asking more is it, because it's an  
12 annual rate, is there issues with migration?

13 Q. Right. And, does that work? Is there a -- is that  
14 positive for customers or would a different length of  
15 term be perhaps better?

16 A. (Goulding) I think it depends what goes on. Like last  
17 year, when we had forecasted high winter rates, we were  
18 forecasting significant migration, reverse migration  
19 during the winter months of the large C&I customers.  
20 And, then, basically, those large customers, once the  
21 prices drop, migrating back to competitive suppliers.  
22 So, we had Rate ADE go into effect last January, which  
23 is still in effect. So, any large customer that comes  
24 back now, they have to go on Rate ADE, which is a

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[WITNESS PANEL: Ludwig~Goulding~White]

1 monthly rate. Or, they have to go on, if they want to  
2 go on the Energy Service rate, they have to commit to a  
3 year. So, there's no issue with them gaming it for the  
4 winter months, and then leaving during the low-priced  
5 months. So, I think this is the first year that it  
6 will be in effect in time for the winter. So, we'll  
7 see how it works. I think it's a good solution to the  
8 existing structure.

9 And, to add on, the residential  
10 customers, who are most of the Energy Service customers  
11 and small C&I, they don't tend to migrate back and  
12 forth as significantly as large C&I customers.

13 Q. And, an obvious advantage, I think, to a yearly term,  
14 is stability in pricing. But, again, that cuts both  
15 ways, I suppose. If everybody else is looking cheap,  
16 less expensive, then maybe it's not as popular, I  
17 suppose?

18 A. (Goulding) Agree.

19 COMMISSIONER SCOTT: Thank you.

20 CHAIRMAN HONIGBERG: Commissioner  
21 Bailey.

22 COMMISSIONER BAILEY: Thank you.

23 BY COMMISSIONER BAILEY:

24 Q. Can you explain the answer that you gave to

{DE 15-415} {12-16-15}

[WITNESS PANEL: Ludwig~Goulding~White]

1 Commissioner Scott about the increase on rate base one  
2 more time?

3 A. (Goulding) Okay. So, as part of the rate base page, I  
4 think if we can turn to the page, it might be helpful.  
5 If we turn to CJG-3, Page 6 --

6 A. (White) I think it's 2.

7 A. (Goulding) Two? Or, CJG-2, Page 6.

8 Q. So, is that Bates Page 012?

9 A. (White) Yes.

10 A. (Goulding) Okay. One of the lines on there, it's about  
11 fourth from the bottom, it's called "Other Regulatory  
12 Obligations". So, you'll see it goes up in January,  
13 February, March, April, May, and then drops down in  
14 June. What's happening is, as we're collecting the RPS  
15 dollars for customers for the compliance payment for  
16 RPS obligations, we're increasing the other regulatory  
17 obligations, which offsets rate base. And, then, we  
18 have a compliance payment date for 2015 of June 30th,  
19 2016. So, you'll see a significant drop in the other  
20 regulatory obligations due to us paying, basically,  
21 we've had quantities of customers' money, and we're  
22 paying it for those RPS obligations, and then starts to  
23 ratchet back up again.

24 Well, when we had the higher obligation

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[WITNESS PANEL: Ludwig~Goulding~White]

1 amount in there for RPS Class III, it was about  
2 \$12 million higher on an annual basis. So, it was a  
3 higher credit. So, it was a -- it resulted in a larger  
4 offset, a larger reduction to rate base. So, when we  
5 removed that larger credit, it increases rate base, and  
6 then you earn a return on rate base, so, the return  
7 increased.

8 Q. Thank you. Okay. Can you tell me what the rate  
9 components on a bill are? Not the rates, but the  
10 components? So, we have the Energy Service rate, if  
11 people are buying default service, right?

12 A. (Goulding) Right.

13 Q. Then, we have the Stranded Cost Recovery Charge.

14 A. (Goulding) Then, there's the -- you said the  
15 "Transmission rate", the TCAM?

16 Q. I didn't say that, but --

17 A. (Goulding) Okay. The Transmission rate, TCAM.

18 Q. Okay.

19 A. (Goulding) There's the Distribution rate, System  
20 Benefits Charge, and then there's a Consumption Tax.

21 Q. Okay. And, the rate that you're proposing here for  
22 energy is 8.27 cents, right, plus the 1.72?

23 A. (Goulding) Yes. It's 8.27 cents, and then plus 1.72  
24 cents as a temporary rate, Scrubber rate.

[WITNESS PANEL: Ludwig~Goulding~White]

1 Q. And, that would be included in the Energy Service rate  
2 that only default service customers pay?

3 A. (Goulding) Yes.

4 Q. As a temporary rate?

5 A. (Goulding) Yes.

6 Q. When, if -- if and when that rate or some rate gets  
7 approved for the Scrubber rate, what rate element would  
8 that be included in?

9 A. (Goulding) It would also be in the Energy Service rate.

10 Q. So, it's not non-bypassable?

11 A. (Goulding) It's not non-bypassable.

12 Q. Okay. So, I think I understood that you said it's just  
13 a way of accounting for the rate that's different,  
14 right, between the September filing and this filing?

15 A. (Goulding) Yes. We -- the September filing included  
16 all Scrubber costs. Well, and, so, what we did was  
17 broke it out into "non-Scrubber costs" and "Scrubber  
18 costs". And, so, in sum, they equal the same, they  
19 come out to the -- the September filing would have been  
20 8.67 cents without the Scrubber, and 1.72 cents as a  
21 Scrubber adder, to get you a total rate of 10.39 cents.

22 Q. Okay.

23 A. (White) If I may? It's really -- you can really just  
24 think of it as all of these illustrative exhibits, the

[WITNESS PANEL: Ludwig~Goulding~White]

1 Scrubber costs have been pulled out of there. You  
2 know, we still provided a holistic view. But, if one  
3 were to go through line-by-line in these exhibits,  
4 they'd see big changes from the September filing. And,  
5 it's just those Scrubber costs. I mean, very simply,  
6 you could think of it that way. They have been removed  
7 from the exhibits.

8 Q. Okay. Thank you. So, on Exhibit 2, Page 5, in the  
9 second line from the bottom, it says the "Scrubber  
10 Temporary Rate was not included in the initial filing".  
11 So, it wasn't included as a temporary rate, but it was  
12 included as part of the whole rate package?

13 A. (Goulding) Yes.

14 Q. Okay.

15 A. (Goulding) I can see how that can be misunderstood the  
16 way it was -- basically, it sounds like there was no  
17 Scrubber costs included.

18 COMMISSIONER BAILEY: Right. Okay.  
19 Thank you.

20 CHAIRMAN HONIGBERG: Those were my  
21 questions as well. I have nothing further.

22 Mr. Fossum, do you have any further  
23 questions for your witnesses?

24 MR. FOSSUM: I have just a couple.

**REDIRECT EXAMINATION**1  
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BY MR. FOSSUM:

Q. Going back to a question that had been asked by Commissioner Scott, relative to the length of the Company's rate term. Do you recall those questions?

A. (Goulding) Yes.

Q. Can that -- is the Company's rate -- can it be adjusted over time, if necessary?

A. (Goulding) Yes.

Q. So, is it, I guess, in effect, a term shorter than one year?

A. (Goulding) It has the potential to be a term shorter than one year, yes.

Q. And, one other question. You've been asked about the various rate components on the bill. Do you recall that question?

A. (Goulding) I do.

Q. And, I didn't think that you had said, but I wanted to ask, did you -- so, do the various rate components also include a "customer charge"?

A. (Goulding) They do, and I did not say that. Yes. They include a customer charge also.

MR. FOSSUM: Okay. Thank you. That was all.



1 CHAIRMAN HONIGBERG: All right. Seeing  
2 nothing further for these witnesses, I guess you can stay  
3 where you are.

4 I assume there's no objection to  
5 striking the ID on the exhibits?

6 *[No verbal response]*

7 CHAIRMAN HONIGBERG: Seeing none, those  
8 are now full exhibits.

9 And, we'll allow the parties to sum up.  
10 Ms. Chamberlin.

11 MS. CHAMBERLIN: Thank you.

12 MR. FOSSUM: Before, I --

13 CHAIRMAN HONIGBERG: Oh, I'm sorry, Mr.  
14 Fossum.

15 MR. FOSSUM: I apologize. One other  
16 item I just wanted to go over very quickly. Relative to  
17 the stranded cost hearing, we had reserved an exhibit  
18 number for an exhibit to be provided that included a  
19 breakdown of all the various costs. Should we be -- when  
20 the Company provides that breakdown, should that be filed  
21 in this docket as well, and should we reserve an exhibit  
22 number for that as well?

23 CHAIRMAN HONIGBERG: I think it -- my  
24 sense is it was educational, primarily. I think, if it's

1 filed in one, it will provide the necessary education that  
2 can be used for people who are interested. So, I think  
3 the answer is "no", but thank you for offering.

4 MR. FOSSUM: Thank you.

5 CHAIRMAN HONIGBERG: All right. Now are  
6 we ready to go?

7 MR. FOSSUM: I'm all set. Thank you.

8 CHAIRMAN HONIGBERG: All right. Go  
9 ahead, Ms. Chamberlin.

10 MS. CHAMBERLIN: Setting aside the  
11 Scrubber rate, which will be discussed later, the rates  
12 proposed reflect market conditions, and, therefore, the  
13 OCA supports the filing.

14 CHAIRMAN HONIGBERG: Ms. Amidon.

15 MS. AMIDON: Thank you. Staff has  
16 reviewed the filing. And, we believe the Energy Service  
17 rate of 8.27 cents reflects the actual prudent and  
18 reasonable costs of the Company providing default service  
19 consistent with RSA 369. And, the costs appear to be  
20 market-based. And, on that basis, we recommend the  
21 Commission approve the Petition.

22 CHAIRMAN HONIGBERG: Mr. Fossum.

23 MR. FOSSUM: Thank you. I appreciate  
24 the review that the Staff and the OCA have done here, and

1 I appreciate their support for the Company's filing. Of  
2 course, subject to whatever might be decided in the docket  
3 yet to come today on the Scrubber rate, the Company would  
4 ask that its rate proposal in this docket be approved, and  
5 that it be approved in sufficient time to permit  
6 implementation of the new rate on January 1st, 2016.

7 Thank you.

8 CHAIRMAN HONIGBERG: All right. Thank  
9 you very much. We will -- we'll be getting orders out as  
10 quickly as we can on this and the other two dockets.

11 So, we'll be adjourning this hearing. I  
12 think the next hearing is noticed for 3:00, is that  
13 correct? So, we'll be taking a break until 3:00. Let's  
14 go off the record.

15 *[Brief off-the-record discussion*  
16 *ensued.]*

17 CHAIRMAN HONIGBERG: So, with that, we  
18 will adjourn.

19 ***(Whereupon the hearing was adjourned at***  
20 ***2:34 p.m.)***