

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

June 23, 2016 - 9:41 a.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.  
*(Hearing on midyear adjustment)*

**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:**  
Donald M. Kreis, Esq., Consumer Adv.  
James Brennan, Finance Director  
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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	<b>DANIEL J. LUDWIG</b>	
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**P R O C E E D I N G**

1  
2 CHAIRMAN HONIGBERG: All right. Good  
3 morning, everyone. We are here in Docket DE  
4 15-415, which is the Energy Service rate for  
5 Public Service Company of New Hampshire, which  
6 does business as Eversource Energy. We're here  
7 for a semiannual adjustment to that rate.

8 And, before we go any further, let's  
9 take appearances.

10 MR. FOSSUM: And good morning,  
11 Commissioners. Matthew Fossum, for Public  
12 Service Company of New Hampshire doing business  
13 as Eversource Energy.

14 MR. KREIS: Good morning, Mr.  
15 Chairman, members of the Commission. I am the  
16 Consumer Advocate, Donald Kreis, here on behalf  
17 of the state's residential utility customers.

18 MS. AMIDON: Good morning. Suzanne  
19 Amidon, for Commission Staff.

20 CHAIRMAN HONIGBERG: All right. I  
21 see Mr. Goulding is in place in the witness  
22 stand. Is there anything we need to do in the  
23 way of preliminary matters before he is sworn  
24 in?

1 MR. FOSSUM: We do have additional  
2 witnesses who will be joining Mr. Goulding for  
3 this proceeding. And, so, I would ask them to  
4 join Mr. Goulding.

5 But, preliminarily, we've premarked a  
6 few exhibits for this docket, which I can  
7 explain for the benefit of the Commissioners.  
8 The Company made a filing on May 9th in this  
9 docket that has been premarked as "Exhibit 5",  
10 and a filing on June 17 of this year that has  
11 been premarked as "Exhibit 6". Additionally,  
12 to fill out the record, in the prior hearing,  
13 on Docket 15-416, there had been two additional  
14 exhibits that were entered there that will also  
15 be on the record here. They're the identical  
16 exhibits. So, what had been marked in 15-416  
17 as "Exhibit 8", the residential monthly bill  
18 calculations, will be, in this docket,  
19 "Exhibit 7". And what had been marked in  
20 15-416 as "Exhibit 9", the percentage impact on  
21 the change of delivery service bill, will be,  
22 for this docket, "Exhibit 8" it is premarked.

23 (The documents, as described,  
24 were herewith marked as

[WITNESS PANEL: Goulding~Ludwig~White]

1                   **Exhibit 5** through **Exhibit 8**,  
2                   respectively, for  
3                   identification.)

4                   CHAIRMAN HONIGBERG: All right.  
5                   Mr. Patnaude.

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

10                   **CHRISTOPHER J. GOULDING, SWORN**

11                   **DANIEL J. LUDWIG, SWORN**

12                   **FREDERICK B. WHITE, SWORN**

13                   **DIRECT EXAMINATION**

14 BY MR. FOSSUM:

15 Q.     Go down the line, I'll start with Mr. White.  
16         If you could state your name and your place of  
17         employment and your responsibilities for the  
18         record in this proceeding please.

19 A.     (White) Frederick White. I'm a Supervisor in  
20         the Energy Supply Group at Eversource Service  
21         Company. My primary responsibilities involve  
22         the analysis of the PSNH portfolio of load  
23         resources for the purposes of rate-setting and  
24         cost reconciliation.

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[WITNESS PANEL: Goulding~Ludwig~White]

1 Q. And, Mr. Goulding, the same questions for you.

2 A. (Goulding) My name is Chris Goulding. I'm the  
3 Manager of Revenue Requirements for New  
4 Hampshire, located at 780 North Commercial  
5 Street. My responsibilities include  
6 coordination and implementation of revenue  
7 requirement calculations associated with the  
8 TCAM, Energy Service rate, SCRC Rate, ADE rate,  
9 and other distribution rates.

10 Q. And, Mr. Ludwig, please.

11 A. (Ludwig) My name is Daniel Ludwig. I'm a  
12 Senior Analyst in the Sales Revenue Forecasting  
13 Group, in Westwood, Massachusetts. My  
14 responsibilities include demand forecasting and  
15 economic analysis for multiple operating  
16 companies within Eversource Energy.

17 Q. And, I guess we'll go back in the other  
18 direction. Mr. Ludwig, back on May 9th, did  
19 you submit prefiled testimony in this matter  
20 that has been -- a portion of which has been  
21 premarked inside what has been marked as  
22 "Exhibit 5"?

23 A. (Ludwig) Yes, I did.

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

[WITNESS PANEL: Goulding~Ludwig~White]

1 your direction?

2 A. (Ludwig) Yes, it was.

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

5 A. (Ludwig) I do not.

6 Q. And, Mr. Goulding, did you likewise submit  
7 testimony included in what has been premarked  
8 as "Exhibit 5"?

9 A. (Goulding) Yes, I did.

10 Q. And was that testimony prepared by you or at  
11 your direction?

12 A. (Goulding) Yes, it was.

13 Q. And do you have any updates or changes to that  
14 testimony today?

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

16 Q. And did you also, along with that testimony,  
17 submit a technical statement?

18 A. (Goulding) Yes.

19 Q. And, likewise, was that technical statement  
20 prepared by you or at your direction?

21 A. (Goulding) Yes, it was.

22 Q. And do you have any changes or updates to that  
23 technical statement?

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

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[WITNESS PANEL: Goulding~Ludwig~White]

1 Q. And, Mr. White, did you back on May 9th file a  
2 technical statement as part of Exhibit 5?

3 A. (White) Yes.

4 Q. And was that prepared by you or at your  
5 direction?

6 A. (White) Yes, it was.

7 Q. Do you have any changes or updates this  
8 morning?

9 A. (White) No, I don't.

10 Q. And, just to fill this out, Mr. Goulding and  
11 Mr. White, did you submit a technical statement  
12 and series of attachments as what has been  
13 premarked as "Exhibit 6" this morning?

14 A. (White) Yes.

15 A. (Goulding) Yes.

16 Q. And was that technical statement prepared by  
17 you or at your direction?

18 A. (White) Yes.

19 Q. And do you have any changes or updates today?

20 A. (White) No.

21 Q. Mr. Goulding?

22 A. (Goulding) Yes and no.

23 Q. I probably made that far more complicated than  
24 it needed to be. All right, having gotten that

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[WITNESS PANEL: Goulding~Ludwig~White]

1 out of the way, Mr. Goulding -- I suppose Mr.  
2 Goulding and Mr. White, could you very briefly  
3 and at a high level explain what it is that the  
4 Company is seeking in this filing please.

5 A. (Goulding) Okay. The Company is seeking a  
6 Energy Service rate increase from the current  
7 rate of 9.9 cents to 10.95 cents. And the key  
8 drivers of that increase is an updated O&M  
9 budget, lower -- which is offset by a lower  
10 energy cost, which is -- that offset is  
11 increased by lower revenues associated with  
12 higher migration. And the migration is due to  
13 just the low energy prices that we've  
14 experienced over the winter, and we're -- and  
15 that's forecasted going forward for the  
16 remainder of the year.

17 Q. Mr. Goulding, I'd like you to turn to what has  
18 been premarked as "Exhibit 6" please.

19 MR. FOSSUM: And I guess I would  
20 defer to the Commissioners on whether --  
21 previously we have had Mr. Goulding and  
22 Mr. White go through essentially  
23 section-by-section of this technical statement  
24 to explain the various changes. I suppose, if

[WITNESS PANEL: Goulding~Ludwig~White]

1 you are interested in hearing that, I will have  
2 them do that today. If you would rather forego  
3 that, we can simply move on.

4 CHAIRMAN HONIGBERG: I think we've  
5 decided we don't need you to do that, for your  
6 witnesses to do that.

7 MR. FOSSUM: All right.

8 CHAIRMAN HONIGBERG: So, you can skip  
9 that part of the examination.

10 MR. FOSSUM: All right. Then, I  
11 guess, for the moment, the document will speak  
12 for itself. And, in that case -- oh, I do have  
13 one question about that technical statement  
14 nonetheless.

15 BY MR. FOSSUM:

16 Q. On Page 2, which is also conveniently Bates  
17 Page 002, there is a -- do you see a chart on  
18 that page?

19 A. (Goulding) Yes.

20 A. (White) Yes.

21 Q. And could you explain what that chart shows?

22 A. (Ludwig) That chart --

23 Q. Oh, I was going to -- I just wanted, for  
24 clarification, Mr. Goulding and Mr. White,

[WITNESS PANEL: Goulding~Ludwig~White]

1 since this is your technical statement, I was  
2 just going to ask you very quickly just is that  
3 chart a chart of the Company's expected  
4 migration over the next -- over the next six  
5 month period?

6 A. (White) Yes. That chart shows the changes in  
7 our migration assumptions for the forecast  
8 period of June to December 2016, between our  
9 May filing and this filing on June 17th. And  
10 you can see it represents an increase in  
11 migration.

12 Q. And I just wanted to clarify, does that update  
13 in the migration, was that an additional  
14 analysis that was performed by Mr. Ludwig and  
15 incorporated into this statement?

16 A. (White) That's correct.

17 Q. Okay. Thank you. I just wanted to be clear on  
18 where that -- the source of that information.  
19 Thank you.

20 Turning now to what has been premarked for  
21 this hearing as "Exhibit 7". Mr. Goulding,  
22 could you explain what it is that that document  
23 is showing, and, in particular, with regard to  
24 the Company's proposed Energy Service Charge

[WITNESS PANEL: Goulding~Ludwig~White]

1 that is the subject of this proceeding.

2 A. (Goulding) So, Exhibit 7 is the -- what an  
3 average residential customer's rate would  
4 change by with all the proposed rate changes  
5 for effect July 1st. If we focus particularly  
6 on column (6), it's the Energy Service rate.  
7 So, the current Energy Service rate is 9.99  
8 cents, and the proposed new rate is 10.95  
9 cents. And, if you look to the left, you'll  
10 also see the Stranded Cost Recovery Charge rate  
11 is being proposed to change from negative  
12 "0.00006" to positive "0.00094". The  
13 Transmission rate is also proposed to change  
14 July 1st from "0.01957 cents" to "0.02390".  
15 And, then, there's the Distribution proposed  
16 change from result of the Reliability  
17 Enhancement Program.

18 So, the total rate in column (7)  
19 incorporating all those changes is a rate  
20 change of "16.487 cents" to "18.026 cents".

21 And, if you step down to the next column,  
22 you can see, particularly the Energy Service  
23 rate, right above the "Total", a current  
24 customer taking 625 kilowatt-hours a month

[WITNESS PANEL: Goulding~Ludwig~White]

1 would pay "\$62.44", the new rate would increase  
2 that to "\$68.44", for an increase of \$6.00, and  
3 that's a 9.6 percent change in that component,  
4 or a 5.2 percent change in the overall bill.

5 Q. Thank you. And could you turn now to what has  
6 been premarked as "Exhibit 8". And please  
7 explain what that document is showing, and in  
8 particular with respect to the Energy Service  
9 Charge that is the subject of this proceeding.

10 A. (Goulding) I'm going to look at Document 8 that  
11 has "Impact of Each Change on Bills Including  
12 Energy Service".

13 Q. Is that the second page of this?

14 A. (Goulding) It's the second page. The first  
15 page doesn't have Energy Service on it, so it  
16 wouldn't show up on there.

17 So, if you look at column 2, you'll see,  
18 for a residential customer, they're going to  
19 experience a 5.2 percent increase in the total  
20 bill due to Energy Service, an 8.4 percent  
21 increase in their total bill, if you  
22 incorporate the Energy Service, SCRC, TCAM or  
23 Transmission, and the Distribution rate change.

24 And, if we look down to the next line, you

[WITNESS PANEL: Goulding~Ludwig~White]

1 have the impact for a General Service rate  
2 customer taking Energy Service, Rate GV  
3 customer, Rate LG, and Rate OL. And these are  
4 all for customers -- if these customers took  
5 Energy Service from Eversource.

6 Q. And, with respect to the Residential Rate R,  
7 are those the same percentages that are shown  
8 back on Exhibit 7?

9 A. (Goulding) Yes, they are.

10 MR. FOSSUM: Thank you. That's what  
11 I have for direct.

12 CHAIRMAN HONIGBERG: Mr. Kreis.

13 MR. KREIS: Thank you, Mr. Chairman.  
14 I just have a few questions, I think.

15 **CROSS-EXAMINATION**

16 BY MR. KREIS:

17 Q. Let's go back to the chart on Page 2 of Exhibit  
18 6. And, I guess I should apologize, this is my  
19 first orbiter on this particular planet, so I  
20 might be asking questions that everybody else  
21 but me knows the answer to. The migration  
22 statistics, first of all, I want to make sure  
23 I'm clear. The number, let's just say the  
24 number at the bottom of the "June 17th" column,

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1 which is the latest migration forecast, is a --  
2 says that the total migration number is  
3 "56.7 percent". That means that 56.7 percent  
4 of the energy purchases made by PSNH's delivery  
5 service customers are going to be made through  
6 competitive suppliers. Do I have that right?

7 A. (Ludwig) Yes. That's correct.

8 Q. And, so, the rest of whatever 100 minus 56.7 is  
9 going to be the percentage of kWh sales that  
10 are attributable to PSNH's Energy Service?

11 A. (Ludwig) That's correct.

12 Q. And that's an aggregate number, it's basically  
13 per kW -- it's basically total kWh sales?

14 A. (Ludwig) That's correct.

15 Q. Are the numbers different by rate class?

16 A. (Ludwig) Yes, they are.

17 Q. Which rate class has the highest migration?

18 A. (Ludwig) The manufacturing and industrial.

19 Q. And which class has the lowest migration?

20 A. (Ludwig) I believe it's residential.

21 Q. And what accounts for the difference between  
22 your May 9th forecast and your June 17th  
23 forecast?

24 A. (Ludwig) Yes. So, the primary driver in this



[WITNESS PANEL: Goulding~Ludwig~White]

1 forecast is NYMEX forward electricity prices,  
2 which is supposed to act as a proxy for what  
3 the suppliers can charge. That price has  
4 fallen from the May 9th filing to the June 17th  
5 filing, which, in turn, results in higher  
6 customer migrations for the forecast period.

7 Q. And, all other things being equal, the  
8 non-residential customers are migrating at a  
9 higher rate than the residential customers are?

10 A. (Ludwig) That is correct.

11 Q. Doesn't that suggest that we're in a bit of a  
12 death spiral here?

13 A. (Ludwig) Everyone has the same opportunity to  
14 choose a supplier. So, --

15 A. (Goulding) And, I guess I would say, if you  
16 look at it, what the current price is. But, if  
17 we look at historical migration, so, we came up  
18 with low gas prices right now or low gas -- or,  
19 low winter prices. But, historically, the  
20 migration for 2015 was 50 percent, 2014 was 52  
21 percent, '13 was 52 percent. Before that, it's  
22 a little irrelevant, I would say.

23 Q. So, in other words, we can't simply look  
24 forward to higher and higher migration until

[WITNESS PANEL: Goulding~Ludwig~White]

1 divestiture?

2 A. (Goulding) I think it's -- I think a lot of it  
3 is dependent on what happens with the prices of  
4 energy in the forecasting. So, at the current  
5 time, they're forecasting low energy prices.  
6 And, when we revisit this in the fall, we'll  
7 look at the NYMEX forwards again to forecast  
8 the migration. So, I just don't know how --  
9 what it's going to be beyond that.

10 Q. You would agree that this proposed Energy  
11 Service rate of 10.95 percent [cents?] is by  
12 far the highest default service rate that any  
13 utility in New Hampshire will be offering as of  
14 July 1st, true?

15 A. (Goulding) Yes.

16 Q. When you talked about what the primary drivers  
17 of this increase are, you mentioned "updated  
18 O&M budget, lower energy costs and that were  
19 offset by higher migration", and we were just  
20 talking about the higher migration. Let's talk  
21 about the "updated O&M budget". First of all,  
22 what did you mean by "updated O&M budget"?

23 A. (Goulding) So, when we did our December filing,  
24 we had a preliminary budget, O&M budget for

[WITNESS PANEL: Goulding~Ludwig~White]

1 this, for Energy Service. When we were  
2 given -- provided a final budget, there were  
3 some updates to that budget that incorporated  
4 higher benefits costs reflective of the  
5 experience in 2015, lower amounts  
6 capitalized -- lower O&M amounts capitalized,  
7 similar to the -- consistent with what was  
8 experienced in 2015, and then a update of the  
9 generation budget itself.

10 Q. So, if I'm understanding you correctly, it's  
11 benefit costs to employees that is driving  
12 these changes in O&M cost forecasts?

13 A. (Goulding) A portion of the change is due to  
14 the benefits costs of employees, and it's  
15 reflecting the 2015 actual experience.

16 Q. I'm looking now at Page 1 of Attachment CJG-2,  
17 which is part of Exhibit 6. It's Bates Page  
18 006. And I noticed, as I looked, since we were  
19 just talking about O&M costs, looking at Line  
20 13, the O&M costs chug along each month at  
21 roughly a comparable level, until you get to  
22 April 2016, when they take a big leap, and then  
23 they decline back down to what I would  
24 characterize as a "normal level" in May 2016.

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[WITNESS PANEL: Goulding~Ludwig~White]

1 And I'm wondering what accounts for the  
2 anomalous figure in April of 2016 of "12,664"?

3 A. (Goulding) So, I believe that's primarily  
4 driven by the outage work that's done. Like,  
5 if you look at CJG-2, Page 2, also you'll see  
6 September and October also spike up. So,  
7 again, that's when primary outage work is done  
8 during the months when the fleet wouldn't be  
9 called upon to run.

10 Q. That makes sense. Looking at Bates Page 004 of  
11 Exhibit 6, which is back in the technical  
12 statement, Item Number 7 says -- refers to  
13 "lower domestic manufacturing deduction  
14 credits". What are "domestic manufacturing  
15 deduction credits"?

16 A. (Goulding) So, there's a tax law out there that  
17 allows you -- or, that a manufacturer, I guess  
18 it's a energy manufacturer, to take a domestic  
19 manufacturing tax deduction, which then results  
20 in a lower tax liability. So, that's flowed  
21 back through the Energy Service rate to give it  
22 back to Energy Service customers.

23 MR. KREIS: Okay. That's all I have,  
24 Mr. Chairman.

[WITNESS PANEL: Goulding~Ludwig~White]

1 CHAIRMAN HONIGBERG: Ms. Amidon.

2 MS. AMIDON: Thank you. Mr. Ludwig,  
3 good morning.

4 WITNESS LUDWIG: Good morning.

5 BY MS. AMIDON:

6 Q. You provided testimony that's part of  
7 Exhibit 5, is that right?

8 A. (Ludwig) Yes, I did.

9 Q. And I notice on -- you had a discussion with  
10 Attorney Kreis regarding your forecasting and  
11 the experience that the Company has with  
12 migration relative to the forward electric  
13 prices. If we look at Bates 023 of Exhibit 5,  
14 there is a -- I guess it's a graph?

15 A. (Ludwig) Yes.

16 Q. Are you there? So, if I'm reading this  
17 correctly, what I see -- my interpretation of  
18 this graph, and I just want to see if you agree  
19 with me, is that, at times when the market  
20 price for power is low, migration is generally  
21 at a higher level?

22 A. (Ludwig) That is correct.

23 Q. And, then, if we look, for example, at the area  
24 referenced "January 2015", we see migration is

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[WITNESS PANEL: Goulding~Ludwig~White]

1 low, but the market price is -- at that point  
2 was high?

3 A. (Ludwig) That is correct.

4 Q. So, one of the things that I was just curious  
5 about is whether, in forecasting migration, the  
6 Company could consider the delta between its  
7 energy price and the market price for power as  
8 forecast to maybe improve your forecasted  
9 migration? Is that something that the Company  
10 has considered doing?

11 A. (Ludwig) Well, when we first started look at  
12 this, that was something that was considered.  
13 And one of the issues that comes up with that  
14 is the migration forecast is an input to the  
15 Energy Service calculation. So, we would need  
16 an estimate prior to knowing the actual rate.  
17 And, once we have that, now we're influencing  
18 the result of the migration forecasts by  
19 something that we're creating. So, the goal of  
20 creating this migration forecast, we're using  
21 an independent number, the NYMEX forward  
22 prices, --

23 Q. Uh-huh.

24 A. (Ludwig) -- that we have no influence over,

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[WITNESS PANEL: Goulding~Ludwig~White]

1 that will kind of just do the forecast for us,  
2 something that we have no bias over. That was  
3 why we ended up settling on what we did.

4 Q. I understand. But, given what you understand  
5 of market prices forecast for the forthcoming  
6 six months as depicted by the Company in  
7 Exhibit 6, at Page 3, and the price that -- of  
8 energy that PSNH is offering its default  
9 service customers in its filing today, don't  
10 you think it's likely that customer migration  
11 will increase?

12 A. (Ludwig) We do believe customer migration will  
13 increase. And we are forecasting an all-time  
14 high for migration at nearly 59 percent to  
15 occur this year. The previous high is  
16 56.8 percent. So, we are forecasting an  
17 all-time high migration level to occur this  
18 year.

19 Q. And where is that in this filing?

20 A. (Ludwig) If you go to Page 2 in the chart, if  
21 you look at the "June 17" column, for "October"  
22 we're at "58.9 percent".

23 Q. Okay. Right. Thank you. Mr. Goulding, in the  
24 calculation of the current default service rate

[WITNESS PANEL: Goulding~Ludwig~White]

1 of 9.99 cents, does that include the temporary  
2 rate for recovery of the Scrubber costs?

3 A. (Goulding) The 9.99 cents does.

4 Q. And, so, if you subtract the 1.72 cents for the  
5 Scrubber costs from that, the price of energy  
6 for default service customers, the energy cost  
7 in that rate is 8.27 cents, is that right?

8 A. (Goulding) That's correct.

9 Q. And, so, similarly, is the 10.95 cents per  
10 kilowatt-hour inclusive of the Scrubber  
11 temporary rate?

12 A. (Goulding) Yes, it is.

13 Q. And, if we, again, subtract the 1.72 cents, the  
14 cost of the power is 9.23 cents, is that right?

15 A. (Goulding) That's correct.

16 Q. So, what is the delta between the current  
17 energy-only rate, excluding that temporary  
18 Scrubber recovery, and from the current period  
19 to the next period effective July 1, what is  
20 the delta between those two numbers?

21 A. (Goulding) It's the 0.96. So, the difference  
22 between either the 8.27 and 9.23, or the 10.95  
23 and 9.99.

24 Q. So, that's about 11.6 percent increase, isn't



[WITNESS PANEL: Goulding~Ludwig~White]

1 it?

2 A. (Goulding) That appears correct.

3 Q. All right. Thank you. I'm looking at Exhibit  
4 6, and this may be for you, Mr. White. At Line  
5 2, under Paragraph D, and let me know when  
6 you're there. Do I have the right exhibit  
7 number?

8 A. (White) I'm sorry, where are we going?

9 Q. Page 2.

10 A. (White) Yes.

11 Q. The paragraph number "2", under D. Do you see  
12 that "Lines 14 thru 16" is what's referenced  
13 there?

14 A. (White) Yes.

15 Q. Okay. So, could you explain why there is a low  
16 revenue credit associated with the northern --  
17 you know, the Schiller wood plant?

18 A. (White) The "revenue credit" refers to the  
19 Sharing Agreement, which passes value to  
20 customers, and a portion of that value is based  
21 on the production of Class I RECs at the  
22 facility. And we value those, the production  
23 of those RECs, at a current market value,  
24 current broker quotations of the value of Class

[WITNESS PANEL: Goulding~Ludwig~White]

1 I RECs. And that value has been decreasing.  
2 The assumption used in this filing is \$38.50  
3 per REC. That's a lower value than assumed  
4 previously. And, so, that value passed through  
5 the Sharing Agreement has decreased.

6 Q. And the lower price I'm assuming is because of  
7 the changes in the market or changes in law in  
8 other states?

9 A. (White) Well, it's market dynamics. There  
10 could be a lot of factors. I probably don't  
11 know all of them. There was less weather in  
12 the winter. So, I think people's -- the sales  
13 levels throughout the region were down. So,  
14 their obligations decreased. So, that put a  
15 different supply and demand balance, where  
16 there was a bit more supply relative to the  
17 amount of REC obligations that sales reflected.  
18 So, that would be one contributing factor for  
19 the decrease.

20 Q. Thank you. And I think my next question is for  
21 you as well, on Page 4, Paragraph 7, at the top  
22 of the page.

23 A. (White) Yes.

24 Q. So, this is some -- this is ancillary expenses

[WITNESS PANEL: Goulding~Ludwig~White]

1 related to the Winter Reliability Program.

2 And, as I understand it, this relates to the  
3 2015-2016 Winter, is that correct?

4 A. (White) That's correct.

5 Q. And, so, is this just a difference in terms of  
6 timing that it's in this filing or is it a  
7 correction from an estimate?

8 A. (White) Well, it's really a difference in  
9 timing, the way it's described here. Because  
10 this section is talking about the forecast  
11 period only, and, as ISO-New England is  
12 settling the Winter Reliability Program, and as  
13 we reflect that settlement on our books, only a  
14 portion of what we know is going to eventually  
15 flow through our books has shown up in the  
16 actual period. So, this "1.1 million of Winter  
17 Reliability" for '15-16 described here is  
18 picking up the portion that ISO-New England has  
19 not yet passed through in settlement reports.

20 Q. Thank you. And, Mr. Goulding, I believe this  
21 question is for you, because it is one of your  
22 exhibits. It's Bates 11 of Exhibit 6, CJG-2,  
23 Page 6. All right, and let me know when you're  
24 there.

{DE 15-415} {06-23-16}

[WITNESS PANEL: Goulding~Ludwig~White]

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

2 Q. Okay. So, Line 18 is "Working Capital  
3 Allowance", and then says "(45 days of O&M)".  
4 Could you explain what that is please?

5 A. (Goulding) So, for the working capital  
6 allowance, we do a calculation of 45 days  
7 divided by 365 days to come up with the amount  
8 of working capital by month. And that's  
9 included in the rate base, and the Company  
10 earns a return on that.

11 Q. And why did you pick 45 days?

12 A. (Goulding) We have historically used 45/365. I  
13 believe that was -- or 45 days was part of the  
14 PUC rules, at least since this generation  
15 divestiture -- or, generation Energy Service  
16 rate.

17 Q. When did the Company conduct its last lead/lag  
18 study? And we're talking about Eversource New  
19 Hampshire?

20 A. (Goulding) I am not sure. I looked in the  
21 09-035 rate case, and there was no lead/lag  
22 study conducted in that distribution rate case.  
23 I don't know if there was one in 2006 either.  
24 I would assume "no", but I'm not positive.

{DE 15-415} {06-23-16}

[WITNESS PANEL: Goulding~Ludwig~White]

1 Q. So, let's -- then we can say "it's been some  
2 time"?

3 A. (Goulding) Yes.

4 Q. Did you know that Unitil Energy Systems does a  
5 lead/lag study every year?

6 A. (Goulding) I did not.

7 Q. And I think their -- and I think my colleague  
8 can correct me, I think they use 27 and a half  
9 days. Did you know that?

10 A. (Goulding) I don't.

11 Q. And I believe my colleague, Mr. Frantz, looked  
12 at some gas companies, and I think it was under  
13 10 percent, is that -- 10 days. So, you  
14 weren't aware of that either?

15 A. (Goulding) No.

16 Q. Well, given the fact that the Company hasn't  
17 conducted a lead/lag study in some time, don't  
18 you think it would be appropriate to conduct a  
19 lead/lag study before you make your filing in  
20 September for 2017 rates?

21 A. (Goulding) I don't know if it can be completed  
22 by September. I'm not sure how long it would  
23 take, seeing it hasn't been done in probably  
24 over a decade at least for the New Hampshire

[WITNESS PANEL: Goulding~Ludwig~White]

1 generation calculation.

2 Q. But you -- but, certainly, you would want to  
3 receive the input of the OCA and Staff in  
4 conducting any such lead/lag study, is that  
5 fair to say?

6 A. (Goulding) Yes.

7 MS. AMIDON: Okay. One moment  
8 please.

9 *(Atty. Amidon conferring with*  
10 *Mr. Chagnon.)*

11 MS. AMIDON: Nothing further. Thank  
12 you.

13 CHAIRMAN HONIGBERG: Commissioner  
14 Scott.

15 CMSR. SCOTT: Thank you.

16 BY CMSR. SCOTT:

17 Q. Mr. Ludwig, on Exhibit 5, Bates 022, you talk  
18 about the "migration forecast". And, if I am  
19 reading this correctly -- well, it says the  
20 model you use, you do not evaluate medium and  
21 large C&I customers for the migration  
22 forecasts. And I just wanted to get a little  
23 bit more clarification. Is that because you  
24 assume their not going to migrate or you just

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[WITNESS PANEL: Goulding~Ludwig~White]

1 don't evaluate whether they will or not?

2 A. (Ludwig) So, what we're assuming is, under the  
3 new rules of Rate ADE, if they were -- chose to  
4 come back to Eversource New Hampshire, they  
5 would have to come back for 12 consecutive  
6 months. So, the assumption is that those  
7 customers are not going to do that, and they're  
8 going to stay on suppliers. Therefore, we're  
9 not modeling them.

10 Q. Okay. And, moving to Bates 023, I think I was  
11 confused by the interchange between Attorney  
12 Amidon and yourself. So, am I correct to  
13 understand that the forecast does not take into  
14 account the utility's prices, it just looks at  
15 NYMEX? That's counterintuitive to me.

16 A. (Ludwig) That is correct. That is what it's  
17 doing. And, so, what we're doing is we're  
18 forming the historical relationship that says  
19 "all right, the NYMEX forward prices act as the  
20 proxy for what suppliers are charging." So, as  
21 you can see, and this is actual data in this  
22 chart, in the Winter of 2015, in January, the  
23 NYMEX forward prices spike up, and we see  
24 migration fall. So, that's the relationship

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[WITNESS PANEL: Goulding~Ludwig~White]

1 that we're modeling. And you can see there's  
2 more examples of that. As the NYMEX forward  
3 prices increase, we see customer migration come  
4 back to New Hampshire, and then the opposite  
5 also holds true in the graph. So, that's what  
6 we're modeling.

7 Q. So, as a hypothetical, let's say in this  
8 filing, for some reason, let's say there was  
9 some settlements, let's say, which would  
10 actually markedly change, you know, be a credit  
11 to customers, it would -- a large credit, we'd  
12 say, that would basically make the rates that  
13 we're now entertaining very competitive with  
14 NYMEX, would that not have an impact on  
15 migration?

16 A. (Ludwig) It potentially could have an impact on  
17 migration, yes.

18 Q. Or, put another way, don't people migrate  
19 because they see default service much different  
20 than what they could get elsewhere, so they go  
21 elsewhere?

22 A. (Ludwig) And, you know, this is not a perfect  
23 model. You know, part of the stuff that's  
24 missing here is, you know, we're just looking



[WITNESS PANEL: Goulding~Ludwig~White]

1 at prices of electricity. There is a whole  
2 marketing campaign by, you know, suppliers that  
3 we're not able to capture in this model. This  
4 is, you know, our best expectation of where  
5 migration will go, given the NYMEX forward  
6 prices, which is a non-biased look into what  
7 future electric prices will be.

8 CMSR. SCOTT: Okay. Thank you.

9 CHAIRMAN HONIGBERG: Commissioner

10 Bailey.

11 BY CMSR. BAILEY:

12 Q. I have a follow-up question about that table on  
13 Page 20 -- Bates Page 023 of Exhibit 5.  
14 Looking at "January 2015", can we say for ease  
15 that the NYMEX prices, let's call it, increased  
16 55 percent that month, and the PSNH  
17 migration -- or, the Eversource retail migrated  
18 load decreased, for rounding purposes, about  
19 20 percent?

20 A. (Ludwig) Yes.

21 Q. Is that close? Okay. So, does that mean that  
22 20 percent of customers -- or, 20 percent of  
23 the load got returned, or that you had  
24 20 percent less migration than you otherwise

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[WITNESS PANEL: Goulding~Ludwig~White]

1 would have?

2 A. (Ludwig) I think both of what you -- both  
3 statements are correct. Twenty (20) percent of  
4 the load from suppliers came back to New  
5 Hampshire.

6 Q. Okay.

7 A. (Ludwig) Eversource New Hampshire.

8 Q. Okay. Thank you. Does anybody have any  
9 economics background? You do? Oh, perfect.  
10 Because I'm not an economist, but I have an  
11 economics question.

12 So, I seem to remember some principle  
13 that, sometimes when you lower a rate, you get  
14 more take, and so you increase revenue. Is  
15 that "price elasticity"?

16 A. (White) That might be "economies of scale".

17 CHAIRMAN HONIGBERG: It might be  
18 "elasticity". You're talking about your  
19 supply/demand curves. When your price goes  
20 down, you actually produce more revenue, --

21 CMSR. BAILEY: Right.

22 CHAIRMAN HONIGBERG: -- because more  
23 people purchase? Yes. That's an elasticity  
24 issue.

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[WITNESS PANEL: Goulding~Ludwig~White]

1 CMSR. BAILEY: Okay. Thank you.

2 BY CMSR. BAILEY:

3 Q. So, it struck me that your price is going to be  
4 much higher than the suppliers' prices. Have  
5 you ever looked at that principle to see if you  
6 could reduce migration by taking a little bit  
7 less on the price, but increasing your revenue?

8 A. (Goulding) I think, as a regulated entity, we  
9 have to charge our actual and prudent or  
10 reasonable costs. So, we have to estimate what  
11 our actual costs are going to be, and we can't  
12 charge less than what our actual costs are  
13 going to be.

14 MR. FOSSUM: And I suppose this might  
15 be on the legal side, is the law is for Public  
16 Service Company that we are required to charge  
17 our actual prudent and reasonable costs,  
18 whatever they might be, high or low. So, we  
19 include our prices in here, we include our  
20 costs in here in establishing the price. So,  
21 it's not really a -- it's not really a number  
22 that we could influence.

23 CMSR. BAILEY: Well, you could  
24 influence it by changing your working capital.

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[WITNESS PANEL: Goulding~Ludwig~White]

1 That's one way. Right?

2 (Witness Goulding nodding in the  
3 affirmative).

4 BY CMSR. BAILEY:

5 Q. I'm sorry, I can't remember this, but do you  
6 solicit bids for energy that you can't generate  
7 yourselves, like the other electric companies  
8 do?

9 A. (White) No, we don't.

10 Q. Okay.

11 A. (White) We don't issue RFPs. The purchases we  
12 make are through brokers, which is a liquid  
13 market for all traders throughout New England.  
14 So, it's a energy exchange, if you will. We  
15 don't issue RFPs.

16 CMSR. BAILEY: Okay. I think that's  
17 all I had. Thank you.

18 BY CHAIRMAN HONIGBERG:

19 Q. Regarding your default rates or Energy Service  
20 rates, you're not always the highest in the  
21 state, are you?

22 A. (Goulding) We are not.

23 Q. And, in fact, during the winter, you're  
24 sometimes the lowest, aren't you?

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[WITNESS PANEL: Goulding~Ludwig~White]

1 A. (Goulding) Not the winter, this past winter,  
2 but the one before, we were the lowest by far,  
3 and this past winter we were comparable.

4 Q. Regarding migration, do you go back and look  
5 and see how the forecast matched up with actual  
6 migration?

7 A. (Ludwig) We do look at it. But we don't -- I  
8 could not tell you forecast accuracy right now.

9 Q. Is it you who does it, Mr. Ludwig?

10 A. (Ludwig) It is me who does it, yes.

11 Q. Are you satisfied that your forecasting  
12 methodology is, if not the best one you could  
13 ever develop, one that produces reasonably  
14 accurate results?

15 A. (Ludwig) I am very confident, yes.

16 Q. Because -- and you base that on having gone  
17 back and looked at how it projected?

18 A. (Ludwig) Yes.

19 Q. Okay.

20 A. (Ludwig) Well, --

21 Q. I think I'd like a little higher confidence  
22 level from you on that, to tell you the truth.  
23 How often do you go back and look and see how  
24 good your projections were?

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[WITNESS PANEL: Goulding~Ludwig~White]

1 A. (Ludwig) So, every time we do a new forecast,  
2 we go back and look. I'm saying I don't have  
3 the percent difference to tell you right now.  
4 But we do all the graphical representations  
5 that looks at the previous forecasts, and then  
6 where actuals came in, and we make sure that  
7 they're, you know, reasonable.

8 Q. And, over time, do you see, drawing the two  
9 lines between your projections and your actual,  
10 a line that is roughly traveling the same  
11 course, understanding that sometimes it's  
12 higher and sometimes it's lower?

13 A. (Ludwig) Yes. It roughly travels the same  
14 course. You know, trying to forecast the  
15 customer's decision, it's a very challenging  
16 thing to forecast. So, some months are going  
17 to be higher or lower, but the overall trend is  
18 definitely going in the same direction.

19 Q. The same direction, but traveling roughly the  
20 same course. Because, if it were traveling  
21 roughly the same course, that would be some  
22 level of comfort that your projections are  
23 good. But, if it was going in the same  
24 direction, but a wildly different course, you

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[WITNESS PANEL: Goulding~Ludwig~White]

1 might need to reevaluate, right?

2 A. (Ludwig) That would be correct.

3 Q. Okay. But, over time, and -- okay, how many  
4 years have you been using this methodology?

5 A. (Ludwig) I think, almost two years now. Two  
6 years.

7 Q. So, we don't have a huge sample size then to  
8 test one against the other?

9 A. (Ludwig) No.

10 Q. All right. But it's something you're  
11 constantly looking at every time you go back  
12 and look at how actual migration is happening,  
13 you say "well, what did I project?" Right?

14 A. (Ludwig) Correct. And we're doing this four  
15 times a year now, basically.

16 Q. All right. The only other thing I wanted to do  
17 was with Mr. Goulding, just to clean up a  
18 little bit of the record. When you described  
19 the numbers and read some of the numbers on  
20 Exhibit 7, under -- when you were describing  
21 and reading the numbers from Column (2), you  
22 read the number as it appeared and  
23 characterized that as "cents". And, in fact,  
24 those are dollars, aren't they?

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[WITNESS PANEL: Goulding~Ludwig~White]

1 A. (Goulding) Sorry. I always deal with cents.  
2 So, when I translated here I always get stuck  
3 saying "cents". But I meant "34 cents" -- or,  
4 excuse me, "\$62.44" to "\$68.44", for a change  
5 of "\$6.00".

6 Q. Yes. And, so, when you were reading those rate  
7 components, like under Column (2), the  
8 "Transmission Charge", I think you -- the  
9 number in the "current" is "0.01957", that's  
10 expressed in dollars in this, is it not?

11 A. (Goulding) It is.

12 Q. All right. Interestingly, when you read the  
13 numbers from Column (7), you said -- you moved  
14 the decimal point and said "cents". So, we're  
15 all talking about the same numbers, it's just  
16 the record was a little unclear, I think, as  
17 you did it.

18 CHAIRMAN HONIGBERG: I think those  
19 were my questions.

20 Commissioner Bailey has another  
21 question.

22 CMSR. BAILEY: I had a note on this  
23 page, Exhibit 7, that I forgot to ask you  
24 about, and then I have one other question.



[WITNESS PANEL: Goulding~Ludwig~White]

1 BY CMSR. BAILEY:

2 Q. Mr. Goulding, when you were explaining this,  
3 you said, about Column (1), there was a change  
4 from the Reliability Enhancement Program.

5 That's a change that we've already approved?

6 A. (Goulding) It has not been approved yet. It  
7 was -- the hearing was May 31st.

8 Q. Is that a rate that you want to go into effect  
9 July 1st as well?

10 A. (Goulding) Yes.

11 Q. All right. And, then, back to the conversation  
12 about "price elasticity", and understanding  
13 that you know that you have to cover your  
14 costs, and the costs are what they are. If you  
15 produce more revenue, won't that cover your  
16 costs?

17 A. (Goulding) I think it would depend what time of  
18 the year it is. If we produce -- if we had a  
19 significant amount of reverse migration in the  
20 winter months, and it was a high price winter,  
21 we could actually be in a situation where we  
22 have to go out and procure power on the open  
23 market at the high prices, because we can't  
24 generate enough of our own. So, that would

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[WITNESS PANEL: Goulding~Ludwig~White]

1 actually increase costs. So, it really depends  
2 on what month it is.

3 Q. And we're setting rates right now through  
4 December 31st, correct?

5 A. (Goulding) Yes.

6 Q. And this is not considered the "winter period"?

7 A. (Goulding) It's not. Right.

8 CMSR. BAILEY: Okay. Thank you.

9 CHAIRMAN HONIGBERG: I'm going to  
10 pick up on that.

11 BY CHAIRMAN HONIGBERG:

12 Q. And, I think, Mr. Ludwig, would you agree with  
13 me that this, the questions Commissioner Bailey  
14 is asking, really go directly to how your  
15 forecast of migration go? If you were in a  
16 world where customers were reacting differently  
17 from your projections, and it really would be  
18 describing a different demand curve, that's the  
19 situation in which you would have to adjust  
20 your projections based on those prices, is it  
21 not?

22 A. (Ludwig) That would be correct.

23 Q. All right. I guess one last clean-up question  
24 about the effect of this rate. This is the

[WITNESS PANEL: Goulding~Ludwig~White]

1 Energy Service rate. So, am I correct that  
2 anyone who is purchasing energy from a  
3 competitive supplier would not be affected  
4 directly by this rate change?

5 A. (Goulding) That's correct.

6 CHAIRMAN HONIGBERG: All right. I  
7 have no further questions.

8 Mr. Fossum, do you have any further  
9 questions for these witnesses?

10 MR. FOSSUM: Just very quickly.

11 **REDIRECT EXAMINATION**

12 BY MR. FOSSUM:

13 Q. To Mr. Ludwig, on Exhibit -- getting to one of  
14 the Chair's questions, on Exhibit 5, Bates Page  
15 021, in your testimony, there's a question and  
16 answer starting at Line 9. And there's a  
17 reference to an order in there. Is it after  
18 that order that the Company began doing the  
19 load -- the forecasting that's used in these  
20 proceedings?

21 A. (Ludwig) That is correct.

22 Q. And has that forecast method changed since that  
23 time?

24 A. (Ludwig) No, it has not. Not the underlying

1 assumptions.

2 Q. And have you seen any -- are you aware of any  
3 information that would indicate that your  
4 forecast has been inaccurate or out of line  
5 with actual experience?

6 A. (Ludwig) No. I'm not aware of anything.

7 MR. FOSSUM: Thank you.

8 CHAIRMAN HONIGBERG: All right. If  
9 there's nothing further then, I assume there's  
10 no objection to striking ID on Exhibits 5, 6,  
11 7, and 8?

12 *[No verbal response.]*

13 CHAIRMAN HONIGBERG: And, so, ID will  
14 be struck and those are full exhibits.

15 If there's nothing else, then we'll  
16 let the Parties sum up. Mr. Kreis.

17 MR. KREIS: Thank you, Mr. Chairman.  
18 I guess I'd like the record to reflect a huge  
19 sigh on behalf of residential utility  
20 customers. This is a whopping, big Energy  
21 Service rate. And, given the way migration  
22 happens, it is far more likely that the  
23 ill-effects of this rate will fall onto the  
24 backs of the residential utility customers

1           whose interests my Office represents. And I  
2           guess what this might suggest over the long  
3           term is that we really ought to, as best we're  
4           able, hasten the divestiture of Public Service  
5           Company's generation portfolio, and move this  
6           Company into a fully deregulated mode, so that  
7           its customers are roughly in the same position  
8           as residential utility customers of other  
9           utilities in this state.

10                        Beyond that, I do have to concede  
11           that the Company's filing appears to be in good  
12           order. And, while I can't quite bring myself  
13           to say that this results in "just and  
14           reasonable rates", I have no basis for  
15           objecting if the Commission chooses to approve  
16           the proposed Energy Service rates.

17                        CHAIRMAN HONIGBERG: Ms. Amidon.

18                        MS. AMIDON: Thank you. The Staff  
19           has reviewed the filing. And we've determined  
20           that the rate is appropriately calculated  
21           consistent with prior Commission order and  
22           reflects the actual costs that the Company  
23           incurs to provide power.

24                        We are also concerned, as is the

1 Consumer Advocate, about, you know, the  
2 shrinking customer base that will be bearing  
3 these costs.

4 Having said that, the principal issue  
5 that Staff has with this filing is the use of  
6 the 45 day for working capital. Based on the  
7 testimony of the Company, it seems like it's  
8 been at least ten years, at least ten years  
9 before they have done a lead/lag study. We  
10 think it's highly overdue. The Staff would  
11 recommend that the Company conduct that  
12 lead/lag study before it makes its filing for  
13 the 2017 rate, and work with Staff and the OCA,  
14 if the OCA is interested in that issue, in  
15 determining the variables and elements that  
16 would go into that lead/lag study.

17 With that one recommendation, I would  
18 say that the filing comports with Commission  
19 requirements and with the law and should be  
20 approved.

21 CHAIRMAN HONIGBERG: Mr. Fossum.

22 MR. FOSSUM: Thank you. I'll start  
23 by, I mean, the Company has come here today,  
24 you know, understanding what this rate means,

1 and we're not blind to the effect that this may  
2 and probably will have on a number of our  
3 customers.

4 That said, we are proposing a rate  
5 that reflects our actual prudent and reasonable  
6 costs to the best that we're able to calculate  
7 them. And, so, as you've heard, the  
8 understanding that our calculation has been  
9 done consistent with our prior actions and  
10 consistent with the expectations of the  
11 Commission. And, so, to that extent, I would  
12 request that the Commission approve the rate as  
13 proposed for effect on July 1st.

14 With respect to a lead/lag study, it  
15 is true that the Company hasn't done one in  
16 some time. I can't say that I know what the  
17 results of one of those would be. I don't  
18 believe the Company is opposed to doing one.  
19 And it may simply be an issue of timing. As  
20 you heard Mr. Goulding testify, it's not clear  
21 that one of those could be accomplished in the  
22 short term, particularly if there is some  
23 question about what inputs would go into there,  
24 what the scope of it would be. And, certainly,

1 we are open to discussing the issue going  
2 forward.

3 And, with that, I would ask that the  
4 rate be approved as proposed, and let it go  
5 into effect as proposed.

6 CHAIRMAN HONIGBERG: All right.  
7 Thank you. We will adjourn this hearing. Take  
8 the matter under advisement, issue an order as  
9 quickly as we can. And we will reconvene  
10 shortly for the third hearing of the morning.

11 ***(Whereupon the hearing was***  
12 ***adjourned at 10:34 a.m.)***

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