

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 4, 2017 - 10:07 a.m.
Concord, New Hampshire

RE: DE 17-038
UNITIL ENERGY SYSTEMS, INC.:
*2017 Default Energy Service
Proceeding for the Period
Beginning December 1, 2017.*

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Jody Carmody, Clerk

APPEARANCES: **Reptg. Unitil Energy Systems, Inc.:**
Gary Epler, Esq.

Reptg. Residential Ratepayers:
Brian D. Buckley, Esq.
Office of Consumer Advocate

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

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

I N D E X**PAGE NO.**

WITNESS PANEL: **LINDA S. McNAMARA**
 LISA S. GLOVER

Direct examination by Mr. Epler	10
Cross-examination by Mr. Buckley	18
Cross-examination by Ms. Amidon	24
Interrogatories by Cmsr. Bailey	29
Interrogatories by Cmsr. Giaimo	32
Interrogatories by Chairman Honigberg	41

* * *

CLOSING STATEMENTS BY:

Mr. Buckley	44
Ms. Amidon	44
Mr. Epler	46

E X H I B I T S

EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs (09-29-17) {CONFIDENTIAL & PROPRIETARY}	6
4	Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs (09-29-17), including Direct Testimony of Lisa S. Glover, with attachments, and Direct Testimony of Linda S. McNamara, with attachments <i>[REDACTED - For Public Use]</i>	6
5	UES letter to Staff and OCA dated 04-24-17 answering three open requests by the Commission	6
6	UES Comparison of Winning Bids to NYMEX Futures - Non-G1 Customers {CONFIDENTIAL & PROPRIETARY}	6
7	UES Bid Prices 2014-2017	6
8	RESERVED: (For redacted version of Confidential Exhibit 6)	10
9	RESERVED: (Record Request "Does the Company have an expert witness who would participate in future default service supply filing and be available to answer Capacity Market questions from the Commission?", et al)	39

P R O C E E D I N G

CHAIRMAN HONIGBERG: Good morning, everyone. We're here in Docket 17-038, which is Unitil's Default Service docket. We have their submission for rates to be effective December 1. This is the hearing on the merits.

Before we do anything else, let's take appearances.

MR. EPLER: Good morning, Mr. Chairman and Commissioners. My name is Gary Epler, Chief Regulatory Counsel for Unitil Energy Systems. Thank you.

MR. BUCKLEY: Good morning, Mr. Chairman and Commissioners. My name is Brian Buckley. I'm a staff attorney with the Office of the Consumer Advocate. I'm here representing the interests of residential ratepayers.

MS. AMIDON: Good morning. Suzanne Amidon, and I'm here for Commission Staff. Thank you.

CHAIRMAN HONIGBERG: I see the witnesses are prepositioned. But are there things we need to deal with before that begins?

1 Mr. Epler.

2 MR. EPLER: Yes, Mr. Chairman.

3 You'll see before you there are several gifts.
4 To clarify the record, they're not really
5 gifts. They're documents.

6 CHAIRMAN HONIGBERG: I was looking
7 under the documents, actually.

8 MR. EPLER: First, if we could, I
9 would ask if we could have the binders of the
10 filing premarked. There's a confidential
11 version and a redacted version. I believe in
12 this docket we're up to Exhibit Number 3. So,
13 if we could have the confidential marked as --
14 premarked as "Exhibit No. 3", the redacted
15 version "Exhibit No. 4".

16 And then there are three documents
17 before you that I can briefly describe. The
18 first one is a letter, with two attachments.
19 It's dated April 24th, 2017. And I would ask
20 that that be marked as "Exhibit No. 5".

21 And the reason for that, if you
22 recall, at the last hearing in April, there
23 were three outstanding questions. And,
24 although at the time of the hearing there was

1 not a request to make a formal response, when I
2 reread the transcript yesterday, it just seemed
3 odd that there were these outstanding
4 questions. So, I thought, to close the loop,
5 that we would introduce the letter that we
6 provided to Staff and to the OCA in response.

7 I don't think any further action
8 needs to be taken on that, unless you have
9 questions about it. But I thought it would
10 complete the record.

11 And then there is a document that's
12 in landscape format, that's four pages. And
13 that's just a correction to the filing that
14 I'll review the witness, a minor correction.
15 And then there is a color bar chart that I'll
16 also ask one of the witnesses to describe. And
17 this might help understanding the pricing that
18 we received this period, and put it in context
19 to recent solicitations.

20 (The documents, as described,
21 were herewith marked as
22 **Exhibit 3** through **Exhibit 7**,
23 respectively, for
24 identification.)

1 CHAIRMAN HONIGBERG: Anything else?
2 Ms. Amidon, you looked like you were getting
3 ready to grab the microphone.

4 MS. AMIDON: Yes. I wasn't certain
5 if the Commission wanted to grant
6 confidentiality to those documents that are
7 redacted from the public version?

8 CHAIRMAN HONIGBERG: I don't have the
9 rule in front me. But my memory is that
10 filings, in connection with default service,
11 that's covered by the rule, is it not? That
12 they're confidential by rule. Is that correct?

13 MR. EPLER: That is my understanding.
14 In fact, there was a question, I believe it was
15 even in the last hearing, where we had filed a
16 motion, there was a question of whether or not
17 we actually needed the motion. I went back and
18 checked the rule. And that's why we didn't
19 file a motion this time, but we requested it in
20 the cover letter and we cited to the rule.

21 CHAIRMAN HONIGBERG: I think the
22 record reflects that this filing was made in
23 accordance with the rule, and it will be
24 treated as such.

1 Now, I think, if one of the parties,
2 if the OCA or the Staff identified something
3 they felt shouldn't be confidential, that's a
4 matter that we need to discuss, maybe bring to
5 the Company's attention. But, for now, I think
6 it's covered by the rule, and that's clear on
7 the record.

8 Do we have anything else we need to
9 do before we have the witnesses sworn in?

10 MR. EPLER: Just that I did forget to
11 mention that that colored document we would ask
12 for confidential treatment of that, because it
13 does have pricing information.

14 CHAIRMAN HONIGBERG: Should we write
15 "confidential" on it?

16 MR. EPLER: Yes. And I apologize
17 that I neglected to do so.

18 CHAIRMAN HONIGBERG: Mr. Epler, are
19 we talking about 6 and 7 or just 7? Six (6) is
20 the four-page document, 7 is the one-page
21 document, I believe.

22 MR. EPLER: If I could just check
23 with the witness please?

24 CHAIRMAN HONIGBERG: We're still in

1 preliminary land.

2 [Atty. Epler conferring with the
3 witnesses.]

4 MR. EPLER: My apologies.

5 CHAIRMAN HONIGBERG: That's okay.

6 MR. EPLER: Thank you.

7 CHAIRMAN HONIGBERG: What have we
8 concluded?

9 MR. EPLER: Okay. First, the colored
10 document does not need to be confidential,
11 because it only has averages. So, you can't --
12 from there you can't go back and determine
13 actual winning bids. And, on the four-page
14 document, what is in gray, shaded gray, that is
15 confidential.

16 CHAIRMAN HONIGBERG: All right. So,
17 then we can mark what is "Exhibit 6" as
18 "confidential" on all four of its pages. But I
19 think you're going to need to file a redacted
20 version --

21 MR. EPLER: Yes.

22 CHAIRMAN HONIGBERG: -- of it, and we
23 can reserve the next number, which would be
24 "8", for the redacted version of 6.

1 **(Exhibit 8 reserved)**

2 CHAIRMAN HONIGBERG: Any other
3 preliminaries? We're having a run on
4 preliminaries, so don't -- you'll want to get
5 in before the door closes?

6 *[No verbal response.]*

7 CHAIRMAN HONIGBERG: All right. I
8 think that's it.

9 So, can we have the witnesses sworn
10 in please.

11 (Whereupon **Linda S. McNamara** and
12 **Lisa S. Glover** were duly sworn
13 by the Court Reporter.)

14 CHAIRMAN HONIGBERG: Mr. Epler, you
15 may proceed.

16 MR. EPLER: Thank you.

17 **LINDA S. McNAMARA, SWORN**

18 **LISA S. GLOVER, SWORN**

19 **DIRECT EXAMINATION**

20 BY MR. EPLER:

21 Q Could the witness closest to me please state
22 your name and your business position with
23 Unitil.

24 A (Glover) My name is Lisa Glover. And I'm an

[WITNESS PANEL: McNamara|Glover]

1 Energy Analyst.

2 Q And the witness next to you please, same
3 question.

4 A (McNamara) My name is Linda McNamara. I'm a
5 Senior Regulatory Analyst for Unitil Service
6 Corp.

7 Q Thank you. Ms. Glover, could you please turn
8 to what's been marked as "Exhibit No. 3", the
9 confidential binder. And turn to the tabs
10 marked "Exhibit LSG-1" and "Schedules LSG-1"
11 through "LSG-5". And were these prepared by
12 you or under your direction?

13 A (Glover) Yes, they were.

14 Q And do you have any changes or corrections?

15 A (Glover) Yes.

16 Q Okay. Could you please refer -- are your
17 changes on what has been marked as confidential
18 "Exhibit No. 6"?

19 A (Glover) Yes. Those replace Bates Stamped
20 Pages 034, 035, 036, and 037. And the only
21 change to those pages is a date.

22 Q And where is that? Where does it show up?

23 A (Glover) The date is located below, it's the
24 same place on every page, but it says "RFP for

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 Service Beginning December 1st, 2017", that
2 would be on Bates Page 034. The "NYMEX ISO"
3 date said "9/25/2016". It now should read
4 "9/25/17". And that date changes for all four
5 pages in the same location.

6 Q Thank you. And with that, do you have any
7 other changes or corrections to your prefiled
8 testimony or to your schedules?

9 A (Glover) No, I do not.

10 Q And if you were asked the same questions that
11 appear in your prefiled testimony today, would
12 your answers be the same?

13 A (Glover) Yes.

14 Q Okay. And, so, do you adopt this testimony and
15 schedules as your testimony in this proceeding?

16 A (Glover) I do.

17 Q Okay. Thank you. Ms. McNamara, can you please
18 turn to the document marked "Exhibit No. 3",
19 the confidential version of the filing. And
20 turn to the tabs marked "Exhibit LSM-1" and
21 "Schedule LSM-1" through "Schedule LSM-7". And
22 were these prepared by you or under your
23 direction?

24 A (McNamara) Yes, they were.

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 Q And do you have any changes or corrections?

2 A (McNamara) No.

3 Q And if you were asked the same questions in the
4 prefiled testimony portion, which is Exhibit
5 LSM-1, would your answers be the same?

6 A (McNamara) They would be.

7 Q And do you adopt these tab sections as your
8 testimony in the proceeding?

9 A (McNamara) I do.

10 Q Okay. Thank you. Now, witnesses, if I could
11 just turn your attention to what was premarked
12 as "Exhibit No. 5", which is a letter dated
13 "April 24th, 2017". Do you have a copy of that
14 or do you need a copy?

15 A (Witness Glover indicating).

16 Q You have a copy. And, Ms. McNamara, can you
17 please turn to the schedule that, I guess, if
18 you're counting actual pages, it would be the
19 third page. And can you describe what this
20 schedule is?

21 A (McNamara) This schedule provides the typical
22 bill impacts comparing April 2017 rates to June
23 1, 2017 rates that were filed in the last
24 Default Service filing. This is for the

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 Residential class. And this schedule was
2 provided as part of the original filing, it was
3 just expanded. And I don't know how well it
4 shows up, but some of the amounts are bolded,
5 those were additional bill impacts that were on
6 this schedule, just to provide more levels of
7 bill impacts.

8 Q Okay. But this is based on the same data that
9 was provided in the earlier filing? There's no
10 change --

11 A (McNamara) It was.

12 Q -- no change in data or assumptions or --

13 A (McNamara) Correct.

14 Q Thank you. And, Ms. Glover, could you then
15 turn to the next page. And this has a response
16 concerning the Company's procurement process,
17 is that correct?

18 A (Glover) Correct.

19 Q And was this prepared by you?

20 A (Glover) Yes, it was.

21 Q Okay. Thank you.

22 MR. EPLER: The only thing I would
23 point out, again, point out at this time to the
24 Commission is the third question that's

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 addressed on the cover letter, April 24th,
2 there was a request by Commissioner Bailey for
3 us to verify our internal procedures to make
4 sure that there was no double collection. And
5 I did do that with our Accounting Department,
6 and am able to state that we have verified that
7 there is no double counting. We followed the
8 rule which prohibits that activity.

9 BY MR. EPLER:

10 Q And, finally, if we could, Ms. Glover, if we
11 could turn to what's been marked as "Exhibit
12 No. 7", the bar graph and data at the top of
13 that page. Do you have that?

14 A (Glover) Yes.

15 Q And could you please describe what this is and
16 what this graph shows?

17 A (Glover) I can. Would you -- would we like to
18 wait till we get to pricing, or I can talk
19 about it now, if you'd like? It goes toward
20 explaining one of the components that goes into
21 why we saw higher pricing for this period,
22 compared to the last period.

23 Basically showing the impacts of not only
24 energy pricing, but also the Forward Capacity

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 Market portion of the pricing.

2 Q Okay. So, if you could just describe then what
3 the bars show and the difference between the
4 colors?

5 A (Glover) Sure. The blue part of the bars show
6 historically since December 2014 what portion
7 of the pricing we are considering energy. And
8 we use that based off the NYMEX pricing. The
9 non-energy pricing would be capacity and other
10 ancillary services that our bidders build into
11 their monthly pricing. And what this chart is
12 showing is that, from period to period, the
13 amount of the non-energy portion of the bids
14 that we see went up in June 2017, as a result
15 of the Forward Capacity Market auction for FCA
16 7 -- FCM 8 for pricing that started June 1st,
17 2017. And what we saw with the bid pricing,
18 beginning in June 2017, was that a higher
19 proportion of those prices were consumed by the
20 non-energy, capacity and ancillary services.

21 Q And has that continued into the pricing that we
22 see today?

23 A (Glover) So, we're seeing that in the period
24 beginning December 1st, 2017 as well, where the

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 portion of non-energy pricing still continues
2 to be a significant portion of the overall
3 price. As well as what we would typically see
4 in December is the energy pricing for the
5 winter period also has gone up since the summer
6 period, which is pretty normal.

7 Q And the non-energy portion, is that the result
8 of the capacity auction that took place in
9 2014?

10 A (Glover) Correct.

11 Q And would you expect that price to change in
12 the next filing that the Company will make in
13 April of 2018?

14 A (Glover) I would expect that to go down a bit,
15 because the next auction, which was FCA 9, the
16 price went down. So, we were looking at \$15
17 capacity prices, it went down to like \$9.55.
18 So, we should see that proportion go down.
19 What kind of lag time there is, I can't say for
20 sure. But I would expect to see the pricing --
21 that proportion that's non-energy, I would
22 expect to see it go down for the next period.

23 MR. EPLER: Okay. Thank you. I have
24 no further questions.

{DE 17-038} {10-04-17}

1 CHAIRMAN HONIGBERG: Mr. Buckley.

2 MR. BUCKLEY: Thank you.

3 **CROSS-EXAMINATION**

4 BY MR. BUCKLEY:

5 Q I'm going to actually start in what one might
6 call in "reverse order" here with Ms. McNamara.

7 Ms. McNamara, do you have before you
8 Exhibit 3? And can you turn to Bates Page 183?
9 So, I'm looking at Lines 11 through 13. And
10 I'm looking where it says "The proposed
11 Residential Class fixed Non-G1 DSC of 10.034
12 cents per kilowatt-hour is an increase of 2.344
13 cents per kilowatt-hour" over last winter's
14 rate.

15 Can you possibly just elaborate, and I
16 know there might be some duplication here, but
17 just summarize what factors are driving this
18 winter pricing increase?

19 A (McNamara) The main increase is, I believe as
20 Ms. Glover alluded to, the Forward Capacity
21 Market. She would need to speak more to that.
22 Supplier costs were definitely the driver for
23 that increase.

24 Q Great. Thank you, Ms. McNamara. Just one more

[WITNESS PANEL: McNamara|Glover]

1 question. Now, turning to Bates 220, there's a
2 table here which describes the overall bill
3 impact for a residential customer who is using
4 650 kilowatt-hours a month. The figure at the
5 bottom right corner of this table describes the
6 increase as approximately 20.7 percent above
7 last year's winter rates, is that correct?

8 A (McNamara) Correct.

9 Q And can you just briefly describe for me the
10 factors leading to this winter bill increase?

11 A (McNamara) The last column, "Percent Difference
12 to Total Bill", --

13 Q Yes.

14 A (McNamara) -- provides the breakdown for each
15 component of the bill. The highest amount
16 being the default service change, which is just
17 shy of 15 percent. There are a few other
18 changes that happened along the way. One is
19 our annual change to our Stranded Cost and
20 External Delivery Charge. The other change,
21 which was a net increase, was new base rates
22 that went into effect on May 1, I believe it
23 was May 1 of this year.

24 Q Thank you, Ms. McNamara. Now, Ms. Glover, if

{DE 17-038} {10-04-17}

1 you could please turn to Bates Page 8, Lines 14
2 through 18.

3 A (Glover) Yes.

4 Q Those lines state that "increasing bid prices
5 are attributed to the higher prices for
6 capacity as a result of the Forward Capacity
7 Market auction for the commitment period" --

8 CHAIRMAN HONIGBERG: Slow down. Slow
9 down.

10 BY MR. BUCKLEY:

11 Q -- "that began June 1st, 2017." Can you
12 describe how many years ahead of time we know
13 the outcome of the Forward Capacity Market
14 auctions?

15 A (Glover) A Forward Capacity Market is conducted
16 three years prior to when the delivery for
17 those reductions take place.

18 Q Thank you. And can you tell me during which
19 commitment period and corresponding default
20 service solicitation period the kilowatt-month
21 prices are scheduled to decline and likely lead
22 to a decline in capacity prices in retail
23 rates?

24 A (Glover) Trying to figure out -- can you reword

[WITNESS PANEL: McNamara|Glover]

1 the question or ask it again?

2 Q Sure. Can you tell me during which commitment
3 period the forecasted kilowatt-month pricing is
4 likely to decline?

5 A (Glover) So, we are seeing the impact of
6 Forward Capacity Market Number 8, which started
7 June 1st, 2017. When Forward Capacity Auction
8 Number 9 takes effect, which would be June 1st
9 of next year, we should see those prices go
10 down.

11 Q And just to be clear, that is -- is that
12 overall prices will go down or --

13 A (Glover) The non-energy portion. So, the
14 pricing is made up of a portion of what the
15 bidders would say is straight energy, and then
16 they tack on ancillary services and capacity to
17 that pricing. So, that's why, in June 1st of
18 2017, when the auction was conducted three
19 years prior, those prices cleared at \$15. So,
20 as soon as June 1st hit, we saw that, the
21 impact of those higher capacity prices.

22 Q And was that the new capacity that was \$15?

23 A (Glover) Yes.

24 Q Or was there another figure --

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 A (Glover) There's an existing piece that was, I
2 don't know, 7-ish.

3 Q Right. So, would you say that existing
4 capacity is the vast majority of what's in the
5 capacity market?

6 A (Glover) I am not sure, overall in the capacity
7 market, which proportion is new and which
8 proportion is existing.

9 Q So, if you could just highlight for me, I'm not
10 sure if you have this or not, but if you do,
11 what the price of existing capacity is between
12 the commitment period we're looking at that
13 affects this default service proceeding, which
14 I believe is FCA 8?

15 A (Glover) Eight, yes.

16 Q And the next default service, that's for
17 existing capacity, which I think would be FCA
18 9?

19 A (Glover) So, FCA 9 -- so, I have, for FCA 9,
20 that the systemwide price was \$9 -- is \$9.55.
21 There's a higher price for a different area.
22 So that would be -- I think it was Rhode Island
23 and southeast Massachusetts it went up. But,
24 overall, for systemwide, it's \$9.55.

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 Q So, for existing capacity at least, that looks
2 like an increase from 7.025 to \$9.55 per
3 kilowatt-month?

4 A (Glover) Right. If you're going from existing
5 to systemwide from FCA 8 to FCA 9, correct.

6 Q And, so, I'm no economist, but does that -- is
7 there a possibility that that will lead to one
8 more year of capacity pricing increases?

9 A (Glover) Since I don't know the proportion that
10 bidders are using, either \$15 or \$7, between
11 the new and the existing portion of FCA 8, I
12 guess it's possible we could see either the
13 same or it goes up. But I can't say for sure,
14 because the \$15 is a pretty high price.

15 Q All right. Okay. Thank you. That's the last
16 question on that subject.

17 And just one more question for you,
18 looking at Bates Page 016 of Exhibit 3. And
19 I'm looking at the second paragraph from the
20 bottom, the first sentence, where it says "the
21 Company's RFP website was not operational at
22 the time of the RFP release."

23 A (Glover) That's correct.

24 Q So, from your perspective, can you tell me

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 whether this website lapse had any effect on
2 the pool of potential RFP respondents?

3 A (Glover) I don't believe it would. We provided
4 in all our correspondence and our RFP release
5 those documents, as well as contact
6 information. So that, if they needed to get
7 those documents from us directly, they could
8 ask us for them.

9 MR. BUCKLEY: Okay. Thank you very
10 much, Ms. Glover. No further questions.

11 CHAIRMAN HONIGBERG: Ms. Amidon.

12 MS. AMIDON: Thank you. Good
13 morning. I have a cold. So, I hope I'm still
14 comprehensible.

15 BY MS. AMIDON:

16 Q In connection with what Mr. Buckley just asked,
17 if we go to Page 21, and this information is
18 redacted, it indicates the number of bids you
19 received for each of the different customer
20 groups. And I'll wait till you get there.

21 A (Glover) I'm there.

22 Q Okay. So, that's what the redacted information
23 provides?

24 A (Glover) Correct.

{DE 17-038} {10-04-17}

1 Q And, so, for example, with respect to the G1
2 supply requirement, there's been no breakdown
3 in the number of companies responding, it's
4 pretty much level with prior RFPs, is that
5 correct?

6 A (Glover) That's correct.

7 Q Okay. Thank you. And, in connection with the
8 selection of providers or suppliers, Unitil
9 selected, is it "Vitol, Inc." --

10 A (Glover) Yes.

11 Q -- as the winning bidder. Is this a new
12 supplier for Unitil?

13 A (Glover) This is a new supplier for Unitil.

14 Q And that's what I understood from reading the
15 testimony. Is there anything different in the
16 contract terms from the typical contract terms
17 that the Company arranges with suppliers in
18 this instance?

19 A (Glover) No.

20 Q And, so, it doesn't shift any burdens back to
21 the customers. The supplier takes all the
22 burden of the risk, is that correct?

23 A (Glover) That's correct.

24 Q Okay. Thank you. Now, Ms. Glover, on Page 9

[WITNESS PANEL: McNamara|Glover]

1 of your testimony, I think it's Page 9, one
2 moment please. Oh, I'm sorry. It's Bates 011.
3 It is Page 9 of your testimony, but it's
4 Bates 011. Let me know when you're there.

5 A (Glover) I'm there.

6 Q Okay. So, I'm looking at the sentence that
7 begins with Line 10. And it indicates that you
8 have -- the Company has issued a REC RFP for
9 about half of its RPS requirements. Did the
10 Company also make some individual purchases
11 outside of the RFP process?

12 A (Glover) We have.

13 Q And I know it's one of your exhibits where you
14 summarize that activity. And let me see if I
15 can find it quickly. And, if not --

16 A (Glover) It's Bates Page 032.

17 Q Very good. Thank you. And that
18 demonstrates -- I mean, this is in the
19 confidential portion of this filing, but it
20 indicates where the Company is in terms of
21 purchases for 2017 RPS compliance, correct?

22 A (Glover) That's correct.

23 Q When does the Company plan to go out with a
24 second RFP for REC compliance?

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 A (Glover) We would typically put one out either
2 at the end of this year or the very beginning
3 of next year. I don't have the specific date.

4 Q Uh-huh. Okay. And one of the questions I
5 wanted to ask you, Ms. McNamara, is am I
6 correct in reading that the RPS adder beginning
7 December 1 is increasing? I think it's
8 currently 0.360 cents per kilowatt-hour. I'm
9 looking at Page Bates 196. I hope I have the
10 right one.

11 A (McNamara) Yes. That is correct.

12 Q And, so, it's increasing from that amount to
13 0.422 cents per kilowatt-hour?

14 A (McNamara) Correct.

15 Q And that -- that calculation includes the
16 credit that continues to flow to customers for
17 the over-collection from 2016, is that right?

18 A (McNamara) That is right.

19 Q And you may not know the answer to this
20 question, and I don't need a specific answer,
21 but it's fair to say that, but for the credit,
22 the RPS adder would be even higher, is that
23 right?

24 A (McNamara) That is correct.

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 Q And do either of you know the reason why it
2 would be higher? Is it the increasing volume
3 of RECs that the Company is required to
4 purchase? And if you don't know the answer to
5 that question, that's fine. I just want to
6 know, if you do know, if you could just tell me
7 for the record please.

8 A (McNamara) I have a question to ask first for a
9 clarification. Are you referring to the
10 over-collection credit, which is on Page 196,
11 listed as Line 17?

12 Q I understand the origin of the over-collection
13 credits.

14 A (McNamara) Uh-huh.

15 Q But what is contributing to the general
16 increase, from the 0.360 cents to the 0.422
17 cents? I don't know if it's the -- if it's
18 increased obligations between the two years.
19 Or do you know what the answer is to that, Ms.
20 Glover?

21 A (Glover) The two years being 2017 to 2018?

22 Q Correct. Thank you.

23 A (Glover) We do have an increase in the
24 requirement for Class I RECs.

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 Q Okay.

2 A (Glover) So, I would say that would be a
3 portion of it.

4 Q Okay. Well, thank you. Oh, I have one --

5 MS. AMIDON: Do I have one final
6 question? One moment please.

7 (Atty. Amidon conferring with
8 Mr. Chagnon.)

9 MS. AMIDON: Thank you. We have no
10 further questions.

11 CHAIRMAN HONIGBERG: Commissioner
12 Bailey.

13 CMSR. BAILEY: Thank you. And thank
14 you to the Company for providing a copy of the
15 letter that they sent to Staff in April. That
16 I wondered what the result was, but I assumed
17 that it was all fine, because the Staff hadn't
18 asked us to do anything more. So, thank you.

19 And also, Staff has asked most of my
20 questions.

21 BY CMSR. BAILEY:

22 Q But the one question that I do have is, do you
23 know, do you have enough experience yet to know
24 if the split in winter months has improved the

{DE 17-038} {10-04-17}

1 pricing that you receive?

2 A (Glover) That other utility -- that another
3 utility is using for their pricing period?

4 Q Yes. So, that you don't -- you split up -- oh,
5 no, you don't split.

6 A (Glover) We do not split.

7 Q Sorry.

8 A (Glover) We are continuing to go from December
9 to May, and then our next would be June to
10 November.

11 Q Right. And have you looked at the prices that
12 other utilities are receiving who do split the
13 winter months, and are they getting better
14 solicitation prices than you are?

15 A (Glover) So, we do track the other utilities'
16 pricing. And what we do see is that our
17 pricing, overall, between the summer periods,
18 ours is generally lower than the other
19 utilities who are splitting their prices, so
20 they have higher summer. And we're not too far
21 off even in the winter periods from the
22 utilities that are splitting their pricing.

23 Q So, you don't believe that it would benefit
24 your customers to split the winter pricing?

[WITNESS PANEL: McNamara|Glover]

1 Have you done that analysis? Have you thought
2 about it?

3 CHAIRMAN HONIGBERG: Ms. Glover,
4 that's two separate questions.

5 WITNESS GLOVER: Yes.

6 CHAIRMAN HONIGBERG: Why don't you
7 answer the first one first. Have you done an
8 analysis of that question?

9 WITNESS GLOVER: No.

10 CMSR. BAILEY: Okay.

11 WITNESS McNAMARA: Not since the time
12 when we were initially asked, I believe,
13 approximately two years ago, after that
14 winter -- that horrible winter price spike.

15 CMSR. BAILEY: Okay.

16 WITNESS GLOVER: I don't, at this
17 point, feel that we are compelled to split the
18 pricing periods, because I don't feel that the
19 pricing is that different.

20 CMSR. BAILEY: Okay. All right.

21 Thank you.

22 CHAIRMAN HONIGBERG: Commissioner
23 Giaimo.

24 CMSR. GIAIMO: Thank you.

{DE 17-038} {10-04-17}

1 BY CMSR. GIAIMO:

2 Q With respect to winter pricing, I guess I'd ask
3 Ms. McNamara to talk about Page 195. And
4 something jumped out at me, and maybe you can
5 help me understand. So, I'm on Page 195, and
6 I'm looking at Line 8. It's Line 8 and Line 7.
7 So, Line 8 is the total for the six-month
8 period. And I'll wait for you to get there.
9 Sorry.

10 A (McNamara) Yes.

11 Q Okay. So, the "0.096" number is the average.
12 And then we see December within a half cent of
13 that average. And then January and February we
14 see a spike of about 2 cents winter premium.
15 Maybe you can just briefly touch on that, and
16 then you can provide some insight as to why
17 that is? Is it fuel costs? Is it -- in your
18 expert opinion, what's driving that?

19 A (McNamara) Energy prices.

20 Q Energy prices?

21 A (McNamara) Yes. Energy prices are pretty much
22 driving everything that is changing in this
23 filing. The first line, "reconciliation", is
24 allocated evenly on a per kilowatt-hour basis.

[WITNESS PANEL: McNamara|Glover]

1 So, that is having no impact month-to-month.

2 Q Right.

3 A (McNamara) The other piece that make up total
4 costs, such as uncollected, bad debt, working
5 capital, things like that, really have very
6 little impact month-to-month. It would be the
7 energy price.

8 Q And is it associated with fuel volatility
9 and/or experiences that happened in the
10 2014-2015 time period, with winter price spikes
11 and the polar vortex? Is there a certain
12 amount of premium that they put in to -- the
13 supplier would put in to protect themselves
14 from that volatility?

15 A (McNamara) Ms. Glover would need to respond to
16 that.

17 A (Glover) I would expect that the bidders do
18 indeed build in some kind of risk to their
19 pricing. But what we again have seen this
20 period that's been different from the past is
21 the Forward Capacity Market impacts.

22 Q Okay. So, we were talking a little bit about
23 the Residential Class and the numbers
24 associated with that. So, if we go down to the

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 G2 and the OL Class, so there, their number is
2 just about 9 cents, on average. So, I'm
3 looking at Line 16.

4 A (McNamara) Uh-huh.

5 Q So, I guess what I'm struggling here with is,
6 if we look at January, we see again a January,
7 what I will refer to as a "winter premium" in
8 the January month, which looks consistent with
9 what we see for January on Line 8. But, then,
10 in February, we don't see that premium, which
11 we did see in Line 8 for Residential. So, the
12 Residential is a 2 cents adder, you know,
13 2-cent adder, winter adder, winter premium.
14 But, for G2, it's only a half a cent adder.

15 So, I'm wondering what the difference is
16 there? Why might that be that there is a
17 significant, again my word, "premium" for the
18 residential, but not for the G2?

19 A (McNamara) So, again, the answer is the
20 supplier cost.

21 Q Uh-huh.

22 A (McNamara) I was hoping that we had -- Ms.
23 Glover is more familiar with the schedules in
24 the first few pages of the exhibit.

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 A (Glover) I'm just not familiar with them by
2 rate class.

3 (Witnesses conferring.)

4 CHAIRMAN HONIGBERG: Can I ask you
5 guys to look higher up in that same part of
6 Page 195, still under the "G2 and OL Class"
7 table, on the "Reconciliation" line?

8 WITNESS McNAMARA: Uh-huh.

9 CHAIRMAN HONIGBERG: Reconciliation
10 numbers track the changes that appear at the
11 bottom. That seems to be the number that's
12 mostly different that feeds into the number on
13 Line 16. Is that -- is that an explanation or
14 partial answer for Commissioner Giaimo's
15 question?

16 WITNESS McNAMARA: Are you referring
17 to Line 9?

18 CHAIRMAN HONIGBERG: Yes.

19 WITNESS McNAMARA: No, unfortunately.
20 The answer is or should be the supplier price.

21 **BY THE WITNESS:**

22 A (Glover) I do have that answer. If we are
23 looking at Bates Page 111. So, I'm with the
24 contracts that we filed for each of the two

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 suppliers that were awarded. The contracts, in
2 Appendix B, on Page 111, has the pricing for
3 the Medium Customer Group, which is the
4 customer group in question. If you look at the
5 "February-18" pricing, it is "\$89.11".

6 CHAIRMAN HONIGBERG: All right. So,
7 that's going to be --

8 WITNESS GLOVER: That's a --

9 CHAIRMAN HONIGBERG: It's
10 confidential.

11 WITNESS GLOVER: Correct.

12 CHAIRMAN HONIGBERG: So, that part of
13 the transcript will have to be marked.

14 **CONTINUED BY THE WITNESS:**

15 A (Glover) Compared to Bates Page 105, which is
16 our Small Customer Group. The February-18
17 price is higher. And, confidentially, that
18 price is "\$109.40".

19 So, that what you're asking is, "what's
20 driving that difference between the two
21 classes?" And we can see that the bid prices,
22 which is the energy piece, is driving that
23 difference. So, the Residential price is
24 higher for that month than it is for the Medium

{DE 17-038} {10-04-17}

1 Group.

2 Does that answer your question? What I
3 can't tell you is --

4 BY CMSR. GIAIMO:

5 Q What motivated it.

6 A (Glover) Correct.

7 Q I understand. I understand. I'm not going to
8 ask you to get into the mind of the bidders.
9 So, I appreciate that. Thank you.

10 A (Glover) I'd be in a different business if I
11 could do that.

12 Q I'm going to pick at some or piggyback on some
13 of the questions that Mr. Buckley asked with
14 respect to the capacity market. So, if I --
15 I'll go to Page 008, Page 008 of Ms. Glover's
16 testimony. It talks about bids coming in "128
17 percent higher than the same [time] a year
18 ago".

19 A (Glover) Correct.

20 Q Okay. And we know that the capacity market is
21 a 3-year --

22 *[Court reporter interruption.]*

23 BY CMSR. GIAIMO:

24 Q -- is a 3-year forward market. Sorry. Did

[WITNESS PANEL: McNamara|Glover]

1 you -- did the utility, did the Company do
2 anything over the past three years to help
3 customers reduce their ICAP tags, their I-tags,
4 to get a lower -- to actually see lower rates
5 with respect to the capacity market?

6 A (Glover) I'm not able to answer that question.

7 Q I guess, yes, the next question is, do you know
8 who would be able to or is that information
9 that could be provided?

10 MR. EPLER: We could certainly take
11 it as a record request, and I can determine
12 that. I don't know offhand, but I'm sure
13 somebody in the Company could respond to that.

14 CMSR. GIAIMO: So, the stimulus here,
15 we're stimulating, is, with notice, that
16 capacity per kilowatt-hour month prices were
17 increasing significantly with three years
18 notice, I was wondering what the Company could
19 have done or did do to help mitigate those
20 prices? So, that's the emphasis there.

21 CHAIRMAN HONIGBERG: So, Mr. Epler, I
22 think there may well be a record request buried
23 in there to perhaps identify the person and
24 give an explanation of the efforts.

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 I think, with some other -- other of
2 the utilities we have begun to ask, at the
3 equivalent proceedings, for a witness to be
4 here to discuss that issue with us, because it
5 goes across the board for all the utilities and
6 is relevant to all. Okay?

7 So, you may see something like that
8 in the order. But, for now, if there's a -- we
9 can put on the record a request, and we'll
10 reserve Exhibit 9 for an answer to the question
11 regarding who is the person responsible for it
12 and what efforts have been made. Okay?

13 MR. EPLER: Thank you. Fair enough.

14 CHAIRMAN HONIGBERG: Thank you.

15 (Exhibit 9 reserved)

16 MR. EPLER: I understand.

17 BY CMSR. GIAIMO:

18 Q So, just to scratch just a little bit deeper on
19 the capacity. So, it's my understanding that
20 New Hampshire is what is referred for in the
21 capacity market as "rest of pool". It clears
22 with the rest of pool.

23 A (Glover) Correct.

24 Q And my understanding is that, for Capacity

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 Commitment Period Number 9, effective June 1st,
2 2018 through May 31st, 2019, that New
3 Hampshire's number would be \$9.55 per
4 kilowatt-hour month. Which, if my
5 understanding is right, is about two and a half
6 dollars more than FCA 8, which is embedded in
7 the bid price before us right now.

8 So, if that's true, it would appear that
9 the non-energy component would likely increase
10 in June, and again next year. Does that sound
11 correct that those numbers are right?

12 A (Glover) Well, the FCA price --

13 Q Uh-huh.

14 A (Glover) -- was 15 for new and 7 for existing.

15 Q I'm certainly not arguing it. My understanding
16 is that New Hampshire, actually, for the most
17 part, paid the administrative price of 7.02,
18 not the \$15 that cleared for mostly new
19 resources. So, --

20 A (Glover) With that information, if we were
21 paying the 7.02, and the systemwide for FCA 9
22 is 9.55, then, yes, we could expect to see
23 similar impacts for the non-energy piece. Yes.

24 CMSR. GIAIMO: Thank you. Thanks.

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 CHAIRMAN HONIGBERG: I need a verbal
2 cue sometimes to let me know that you're done.

3 BY CHAIRMAN HONIGBERG:

4 Q Ms. Glover, I have a qualitative question about
5 Exhibit 7, which is the bar chart with the
6 colored lines on it. Because that capacity
7 market price is set for June 1, which matches
8 up perfectly with your time period, we would
9 expect those, the red parts of this chart, to
10 be roughly the same in each of the two periods
11 that have the same year associated with them.
12 And that is, in fact, what we see on Exhibit 7,
13 right?

14 A (Glover) That's correct.

15 Q So, whatever happens next year in the June
16 solicitation, where you expect to see some
17 change, whether it's up or down is not, you
18 know, getting into the conversation now with
19 Commissioner Giaimo, we would expect that,
20 whatever happens in June on this, probably
21 going to repeat itself for December, in that
22 portion of the solicitation?

23 A (Glover) So, this time next year? Yes. What I
24 would expect to see for June of next -- for

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 June is, if indeed the Forward Capacity Market
2 price is a little bit more, what we might see
3 is the same thing that happened between
4 December 2016 and June 2017, where, although
5 the energy piece might drop down, which is what
6 we normally would see for the summer period,
7 that might be taken up by perhaps a little bit
8 more. So, there may not be that great of an
9 impact between the two pricing periods, which
10 is what we're seeing this time, only because,
11 between December and June, that price
12 differential going into the summer months was
13 sort of eaten up by that Forward Capacity
14 Market piece.

15 Q Right. And then, when you come back here a
16 year from now, we would expect that same --
17 roughly the same red bar with a different
18 energy price?

19 A (Glover) I would expect that, yes.

20 CHAIRMAN HONIGBERG: I have nothing
21 else.

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

24 MR. EPLER: Excuse me. No, I don't.

{DE 17-038} {10-04-17}

[WITNESS PANEL: McNamara|Glover]

1 However, just to follow up on the questions
2 that were asked and that are kind of
3 outstanding or hovering here. We would be
4 happy to identify a person or persons who can
5 respond more fully to these requests and make
6 them available as soon as possible. So, if
7 there is a desire of the Commission, either
8 formally or informally, to follow up on this,
9 we would be happy to do so.

10 CHAIRMAN HONIGBERG: All right. I'd
11 ask you to work with Ms. Amidon on whether any
12 kind of formal proceeding is going to be
13 necessary. It may just be a request for
14 information. But it's I think as much a notice
15 for next time around, that you'll get some
16 questions about that, and we would like to have
17 somebody here who will be in a position to
18 answer them.

19 MR. EPLER: Thank you.

20 CHAIRMAN HONIGBERG: All right. If
21 there's nothing else, I think the witnesses can
22 probably remain where they are.

23 Without objection, we'll strike ID to
24 Exhibits 1 [3?] through 7. We've reserved 8

{DE 17-038} {10-04-17}

1 and 9 for documents that are yet to be filed.

2 And, if there's nothing else, we will
3 allow the parties to sum up. Mr. Buckley, why
4 don't you start us off.

5 MR. BUCKLEY: Thank you, Mr.
6 Chairman. The OCA sees the default service
7 power supply costs and processes undertaken to
8 procure such service as outlined in this
9 Petition, and revised by Exhibit 6, as just and
10 reasonable.

11 Thank you.

12 CHAIRMAN HONIGBERG: Ms. Amidon.

13 MS. AMIDON: Thank you. First of
14 all, I would like to mention that, and I don't
15 have the date, but Staff filed a memorandum,
16 together with the Office of Consumer Advocate,
17 which basically accepted the results of the
18 2017 Lead/Lag Study that the Company performed.
19 And I would request that in this order you
20 recognize that we recommended approval. And,
21 if you agree with our recommendation, to allow
22 that to go forward.

23 Do you want to look for it?

24 CHAIRMAN HONIGBERG: It is, in fact,

1 what I'm doing.

2 MS. AMIDON: Perhaps the Clerk can
3 help us to -- I apologize. It was something
4 that I didn't -- it didn't occur to me until
5 right before the hearing.

6 *[Court reporter interruption.]*

7 CHAIRMAN HONIGBERG: Jody, can you
8 repeat what you said, so that Steve can get it
9 on the record?

10 MS. CARMODY: The Staff
11 recommendation was filed on May 1st.

12 CHAIRMAN HONIGBERG: All right. And
13 it's not in our files, Ms. Amidon. But it is a
14 recommendation for approval?

15 MS. AMIDON: Correct.

16 CHAIRMAN HONIGBERG: And it is in
17 this docket?

18 MS. AMIDON: Yes, it is.

19 CHAIRMAN HONIGBERG: All right. So,
20 I understand the request. And we'll review
21 that. And, as I sit here, I have no reason to
22 think we would disagree with your
23 recommendation.

24 MS. AMIDON: Thank you. And Staff

1 also reviewed the filing in its entirety. And
2 our conclusion is that this is a quite complete
3 filing, and appreciate the Company's effort in
4 putting it together.

5 After reviewing the contents of the
6 filing, the Staff has concluded that the
7 Company followed the solicitation, bid
8 evaluation, and selection process approved by
9 the Commission in prior orders. And that the
10 resulting rates are market-based, and that the
11 Company should be able to recover the rates
12 associated with the power supply agreements
13 through rates effective, I believe, December 1,
14 2017, and would recommend the Commission
15 approve the Petition.

16 CHAIRMAN HONIGBERG: Thank you, Ms.
17 Amidon. Mr. Epler.

18 MR. EPLER: Yes. Thank you, Mr.
19 Chairman, Commissioners. I have nothing
20 further to add. Just would draw your attention
21 to the relief we requested in the Petition.

22 Thank you.

23 CHAIRMAN HONIGBERG: Just someone
24 refresh my memory, is there a deadline for the

1 issuance of this order?

2 MR. EPLER: We're asking for approval
3 by this Friday, October 6.

4 CHAIRMAN HONIGBERG: Okay. Thank
5 you. We will take the matter under advisement
6 and issue an order as quickly as we can.

7 ***(Whereupon the hearing was***
8 ***adjourned at 11:03 a.m.)***