

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 5, 2017 - 1:38 p.m.
Concord, New Hampshire

REDACTED
(For Public Use)

24 NOV '18 PM 1:20

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

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
Brian Buckley, Esq.
Pradip Chattopadhyay, Asst. Cons. Adv.
Office of Consumer Advocate

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

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

[REDACTED - For Public Use]

CERTIFIED
ORIGINAL TRANSCRIPT

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

WITNESS PANEL: **LINDA S. McNAMARA**
 LISA S. GLOVER
 DANIEL T. NAWAZELSKI

Direct examination by Mr. Epler	8
Cross-examination by Mr. Buckley	10
Cross-examination by Ms. Amidon	23
Interrogatories by Cmsr. Scott	34
Interrogatories by Cmsr. Bailey	40
Interrogatories by Chairman Honigberg	62

* * *

CLOSING STATEMENTS BY:

Mr. Buckley	66
Ms. Amidon	67
Mr. Epler	67

QUESTIONS BY:

Chairman Honigberg	68
--------------------	----

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
-------------	-----------------------	----------

1	Unitil Energy Systems, Inc. 2017 Default Service filing {CONFIDENTIAL & PROPRIETARY}	5
---	---	---

2	Unitil Energy Systems, Inc. 2017 Default Service filing, including the Petition; Proposed Tariffs; Direct Testimony of Lisa S. Glover, with attachments; Direct Testimony of Linda S. McNamara, with attachments; and the Direct Testimony of Daniel T. Nawazelski, with attachments <i>[REDACTED - for public use]</i>	5
---	--	---

P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this afternoon in Docket DE 17-038, which is Unitil Energy Systems' 2017 Default Energy Service proceeding. We have the materials that the Company has submitted. We're here for the hearing on the matters regarding this solicitation.

And, before we do anything else, let's take appearances.

MR. EPLER: Good afternoon, Commissioners. Gary Epler, appearing on behalf of Unitil Energy Systems, Inc. Thank you.

MR. PENTZ: Jeffrey Pentz, appearing on behalf of Unitil Energy Systems, Inc.

CHAIRMAN HONIGBERG: Is he with you?

MR. EPLER: Yes, Mr. Chairman. He is with me. He is not an attorney, however, but this is one of his first hearings. He works in the Energy Contracts Department and wanted to attend to see how the proceedings go.

CHAIRMAN HONIGBERG: Welcome.

MR. PENTZ: Thank you.

MR. BUCKLEY: Good afternoon,

1 Chairman and Commissioners. My name is Brian
2 D. Buckley, and beside me is Dr. Pradip
3 Chattopadhyay, and we are here representing the
4 Office of the Consumer Advocate.

5 MS. AMIDON: And I'm going to stand
6 up, because that's what I usually do. Suzanne
7 Amidon, for Commission Staff. And with me
8 today is Rich Chagnon, an Analyst with the
9 Electric Division.

10 CHAIRMAN HONIGBERG: All right. Are
11 there any preliminary matters we need to deal
12 with? Ms. Amidon? Mr. Epler?

13 MR. EPLER: Yes, Mr. Chairman. If we
14 can have two documents premarked. "Unitil
15 Exhibit 1" would be the confidential binder and
16 "Unitil Exhibit 2" would be the redacted
17 binder.

18 (The documents, as described,
19 were herewith marked as
20 **Exhibit 1** and **Exhibit 2**,
21 respectively, for
22 identification.)

23 CHAIRMAN HONIGBERG: Anything else?

24 MS. AMIDON: Yes. With its filing,

1 as it typically does, Unitil filed a Motion for
2 Confidential Treatment of matters which
3 constitute routine filings, and under Rule 201
4 deserve or are entitled to confidential
5 treatment. And we would request at this time
6 that the Commission approve that motion. Staff
7 has reviewed it and it's consistent with the
8 prior motions, and the information requested is
9 similar to the prior hearings, in terms of the
10 types of information for which the Company has
11 requested confidential treatment.

12 Thank you.

13 CHAIRMAN HONIGBERG: Commissioner
14 Bailey.

15 CMSR. BAILEY: Ms. Amidon, you said
16 that "a Motion for Confidentiality has been
17 filed". Is that required under the rules for
18 routine filings?

19 MS. AMIDON: I don't know if it's
20 required. But this Company has typically filed
21 one just for clarity, and I support it and
22 believe it should be approved. We can discuss
23 whether or not, in the future, they need to
24 file one outside of the hearing.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 CMSR. BAILEY: Would the parties just
2 take a look at that and make sure it's
3 required?

4 MS. AMIDON: Yes.

5 CMSR. BAILEY: Thank you.

6 MR. EPLER: Absolutely. Thank you.

7 CHAIRMAN HONIGBERG: Without
8 objection, the motion is granted.

9 MS. AMIDON: Thank you.

10 CHAIRMAN HONIGBERG: Is that it for
11 preliminary matters?

12 MS. AMIDON: Yes.

13 CHAIRMAN HONIGBERG: And I see the
14 panel is already in place. Mr. Patnaude.

15 (Whereupon **Linda S. McNamara,**
16 **Lisa S. Glover,** and **Daniel T.**
17 **Nawazelski** were duly sworn by
18 the Court Reporter.)

19 CHAIRMAN HONIGBERG: Mr. Epler.

20 MR. EPLER: Thank you.

21 **LINDA S. McNAMARA, SWORN**

22 **LISA S. GLOVER, SWORN**

23 **DANIEL T. NAWAZELSKI, SWORN**

24 **DIRECT EXAMINATION**

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 BY MR. EPLER::

2 Q. Starting with the witness closest to me, could
3 you please state your name and your position
4 with the Company.

5 A. (Glover) My name is Lisa Glover. And I'm an
6 Energy Analyst.

7 A. (McNamara) My name is Linda McNamara. I'm a
8 Senior Regulatory Analyst.

9 A. (Nawazelski) My name is Dan Nawazelski. And
10 I'm a Senior Financial Analyst.

11 Q. Thank you. Ms. Glover, could you please turn
12 to what's been premarked as "Exhibit No. 1",
13 and turn to the tabs that are marked "LSG" --
14 "Exhibit LSG-1", and then the "Schedules LSG-1"
15 through "LSG-5". Were these prepared by you or
16 under your direction?

17 A. (Glover) Yes, they were.

18 Q. Do you have any changes or corrections?

19 A. (Glover) No, I do not.

20 Q. And, if you were asked the same questions that
21 appear in your testimony, would your answers be
22 the same?

23 A. (Glover) Yes, it would.

24 Q. Okay. Thank you. Ms. McNamara, can you do the

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 same? Can you turn to the premarked Exhibit
2 Number 1, and look at the tabs marked "Exhibit
3 LSM-1", and then the tabs "Schedule LSM-1"
4 through "6". Were these prepared by you or
5 under your direction?

6 A. (McNamara) Yes.

7 Q. And do you have any changes or corrections?

8 A. (McNamara) No, I don't.

9 Q. And, if you were asked the same questions in
10 your testimony, would your answers be the same?

11 A. (McNamara) Yes, they would be.

12 Q. Thank you. And, finally, Dan Nawazelski,
13 could you please turn to the premarked Exhibit
14 Number 1, and the tabs there "Exhibit DN-1",
15 and "Schedules DN-1" and "2". And were these
16 prepared by you or under your direction?

17 A. (Nawazelski) Yes, they were.

18 Q. And my understanding is that you do have one
19 correction, which is on Page 2 or Bates stamp
20 214, at Line 17. And is it correct that the
21 date appearing on that line of "May 1, 2017"
22 should be "June 1, 2017"?

23 A. (Nawazelski) That is correct.

24 Q. Okay. Thank you. With that correction, do you

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 have any further changes or corrections?

2 A. (Nawazelski) No, I do not.

3 Q. Okay. And, if asked the same questions in your
4 testimony, would your answers be the same?

5 A. (Nawazelski) Yes, they would.

6 MR. EPLER: Okay. Thank you. Mr.
7 Chairman, the witnesses are available for
8 cross-examination.

9 CHAIRMAN HONIGBERG: Mr. Buckley.

10 MR. BUCKLEY: Thank you, Mr.
11 Chairman.

12 **CROSS-EXAMINATION**

13 BY MR. BUCKLEY::

14 Q. Just a few questions here clarifying. And I'm
15 going to start with Ms. Glover, if that's all
16 right.

17 Ms. Glover, referencing LSG-1, Bates
18 Page 008, Line 13 through 15, you mentioned
19 that "Overall prices submitted...were
20 37 percent higher than the same period a year
21 ago", attributing the change in pricing to the
22 rising cost of capacity in the forward capacity
23 market. In your opinion or in your
24 understanding, is this cost likely to continue

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 or maybe likely to trend downward in tandem
2 with subsequent FCM auctions?

3 A. (Glover) We would expect that these costs
4 associated with capacity from the capacity
5 market will go down when the subsequent auction
6 prices come due. So, these prices are based on
7 an auction that was conducted in 2014, for
8 delivery in June 1st, 2017. And the clearing
9 price for the auction at that time was \$15.
10 And that's the highest price that we've seen,
11 and so this is for delivery starting in June.
12 The next auction period will be June of next
13 year, and the clearing price for that market
14 has gone down. So, we will expect the trend,
15 at least for the piece of the bid prices that
16 we get that are associated with capacity costs,
17 to come down.

18 Q. Thank you, Ms. Glover.

19 A. (Glover) Uh-huh.

20 Q. Now referencing LSG-1, Bates Page 010, Line 11,
21 through Bates Page 011, Line 2, you mention
22 some of the factors that have led to a limited
23 market for default service suppliers for large
24 customers. Can you just elaborate on why this

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 is the case? And whether the trend is likely
2 to continue for the foreseeable future?

3 A. (Glover) Are you asking why this continues to
4 be the case with their responses? Or, I'm not
5 sure I quite understand.

6 Q. Why there appear to be a limited amount of
7 bidders for the large customer class? And if
8 you think this is a trend that will likely
9 continue or maybe discuss how the Company is
10 approaching this trend?

11 A. (Glover) We certainly have been hearing, when
12 we've reached out, and this time around we
13 reached out to all the suppliers on our bid
14 list, we heard back from some. The
15 overwhelming response is generally that that
16 load is too small for them to serve. We have
17 talked to them about what we perceive is to be
18 a limited risk factor for them, since it's just
19 a pass-through cost. We did get more bidders
20 this round than we did the past round.

21 I think that it would probably be, if I
22 had a crystal ball, and could say we would get
23 more participation in the future. I don't
24 know. We will continue to work with the

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 suppliers and identify new suppliers in the
2 market and see if we can get them to
3 participate in our RFP.

4 Q. Just a follow-up here. Is it possible that
5 this trend is related to the risk premium that
6 resulted from spot market prices during the
7 Winter of 2013 through '14?

8 A. (Glover) I would have to go back and look and
9 see what the response was to RFPs back then, it
10 predates me. It's possible that could have
11 scared off some bidders. But, since I've been
12 doing this, the last couple years, it's been a
13 pretty consistent number of bidders that
14 participate in just that rate class. So, it's
15 not been a wide swing.

16 Q. Great. Thank you.

17 A. (Glover) Uh-huh.

18 Q. Just one or two more questions here. Schedule
19 LSG-1, Bates Page 36, is a comparison of
20 winning bids to NYMEX future prices for Non-G1
21 customers. Give everybody a moment to --

22 So, in your understanding, Ms. Glover, do
23 the NYMEX future prices referenced in this
24 table incorporate the cost of capacity or are

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 they an energy-only product?

2 A. (Glover) That's an energy-only product.

3 Q. Okay. Great. Is it safe to say that the far
4 right column, "dollars per megawatt-hour"
5 calculation result, is the Company's attempt to
6 judge final bid prices against current NYMEX
7 futures, while also using last year's final bid
8 to calculate -- bid calculation ratio to
9 attempt to account for costs such as capacity
10 and ancillary services, which might not be
11 represented in the NYMEX futures figure?

12 A. (Glover) That is what we use it for.

13 Q. Thank you. Can you just help me understand why
14 the final bid price might be _____
15 greater than the calculation result as
16 described in the table?

17 CHAIRMAN HONIGBERG: Hang on one
18 second. If I'm not mistaken, Mr. Buckley just
19 read a confidential number. And that's --
20 that's okay, as long as everyone is tuned in to
21 the process that will follow for marking the
22 transcript. There's no member of the public
23 here, so it's not a problem. But am I correct
24 and is that how the process will proceed? Mr.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Epler?

2 MR. EPLER: Yes, that's correct.

3 CHAIRMAN HONIGBERG: All right.

4 Mr. Buckley. And I'm sorry to interrupt you.

5 MR. EPLER: Thank you.

6 MR. BUCKLEY: Thank you.

7 CHAIRMAN HONIGBERG: I think you had
8 finished the question. Does anybody recall the
9 question up there on the panel?

10 WITNESS GLOVER: I do recall the
11 question.

12 **BY THE WITNESS:**

13 A. (Glover) And I'm trying to remember what that
14 final column is reflecting, without my
15 calculator. Can I get back to you?

16 BY MR. BUCKLEY::

17 Q. Certainly. Well, I can just reference for you
18 that I think it's trying to account for the
19 difference between the projected final
20 calculation price and the actual bid price for
21 Non-G1 customers?

22 A. (Glover) I have to think on this for a minute.

23 Q. Okay. We can move on. Moving on to

24 Ms. McNamara. Referencing Schedule LSM-6,

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Bates 208, the furthest column to the right.
2 At the bottom of this column, the Company
3 identifies the impact of the proposed Default
4 Service rate on the average residential
5 customer's monthly bill, comparing a bill from
6 June 2016 against a hypothetical bill from
7 June 2017. Can you explain to me the factors
8 that may have led to this increase across
9 years?

10 A. (McNamara) Just to be clear, you're referring
11 to, in this particular schedule, the \$11.68 for
12 the dollar impact?

13 Q. So, I am referring to -- it is a "Percentage
14 Different to Total" -- "Difference to Total
15 Bill" on the Residential Rate D 612
16 kilowatt-hour bill. And it's a percentage, all
17 the way at the bottom right of that table.

18 A. (McNamara) So, if we're looking at the
19 "15 percent" in that table, that is comparing
20 the total bill from last June, June 2016, to
21 the proposed bill for June 2017. And the
22 largest contributor to that increase is the
23 change in the default service prices. I would
24 need to refer to Ms. Glover to recall, if she

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 can, last summer, why the prices were so much
2 lower than the proposed rates for this June.

3 A. (Glover) So, where are we?

4 (Witnesses conferring.)

5 BY MR. BUCKLEY::

6 Q. And I'll add that we're looking for your
7 opinion on what factors may have caused it, not
8 necessarily an absolute mechanical "these are
9 the factors".

10 A. (McNamara) Right. Yes. And the driver to that
11 would have been, I believe, contract prices,
12 the difference in the contract price last
13 summer, versus those received today.

14 Q. Okay.

15 A. (McNamara) I'm not sure if Ms. Glover has more
16 to add to that.

17 A. (Glover) I apologize. Can you repeat the
18 question?

19 Q. So. We are looking at the change in
20 residential bills. It's an increase of about
21 15 percent between 2016 June and 2017 projected
22 June. And I think Ms. McNamara just mentioned
23 that it's largely due to the default service
24 rate rising a bit, and then she referenced your

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 testimony, and was wondering if -- what factors
2 might be leading to that slight rise?

3 A. (Glover) That's correct. The contract prices
4 that we got for the prior six-month period was
5 lower than what we have for this period.

6 Q. All right. So, now I will move on to -- unless
7 you have something to add?

8 A. (McNamara) No, I don't. I just wanted to make
9 sure that you were happy with the answer.

10 Q. Yes. I'm happy. Thank you. Moving on to
11 Mr. Nawazelski, did I pronounce that correctly?

12 A. (Nawazelski) Yes, you did.

13 Q. Thank you. Referencing Schedule [Exhibit?]
14 DN-1, Bates 221, Line 18, through Bates 222,
15 Line 11. So, this examines the lead/lag and
16 residential customers. Within this section,
17 you note that the net lag for residential
18 customers appears to have reduced significantly
19 as compared to 2015, from approximately 11.7 to
20 1.09. Can you please just describe for me, in
21 layman's terms possibly, if you can, the
22 factors that have led to this reduction?

23 A. (Nawazelski) So, on the non-G1 customer
24 side, the net lag did decrease 9.7 days

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 compared to the 2015 study. This is mainly
2 attributable for to 1.09 day decrease in
3 revenue lag. This is billing to collection.
4 I'm not fully capable of answering that. I'd
5 have to ask the Billing Department to go in
6 more detail on that piece of it. But we also
7 had an 8.65 day increase in default service and
8 renewable energy credit expense lead. This
9 increase of 8.65 days is driven by an increase
10 in the REC portion of total costs. If you look
11 at Bates stamp Page 244, you can see how an
12 increase in the REC portion of total costs
13 affects the weighted lead days.

14 Q. And that was for the large customers or the
15 non-large customers?

16 A. (Nawazelski) That was for the Non-G1.

17 Q. Okay. Thank you. Now, actually, this is my
18 final question here. So, within the Petition,
19 it notes that UES is requesting approval of the
20 proposed tariffs subject to further
21 investigation and a review of the Lead/Lag
22 Study, and reconciliation, if necessary. Can
23 you give us a sense of what your expectations
24 might be for reconciliation, whether it's been

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 necessary in the past or maybe the timeline for
2 the process, if possible?

3 MS. AMIDON: Mr. Chairman?

4 CHAIRMAN HONIGBERG: Ms. Amidon.

5 MS. AMIDON: Could I address this
6 from Staff's perspective and the
7 administrative -- the reason that we ask for
8 additional time and the reason that the Company
9 has built that into the schedule -- or, into
10 the testimony is really to accommodate Staff's
11 review of the Lead/Lag Study?

12 CHAIRMAN HONIGBERG: Sure. I don't
13 think Mr. Buckley was addressing the question
14 to you. But, I guess, if there's information
15 that would be helpful, maybe now would be a
16 good time for you to share it.

17 MS. AMIDON: Well, I saw Mr.
18 Nawazelski, apologize if I mispronounce your
19 name, he was not part of the process when this
20 originally was constructed between Unitil and
21 the Staff.

22 Traditional -- you know, what has
23 happened is that, because of the quick
24 turnaround required in this docket, the Company

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 has accommodated Staff's review of the Lead/Lag
2 by saying "you will understand that Staff may
3 need additional time", and that, if Staff's
4 recommendation differs from the Lead/Lag Study
5 that was used in the calculation of these
6 rates, that the Commission at that later time
7 would reconcile the rates back to Staff's
8 recommendation, if it was warranted.

9 That's the process that was agreed
10 upon between Staff and the Company in these
11 filings. And I apologize if I'm answering for
12 the witness. But I thought -- I just thought,
13 from an administrative standpoint, it might be
14 helpful for me to step in at this point,
15 because I don't believe the witness was
16 involved in the way we set this up originally.
17 And I'm just trying to be helpful.

18 CHAIRMAN HONIGBERG: I'm sure
19 Mr. Nawazelski appreciates you answering
20 questions directed to him.

21 Mr. Epler, is that consistent with
22 your understanding of how things transpired?

23 MR. EPLER: Yes, it is. I believe
24 the Settlement Agreement, which I think the

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Office of Consumer Advocate may have been part
2 of as well, goes back to 2009. I mean, it's
3 something that's been in place for quite some
4 time. And, in that, I don't have the docket
5 number, but, in the docket that looked at the
6 calculation of the Lead/Lag Study, there was a
7 settlement result as to how we would do the
8 calculation going forward. And, so, we file it
9 annually as part of our -- as part of the June
10 rates in this package, but recognize that it
11 does need to be checked to see that we are
12 calculating it according to the Settlement
13 Agreement.

14 My understanding is that, in the six,
15 seven years that this has been in place, I
16 don't think that there's been a fault found in
17 the calculation. But, certainly, if there was,
18 and it's certainly possible, because it's
19 reconciling, and interests are accrued, we
20 would change it as quickly as possible, and
21 there should not be harm to customers, or the
22 Company, either way, whether it was --
23 depending upon the direction of the change.

24 CHAIRMAN HONIGBERG: Do any of the

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 witnesses have any information that's different
2 from what Mr. Epler and Ms. Amidon just said?

3 WITNESS NAWAZELSKI: No, I do not.

4 WITNESS McNAMARA: I have the docket
5 number of the Settlement, if that helps?

6 CHAIRMAN HONIGBERG: Sure. Why don't
7 you put that on the record.

8 WITNESS McNAMARA: That I believe was
9 DE 09-009.

10 CHAIRMAN HONIGBERG: Mr. Buckley,
11 that was more than you bargained for, I
12 suspect, in that question.

13 MR. BUCKLEY: Yes. It absolutely
14 satisfied my question. And, with that, I think
15 we have no further questions.

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

18 MS. AMIDON: Thank you.

19 BY MS. AMIDON::

20 Q. I think I'm going to begin with you, Ms.
21 Glover. Let me just get to your testimony at
22 Bates 012. Let me know when you're there.

23 A. (Glover) I am there.

24 Q. Okay. So, if we look at the table that begins

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 roughly at Line 13, it provides information on
2 the Renewable Portfolio Standards for 2017. Do
3 you know what the total RPS requirement is with
4 respect to if you add all those percentages
5 together? In other words, I'm trying to find
6 out what the percentage of requirement is for
7 2017 with respect to Unitil's retail service
8 load.

9 A. (Glover) I'm trying to understand your
10 question.

11 Q. Okay.

12 A. (Glover) So, we would have our --

13 Q. I'm talking about the aggregate of all of these
14 obligations.

15 CHAIRMAN HONIGBERG: Ms. Amidon, are
16 you just looking for her to add up the
17 percentages?

18 **BY THE WITNESS:**

19 A. (Glover) Add up the percents? So, the way that
20 this works is we'll have our total load at the
21 end of the year, for example. And, of that
22 total load, 8 percent of that load will be our
23 obligation, for example, for Class III. So, we
24 would need to procure 8 percent of our load to

1 meet Class III RECs.

2 BY MS. AMIDON::

3 Q. Okay. But, if I understand this, roughly
4 19 percent, 18 to 19 percent of the total load
5 is subject now to Renewable Portfolio Standards
6 requirements.

7 A. (Glover) Yes. I understand your question now.

8 Q. Okay.

9 A. (Glover) Yes. That's correct.

10 Q. Okay. Sorry if I didn't make myself clear.

11 Thank you. The Company has selected
12 TransCanada, NextEra, and Direct Energy to
13 provide power supply for the various customer
14 groups. Now, I'm familiar with the fact that
15 the Company has had a transaction with
16 TransCanada and NextEra in the past. Is this
17 the first contract with Direct Energy?

18 A. (Glover) It is not. We contracted with them
19 two procurements ago, they were under a
20 different business name.

21 Q. That's good to know. What were they back then?

22 A. (Glover) Energy America.

23 Q. Okay. Thank you. And were there any
24 substantial changes in the power supply

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 agreement over the typical power supply
2 agreement that the Company engages in?

3 A. (Glover) No changes. We implemented only
4 amendments to the existing power supply
5 agreements that we had in place.

6 Q. Okay. Thank you. Some reference was made to
7 the number of bidders. And I notice that on --
8 in Exhibit 1, on Page 23, you have in this
9 exhibit information related to the number of
10 exhibits that -- the number of bids that you
11 received for both the Small Customer Group, the
12 Medium Customer Group, and the Large Customer
13 Group. Is that right?

14 A. (Glover) That's correct.

15 Q. And how would you characterize the response to
16 the bids overall?

17 A. (Glover) In terms of number of respondents,
18 consistent with what we have seen in the past.

19 Q. And do you think the increased interest in the
20 G1 supply is a result of market conditions or
21 do you know what led to the increased interest
22 in that regard?

23 A. (Glover) I would suggest it's because we
24 reached out to bidders directly during the

1 procurement process.

2 Q. Okay. That's good to know. Thank you.

3 A. (Glover) Uh-huh.

4 Q. And I believe that Mr. Buckley referenced this
5 particular type of information. But, if we go
6 to Bates 032, let me know when you're there
7 please.

8 A. (Glover) I'm there.

9 Q. Okay. So, if we look at the three cells at the
10 bottom right of this table, but, as I
11 understand it, the number in the middle
12 indicates the change in the default service --
13 no, the energy price from the prior period. Is
14 that fair to say?

15 A. (Glover) Yes, the prior six-month period.

16 Q. Okay. So, that's the energy price. And, so,
17 similarly, that last component is a change in
18 the prior year in the energy price?

19 A. (Glover) Right. The same period a year ago.

20 Q. Okay. Thank you. So that, in essence, does
21 explain for the difference, for example, that
22 Mr. Buckley was asking about with respect to
23 the difference between the June 1, 2016 and the
24 June 1, 2017 projected rates?

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 A. (Glover) In those other tables, yes.

2 Q. Thank you. I'm just trying to tie that all
3 together.

4 A. (Glover) I spent some time thinking about that,
5 which is why I wasn't paying attention for a
6 minute.

7 Q. That has been my day. So, there you go. And,
8 now, to Page 34, which is just turning the
9 page. So, this -- this exhibit is titled
10 "Summary of REC Purchases for 2017 RPS
11 Compliance".

12 A. (Glover) Correct.

13 Q. And I'm basically just noting this for the
14 record so the Commission can see the extent to
15 which you've been able to purchase RECs in
16 market or through an RFP. So, that's the only
17 reason I wanted to refer to this page.

18 A. (Glover) Okay.

19 Q. But you can confirm that that's what it says.

20 A. (Glover) That is what it says.

21 Q. Okay. Thank you. And, now, I have some, a few
22 questions for Ms. McNamara. If you could go to
23 Bates 159. Okay. I'm looking at the response
24 to the first question on the page. And what I

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 understand, from reading this response, is that
2 the base -- the calculated base average energy
3 price for residential customers, and that's a
4 fixed cost, is estimated to result in a rate of
5 74 -- "7.526 cents per kilowatt-hour". That's
6 "7.526 cents per kilowatt-hour". That's the
7 base cost calculated just on the energy alone,
8 is that right?

9 A. (McNamara) Correct. That is power supply
10 alone.

11 Q. Okay. And, so, if we go down to Line 6, at the
12 end of that line it indicates that the RPS
13 charge is "0.360 cents per kilowatt-hour", is
14 that right?

15 A. (McNamara) Correct.

16 Q. And those two elements are added together for
17 the energy service rate, right?

18 A. (McNamara) Correct.

19 Q. Thank you. In reading your testimony, I -- on
20 Page 162, let me know when you're there.

21 A. (McNamara) I'm there.

22 Q. Okay. The question that begins on Line 13, I
23 just want to make sure I understand what this
24 is telling the Commission. My understanding is

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 that there is a credit provided to large
2 customer-generators, and they get a credit, and
3 the amount of those credits are then folded
4 back into default service rates to recover from
5 other customers. Is that right? Or please
6 explain it in your own words, if you have a
7 better way of saying it.

8 A. (McNamara) That summarizes it pretty well.
9 They're credits or amounts that are paid, and
10 they are for energy that are included in the
11 power supply.

12 Q. Okay. And that's just a little over \$14,000?

13 A. (McNamara) For this last year, yes.

14 Q. Okay. Thank you.

15 A. (McNamara) That payment is booked in March of
16 each year, I believe.

17 Q. Okay. Thank you, that's good to know. If you
18 could go to Bates 181. And, Ms. Glover, I
19 don't know if this is a question for you or if
20 it is for Ms. McNamara. So, let me know when
21 you're there.

22 A. (McNamara) I'm ready.

23 Q. Okay. So, the first line is, if I look at the
24 far right of this page, it says "Total", and

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 it's a reconciliation. The amount listed there
2 is "\$548,820". Is this a credit?

3 A. (McNamara) It is.

4 Q. Could you explain the origin of the over
5 collection? Or do you know what the origin of
6 the over collection is?

7 A. (McNamara) Yes. So, in default service, we
8 reconcile once a year, in the spring filing.
9 In the fall filing, we will continue the same
10 reconciliation. On this particular schedule
11 that you've referenced, at the very bottom, on
12 the line that's marked "k", there's an amount
13 of a credit for \$552,000. That amount will be
14 included in our next filing, which will be for
15 the winter period. In total, the amount going
16 through the Non-G1 class RECs is \$1.1 million,
17 and that amount is shown on line "l".

18 Q. Thank you.

19 A. (McNamara) There's a equivalent credit for the
20 G1 class, similar format to this. I don't
21 recall the -- I'd have to turn to it -- that's
22 shown on Schedule LSM-5, and that amount is
23 \$133,000, again, a credit. These amounts are
24 primarily the result of 2015 RPS requirements

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 ultimately coming in lower than what we had
2 estimated in our rate filings and, therefore,
3 collected in revenue.

4 Q. Okay. Do you, and you may not remember this,
5 but do you recall whether it had to do with the
6 reduction in the Class III requirements?

7 A. (McNamara) It does.

8 A. (Glover) It does.

9 Q. Okay. Thank you. So, absent that, on Line 2
10 on this page, the Company has calculated a
11 little over 1. -- well, 1.578 million in RPS
12 costs. And I'm interested, whoever can answer
13 this, how you calculate it? Whether you use
14 the ACP or whether you use the blend of the ACP
15 with market prices or prices that brokers have
16 offered you to derive the ultimate RPS
17 obligation number?

18 A. (Glover) I can answer that question. When
19 determining our expected prices that we're
20 going to pay for RECs requirements, we do use a
21 blend of ACP, if it tends to be a REC that we
22 are not going to be able to purchase on the
23 market. And we would use also market
24 information. We have confidential information

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 we get from a number of brokers every day. We
2 look at the history and where the trends are
3 for RPS prices. And we would also use the
4 current prices that we have paid to procure
5 RECs that we already have.

6 Q. Okay. Thank you. That's exactly what I was
7 looking for. And I have one more question for
8 Ms. McNamara. Looks like I want to look at
9 Page 201.

10 A. (McNamara) Okay.

11 Q. And this is -- well, you tell me what this is.

12 A. (McNamara) This schedule originated a few years
13 back. I believe the Commission had asked to
14 see the impact on customers that are using
15 their mean and median usage. So, that's what
16 this page is doing. It's for residential
17 customers. And it's showing the bill impact of
18 rates in effect today. And that's in the first
19 column marked as under "April", versus the
20 proposed rates. This schedule though, however,
21 does not include rates that are pending in our
22 current rate case.

23 Q. Understood. And that doesn't include the
24 Electricity Consumption Tax?

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 A. (McNamara) It does not, no.

2 Q. Okay. Thank you. And, finally, I just have
3 one question for you, Mr. Nawazelski, and we're
4 just trying to confirm this. Did you conduct
5 the Lead/Lag Study for 2016 similar to the
6 method by which you conducted the 2015 Lead/Lag
7 Study?

8 A. (Nawazelski) Yes, I did.

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

11 CHAIRMAN HONIGBERG: Commissioner
12 Scott.

13 CMSR. SCOTT: Thank you. And good
14 afternoon.

15 BY CMSR. SCOTT::

16 Q. I think I want to clarify some of the questions
17 and answers from Mr. Buckley, I think. I want
18 to start with on Bates 035, which was the
19 discussion of the NYMEX ratios, the NYMEX
20 futures. Without, unless you wish to, without
21 reading in confidential information into the
22 record, I was just curious what should we make
23 of this? I assume the intent is to show
24 typically that the bids that you got were

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 reflective, track somewhat with NYMEX futures,
2 correct?

3 A. (Glover) Correct.

4 Q. So, are those ratios good ratios or are those
5 out of whack? Or what conclusions should we
6 draw from that?

7 A. (Glover) The dollar per megawatt-hour
8 calculation result that's shown in the last
9 column is a weighted average of the prior
10 period, using the NYMEX prices against the
11 current bids. So, what it's telling us here is
12 that our bid prices came in about _____
13 higher than the weighted average from the prior
14 period. And -- just going to stop there.

15 Well, I'm going to say, I think going
16 forward this is one of those tables, the
17 section of tables that continues to cause
18 confusion. So, going forward, I think we'd
19 like to provide a little bit more information
20 in our filing to help better describe what
21 these are.

22 Q. Okay. And, for the transcriptionist, the
23 number you just read out, that is confidential?

24 A. (Glover) That's correct.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Q. Okay. And, for me to understand, so, should
2 I -- I guess what I'm asking, should I conclude
3 that those -- the bid prices are reflective of
4 market conditions? Is that a fair assessment?

5 A. (Glover) That is what we would look at that to
6 say, yes. When we look at -- it's also telling
7 us a bit that the spread between what we're
8 seeing in our bid prices against the energy
9 prices is a little bit wider than what it was
10 the prior period. And, as we discussed, we
11 believe that has a lot to do with the capacity
12 cost being built into those bid prices.

13 Q. Okay. And that would be a good lead-in to my
14 next question. Is NYMEX -- do you think NYMEX
15 is an appropriate benchmark to use?

16 A. (Glover) When we look at the bid prices against
17 the NYMEX prices, we see a very consistent
18 trend, with a little bit of a gap between them
19 to account for the non-energy piece. So, yes,
20 I would say it's a pretty good indication. We
21 see the lines pretty much tracking exactly the
22 same. Obviously, with the, you know, variation
23 between the two.

24 Q. Okay. Thank you. And you kind of alluded to

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 that. I just wanted to elaborate a little bit.
2 You had a discussion regarding I think it was
3 Forward Capacity Auction 8, which is the
4 current period that's being reflected. We've
5 had two auctions since. I assume you're aware?

6 A. (Glover) I am.

7 Q. You were asked "do you think prices will go
8 down in the future?" We know for a fact the
9 last auction was considerably cheaper, correct?

10 A. (Glover) Right. The last auction came in at
11 \$5.30.

12 Q. Compared to the 15 that --

13 A. (Glover) Fifteen (15) in FCA 8, 9.55 in FCA 9,
14 \$7.03 in FCM 10, and then this current one,
15 \$5.30.

16 Q. So, that sounds like good news, I think, for
17 the future?

18 A. (Glover) For that piece of -- yes. For that
19 piece of the bid price, yes.

20 Q. Okay. And, for the default service increase,
21 obviously, we've discussed that auction having
22 an impact. Is that the impact that we're
23 talking about that's being reflected or are
24 there other factors that have -- for that

1 increase in prices?

2 A. (Glover) For the bid prices, I can speak to,
3 and I would say that is the impact associated,
4 that is the main impact associated with the bid
5 price increases.

6 Q. Thank you. And, again, there was a discussion
7 on the number of bids, and again I don't
8 need -- we don't need to talk exact numbers
9 that are confidential. But there was, I think
10 on Bates 010, I'm not going to turn to it, but
11 you already discussed that, you know, some of
12 the bidders talked about "well, you're too
13 small a load to be perhaps worth the effort",
14 I'm putting words in people's mouth. But is
15 that a fair characterization?

16 A. (Glover) That's what we've heard for the G1
17 class.

18 Q. So, and I may have asked this in other
19 proceedings, but have you looked at perhaps
20 grouping with other entities, other affiliates,
21 to try to leverage buying power?

22 A. (Glover) We haven't had those discussions.

23 Q. I don't know if that even makes sense. But I
24 know, certainly, the states to the south of us,

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 for instance, when they have done RFPs, they
2 try to group together to try to -- to hope
3 to --

4 A. (Glover) Yes. I mean, it would take some
5 logistical work, I'd say, because of the
6 confidentiality between companies.

7 Q. And, on Bates 034, I just wanted to clarify,
8 again, unless you wish, I don't need you to
9 actually cite any of the numbers here. What
10 I'm looking at -- what we're looking at, that
11 is what you've already procured. That doesn't
12 mean you're not going to ask for more, try to
13 buy more RECs, is that correct?

14 A. (Glover) That's correct. This is what we've
15 procured to date. We had an RFP that we put
16 out in February. And, generally, we start at
17 the beginning of the year with about 50 percent
18 of what we need. We'll put another RFP out
19 later this year, probably third quarter, to try
20 and pick up the remaining. And, in the
21 interim, we sometimes get offers for RECs from
22 brokers. And, if it seems to be advantageous
23 for us to do so, we'll purchase those outside
24 of the RFP process.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 CMSR. SCOTT: Thank you. I think
2 that's all I have.

3 CHAIRMAN HONIGBERG: Commissioner
4 Bailey.

5 CMSR. BAILEY: Thank you. Good
6 afternoon.

7 WITNESS GLOVER: Hello.

8 BY CMSR. BAILEY::

9 Q. I'm going to start with a follow-up on
10 Commissioner Scott's question about the REC
11 market. When you issued the RFP in February of
12 year, did you have any responses that included
13 2016 vintage RECs that I think were less
14 expensive than these?

15 A. (Glover) I believe our RFP was procuring for
16 some additional volumes of 2016 RECs. I don't
17 recall offhand exactly which class those were.
18 But, if we had not -- if we had not at the time
19 completed our requirement, we would be looking
20 to fulfill that.

21 Q. But, even if you had completed your 2016
22 requirement, if the 2016 vintage RECs are less
23 costly than the 2017 ones, then you could bank
24 them, right?

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 A. (Glover) We can bank them.

2 Q. Did you look at that?

3 A. (Glover) We may possibly have done that for
4 Class IIIs. But I would say, in general, we do
5 not typically try and over purchase, unless we
6 know for sure the prices might go down.

7 Q. Well, I mean, it looks like these prices are
8 higher than what I expected them to be.

9 A. (Glover) Right. But, at the time when we
10 purchase, we may not know going forward. So, I
11 guess what --

12 Q. Yes.

13 A. (Glover) If the 2016 -- if we're looking for
14 2016 RECs, I'm trying to figure out how to
15 answer your question, it is not our practice
16 generally to over purchase just to bank.

17 Q. Even if you're purchasing 50 percent for 2017,
18 and the 2016 RECs are cheaper? Do you analyze
19 that at all? Or do you just say "we need 2017
20 vintage, so, whatever the cost is"?

21 A. (Glover) Oh, I see what you're -- I see how
22 you're asking this question. We could,
23 depending on what bids we get in, if we get
24 more 2016s than we need, yes, we could take

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 those and bank them and use them for 2017
2 without explicitly asking for 2017 RECs.

3 Q. Did you do that in February?

4 A. (Glover) I do not know, because I didn't
5 conduct the RFP myself.

6 Q. Okay.

7 A. (Glover) But I can certainly find out, if you
8 would like us to get back to you?

9 Q. Yes.

10 A. (Glover) Okay.

11 Q. I mean, I think I would just like you to think
12 about that, to make sure that you're getting
13 the best price that you can for your customers
14 on these RECs. And, then, --

15 CHAIRMAN HONIGBERG: Wait,
16 Commissioner Bailey. So, is there a specific
17 record request you want to make of this panel
18 or are you just asking the Company to
19 communicate to Staff its thoughts on this?

20 CMSR. BAILEY: Asking the Company to
21 communicate to Staff.

22 WITNESS GLOVER: Thank you.

23 BY CMSR. BAILEY::

24 Q. And, then, do you expect to have to pay ACPs

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 for any of the RECs that are required this
2 year? Or do you think there will be enough
3 available in the market to purchase them?

4 A. (Glover) I would expect that we may be able to
5 meet all our requirements by purchasing in the
6 market. Based on what I'm seeing here.

7 Q. Okay. Thank you. Do you -- can you explain to
8 me how the Forward Capacity Market price gets
9 factored into and allocated into the energy
10 market rates?

11 A. (Glover) So, each load-serving entity and
12 supplier who is providing energy to their
13 customers needs to not only provide the energy
14 price, but also pay for ancillary services and
15 a capacity charge. And, so, when the market
16 has cleared a market clearing price in the
17 Forward Capacity Market, that piece is getting
18 added to each load-serving entity or each
19 supplier who has to purchase for their
20 customers. So, the bigger that piece is, the
21 bigger that capacity charge is for them.

22 Q. You mean the bigger, the more costly?

23 A. (Glover) The higher the capacity -- the higher
24 the FCA clearing price, as it just adds to that

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 non-energy piece of their bid that they need
2 to -- that they're going to have to cover with
3 their customers.

4 Q. Okay. Do you know when the capacity costs get
5 allocated to suppliers, what month?

6 A. (Glover) I don't. I'm going to assume it's
7 probably June, when the rates -- when the
8 clearing price period starts.

9 Q. That's when it starts, --

10 A. (Glover) June 1st.

11 Q. -- that was my question.

12 A. (Glover) Okay. Yes. June 1st of 2017, and
13 this price will go through May 31st of 2018.

14 Q. Okay. Can you look at your testimony on
15 Page -- Bates Page 009. On Line 3, I believe
16 you say that "the current year existing
17 capacity is 2.74". Is that \$2.74 per
18 kilowatt-month? I can't find that on the ISO
19 capacity --

20 A. (Glover) It might be 3.15.

21 Q. That's what it looks like to me.

22 A. (Glover) 3.15. That would be a typo. It's
23 currently 3.15, I believe. It might have been
24 2.74 the prior year, but it's currently 3.15.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 I don't have prior to FCA 7 here in my notes.

2 Q. I don't see 2.74 on the ISO webpage at all.

3 A. (Glover) Yes.

4 Q. For any of the FCAs. So, I don't know where
5 that --

6 A. (Glover) Let's check that number. The current
7 price is 3.15.

8 Q. Okay. So, you believe that the reason that the
9 market rates for energy went up is because of
10 the difference between 3.15 per kilowatt-month
11 in the capacity market and 7.03?

12 A. (Glover) It would be 3.15 and \$15.00. The
13 current capacity price that will be in effect
14 June 1st, 2017 will be \$15.00.

15 Q. Okay.

16 A. (Glover) So, the auctions are conducted three
17 years prior to when delivery happens. So, yes,
18 we believe that.

19 Q. Okay.

20 A. (Glover) The difference that we're seeing is
21 that capacity cost.

22 Q. So, what's the reference to "7.03" on Line 21,
23 on Page 8?

24 A. (Glover) I'm sorry, which line again?

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Q. The very bottom of the page, Line 21. Oh,
2 that's the rate that we're going to. No.

3 A. (Glover) Yes. The rate we're going to is 15.

4 Q. Yes. That's why I'm confused.

5 A. (Glover) I see what the confusion is. So, for
6 FCM 8, I could have elaborated on this more
7 here, for FCA 8, the floor price was eliminated
8 from the auction. Which basically means, in
9 the past, we had enough -- there was more
10 capacity than what was needed for the auction,
11 so they were able to compete and the prices
12 went down to, you know, we saw, what, \$3.00,
13 \$2.00. The floor price was removed. And, at
14 the same time, we had a bunch of generators
15 indicating in 2014 they were going to leave the
16 market by 2017. So, what happened is there was
17 not enough capacity. So, without the capacity,
18 and without the competition from enough
19 suppliers -- or, generators, I guess is the
20 correct word, the price, the auction stopped at
21 \$15 for new generation. The \$7.03 is for
22 existing bids. So, anyone who had existing
23 capacity in the auction will get paid, they had
24 a market price rule that went into effect. New

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 suppliers were getting 15, and existing
2 suppliers were getting \$7.03.

3 Q. So, the weighted average rate of the impact on
4 the energy rates that you got as a result -- as
5 a response to the RFP is somewhere in
6 between --

7 A. (Glover) Is somewhere in between there, because
8 the suppliers are going to have to cover that
9 so they can pay those prices to the generators.

10 Q. And do the suppliers have a really good idea
11 what they're going to have to pay?

12 A. (Glover) I would imagine they would, if they're
13 following the forward capacity market.

14 Q. Because they know what their supply obligation
15 is going to be? Is it a capacity tag?

16 A. (Glover) They use -- We provide them with
17 capacity tags, the ICAP tags. We also provide
18 them load, and we provide them a forecast of
19 what we think the load will be for the period
20 that they're serving.

21 Q. Okay.

22 A. (Glover) So, they should have a pretty good
23 indication, based on the information that we
24 give them.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Q. Okay. And there wasn't a huge discrepancy
2 between bids, and you chose the lowest bid.
3 So, they're really -- this is a market rate?

4 A. (Glover) Correct.

5 Q. Okay?

6 A. (Glover) But there wasn't a lot of disparity
7 between the highest and the lowest.

8 Q. Okay. Thank you. Ms. McNamara, on Page 162,
9 in response to the question that starts on
10 Line 13, "How does UES account for credits to
11 net metering customers?", you had a discussion
12 about that with Ms. Amidon. I think I
13 understand what you were saying.

14 But my question is this. If a customer
15 has 600 kilowatt-hours of credit this year, and
16 you get recovery for that, your default service
17 customers pay as if you bought supply from that
18 customer, and next year that same customer has
19 a 1,200 kilowatt-hour credit, because they
20 haven't used the 600 from this year, do you
21 recover that 600 kilowatt-hours again next
22 year?

23 A. (McNamara) I'm afraid I won't be able to answer
24 that. I don't know much with regard to net

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 metering.

2 Q. Okay. Do you understand my question?

3 A. (McNamara) I do.

4 Q. Can you look into that?

5 CMSR. BAILEY: Could I ask that as a
6 record request?

7 CHAIRMAN HONIGBERG: Mr. Epler.

8 MR. EPLER: Yes, Mr. Chairman.

9 Commissioner Bailey, I believe that that's
10 provided for in the rules. I'm looking at --
11 trying to get the right reference -- Commission
12 Rule 903.02(f)(5). And there's -- and it
13 references how the calculation is to be made.
14 So, I believe that the rule is specific enough
15 that you cannot get paid for an accumulated
16 surplus more than once. But I guess that's,
17 you know, subject to interpretation of the
18 rule.

19 CMSR. BAILEY: Well, I certainly
20 would expect that you shouldn't get paid for it
21 more than once. Is there some way that you can
22 just verify that that is not happening by
23 accident?

24 MR. EPLER: Yes. We can certainly

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 check that and advice the Commission.

2 CHAIRMAN HONIGBERG: Do you want to
3 make that an exhibit in this docket or are you
4 just looking again for information to be
5 provided to Staff?

6 MR. EPLER: We're happy to do it
7 either way.

8 CHAIRMAN HONIGBERG: It doesn't seem
9 directly -- directly relevant to what we're
10 doing here. But I'll defer to Commissioner
11 Bailey, if she wants --

12 CMSR. BAILEY: Okay. All right. You
13 can just provide it to Staff. And, then, if
14 it's an issue, we will address it somehow.

15 CHAIRMAN HONIGBERG: So, Mr. Epler,
16 then you -- I think it sounds like you're going
17 to be providing information to Staff on this
18 one. Are you in agreement on that?

19 MR. EPLER: Yes. And I'll speak with
20 Staff counsel and make sure that we provide
21 what's necessary.

22 CHAIRMAN HONIGBERG: All right.
23 Thank you.

24 MR. EPLER: But, as I said, in

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 reading through the rule, I believe the rule
2 does not let that happen, but we will check.

3 CMSR. BAILEY: And I want you to
4 confirm that it's not happening.

5 MR. EPLER: Yes.

6 CMSR. BAILEY: Thank you.

7 BY CMSR. BAILEY::

8 Q. I think this is for Ms. McNamara. On the bill
9 impacts, on Page 199. This was calculated
10 based on a residential customer who would use
11 612 kilowatt-hours in the month?

12 A. (McNamara) Correct.

13 Q. Where does that "612" number come from?

14 A. (McNamara) The "612" is the mean usage. And,
15 if you refer to Page 201, I actually have that
16 noted that it's covering the period March 2016
17 to February 2017.

18 Q. And, in the rate case, you used an average bill
19 of 620 kilowatt-hours?

20 A. (McNamara) My suspicion, that was based on a
21 different time. If I could just back up. Like
22 I said, I think a few years ago someone had
23 asked, I'm not sure who, for a schedule which
24 now marked as "Page 3 of 11", Bates stamp

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Page 201, for bill impacts run using our mean
2 and median usage for the residential class, and
3 to have that updated regularly. "Regularly"
4 was not defined. So, we have interpreted that
5 to be every year when we do -- once a year,
6 when we do the default service filing, we'll
7 update it. And this particular year, when it
8 was run, it was used -- the period March
9 through February was used.

10 Q. Would it be possible to work with Staff and
11 maybe come up with a consistent number that
12 gets used every time, the same, maybe the same
13 among utility companies? Because, really, I
14 don't think the "mean" customer, or there is
15 really no such thing as an "average" customer,
16 is this a typical customer? You know, I mean,
17 the comparisons would be easier if we could
18 compare a customer that used 650 kilowatt-hours
19 to 650 kilowatt-hours, I think.

20 CHAIRMAN HONIGBERG: Ms. Amidon,
21 correct me if I'm wrong, this issue has been
22 batted around before among the utilities, has
23 it not?

24 MS. AMIDON: Yes, it has.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 CHAIRMAN HONIGBERG: Is there some
2 history that you can share with us briefly on
3 that or is that something that we'll have to
4 save for another day?

5 MS. AMIDON: Well, back in time, the
6 utilities uniformly used 500 kilowatt-hours as
7 the typical residential customer usage. But,
8 then, there was a growth among the use of
9 customers, and it became no longer a relevant
10 measuring point. So, at that point, the
11 Commission asked that each company calculate
12 what the typical or average use was for the
13 residential customers on a case-by-case basis.

14 I think, over time, and I was talking
15 with Mr. Chagnon about this before this
16 hearing, it appears that probably a more
17 relevant number would be to uniformly use 625
18 kilowatt-hours a month, or something like that,
19 among the three utilities.

20 But, I agree with you, it has been
21 batted around. And there has been, because the
22 prior Commission had requested utility by
23 utility analysis, we haven't got that uniform
24 information.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 CHAIRMAN HONIGBERG: Is it your
2 understanding, Mr. Epler, and you may have some
3 perspective on this as well, that the three --
4 the three electric utilities, whose prices we
5 have some control over, have roughly the same
6 averages that they would be -- that apply?
7 Anyone?

8 CMSR. BAILEY: I know.

9 MR. EPLER: We can certainly agree to
10 provide a standard average kilowatt-hours, so
11 that you have that and can make that
12 comparison. We can, just by agreement, --

13 CHAIRMAN HONIGBERG: We can make it
14 so.

15 MR. EPLER: -- we can make it so. We
16 can provide it in increments. I mean, I see
17 that on Bates stamp 203, we show average use
18 broken down in other categories. So, we can
19 certainly provide 625, 650, whatever is
20 necessary, so that you have the information you
21 need and don't have to pull out a calculator to
22 try to figure out where things are between the
23 companies.

24 CHAIRMAN HONIGBERG: Commissioner

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Scott, you had something on this?

2 CMSR. SCOTT: Well, I was just going
3 to comment, as Attorney Amidon mentioned, we
4 had used consistent numbers. The problem is
5 is, as growth -- load growth changes from
6 customers, then we end up in this -- we're not
7 being -- you know, we're effectively
8 advertising something that's probably not real
9 anymore. I don't disagree. It would be nice
10 to be able to compare apples and apples.
11 But -- and perhaps Attorney Epler just landed
12 on a solution that would maybe work for me. I
13 do like the mean and median. But perhaps we
14 could also use a representative X number, so
15 that way we can compare it to other utilities.
16 But we would like them to go just to a number,
17 because it gets stale very quickly.

18 CHAIRMAN HONIGBERG: Yes. I'm with
19 you, Commissioner Scott. That it's useful to
20 have a table like is on Page 203. I think it's
21 useful to know what this Company's mean and
22 median are, and I think they're different. I
23 have some memory of having discussions with
24 Staff that, in effect, our three utilities do

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 have different profiles of what their "average"
2 residential customer looks like.

3 But, you know, it sounds like that
4 the data can be sliced any number of ways,
5 particularly when you're just doing math,
6 because that's all you're doing when you're
7 applying the rate to a different usage profile.
8 Isn't that right, Ms. McNamara?

9 WITNESS McNAMARA: That is correct,
10 yes. I think that's why now this particular
11 schedule is the longest of all my schedules.

12 *[Laughter.]*

13 CMSR. BAILEY: Sorry.

14 WITNESS McNAMARA: No. I'll give you
15 whatever you want.

16 MS. AMIDON: Good answer.

17 CMSR. BAILEY: Thank you.

18 MR. EPLER: We will, to quote Star
19 Trek, "make it so". And, in the next filing,
20 we will break down the schedule that you see on
21 Bates 203 --

22 *[Court reporter interruption.]*

23 MR. EPLER: We will break down at a
24 finer level, so that you have that information

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 that we discussed.

2 CMSR. BAILEY: Thank you.

3 MR. EPLER: The other thing to
4 standardize might be the period of time, to
5 make sure that you're getting a year's worth
6 that's a similar year for all the companies.
7 In other words, --

8 CHAIRMAN HONIGBERG: But 12 months
9 are 12 months. And, unless there's some -- I
10 am not sure how that's going to affect things.
11 I mean, obviously, if you have a particularly
12 mild stretch, and someone didn't include that
13 in their year where somebody else did --

14 MR. EPLER: Well, it's --

15 CHAIRMAN HONIGBERG: I don't know,
16 humor me. What are you thinking of? What are
17 you thinking here?

18 MR. EPLER: Because, historically, it
19 depends which 12 months. If you're dropping
20 off a month that may have been particularly
21 cold or particularly hot, that may affect your
22 usage. So, I think you'd want to have a
23 standard 12 months that you know that you're
24 going from, you know, June 1 of 2017 to May 31

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 of 2018.

2 CHAIRMAN HONIGBERG: I hear you. But
3 it seems to me that what you need to do to
4 avoid anomalies is have blended information.
5 So that you look at the last three years
6 average information, that's how you play out
7 abnormal stretches. It's not by changing which
8 month you start in. Because, if you're playing
9 around with that, you're always going to be
10 wrong. You just got to decide what 12 months
11 you want to use and stick with it. And it
12 doesn't matter if you use a different 12 months
13 from another, if you're using enough years'
14 data, then you're going to end up with a
15 comparable number.

16 I mean, yes, I suppose, if we could
17 all agree, if all the utilities agreed we'd go
18 from the same start date to the same end date,
19 you're going to have more likely perfect
20 comparisons. But 12 months are 12 months, and,
21 on average, things are going to even out.

22 CMSR. BAILEY: And everybody makes
23 this filing in a different month. Well, maybe
24 Staff could work with all three utilities and

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 you guys could come up with way that we could
2 compare.

3 CHAIRMAN HONIGBERG: I actually want
4 to circle back to something, Ms. McNamara, you
5 said in the beginning of your answer to
6 Commissioner Bailey that started us down this
7 road, because it was about the rate case. And
8 you didn't know for sure, but at least one
9 possible explanation for why that number was
10 different is you were using -- that rate case
11 was about a particular test year. And you
12 were -- I'm not going to put words in your
13 mouth, but that rate case may have used the
14 averages for that year.

15 WITNESS McNAMARA: That's very
16 likely.

17 CMSR. BAILEY: Okay.

18 BY CMSR. BAILEY::

19 Q. Can you turn to Page 208 please? Now, this
20 table does not include the increases that
21 customers will see on May 1st from the rate
22 case?

23 A. (McNamara) Correct. Nothing in this filing
24 includes that.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Q. Okay. So, the customer charge is going to go
2 up to \$15, right?

3 A. (McNamara) Okay.

4 Q. Oh. Were none of you involved in the rate
5 case?

6 A. (McNamara) No.

7 A. (Glover) No.

8 Q. Okay. All right. Then, I won't ask those
9 questions. The Stranded Cost Charge, in 2016,
10 it was a charge of 0.018 cents, and now it's a
11 credit of 0.018 cents?

12 A. (McNamara) Correct.

13 Q. Why is that?

14 A. (McNamara) In part, I'll have to recall this is
15 now coming up to close to a year old, there was
16 an over collection. And the other part I would
17 actually need to refer to Ms. Glover, if she
18 can recall the contract release payments?

19 A. (Glover) Oh. Right. If I understand this
20 correctly, we, about a year or so ago,
21 implemented longer term contracts for our
22 transmission lines. So, we were getting -- so
23 we broker our transmission out because we --
24 through Green Mountain Power. And we have had

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 short-term contracts. We now have longer term,
2 up to about a year, in our contracts. So, we
3 are getting more revenue in from those
4 contracts. Which is offsetting the costs that
5 we have associated with the transmission.

6 Q. But this credit is exactly what people paid
7 last year. So that means, on net, between the
8 two years, the cost would be zero or the
9 stranded cost would be zero?

10 A. (Glover) I don't recall.

11 A. (McNamara) No. The stranded costs were --
12 well, I don't recall if they were a credit, the
13 costs themselves, if they were credit. There
14 was definitely a over collection included. I,
15 unfortunately, don't have any of that filing
16 with me.

17 CHAIRMAN HONIGBERG: I have a vague
18 memory of this that it was just -- it just was
19 a happy coincidence that the result of the over
20 collection moved you from the same absolute
21 value, just going from positive to negative or
22 negative to positive. Is that --

23 WITNESS McNAMARA: Well, for sure it
24 was a coincidence, yes. That the number

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 happened to just flip. But I don't remember
2 what specifically is feeding into that rate to
3 make that happen. If it was simply the
4 reconciliation amount, or if it was also a
5 change in the costs that are included.

6 CHAIRMAN HONIGBERG: Right.

7 CMSR. BAILEY: Okay.

8 BY CMSR. BAILEY::

9 Q. And, Mr. Nawazelski, do you know if cash
10 working capital was addressed during the rate
11 case?

12 A. (Nawazelski) Yes, it was.

13 Q. And is this different than that?

14 A. (Nawazelski) I believe the last year's study
15 was matched up with what went into the rate
16 case. So, this is a different study than was
17 performed in the most recent rate case.

18 Q. But it's specific to just your purchases of
19 RECs and supply?

20 A. (Nawazelski) Correct.

21 CMSR. BAILEY: Okay. Okay, I think
22 that's all I have. Thank you.

23 BY CHAIRMAN HONIGBERG::

24 Q. Ms. McNamara, a couple questions about the REC

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 reconciliation. For a number of years,
2 specifically with respect to Class III, the
3 Commission has reduced the requirement from
4 8 percent down to a number much lower. You
5 remember that, right?

6 A. (McNamara) Uh-huh.

7 Q. In each of the filings that you've been doing,
8 you've assumed the 8 was going to hold. You've
9 collected from -- you've made the proper adder
10 to the rates and collect from the customers as
11 if it were going to be 8, and then adjusted,
12 and then that's always been shown as an over
13 collection. But, year over year, because we
14 had done it every year, those numbers tended to
15 wash out. Would you agree with that? Roughly?
16 I mean, with some variance?

17 A. (McNamara) I'm unclear what you mean "wash
18 out"?

19 Q. That the customers don't actually see a
20 significant change as a result of that,
21 because, although you've collected assuming 8,
22 and had a refund, the next year it's the same
23 thing and it happens again.

24 A. (McNamara) Correct.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Q. Well, that -- the plates are about to stop
2 spinning. When is that going to hit customer
3 bills? Or, maybe not customer bills, but your
4 bottom -- your books, and then filter through
5 to customers?

6 A. (McNamara) I believe that should be -- well,
7 because we only include the reconciliation once
8 a year, I believe that should be next year at
9 this time, when we reconcile again. Because,
10 at that point in time, we'll be reconciling
11 2016 RECs, which we'll be finished purchasing
12 or paying the ACP in June of this year. So,
13 come next year at this time, because the
14 8 percent hasn't been used now since, I
15 believe, a year ago approximately, give or
16 take?

17 A. (Glover) The 8 percent went into effect January
18 of this year.

19 Q. I don't think it's ever been 8 percent.

20 A. (Glover) Until this year.

21 Q. Right.

22 A. (Glover) Right.

23 Q. It was a lower number, it was ramping up. And,
24 then, a few years ago the Commission saw a jump

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 to 8 in the statute, but said that there's not
2 going to be that many RECs, and so reduced the
3 amount. As Ms. Glover said, this is the first
4 year, 2016, when 8 is actually going to be the
5 requirement.

6 So, Ms. McNamara, is what's going to
7 happen is you're going to continue to collect,
8 as you have in the past, as if it were
9 8 percent. But, then, when you're done making
10 your payments and acquiring RECs, you're not
11 going to have the same level of over
12 collection, correct?

13 A. (McNamara) Correct.

14 Q. And do you think that's going to happen next
15 year or is it actually going to happen the year
16 after that, because you're going to finish your
17 2017 --

18 A. (McNamara) You're right.

19 Q. -- procurements in the middle of 2018?

20 A. (McNamara) It may be the year after that. The
21 lag in time is --

22 Q. Confusing.

23 A. (McNamara) Yes. Thank you.

24 CHAIRMAN HONIGBERG: All right. I

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 think that's all I wanted to ask about.

2 Mr. Epler, do you have any further
3 questions for your witnesses?

4 MR. EPLER: No, I do not. And I kept
5 notes of things that we have to either work out
6 with the Staff or provide in our next filing.
7 So, I don't think I have any questions. Thank
8 you.

9 CHAIRMAN HONIGBERG: All right. If
10 there's nothing else, I assume there's no
11 objection to striking ID on Exhibits 1 and 2?

12 *[No verbal response.]*

13 CHAIRMAN HONIGBERG: Then, we'll do
14 that. Anything else before the parties sum up?

15 *[No verbal response.]*

16 CHAIRMAN HONIGBERG: All right.
17 Mr. Buckley, you may proceed.

18 MR. BUCKLEY: Thank you, Mr.
19 Chairman. The OCA sees the default service
20 power supply costs outlined in this Petition as
21 reasonable, and recommends that they be
22 approved for inclusion in rates, so long as the
23 opportunity for reconciliation associated with
24 the Lead/Lag Study is reserved for intervening

1 parties, should it become necessary upon
2 further review.

3 CHAIRMAN HONIGBERG: Ms. Amidon.

4 MS. AMIDON: Thank you. Staff has
5 reviewed the filing, and has concluded that the
6 Company's solicitation, bid evaluation, and
7 selection of suppliers for the six-month period
8 beginning June 1, 2017 conforms with Commission
9 orders, and that the resulting rates are
10 market-based and it's a result of a competitive
11 process. So, we believe the resulting rates to
12 recover the power costs through rates will be
13 just and reasonable, as required by 374:1, and
14 we request that the Commission approve the
15 Petition.

16 I will add, Staff has reviewed the
17 Lead/Lag Study. And we have no issues with the
18 study at this point and would recommend
19 acceptance. However, should the OCA require
20 additional time to review the study, we would
21 be happy to defer approval until such time as
22 they have completed their review.

23 CHAIRMAN HONIGBERG: Mr. Epler.

24 MR. EPLER: On the issue of the

1 Lead/Lag Study, the Company is quite willing to
2 allow that to remain unapproved for the time
3 being, until parties are satisfied that the
4 calculations are accurate.

5 As far as the other relief
6 requested, --

7 CHAIRMAN HONIGBERG: Let me stop you
8 there, Mr. Epler. Then, how are we going to
9 resolve that? Is the OCA going to make a
10 filing in this docket informing everyone as to
11 what its position is? Is that how that gets
12 resolved? Mr. Epler? Ms. Amidon?

13 MR. EPLER: Typically, that is how
14 it's been done in the past. It was Staff that
15 took the lead and would file a memo in the
16 docket indicating that they have completed
17 their review.

18 CHAIRMAN HONIGBERG: All right. So,
19 Mr. Buckley, you will let Staff know, and then
20 Staff will make a filing in the docket?

21 MR. BUCKLEY: Absolutely, Mr.
22 Chairman.

23 CHAIRMAN HONIGBERG: All right. I'm
24 sorry to interrupt, Mr. Epler.

1 MR. EPLER: No, that's quite all
2 right. I was just going to draw the
3 Commission's attention to our Petition where we
4 have our request for relief.

5 And I have nothing further to add.

6 CHAIRMAN HONIGBERG: All right.
7 Well, thank you all. We will adjourn and issue
8 an order as quickly as we can.

9 MR. EPLER: Thank you.

10 ***(Whereupon the hearing was***
11 ***adjourned at 2:56 p.m.)***