

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

June 21, 2017 - 1:36 p.m.
Concord, New Hampshire

24 JUL '17 PM12:57

RE: DE 17-058
LIBERTY UTILITIES (GRANITE
STATE ELECTRIC) CORP. d/b/a
LIBERTY UTILITIES:
*2017 Schedule for Default
Service Solicitations.*

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (Granite
State Electric) Corp. d/b/a
Liberty Utilities:
Michael J. Sheehan, Esq.

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

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Paul B. Dexter, Esq.
Jay Dudley, Electric Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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WITNESS PANEL: HEATHER M. TEBBETTS
JOHN D. WARSHAW

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Liberty (Granite State Electric) Energy Service Reconciliation filing, including the Direct Testimony of Heather M. Tebbetts, with attachments, dated 05-24-17	5
2	Liberty (Granite State Electric) Default Service Rates filing dated 06-19-17 {CONFIDENTIAL & PROPRIETARY}	5
3	Liberty (Granite State Electric) Default Service Rates filing, including the Direct Testimony of John D. Warshaw, with attachments, the Technical Statement of Heather M. Tebbetts, with attachments, dated 06-19-17, and also including Tab 9 - Correction to Large Customer Group table at Bates 65 of Heather M. Tebbetts' Technical Statement filed on 06-23-17	5

P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here in Docket 17-058, which is Liberty Utilities (Granite State Electric) Default Service proceeding, I think.

MR. SHEEHAN: Yes.

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

MR. SHEEHAN: Good afternoon, Commissioners. Mike Sheehan, for Liberty Utilities (Granite State Electric).

MR. BUCKLEY: Good afternoon, Commissioners. Brian Buckley, with the Office of the Consumer Advocate, representing the interests of residential ratepayers.

MS. AMIDON: Good afternoon. I'm Suzanne Amidon for Commission Staff. And my colleague, Paul Dexter, is also co-counsel in this docket, and he'll have some questions for the witnesses. To his left is Jay Dudley, an analyst with the Electric Division. Thank you.

CHAIRMAN HONIGBERG: I'll note the record --

[Court reporter interruption.]

1 CHAIRMAN HONIGBERG: I'll note for
2 the record Commissioner Scott will not be
3 participating in this docket.

4 What do we need to know before we get
5 started? I have a red folder here. Mr.
6 Sheehan?

7 MR. SHEEHAN: Yes. We have
8 marked three exhibits. Exhibit 1 is the
9 Testimony of Heather Tebbetts filed May 24th.
10 There is nothing confidential in that.
11 Exhibit 2 is the confidential version of the
12 filing received on June 19th, which consists of
13 the Testimony of John Warshaw and Ms. Tebbetts'
14 Technical Statement. And Exhibit 3 is the
15 redacted version of Exhibit 2.

16 (The documents, as described,
17 were herewith marked as
18 **Exhibit 1, Exhibit 2,** and
19 **Exhibit 3,** respectively, for
20 identification.)

21 MR. SHEEHAN: And the only other
22 preliminary thing I have is we have noted that
23 the basis for the confidential treatment of the
24 language in Exhibit 2 is a rule, and I miscited

1 the rule in my cover letter. It's "Puc
2 201.06(a)(15)". And that's a rule that renders
3 that material -- materials related to default
4 service proceedings confidential without a
5 formal motion and order, subject to the
6 disclosure process of 201.07. Thank you.

7 CHAIRMAN HONIGBERG: Okay. We won't
8 hold against you the citing of the wrong rule.

9 Anything else we need to know?
10 Ms. Amidon.

11 MS. AMIDON: Does that mean you
12 accept the confidential information as
13 submitted?

14 CHAIRMAN HONIGBERG: Yes. I think
15 that's not -- I don't even think we need to
16 rule on that. But, yes, we do.

17 MS. AMIDON: Thank you.

18 CHAIRMAN HONIGBERG: Anything else?

19 MR. SHEEHAN: No, sir.

20 CHAIRMAN HONIGBERG: The witnesses
21 are in place. Mr. Patnaude.

22 (Whereupon **Heather M. Tebbetts**
23 and **John D. Warshaw** were duly
24 sworn by the Court Reporter.)

1 CHAIRMAN HONIGBERG: Mr. Sheehan, you
2 may proceed.

3 **HEATHER M. TEBBETTS, SWORN**

4 **JOHN D. WARSHAW, SWORN**

5 **DIRECT EXAMINATION**

6 BY MR. SHEEHAN:

7 Q. Ms. Tebbetts, your name and position with the
8 Company please.

9 A. (Tebbetts) My name is Heather Tebbetts. I'm an
10 Analyst in our Rate and Regulatory Group at
11 Liberty Utilities. I work for Liberty
12 Utilities Service Corp., and am responsible for
13 rate-related services for Granite State
14 Electric.

15 Q. And there are two documents in this filing with
16 your name on it. The first is Exhibit 1, the
17 testimony you filed in May. And what was the
18 purpose of that testimony?

19 A. (Tebbetts) The purpose of that testimony was to
20 provide preliminary information about the
21 reconciliation for the period of August 2016
22 through July 2017 Default Service.

23 Q. And, with regard to that testimony that's been
24 marked as "Exhibit 1", if I were to ask you the

[WITNESS PANEL: Tebbetts~Warshaw]

1 same questions today orally, would your answers
2 be the same?

3 A. (Tebbetts) Yes.

4 Q. And there are no changes or modifications to
5 your testimony?

6 A. (Tebbetts) No.

7 Q. And do you adopt that testimony here today?

8 A. (Tebbetts) Yes.

9 Q. Part of Exhibit 2 and 3 is a technical
10 statement that you authored, which appears at
11 Bates 063 through 082. What was the purpose of
12 that technical statement?

13 A. (Tebbetts) The purpose of the technical
14 statement was to provide updates to the May
15 23rd filing, as well as incorporate the bid
16 prices that we accepted as part of our rates
17 filing, and to incorporate those rates into the
18 reconciliation for August 1st, 2017.

19 Q. Thank you. Mr. Warshaw, your name and position
20 with the Company please.

21 A. (Warshaw) John D. Warshaw, Manager of Energy
22 Supply. And I work for Liberty Utilities
23 Service Corp.

24 Q. And the documents that you authored in this

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[WITNESS PANEL: Tebbetts~Warshaw]

1 proceeding are the confidential and public
2 versions of Exhibits 2 and 3, respectively. Do
3 you have any changes or supplements to that
4 testimony?

5 A. (Warshaw) The only supplement I have is the
6 Company that was awarded, Direct Energy
7 Business Marketing, recently, as the result of
8 a merger, previously, the Company that we dealt
9 with was known as "Energy America".

10 Q. And there's a reference in your testimony that
11 the master contract with Direct Energy was
12 filed in the Commission back in 2014, but, in
13 fact, that prior contract was under the old
14 name, is that correct?

15 A. (Warshaw) Yes.

16 Q. Other than that, are there any changes to your
17 testimony?

18 A. (Warshaw) No.

19 Q. And, if I were to ask you the questions today
20 that are in writing, would your answers be the
21 same?

22 A. (Warshaw) Yes.

23 Q. And do you adopt that testimony here today?

24 A. (Warshaw) Yes.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 MR. SHEEHAN: Thank you. I have no
2 further questions.

3 CHAIRMAN HONIGBERG: Mr. Buckley.

4 **CROSS-EXAMINATION**

5 BY MR. BUCKLEY:

6 Q. If I may, I will start with Ms. Tebbetts.
7 Ms. Tebbetts, on the filing number
8 "Exhibit B" [Exhibit 1?], Schedule HMT-5,
9 Page 1 Line 2, --

10 CHAIRMAN HONIGBERG: What Bates Page
11 is that? And you're talking Exhibit 2, right?

12 MR. BUCKLEY: Exhibit 1, actually.
13 The May 19th filing.

14 CHAIRMAN HONIGBERG: Okay.

15 WITNESS TEBBETTS: What Bates Page
16 was that? I'm sorry.

17 MR. BUCKLEY: Bates Page 016.

18 WITNESS TEBBETTS: Okay. I'm there.

19 BY MR. BUCKLEY:

20 Q. So, I just have one question about Line 2. And
21 this is actually derived from some discovery
22 that was issued, I believe, by Staff. And my
23 question is, I believe that there may have been
24 inadvertently revenues that were not included

[WITNESS PANEL: Tebbetts~Warshaw]

1 in this instance, and then revised for the
2 Exhibit 2. And I'm just wondering if you can
3 tell me exactly what revenues those would be
4 that were then included in Exhibit 2?

5 A. (Tebbetts) Sure. So, what we would do to
6 calculate an accrual is we would look at the
7 unbilled portion for August -- or, for July,
8 really, that would be incorporated into Line 2,
9 and also the expense associated. So, what I
10 did, I inadvertently omitted that line. And,
11 so, what I did for the Exhibit 2, on this
12 HMT-5, Page 1 of 2, is I added actually Line 3,
13 which provides the expense, and then Line 2 I
14 made the revenue, which is an unbilled
15 kilowatt-hour calculation. So, we're, you
16 know, we're including the unbilled revenues in
17 that piece.

18 Q. Thank you, Ms. Tebbetts. Actually, just one
19 more question for you. And this is on your
20 technical statement, in Exhibit 2, Bates Page
21 065, I believe.

22 A. (Tebbetts) I'm there.

23 Q. So, I think this characterizes the bill impact
24 for residential customers as somewhere around

[WITNESS PANEL: Tebbetts~Warshaw]

1 6 percent. I think it's 5.92 percent?

2 A. (Tebbetts) Yes.

3 Q. Can you give me some indication of what that
4 increase might be from?

5 A. (Tebbetts) Okay. So, it's a combination. A
6 combination of the base Energy Service rates,
7 which are what the final bid prices are. Those
8 were higher. And Mr. Warshaw can elaborate on
9 that. We also have the Energy Service
10 Adjustment Factor, which is the second line, if
11 you look above the "Bill Impacts" on Page --
12 Bates Page 065. You have the Energy Service
13 Cost Reconciliation Adjustment Factor and RPS.
14 So, when you look at all of those combined, the
15 rates are slightly higher due to some
16 increases. RPS is slightly higher. And I
17 believe, for the Small Customer Group, let me
18 just go to -- I'm on Bates Page 068. I'm just
19 looking at the residential rates, just to
20 familiarize myself with the different pieces
21 here.

22 I believe that the -- if you look at Bates
23 Page 068, in Exhibit 2, I believe that the
24 Line 11 is higher than last year, and that is a

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[WITNESS PANEL: Tebbetts~Warshaw]

1 combination of factors, such as the under
2 recovery of Energy Service expenses, and it's
3 all laid out on Bates Page 072.

4 So, we've included the accrual. It is
5 offset, though, by the RPS over collection,
6 which was significant this year.

7 Q. Okay. Thank you very much, Ms. Tebbetts. Mr.
8 Warshaw?

9 A. (Warshaw) Yes.

10 Q. Just a few questions for you. First, I wanted
11 to ask, Ms. Tebbetts mentioned you might be
12 able to shed a little bit more light on what
13 may be driving the bill increase for
14 residential customers, if you care to comment
15 on that?

16 A. (Warshaw) Yes. The major piece that is driving
17 this is the increase in the cost of the Forward
18 Capacity Market. ISO, on June 1st, the costs
19 almost doubled. And, as a result of that
20 doubling, that increased the cost for our
21 suppliers to serve that load.

22 Q. And was this doubling for the -- was it for the
23 2018 commitment period or 2017?

24 A. (Warshaw) It's for the power year, which starts

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[WITNESS PANEL: Tebbetts~Warshaw]

1 June 1st of 2017 through May 31st of 2018. So,
2 in May of 2017, the costs was like \$3.15 a
3 kilowatt-month, and now the cost is about \$7.03
4 a kilowatt-month. And that was the result of
5 the auction that ISO-New England ran a couple
6 years ago.

7 Q. And would you agree that, in years subsequent
8 to 2018, those capacity prices, which are
9 derived from the ISO auctions, will be heading
10 in a downward direction?

11 A. (Warshaw) Yes.

12 Q. Okay. One more question for you. And if I
13 could ask you to turn to Schedule JDW-1,
14 Page 24.

15 A. (Warshaw) Yes.

16 Q. So, here we have what right now are the
17 Renewable Portfolio Standard requirements that
18 are involved in this solicitation. So, my
19 question for you is can you describe the
20 magnitude of impact on rates, generally, if the
21 Legislature were to, say, raise the 2018 Class
22 II RPS to 1.1 percent, rather than the 0.3 that
23 I think it is now? I don't need any specifics,
24 just a general assessment of what type of

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1 impacts there would be.

2 A. (Warshaw) It would possibly increase the cost.
3 You know, increasing the required volume may
4 also cause, if the -- cause the actual market
5 prices to go up, if the available RECs for that
6 market are not enough to meet the demand, and
7 possibly you could even end up paying the ACP,
8 the Alternative Compliance Payment if I was
9 unable to secure RECs to meet that requirement.

10 MR. BUCKLEY: Okay. Thank you, Mr.
11 Warshaw. No further questions.

12 CHAIRMAN HONIGBERG: Ms. Amidon.

13 MS. AMIDON: Thank you. I'm going to
14 allow Attorney Dexter to ask his questions
15 first. Thank you.

16 CHAIRMAN HONIGBERG: Mr. Dexter.

17 MR. DEXTER: Thank you.

18 BY MR. DEXTER:

19 Q. Ms. Tebbetts, I'd like to direct your attention
20 to Exhibit 2, Bates 072, which is the schedule
21 that Attorney Buckley was asking you about.

22 A. (Tebbetts) I'm there.

23 Q. So, Lines 2 and 3 are the accruals that
24 Attorney Buckley mentioned. Could you just

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[WITNESS PANEL: Tebbetts~Warshaw]

1 explain, in general, what those accruals are?

2 A. (Tebbetts) Sure. So, for Line 2, the "Unbilled
3 Accrual Estimate" is, high level, we have a
4 billing month, and in that billing month, so
5 we'll give July and August as the example,
6 customers will receive a bill in August, and
7 all of those kilowatt-hours are not just for
8 August. Certainly, we assume it's a July 16
9 through August 15 period. And, so, we have to
10 account for the fact that we are incurring
11 expenses and revenues, but not -- due to the
12 fact that it's not a calendar month, we have to
13 make an entry on the books, in a sense, an
14 accrual entry, to say, okay, we know that
15 there's going to be revenues and expenses in
16 the month of August that are part of your "July
17 bill", we'll call it. And, so, we call it an
18 "unbilled accrual estimate". And that's what
19 the 1.56 million is.

20 Q. And Line 2 is accrued revenues, is that right?

21 A. (Tebbetts) That is correct. That is a revenue
22 calculation.

23 Q. And what about Line 3? Isn't it correct that
24 that's accrued expenses?

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[WITNESS PANEL: Tebbetts~Warshaw]

1 A. (Tebbetts) That is an accrued expense. And,
2 so, we come up with that number based on a
3 contract price for the month of August, and
4 multiply that times the estimated
5 kilowatt-hours we expect to sell, which is
6 then, of course, an incurred cost to us, based
7 on our power contract.

8 Q. These numbers are about a million dollars
9 difference. Would you expect them to be
10 closer?

11 A. (Tebbetts) Yes. So, the way that we do our
12 bookkeeping is that the unbilled accrual
13 estimate is booked for that what I'll call it
14 15 days, on average, 15 days through the month
15 of August, certainly in that, like I said,
16 July/August bill. But then we book the full
17 month of accrual purchase power estimate,
18 because it's -- the way that we -- the way that
19 we do our journal entry, we pay it on a
20 calendar month. So, unlike your bill, where we
21 assume we don't -- we're billing on a billed
22 period, the expenses occur in a calendar month.
23 And, so, the entry reflects that. And that's
24 why you see about a million dollars difference.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 Q. And this is the first time that this accrual
2 calculation is included on this schedule, is
3 that correct?

4 A. (Tebbetts) Yes.

5 Q. And that's as a result of the Settlement in
6 Granite State's recent rate case, is that
7 correct?

8 A. (Tebbetts) Yes.

9 Q. So, looking forward to the next filing, what
10 would we expect to see on these accrual lines?
11 Would we see a reversal, for example?

12 A. (Tebbetts) Yes. So, I'm more than happy to
13 design this page with this, not new, but the
14 information, some of the information is new,
15 either to net out the reversal, which I'll
16 explain in one moment, and the purchase power,
17 or to add two line items.

18 But, in essence, what will happen is, I
19 will take, in next year's reconciliation, I'll
20 take that 1.563 million, and net that out to
21 the actual revenues we received, and then add
22 in our new accrual for next year, and do the
23 same thing with the purchase power estimate,
24 which, for August, we'll see what it is, net

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[WITNESS PANEL: Tebbetts~Warshaw]

1 that out, and then add in our new estimate for
2 2018.

3 Q. So, the difference between what we see next
4 time should be much less than this million
5 dollars that we're seeing this time, is that
6 true? Would you expect that?

7 A. (Tebbetts) I would expect that.

8 Q. Okay. Could you -- is there a reference, I'm
9 talking about Line 3, in the May filing there
10 was a reference to how the estimate was
11 derived. And in the filing that just came in
12 more recently, on Exhibit 2, there was no
13 reference for the derivation of Line 3. Could
14 you explain why that is?

15 A. (Tebbetts) So, the reference on Line 2, in the
16 May filing, was more or less to note that we
17 didn't have the bid prices yet. And, so, my
18 number was merely what we expected from August
19 of 2016. So, I didn't have anything. And, so,
20 once we get the bid prices accepted, then I was
21 able to have a real number, what I'll call a
22 "real number", because using August of 2016 is
23 not necessarily a good number, but it's a good
24 proxy at the May 23rd filing date. And, so, I

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1 wanted Staff to, and others, to be aware that
2 this number is actually last year's
3 estimated -- now the last year's actual cost
4 expense for the month. And, so, I did not note
5 it on here, because this is based on an actual
6 bid price.

7 MR. DEXTER: Okay. Thank you.

8 MS. AMIDON: Thank you. Good
9 afternoon.

10 BY MS. AMIDON:

11 Q. Ms. Tebbetts, you indicated that the RPS over
12 collection was substantial for this
13 reconciliation. Could you explain why?

14 A. (Tebbetts) Yes. Let me --

15 Q. I don't know if it had something to do with
16 Class III or if it was something else.

17 A. (Tebbetts) My apologies. I moved my papers to
18 the front, couldn't find them.

19 So, one of the reasons why we have such a
20 significant -- or, what I consider a
21 significant over collection, is that last year,
22 when we looked at the rates, at the market
23 prices and the ACP, Mr. Warshaw provides that
24 in his tables, when we take a look at what

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1 we're going to contract or expected to
2 contract, we had expected to pay an ACP amount
3 for multiple RPS requirements, but it was a
4 significant amount, about -- I want to say
5 about \$700,000. And we actually -- Mr. Warshaw
6 was actually able to procure all of the RECs at
7 prices below ACP. So, we didn't have to pay
8 any ACP this year, which is a significant
9 benefit to customers, as now they're going to
10 see that refund. But it created a large over
11 recovery.

12 Q. Great. Thank you. Mr. Warshaw, did the
13 Company issue this RFP in the same manner that
14 it has previously conducted these
15 solicitations?

16 A. (Warshaw) Yes, it did.

17 Q. And, so, it was issued in compliance with the
18 Commission orders, various Commission orders
19 regarding Liberty's default service
20 solicitations?

21 A. (Warshaw) Yes.

22 Q. And, if I look at Bates Page I think it's 040
23 and 041, and let me know when you're there
24 please.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 A. (Warshaw) I'm there.

2 Q. And I'm looking at the redacted information on
3 each of the two pages. This indicates the
4 number of bidders you had in both the
5 indicative and the final bid, is that right?

6 A. (Warshaw) Yes.

7 Q. Okay. Thank you. This is just sort of a
8 housekeeping question. If we go to Bates Page
9 009 -- wait a minute, I wonder if I'm in the
10 right place. Hold one second please.

11 Yes. It's actually -- thank you. It's
12 actually Bates 011. And let me know when
13 you're there.

14 A. (Warshaw) I'm there.

15 Q. Okay. So, in the first paragraph, which
16 begins -- your answer which begins at Line 3,
17 you reference a RFP for May 1 -- that issued
18 May 1 for compliance with the Resource -- the
19 Renewable Portfolio Standard requirements. Is
20 that right?

21 A. (Warshaw) Yes.

22 Q. And, then, when we look further down the page,
23 at Line 17, if you look at that sentence, you
24 reference "two RPS solicitations". So, is this

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[WITNESS PANEL: Tebbetts~Warshaw]

1 a solicitation that occurred last year?

2 A. (Warshaw) We do -- with each issuance of an
3 energy supply RFP, we, at the same time, issue
4 an RFP for RPS RECs. And, yes, we end up with
5 a blend of RPS prices from two different
6 periods.

7 Q. Okay. So, when you reference the "RPS
8 solicitation", you reference the additional
9 one, that is the RPS adder that you request in
10 connection with the energy procurement, is that
11 right?

12 A. (Warshaw) Yes.

13 Q. Okay. Thank you for clarifying that. How did,
14 and you can answer this generally, I'm not
15 asking for confidential information, but how
16 did the results of this bid and the winning
17 bidder, how do those results compare with the
18 forecast electric market? You know, and I
19 forget what the appropriate terminology is, but
20 you know what I'm looking for, right?

21 A. (Warshaw) Yes. The bids were, you know,
22 reasonably reflective of the forecast of the --
23 what the bid prices would be for this RFP.

24 Q. Okay. And do you also compare that with the

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1 forward gas markets?

2 A. (Warshaw) Yes, I do.

3 Q. And how did that -- how did that compare?

4 A. (Warshaw) The forward gas prices are up by, you
5 know, 4 percent, but our prices are up by
6 27 percent. And I can attribute a major
7 portion of that to the change in the Forward
8 Capacity Market.

9 Q. Thank you. Yes. We've heard that from other
10 utilities as well. Thank you. And you -- I
11 think Ms. Tebbetts referred to the calculation
12 of the RPS adder. And, on Page -- Bates Page
13 053, there is an exhibit "RPS Cost Adder
14 Calculation". So, let me know when you're
15 there.

16 A. (Warshaw) I'm there.

17 Q. Okay. So, essentially, and this depicts the
18 blending that the Company does of market prices
19 and ACPs to determine the appropriate RPS adder
20 level, is that right?

21 A. (Warshaw) That's correct. And, for this
22 solicitation and for this Energy Service
23 pricing, I used -- I was able to use
24 exclusively market prices. And, for the 2017,

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[WITNESS PANEL: Tebbetts~Warshaw]

1 I actually used a blend of what I have
2 purchased already and what I received in bids
3 on June 5th.

4 Q. Uh-huh.

5 A. (Warshaw) And, for 2018, I just carried forward
6 the market prices.

7 Q. Okay.

8 A. (Warshaw) It's only for one month, and I
9 assumed that any real market changes are not
10 going to, you know, it wouldn't impact that one
11 month in 2018. And, hopefully, I'll be able to
12 get 2018 RECs when I go out for bids in six
13 months.

14 Q. We hope so, too. So that for -- in terms of
15 the cent per kilowatt-hour, it's 0.411 cents
16 per kilowatt-hour an RPS adder?

17 A. (Warshaw) Correct.

18 Q. Okay. And that's the same for both the Large
19 Customer Group and the Small Customer Group, is
20 that right?

21 A. (Warshaw) Yes.

22 Q. Okay. So, I know we've visited this schedule
23 before, but, if we go to Page 65, and I believe
24 this is in Ms. Tebbetts's, in your testimony,

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[WITNESS PANEL: Tebbetts~Warshaw]

1 what is depicted -- let me know when you're
2 there. I'm sorry.

3 A. (Tebbetts) I'm there.

4 Q. Okay. So, what's depicted in the table that
5 heads "Large Customer Group" are the wholesale
6 prices that vary from month to month, the
7 additional adders, and then the total price, is
8 that right?

9 A. (Tebbetts) Yes. And one of the adders was the
10 RPS. The other, the ESAF, ESCRAF are
11 reconciliation factors within the Energy
12 Service calculation. The RPS is a separate
13 adder.

14 Q. And the last column should be headed
15 "January 2018", is that right?

16 A. (Tebbetts) That's correct.

17 Q. Okay. And, Mr. Warshaw, did you -- are you
18 surprised with the prices for January for the
19 Large Customer Group?

20 A. (Warshaw) No. It is winter. And what we see
21 in New England these days is that winter
22 pricing is when the pricing, the market peaks.

23 Q. Okay. Thank you. And, then, if we go to the
24 very last page, Ms. Tebbetts, Page 82, there is

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[WITNESS PANEL: Tebbetts~Warshaw]

1 a typical bill calculation for a customer using
2 650 kilowatt-hours a month, right?

3 A. (Tebbetts) Yes.

4 Q. And that's where it shows a \$6.59 per month
5 increase in that residential bill, which
6 constitutes 5.92 percent in monthly bills?

7 A. (Tebbetts) Yes.

8 MS. AMIDON: Thank you. That's all I
9 have. Thank you.

10 CHAIRMAN HONIGBERG: Commissioner
11 Bailey.

12 BY CMSR. BAILEY:

13 Q. Ms. Tebbetts, do you ever estimate the bill
14 impact on a large commercial customer?

15 A. (Tebbetts) I don't. They change every month,
16 their rate. So, I could a snapshot in time,
17 but they have a monthly rate, whereas the
18 residential customers have a weighted six-month
19 rate.

20 Q. I understand. But you could do it and you
21 could estimate it for each of the six months,
22 and then compare to the last six months?

23 A. (Tebbetts) Yes. I could do that.

24 Q. All right. Do you think that the increase is

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[WITNESS PANEL: Tebbetts~Warshaw]

1 more than 5.9 percent?

2 A. (Tebbetts) Let me just take a look at the --
3 I'm just taking a look at Bates Page 67. So,
4 the increase, if I recall the rate, the overall
5 retail rate, which, if you look in the -- on
6 Line 18, it's kind of like Column (g), if you
7 go all the way down, it's 8.2 cents. I recall
8 that it was about 7 cents for the previous
9 period. So, these customers would have, you
10 know, a 1.2 mill increase, whereas residential
11 customers had about a one mill increase. So,
12 maybe their increase was slightly higher
13 overall.

14 But it would depend, again, because our
15 kilowatt-hour usage, this is weighted, so
16 kilowatt-hour usage for our large customers
17 is -- you can see on Lines 1 and 2, only, you
18 know, less than 20 percent of our total
19 kilowatt-hours. So, --

20 Q. Okay. Mr. Warshaw, do you expect to have to
21 pay ACP -- any ACPs in the next 12 months?

22 A. (Warshaw) I will try not to. It just depends
23 upon the market and where the RECs go,
24 especially RECs that are compliant, you know,

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[WITNESS PANEL: Tebbetts~Warshaw]

1 that meet both New Hampshire's requirements and
2 Mass. and Rhode Island. So, there's always a
3 tension with the different markets. And, if
4 the Mass. market is low, because it's full,
5 some of those RECs that are in -- that New
6 Hampshire also meets Mass., they may come to
7 New Hampshire, because the market is offering a
8 little higher price.

9 Q. So, what do you think is going to happen over
10 the next 12 months in the market? I mean, I'm
11 not going to hold you to it, but --

12 A. (Warshaw) My guess is, my hope is I won't have
13 to pay an ACP.

14 Q. Okay.

15 CHAIRMAN HONIGBERG: Commissioner
16 Bailey, let me follow up on that. I'm
17 interested in the same topic.

18 BY CHAIRMAN HONIGBERG:

19 Q. Do you talk with your peers at the other New
20 Hampshire electric companies?

21 A. (Warshaw) Off and on.

22 Q. Is this happening at the other -- the other
23 utilities as well, that they're not looking at
24 ACPs this year?

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[WITNESS PANEL: Tebbetts~Warshaw]

1 A. (Warshaw) I have not talked to them about this
2 specific point.

3 CHAIRMAN HONIGBERG: Okay.

4 BY CMSR. BAILEY:

5 Q. Ms. Tebbetts, I had similar questions to
6 Attorney Dexter's about the accrual. And I'm
7 not sure I understand everything.

8 CHAIRMAN HONIGBERG: Let me say, I'm
9 pretty sure I understood almost nothing about
10 what you said. So, I think both of us would
11 benefit from --

12 WITNESS TEBBETTS: Okay.

13 CHAIRMAN HONIGBERG: -- from you
14 walking us through that, those two lines again,
15 and what is accruing as a -- a forward and
16 backward.

17 BY CMSR. BAILEY:

18 Q. Let me start with, what was the purpose of the
19 Settlement Agreement on this point?

20 A. (Tebbetts) Sure. So, as of -- well, as of
21 right now, since this isn't approved at this
22 moment, we are calculating rates on a cash
23 basis. So, we get our revenues in every month
24 from customers, and, although our internal

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[WITNESS PANEL: Tebbetts~Warshaw]

1 accounting is based on the accrual basis, our
2 rates calculations are not. So, we look at the
3 period and say this was our expense, this is
4 what we got in for revenues, and we don't
5 account for the fact that we have this
6 "unbilled" issue. And the unbilled issue is
7 really the fact that customers are considered
8 to be -- they receive a bill on a billing
9 month, and a billing month isn't a calendar
10 period. Like I said, we'll use this period
11 right now, it would be from -- well, they'll
12 get an August bill, and in that that August
13 bill will have July kilowatt-hours. So, how do
14 you account for that on your books? So, you
15 would -- you would create an entry in the
16 accounting that would account for, we'll say,
17 half of those revenues expected. So, we're
18 expecting \$3 million in revenue from your
19 August bills, okay? Well, we know we're going
20 to receive it, part of that revenue should be
21 booked in July and part of it should be booked
22 in August, because those kilowatt-hours that
23 were billed, some of them occurred in July and
24 some of them occurred in August.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 So, from an accounting standpoint, you
2 would want to try to provide the best financial
3 position for the Company on its books. And, in
4 order to do that, you need to make these
5 entries. But what happens is, so -- okay, so,
6 now customers pay their bills for August,
7 right? Well, what do you do with that entry of
8 the \$1.5 million, because I got my revenues in?
9 We reverse it, when we close the books for
10 August, because we don't want to double-count
11 those revenues.

12 Q. Doesn't cash working capital solve the same
13 problem?

14 A. (Tebbetts) No. Cash working capital really is
15 more for figuring out "how much cash do I need
16 on hand to pay my bills in this period?"

17 So, --

18 Q. And it accounts for the lag between the time
19 service is rendered and the time revenue is
20 received?

21 A. (Tebbetts) Correct. Exactly.

22 Q. So, aren't customers paying twice for the same
23 thing?

24 A. (Tebbetts) No. Because the accounting entry

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[WITNESS PANEL: Tebbetts~Warshaw]

1 has no effect on actual revenues and expenses,
2 the accounting is just an entry that, at the
3 end of the month, provides a snapshot in time
4 to say "what do we think the books" -- "what
5 should the books look like had all of those
6 revenues been booked in July?"

7 Q. But it's raising your adjustment factor by a
8 million dollars?

9 A. (Tebbetts) So, when you -- So, the first time
10 you move to an accrual accounting, that is the
11 effect, no matter what, because you're changing
12 your method of accounting. And the purpose of
13 doing it is so we match our books. So that
14 right now we don't match, our rate filing
15 doesn't match our books. And, so, to move to
16 that, then next year what will happen is
17 customers -- we'll reverse all those entries.
18 So, as if this was a one-month filing, next
19 month it would have reversed out that number,
20 and customers would have received the benefit
21 of it. But this is a one-year filing, so it's
22 a one-year lag, I guess, in that sense.

23 But the idea is to tie to the books, so
24 that our rate filings actually tie to our

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[WITNESS PANEL: Tebbetts~Warshaw]

1 general ledger filing, which is, you know, in
2 essence, like what we do with our distribution
3 rate case, we would -- we want to make sure our
4 books and our rates match during a test year.
5 And, unfortunately, when you're doing a cash
6 accounting for your rate calculations and
7 accrual accounting for your internal books,
8 things don't match. So, now they will match.

9 Q. And next year -- I know Mr. Dexter asked you
10 this, but tell me again. Next year, customers
11 will get the credit back or will it just
12 balance out next year, because you won't have
13 this first-time adjustment?

14 A. (Tebbetts) Yes. So, next year, it will balance
15 itself out. And then, let's assume energy
16 service commodity went away, then customers
17 would actually end up with a refund when this
18 rate ended. Pretend we never had it again,
19 right? Everyone has solar and we never had to
20 incur costs for commodities, or anything else,
21 right?

22 Q. So, next year, the numbers on these lines, the
23 revenues should match the expense?

24 A. (Tebbetts) Well, they won't match, because

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[WITNESS PANEL: Tebbetts~Warshaw]

1 it -- but they should be closer than they are
2 today. And that will be a function of
3 including the unbilled revenues. So, right
4 now, like the unbilled revenues in the
5 reconciliation pages aren't included either,
6 because they're on a cash accounting basis.
7 So, next year, they will be included. So, the
8 numbers should be much closer, the revenue and
9 expense, than they are today.

10 CMSR. BAILEY: Okay. Thank you.

11 CHAIRMAN HONIGBERG: I got it now.

12 WITNESS TEBBETTS: Okay.

13 CHAIRMAN HONIGBERG: I don't have any
14 questions about that.

15 WITNESS TEBBETTS: Okay.

16 BY CHAIRMAN HONIGBERG:

17 Q. Mr. Warshaw, you got asked at least one
18 question about whether this met your
19 expectations, I just want to make sure that I
20 understand the answer. My understanding
21 generally is that going into this process you
22 do some work and figure out where you expect
23 the market to be, right?

24 A. (Warshaw) Correct.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 Q. And this solicitation produced bids that were
2 in line with your expectations, correct?

3 A. (Warshaw) Correct.

4 Q. Was this -- how does this compare to the last
5 few solicitations, in terms of enthusiasm and
6 interest on the part of the potential
7 suppliers?

8 A. (Warshaw) Almost as good as the last one.
9 There are a couple of specific reasons why some
10 of the bidders did not bid. We have one bidder
11 that is currently in the process of being sold,
12 so they decided not to bid. Have another
13 bidder that is really leery of winter pricing.
14 They took a step in and then they said "I don't
15 think I want to do this."

16 Q. They dipped their toe in the water --

17 A. (Warshaw) Right.

18 Q. -- and the water was cold.

19 A. (Warshaw) And they said "Nah, I'm not going to
20 do this."

21 Q. But, other than that, you were satisfied with
22 how this one came out?

23 A. (Warshaw) Yes.

24 Q. And, actually, I probably shouldn't have said

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[WITNESS PANEL: Tebbetts~Warshaw]

1 "other than that", just you were satisfied with
2 this one?

3 A. (Warshaw) I was satisfied. It was competitive,
4 there was a nice range within the bids. There
5 was no anomalies. And it was -- and the
6 winning bid was, you know, reasonably
7 reflective of what I had been forecasting.

8 CHAIRMAN HONIGBERG: All right. I
9 have no other questions.

10 Commissioner Bailey.

11 BY CMSR. BAILEY:

12 Q. Sorry. Ms. Tebbetts, can you look at Bates
13 Page 064, and specifically the "Energy Service
14 Cost Reclassification Adjustment Factor".

15 A. (Tebbetts) Number 5?

16 Q. Number 5.

17 A. (Tebbetts) Number 5, yes.

18 Q. Uh-huh. About halfway into that paragraph, you
19 say "The total estimated commodity" --

20 *[Court reporter interruption.]*

21 BY CMSR. BAILEY:

22 Q. "The total estimated commodity related costs is
23 \$771,784." And I thought I understood this
24 reconciliation factor to be recovering

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[WITNESS PANEL: Tebbetts~Warshaw]

1 administrative costs. And, so, I was confused
2 by what kind of commodity related cost is
3 related to administrative costs?

4 A. (Tebbetts) So, I guess what I'm calling
5 "commodity related costs" is the administrative
6 costs associated with going out to bid for the
7 commodity itself. They're not expenses
8 associated with it. And, in fact, on Bates
9 Page -- on Bates Page 070, you can see all of
10 the revenues broken out by piece, and then the
11 only -- the only cost is the expense, which is
12 the Base Energy Service Expense, which is on
13 Bates Page 069, Column (c). Those are the --
14 all the revenue is broken out, and then the
15 only expense broken out. So, then we have this
16 commodity related cost, we're calling
17 "administrative cost" associated with just
18 having to go out and get the commodity itself.

19 Q. Where is the expense on Page 69?

20 A. (Tebbetts) No, not on 69. I apologize. What I
21 was saying is all the revenues are broken out
22 because there's multiple pieces of it, on Page
23 69, and then you have on Page 70 -- wait a
24 minute. Oh, I'm looking at the wrong page. I

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[WITNESS PANEL: Tebbetts~Warshaw]

1 apologize. Yes. On Bates Page 069, Column
2 (c), those are the expenses.

3 Q. Okay. And, so, what are these -- what are
4 these expenses for?

5 A. (Tebbetts) Yes. These expenses are
6 specifically the invoices we pay to the
7 suppliers, and that's it. That's the only
8 thing that's incurred for expense over here,
9 and it's a part of the rate. And then you have
10 the reclassification --

11 Q. But wait a minute. That's what you pay the
12 supplier?

13 A. (Tebbetts) Yes. That's correct.

14 Q. So, that's not an administrative cost?

15 A. (Tebbetts) Correct.

16 Q. So, where does the 700,000, whatever, in
17 administrative costs come from that are
18 associated with purchasing the commodity?

19 A. (Tebbetts) Right. So, if you look at Bates
20 Page 074.

21 Q. Okay.

22 A. (Tebbetts) Okay. So, Line 1 comes from -- let
23 me find the Bates Page. Okay. Line 1 comes
24 from Bates Page 076. And, in Page 76, we have

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[WITNESS PANEL: Tebbetts~Warshaw]

1 the procurement and ongoing administrative
2 costs. We have the direct retail costs of bad
3 debt. And we have the cash working capital.
4 So, that's where the \$329,000 comes from.
5 Okay. So, what we do is we take the actual
6 amount from the 2016 period to '17, the August
7 through July. And we say "based on what
8 happened last year, we think it will be the
9 same as this year." And, so, we forecasted
10 that as the same amount. Okay?

11 And, then, Line 2 is an undercollection
12 from last year. If you look at Bates Page --
13 okay, Bates Page 073, you will see the
14 cumulative over-/undercollection is 442,000.
15 So, last year we started out with a beginning
16 balance of a little over 1.2 million. We had a
17 significant under recovery. And, then, you
18 know, we've had lower sales and migration. So,
19 with that comes the fact that we under
20 recovered significantly, 442,000. So, those
21 two pieces added together is the -- what we are
22 calling the "commodity related costs".

23 Q. All right.

24 A. (Tebbetts) And maybe that's not a bad -- a good

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[WITNESS PANEL: Tebbetts~Warshaw]

1 line item, though.

2 Q. Okay.

3 CHAIRMAN HONIGBERG: I think you may
4 have directed us to the wrong page --

5 WITNESS TEBBETTS: Oh.

6 CHAIRMAN HONIGBERG: -- for the 442.
7 It's on Bates 075. You had said "073".

8 WITNESS TEBBETTS: Oh, I'm sorry.

9 Yup. You're right. I can't read.

10 BY CMSR. BAILEY:

11 Q. What you said that 442 was, say it again?

12 A. (Tebbetts) Yes. Sure. I apologize. Yes. So
13 that -- so, what I do is I take a look at the
14 adjustment factor, and say "okay, how much of
15 this should we have recovered based on, you
16 know, sales volume?" And we started out with a
17 balance of 1.234 million, as you can see on
18 Line 1, "Beginning Balance", under Column (a),
19 on Bates Page 075.

20 Q. Okay.

21 A. (Tebbetts) So, Column 1 -- Column (a), Line 1,
22 the beginning balance for August was the
23 \$1.2 million. So, then, we have revenue and
24 expense associated, and we ended up with

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[WITNESS PANEL: Tebbetts~Warshaw]

1 \$442,000 still to collect. So, we add the 329
2 and the 442 on Bates Page 74. And they are
3 broken down based on a very old order, I don't
4 recall the number off the top of my head,
5 between small and large customers. So, that's
6 why they each have a different rate on Bates
7 Page 074.

8 Q. Where do you get the "442,261"?

9 A. (Tebbetts) Yes. Bates Page 075.

10 Q. Yes.

11 A. (Tebbetts) If you look at the you'll
12 "Cumulative (Over)/Under Collection" line item,
13 probably should have put a "13" next to that,
14 because it ends at Line 12.

15 Q. Oh, I see it. Okay.

16 A. (Tebbetts) Yes. That's the remaining amount --
17 the "ending balance", I should say, plus
18 interest.

19 CMSR. BAILEY: Okay. Thank you.

20 CHAIRMAN HONIGBERG: Mr. Sheehan, do
21 you have any further questions for your
22 witnesses?

23 MR. SHEEHAN: I do not.

24 CHAIRMAN HONIGBERG: All right. If

1 there's nothing further, I assume there's no
2 objection to striking ID on the three exhibits?

3 *[No verbal response.]*

4 CHAIRMAN HONIGBERG: We'll do that.
5 The only thing left to do, I believe, is to
6 allow the Parties to sum up. Mr. Buckley, you
7 may proceed.

8 MR. BUCKLEY: The Office of the --
9 excuse me. The Office of the Consumer Advocate
10 is generally supportive of this filing. That's
11 it.

12 CHAIRMAN HONIGBERG: Ms. Amidon.

13 MS. AMIDON: Thank you. Staff
14 reviewed the filing and determined that the
15 Company appropriately conducted the
16 solicitation, the bid evaluation, and the
17 selection process consistent with prior orders
18 of the Commission, and that the energy was
19 procured on the competitive market and the
20 resulting rates are market-based, pursuant to
21 RSA 374:2. And the competitive market is a
22 requirement in RSA 374-F. So, we would
23 recommend that the Commission approve this
24 filing. Thank you.

1 CHAIRMAN HONIGBERG: Mr. Sheehan.

2 MR. SHEEHAN: Thank you. First, I'd
3 like to offer something. Commissioner Bailey's
4 questions, here and in other dockets, are
5 similar to ones I have, simply trying to
6 understand the process of how we get to a
7 number, not necessarily particular numbers of
8 this case. And I have the benefit of talking
9 to these people with their feet up in a more
10 casual setting, where you can say "But I don't
11 understand. Do that again." So, I'm offering
12 it, I can work with Staff, if there's any way
13 we can do some sort of a tutorial, where other
14 people can, outside of a rate case, outside of
15 a proceeding, "Here's how we calculate CIBS",
16 "Here's how we do the schedules you just talked
17 about."

18 Because, you know, the people in it
19 do sometimes lose the forest for the trees.
20 They use labels for costs that Ms. Tebbetts
21 just mentioned, sometimes, well, maybe that's
22 not the best label, and it is entirely
23 confusing. And I feel more like you than I do
24 them sometimes when I have these hearings.

1 So, I'll make that offer. And, if
2 there's some interest, we can communicate with
3 Staff on, in all your free time, to do
4 something like this.

5 On this particular case, the Company
6 believes that the proposed Energy Service rates
7 are consistent with RSA 374-F and Commission
8 precedent, are in the public interest, and
9 reflective of the competitive market.

10 Accordingly, we ask that you approve
11 the rates as presented in this filing. Thank
12 you.

13 CHAIRMAN HONIGBERG: Thank you,
14 Mr. Sheehan. Thank you for the offer. We'll
15 consider that. We will take the matter under
16 advisement and issue an order as quickly as we
17 can.

18 ***(Whereupon the hearing was***
19 ***adjourned at 2:27 p.m.)***