

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 18, 2018 - 9:08 a.m.
Concord, New Hampshire

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NHPUC 18JAN19PM1:51

RE: DE 18-002
EVERSOURCE ENERGY:
2018 Energy Service Solicitation.
(Hearing regarding the period of
February 1, 2019 through
July 31, 2019)

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Company of
New Hampshire d/b/a Eversource Energy:

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Thomas Frantz, Director/Electric Div.
Richard Chagnon, Electric Division

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

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CERTIFIED
ORIGINAL TRANSCRIPT

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CHRISTOPHER J. GOULDING

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16	Eversource Energy Petition for Adjustment to the Energy Service Rate for the Period 02-01-19 through 07-31-19, including the Testimony of Frederick B. White, with attachments, and Testimony of Christopher J. Goulding, with attachments (12-13-18) <i>[REDACTED - For Public Use]</i>	5
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P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We are here this
3 morning in Docket DE 18-002, which is
4 Eversource's Energy Service docket. We're here
5 for the solicitation covering the period
6 beginning February 1st, 2019.

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

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

13 MR. KREIS: Good morning, Mr.
14 Chairman. I am D. Maurice Kreis, doing
15 business as Don Kreis, the Consumer Advocate,
16 here on behalf of residential ratepayers.

17 MS. AMIDON: Suzanne Amidon, for
18 Commission Staff. With me today is Tom Frantz,
19 Director of the Electric Division, and Rich
20 Chagnon, an Analyst in the Electric Division.

21 CHAIRMAN HONIGBERG: How are we
22 proceeding this morning, Mr. Fossum?

23 MR. FOSSUM: We will have a panel of
24 a couple of witnesses, who will talk about the

1 solicitation and resulting rates.

2 CHAIRMAN HONIGBERG: Any preliminary
3 matters we need to deal with before the
4 witnesses take their places?

5 MR. FOSSUM: Only that I've talked
6 with the Clerk, and we've premarked for
7 identification a couple of items that I'll just
8 run down now, so everybody is working with the
9 same numbering.

10 The December 13th filing the Company
11 made in this docket, there is two versions of
12 it, a confidential and redacted version. The
13 confidential version has been marked for ID as
14 "Exhibit 15" and the redacted version as
15 "Exhibit 16". There's also another rate
16 exhibit, three pages, that we've historically
17 referred to as the "bingo sheet" exhibit, that
18 is marked as "Exhibit 17".

19 (The documents, as described,
20 were herewith marked as
21 **Exhibit 15, Exhibit 16,** and
22 **Exhibit 17,** respectively, for
23 identification.)

24 CHAIRMAN HONIGBERG: All right.

1 Anything else?

2 *[No verbal response.]*

3 CHAIRMAN HONIGBERG: All right. Why
4 don't we have the witnesses take their
5 position.

6 While they're doing that, I will note
7 that there is confidential information, as
8 Mr. Fossum noted, in Exhibit 15. I think
9 there's a good chance there will be questions
10 about some of the confidential information in
11 Exhibit 15. When we get to that, we will ask
12 members of the public to step out for a short
13 while.

14 Off the record.

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

17 CHAIRMAN HONIGBERG: Mr. Patnaude,
18 would you do the honors please.

19 (Whereupon **Frederick B. White**
20 and **Christopher J. Goulding** were
21 duly sworn by the Court
22 Reporter.)

23 CHAIRMAN HONIGBERG: Mr. Fossum.

24 MR. FOSSUM: Thank you.

[WITNESS PANEL: White|Goulding]

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FREDERICK B. WHITE, SWORN

CHRISTOPHER J. GOULDING, SWORN

DIRECT EXAMINATION

BY MR. FOSSUM:

Q Just have both witnesses introduce themselves. First, Mr. White and then Mr. Goulding, if you could please state your name, your place of employment, and your responsibilities for the record?

A (White) My name is Rick White. I work for Eversource in the Electric Supply Department, in Connecticut. Our group's responsibilities include running solicitations for energy service and managing IPP contracts.

A (Goulding) My name is Christopher Goulding. I'm employed by Eversource Energy Company, 780 North Commercial Street. I'm the Manager of New Hampshire Revenue Requirements. I'm in charge of implementation and coordination of revenue requirement calculations associated with distribution rates, transmission rates, SBC rates, SCRC rates, and Energy Service rates.

Q And, Mr. White and Mr. Goulding, did you, back

[WITNESS PANEL: White|Goulding]

1 on December 13th, submit testimony and exhibits
2 in this proceeding?

3 A (White) Yes.

4 A (Goulding) Yes.

5 Q And was that testimony prepared by you or at
6 your direction?

7 A (White) Yes, it was.

8 A (Goulding) Yes.

9 Q And do you have any changes or updates or
10 corrections to that testimony this morning?

11 A (White) I do not.

12 A (Goulding) No, I do not.

13 Q And do you adopt that testimony as your sworn
14 testimony for this proceeding?

15 A (White) Yes.

16 A (Goulding) Yes.

17 Q Just for clarity, that testimony, is that what
18 is contained in what has been premarked for
19 identification as "Exhibits 15" and "16"?

20 A (White) Yes.

21 A (Goulding) Yes.

22 Q With that said, Mr. White, could you very, very
23 briefly just explain the solicitation the
24 Company undertook and the bids it received?

[WITNESS PANEL: White|Goulding]

1 A (White) We issued a Request for Proposals to
2 serve energy service load for the term February
3 through July 2019. The RFP was issued on
4 November 8th, and we received offers on
5 December 11th. It was to serve 100 percent of
6 both the Small and Large Customer Groups. The
7 Large Group would be served 100 percent by one
8 supplier. The Small Group was to be offered in
9 four 25 percent tranches.

10 We received offers on the 11th, made our
11 evaluations, met with management for approval
12 of the solicitations, and entered into
13 transaction confirmations with two separate
14 suppliers to serve all the energy service load.

15 We compiled that information and made a
16 filing to the Commission on December 13th.

17 Q And is that solicitation process consistent
18 with prior solicitations of this kind?

19 A (White) Yes, it is.

20 Q Thank you. And, Mr. Goulding, could you very
21 briefly explain, well, I guess what it is that
22 you did with the information received from that
23 solicitation?

24 A (Goulding) Sure. So, we took the information

[WITNESS PANEL: White|Goulding]

1 for the solicitation of the bid prices and the
2 REC RPS requirement prices and turned those
3 into the rates. And those are shown on
4 Attachment CJG-1, Bates Page 148 is the
5 residential rate, Line 11 is a six-month rate
6 of 9.985 cents. And on Bates Page 149, Line 9,
7 you have six monthly rates, for the month of
8 February, March, April, May, June, and July.

9 Q And were the calculations you performed
10 consistent with how such calculations had been
11 performed previously?

12 A (Goulding) Yes, they were.

13 Q Now, Mr. Goulding, I'd like you to turn to what
14 has been premarked for identification as
15 "Exhibit 17". Do you have that?

16 A (Goulding) Yes, I do.

17 Q Could you please explain this, this exhibit,
18 what is shown on the three pages.

19 A (Goulding) Okay. So, Page 1 of Exhibit 17,
20 this is a comparison of the current rates to
21 the proposed rates for February 1st, 2019. And
22 those proposed rates for February 1st, 2019
23 would account for the change -- the proposed
24 change in the System Benefits Charge for

[WITNESS PANEL: White|Goulding]

1 January 1st, 2019, and the removal of the ECT
2 consumption -- Electric Consumption Tax, for
3 rates effective January 1st, 2019, and the
4 change in the Energy Service rate effective
5 February 1st, 2019.

6 So, if we look at the total retail, there
7 is a overall increase to the average delivery
8 and energy portion of the bill of 8.2 percent;
9 7.8 percent increase is due to Energy Service,
10 and then you have a decrease for the
11 Consumption Tax of negative 0.3 percent, and an
12 increase of 0.7 percent. This does not account
13 for the change in the SCRC yet, because there
14 is no proposed rate at this time, but that will
15 be being changed on February 1st also.

16 Q And I'll just -- I'll hold you up there for a
17 moment. Under the System Benefits Charge, that
18 change is associated with what?

19 A (Goulding) That change is related to the Energy
20 Efficiency Plan for 2019. There was a proposal
21 to change the System Benefits Charge effective
22 January 1st, 2019, to account for the increased
23 savings goals and increased energy efficiency
24 being done in the state.

[WITNESS PANEL: White|Goulding]

1 Q And the line -- the column related to the
2 Consumption Tax, could you explain that please.

3 A (Goulding) The law -- there was a law passed or
4 repealed, I'm not sure which one, that removed
5 the Electric Consumption Tax from the electric
6 bill. So, that was the removal of that
7 effective January 1st, 2019.

8 Q Please continue with the exhibit.

9 A (Goulding) Okay. So, on Page 2, this is for an
10 average residential customer, we have a couple
11 of different buckets or usages: 550
12 kilowatt-hours, 600 kilowatt-hours, and 650
13 kilowatt-hours. And this is the current rates
14 to the proposed February 1st, 2019 rates.

15 So, if we look at the middle one, the
16 600 -- calculation of 600-kilowatt usage,
17 you'll see on Line 20, Column (7), there's a
18 percent change in the total bill of
19 "3.2 percent". And we go up to Line 19, the
20 percent change of the total bill, of that 3.2
21 percent, 2.8 percent is related to the Energy
22 Service change in the rate that's being
23 proposed today. If we go over to Line -- or,
24 Column (5), on the same line, that equates to a

[WITNESS PANEL: White|Goulding]

1 "\$3.44" increase in the Energy Service portion
2 of the bill for customers.

3 Turning to Page 3, this is comparing
4 current -- the proposed February 1st rates to
5 the rates that were in effect last winter. And
6 we provided this to kind of compare the winter
7 Energy Service rate last year to this current
8 Energy Service rate.

9 So, if we look at the same 600
10 kilowatt-hour customer usage, go down to
11 Line 19, you'll see last year that customers
12 were paying "\$67.50" for Energy Service, and
13 this winter they will be paying "\$59.91". So,
14 a decrease of "\$7.59" for a customer taking 600
15 kilowatt-hours a month.

16 Q Thank you, Mr. Goulding. Is it the Company's
17 position that -- oh, I'll ask Mr. White first.
18 Is it the Company's position that the
19 solicitation that was run was a fair and
20 appropriate solicitation?

21 A (White) Yes.

22 Q And, Mr. Goulding, the rates that resulted from
23 the solicitation, the calculations, is it your
24 position that those rates are just and

[WITNESS PANEL: White|Goulding]

1 reasonable rates?

2 A (Goulding) Yes.

3 Q And is it your request that those rates be
4 approved as filed?

5 A (Goulding) Yes.

6 MR. FOSSUM: Thank you. That's what
7 I have for direct.

8 CHAIRMAN HONIGBERG: Mr. Kreis.

9 MR. KREIS: Thank you, Mr. Chairman.
10 Good morning, honorable witnesses of
11 Eversource. I just have a few questions for
12 you.

13 **CROSS-EXAMINATION**

14 BY MR. KREIS:

15 Q My first question I think might be for Mr.
16 Goulding. If I were to report the results of
17 today's proceedings to a skeptical residential
18 ratepayer, who was interested in comparing her
19 electric bill to the overall inflation rate in
20 the economy, which page from Exhibit Number 17
21 would best reflect the basis for comparing the
22 change in her electric bill to general
23 inflation?

24 A (Goulding) It would probably be Page 1,

[WITNESS PANEL: White|Goulding]

1 Exhibit 17, where it's a residential rate
2 customer, where it has the total delivery and
3 energy increase of 3.2 percent. But that
4 doesn't account for the final component that
5 we'll be changing February 1st, which is the
6 SCRC change. So, it kind of almost has to be
7 delayed and looked at as a total package for
8 what the rates will actually be.

9 Q So, do you happen to know how that 3.2 percent
10 compares to overall inflation?

11 A (Goulding) I think it's in line with overall
12 inflation.

13 Q Looking or thinking about the overall results
14 of this solicitation, are either of you two
15 witnesses familiar with the decision that the
16 Commission just issued, I guess it was
17 yesterday, approving new default energy service
18 rates for Liberty Utilities here in New
19 Hampshire?

20 A (White) I'm aware of the filing. I have not
21 seen the decision.

22 Q So, you would be aware then that the default
23 energy service rate that Liberty proposed, and
24 that the Commission has just now approved, is

[WITNESS PANEL: White|Goulding]

1 8.299 cents per kilowatt-hour for residential
2 customers, for their small customer class?

3 A (White) Yes.

4 Q So, again, thinking about that skeptical
5 consumer who might contact my office, and say
6 "well, you know, my neighbor or my cousin, who
7 is a customer of Liberty, she is paying 8.299
8 cents starting on February 1st, and Eversource
9 is charging me 9.985 cents for the same
10 service." And she would ask me, and so I guess
11 I'm going to ask you, "what accounts for that
12 difference?"

13 A (Goulding) Well, I don't know exactly what
14 accounts for the energy portion of the
15 difference. But there was, when I quickly
16 looked at their filing, there was about a 1
17 penny difference for a reconciling adjustment,
18 I believe. So that would, if that was not
19 there, because we don't have a reconciling
20 adjustment in our rate, we would be at 9. --
21 they would be at 9.2 cents, compared to 9.9.
22 So, that closes the gap pretty significantly to
23 get to an apples-to-apple comparison.

24 Q But even -- and I think that's a valid point.

[WITNESS PANEL: White|Goulding]

1 But, even when you make that valid
2 apples-to-apples comparison, Liberty appears to
3 be doing better by its small customers than
4 Eversource is, and I'm wondering why that might
5 be?

6 A (White) Yes. There's -- I'm not entirely
7 familiar with all their rate components. From
8 a wholesale energy supply standpoint, there was
9 a rise in forward prices from -- they were
10 about a week apart when they accepted, compared
11 to when we accepted offers. That's one
12 component.

13 I guess my recollection is that they --
14 that component of the rate was not all that
15 different.

16 Q It's interesting, you actually think that that
17 week difference actually could make a
18 significant difference, in terms of the
19 responses to the RFPs that your respective
20 companies issued?

21 A (White) It can. And we had received comments
22 from suppliers that, number one, operating a
23 solicitation this time of year can be a little
24 more fraught with price volatility, and that

[WITNESS PANEL: White|Goulding]

1 is, in fact, happening this year. The
2 solicitations we just run within our company,
3 in other jurisdictions, that I'm not directly
4 involved with, but over the course of the last
5 few months we have seen the forward market have
6 quite a bit of volatility.

7 Since the September/October timeframe, the
8 market has steadily increased, and, in
9 addition, volatility has been, not on a daily
10 basis, but week to week, there's been a fair
11 amount of price volatility across a range of 10
12 to 30 percent in price changes. And I don't
13 think it was that significant from the Liberty
14 solicitation till ours, but prices did increase
15 over that week.

16 Q What assurance do residential customers taking
17 default energy service from Eversource have,
18 that the way you have structured your
19 solicitation is best calculated to deliver the
20 best price to them?

21 A (White) Well, I guess I would say, it's a tried
22 and true process throughout New England. Now,
23 for PSNH, in New Hampshire, we're still
24 relatively new at this. But we have run the

[WITNESS PANEL: White|Goulding]

1 solicitation, as far as we know, essentially
2 the same way as the other utilities in New
3 Hampshire, and the same way that it's run in
4 our other jurisdictions, save for things like
5 rate term differences and laddering and those
6 types of things. But, in terms of running the
7 solicitation, it's done the same way.

8 Whether suppliers may be entrenched in
9 dealing with traditional counterparties of
10 theirs, and, you know, we're trying to get our
11 foot in the door, to some degree, and make room
12 for ourselves in New Hampshire, I don't know
13 what their outlook is toward our solicitation.

14 But it's run the same way. We view it as
15 a competitive auction. It has broad
16 distribution. The level of participation is
17 based on their outlook of the opportunity.
18 They all have an opportunity to look at our
19 solicitation and evaluate whether it's a good
20 business, whether it fits into their business
21 plans or not. We don't know where they fall
22 out on that.

23 But I guess I would tell residential
24 customers, we run a competitive solicitation.

[WITNESS PANEL: White|Goulding]

1 It's a process that's been agreed to across
2 months of negotiation, if you will, among many
3 parties that have a stake in the New Hampshire
4 electric market.

5 So, we're running it in accordance with
6 all agreements, and we get the results that we
7 get. And we take the best offers we receive,
8 and those results are reflected in our filing.

9 And I think we've already stated we're
10 open for discussion on other approaches.
11 We've -- well, I won't -- I'll just stop there
12 for now.

13 Q You mentioned "laddering" in that very
14 interesting answer. What did you mean?

15 A (White) Well, in a lot of other jurisdictions
16 that we're involved with, we won't do
17 100 percent, we won't procure 100 percent in
18 one solicitation. It might be preplanned that
19 we'll only source 50 percent, say, at this
20 period of time, and when another solicitation
21 is run a quarter later or six months later,
22 acquire the other 50 percent, and thereby kind
23 of muting price changes over time. That can
24 work in your favor and work against you, in

[WITNESS PANEL: White|Goulding]

1 terms of higher or lower prices, compared to a
2 then current market.

3 But I just point it out as a difference --
4 it's a technical difference.

5 Q This might be a question for Mr. Goulding, or
6 both of you could answer it, or you can decide
7 which of you should answer it. Has the Company
8 ever given any thought to pricing default
9 energy service on a monthly varying basis,
10 since that is the way your bidders provide bids
11 to you?

12 A (White) I honestly don't know if that's ever
13 been done. But I believe the logic, if you
14 will, is that residential ratepayers don't want
15 to see widely varying prices month to month.
16 That a stable price on their bill is what
17 they're used to, and would cause angst if it
18 varied monthly.

19 And I guess particularly, in terms of the
20 competitive retail market, that could change
21 the dynamic dramatically, for both the retail
22 supplier and the customer.

23 Q What do you mean?

24 A (White) Well, I think -- I think now our rate

[WITNESS PANEL: White|Goulding]

1 to residential customers becomes sort of a
2 stake in the ground against which retail
3 competitors determine how they could solicit to
4 residential customers. And that they're
5 typically set for a six-month term. So that
6 becomes a longer term market mechanism, if you
7 will, that people can think through. If that
8 changed every month, I suppose it would be more
9 difficult for both parties. And you may not --
10 I don't know if the competitive retail market
11 would be as robust as it is, to whatever degree
12 you consider that to be today.

13 That's one view of things. I don't know
14 if -- there's other opinions.

15 Q I was going to ask Mr. Goulding if he agrees
16 with all of that?

17 A (Goulding) I would echo a lot of what Rick had
18 just said, or Mr. White had just said, about it
19 was our kind of understanding that residential
20 customers are looking for more of a fixed rate
21 than a monthly rate, it would cause more
22 confusion, and it also would cause comparisons,
23 when you're shopping in the competitive supply
24 market, make that a little bit harder to kind

[WITNESS PANEL: White|Goulding]

1 of compare what you're actually getting for a
2 rate to what you could get for a rate.

3 Q Do you think it would affect the bids that you
4 receive if your bidders knew that the retail
5 prices were going to vary by month?

6 A (White) For the wholesale suppliers?

7 Q Yes.

8 A (White) I don't think it would make a big
9 difference. Because, as you pointed out,
10 they're paid monthly rates. So, that reduces
11 risk for them. So, either way, that profile to
12 them wouldn't change.

13 MR. KREIS: Thank you, gentlemen.
14 Those are very enlightening answers. I thank
15 you for your thoughtfulness and your candor.
16 Those are all the questions that I have.

17 CHAIRMAN HONIGBERG: Ms. Amidon.

18 MS. AMIDON: Thank you. Good
19 morning.

20 BY MS. AMIDON:

21 Q Mr. White, I wanted to begin with you, and your
22 testimony which begins on it looks like Bates
23 Page 008. There's a question there regarding
24 the "Eversource market price expectation". So,

[WITNESS PANEL: White|Goulding]

1 one of my questions relates to information,
2 which is on the following page, that begins at
3 Line 25. And that says: "The Company has
4 borrowed the factors from other
5 jurisdictions...and will over time incorporate
6 more iterations from New Hampshire". Do you
7 know when that will occur?

8 A (White) Well, we have incorporated the
9 solicitations we've run in New Hampshire to
10 date into that family of factors. So, we have
11 a bunch of factors that go back in time to some
12 degree from other jurisdictions, and we've got
13 two completed solicitations in New Hampshire.
14 So, they're all put together.

15 The thought is that over time, when there
16 are more direct experiential solicitations in
17 New Hampshire, as those data points grow, we
18 can leave behind other jurisdictions.

19 But if only two, I guess the phrase would
20 be "is that statistically significant enough to
21 drop all the prior experience in other
22 jurisdictions?" So, we've brought them along
23 to, I think, better implement that process in
24 developing the proxies.

[WITNESS PANEL: White|Goulding]

1 Q And in looking at those, the data points from
2 New Hampshire and the other jurisdiction, which
3 are -- is that Connecticut and Massachusetts?

4 A (White) I believe for -- I believe, for the
5 large group, it's Western Mass., subject to
6 check, and, for the small group, it's
7 Connecticut.

8 Q Okay.

9 A (White) Because it was -- those solicitations
10 were most similar to what we do here. The
11 biggest difference is a lot of those,
12 particularly for the large, typically, those
13 are three-month terms in other jurisdictions,
14 and here in New Hampshire it's a six-month
15 term.

16 Q Okay. What do you see, in terms of rate
17 development, comparing the three-month term to
18 the six-month term, if you have seen any delta
19 at all?

20 A (White) Well, I think, with large customers,
21 there is price and volume risk, and both
22 increase when you have a longer term. That's a
23 group of customers that typically come and go
24 from Energy Service rates frequently. They're

[WITNESS PANEL: White|Goulding]

1 typically more sophisticated, and suppliers
2 know that. And so, the likelihood of ingress
3 and egress is, you know, I don't think you
4 could say it's "twice as big" over a six-month
5 term. But, from a simple view of things,
6 there's twice as much risk likewise. We
7 discussed how forward market prices can move.
8 The likelihood of price movements over a
9 six-month term is greater than it is over a
10 three-month term. So, I think it's increased
11 risk for suppliers to bid a fixed price into a
12 six-month term.

13 Q Is it fair to say then they build that risk
14 into the price?

15 A (White) Certainly.

16 Q Do you find the participation in bids for a
17 three-month term for the Large Customer Group
18 is more robust than for a six-month term?

19 A (White) I guess the short answer would be
20 "yes". But I would say that we would prefer
21 more robust participation in all our
22 jurisdictions.

23 Q That's a nice safe response, Mr. White. If we
24 go to Page 24 of -- Bates Page 024, it's your

[WITNESS PANEL: White|Goulding]

1 exhibit, Mr. White, Page 1 of 1. And this
2 explains, does it not, how Eversource
3 calculates the proxy price that it uses to
4 compare with the bids, is that right?

5 A (White) Yes.

6 Q So, the factors that you talked about that you
7 borrow from other jurisdictions and meld with
8 your experience in New Hampshire are embedded
9 in this document, is that right?

10 A (White) That's correct. They're labeled in
11 this exhibit as "Energy Price Bid Multiplier".

12 Q Okay. Thank you. And I see that. Now, and
13 this is confidential information, and I'm not
14 going to recite it, but if we go to the bottom
15 of the table on this page, we see, in the
16 non-redacted portion, it says "Term Proxy Price
17 - dollars per megawatt-hour Low High", is that
18 right?

19 A (White) Yes.

20 Q And so, could you tell me how you used this
21 information that you derive from the factors
22 that are on this page?

23 A (White) Sure. Now, the factors are -- it
24 describes in testimony how they're developed --

[WITNESS PANEL: White|Goulding]

1 Q Right.

2 A (White) -- solicitation by solicitation. So,
3 let's just say we have 20 factors from however
4 many solicitations. And those factors are all
5 representative of the winning offers. So, it
6 doesn't incorporate all the offers that are
7 received in every solicitation. The factors
8 are only associated with winning offers. So,
9 from that family of 20 factors, there's a high
10 and a low, both representing winning offers
11 across time. That's what those factors are.

12 Q Uh-huh.

13 A (White) And the way we utilize them is we ratio
14 up market energy price based on those factors,
15 so that it's our estimate of where, based on
16 history, suppliers' offers may come within a
17 range. So, we develop a high and a low in
18 terms of current market, in dollars per
19 megawatt-hour, and that gives us a reference
20 against which we can compare offers received in
21 the current solicitation.

22 MS. AMIDON: Mr. Chairman, I do
23 believe in a little bit I'll be getting into
24 some confidential, questions on confidential

[WITNESS PANEL: White|Goulding]

1 material. But I wanted to ask some questions
2 regarding how they develop the RPS adder before
3 I get into that. Is that okay with you?

4 CHAIRMAN HONIGBERG: Uh-huh. Sure.

5 MS. AMIDON: And then I'll go back to
6 probably the subject that we finished talking
7 about.

8 CHAIRMAN HONIGBERG: It's possible,
9 Ms. Amidon, that we might want to follow up on
10 the questions that you're asking while we're in
11 confidential session, and try and do that all
12 at once, if we can.

13 MS. AMIDON: I think that makes the
14 best use of time. So, I'm all for it.

15 BY MS. AMIDON:

16 Q So, Mr. White, did you help develop the RPS
17 adder or was that Mr. Goulding?

18 A (White) That's done in our group.

19 Q Okay. And basically, my question is, in
20 developing the adder, did you -- how did you do
21 that? Did you look at the Alternative
22 Compliance Payments? Did you look at markets?
23 Did you look at broker offers? Or did you meld
24 those things together to derive the adder?

[WITNESS PANEL: White|Goulding]

1 So, I've given you some options, and there
2 may be more.

3 A (White) You probably covered it. It's based on
4 current market, which we get from daily broker
5 sheets that are published by some emissions
6 traders in our case, too. And so, their market
7 view of the current price, that's how we --
8 that's what we base market prices on. And
9 that's what goes in to the ultimate development
10 of the adder.

11 Q Okay.

12 A (White) So that, combined with REC percentage
13 requirements by class, lead directly to the
14 adder.

15 Q And, Mr. Goulding, could you refresh my memory,
16 what is the adder? And is it different for the
17 Large Customer Group than the Small Customer
18 Group?

19 A (Goulding) No. It's the same adder for all
20 customers. And that's 0.0275 cents per
21 kilowatt-hour.

22 Q And if I go to your testimony, Mr. Goulding, on
23 Bates 142 and 143, and let me know when you're
24 there?

[WITNESS PANEL: White|Goulding]

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

2 Q So, if I look at Line 14, on Page 142, the
3 ES -- it says the ES fixed rate is "9.985 cents
4 per kilowatt-hour". That includes the RSP,
5 does it not?

6 A (Goulding) Yes. It includes that RPS adder.

7 Q "RPS". Thank you. And the same applies to the
8 small table at the top of 143, that includes
9 the RPS adder, too?

10 A (Goulding) Yes.

11 Q Thank you. Okay. Talking with my colleagues
12 here, we have a question, the calculation of
13 the capacity adder, the Forward Capacity Market
14 adder, let's see, that would be -- I think, if
15 we go back to the same page, 24, and that's
16 calculated on -- it's redacted information, but
17 it's calculated on that page.

18 A (White) So, we're in the proxy prices?

19 Q Yes.

20 A (White) Yes.

21 Q So, how do you approach the calculation of the
22 capacity factor?

23 A (White) That's based on ISO-New England
24 information from their Forward Capacity

[WITNESS PANEL: White|Goulding]

1 Auctions and their forecasts of loads and
2 capacity requirements by reliability zone in
3 New England. And it's actually based on
4 ISO-New England's monthly forecast of loads,
5 energy loads.

6 So, it's converted from a capacity dollar
7 requirement by reliability zone, spread over
8 the load in that zone, based on ISO-New England
9 forecasted data.

10 Q So, in this instance, would that reliability
11 zone be New Hampshire only? You wouldn't
12 borrow, would you, for that or --

13 A (White) To be honest, I'm not 100 percent
14 familiar with reliability zones in New England.
15 I don't believe New Hampshire is its own
16 reliability zone. I think it incorporates
17 additional portions of other states, Western
18 Mass. and Vermont, probably. It wouldn't
19 include the Boston or southeast Mass. area or
20 Connecticut. So, I've lost track of how many
21 reliability zones there are in New England.

22 Q Okay.

23 A (White) There were six. There may be ten now.
24 I don't think New Hampshire is its own zone, if

[WITNESS PANEL: White|Goulding]

1 that's helpful at all.

2 Q Well, --

3 A (White) I may be wrong. But, certainly, what's
4 in here is based on the zone in which New
5 Hampshire resides.

6 Q Okay. I basically was trying to understand
7 whether it was a "borrowed" factor, if you
8 looked specifically at New Hampshire-related
9 data for that calculation?

10 A (White) It could be viewed as specific to New
11 Hampshire.

12 Q Okay. And I think that the information, we
13 could probably discuss it offline, to get any
14 more clarification to discuss that matter of
15 the zones with you.

16 But I wanted to know, has in the recent
17 past and the recent solicitations, except it
18 would probably be the one previous to this, the
19 capacity factor had been rising. Has that kind
20 of levelized at this point or has the increase
21 been mitigated by all these events that
22 occurred in the prior auction?

23 A (White) You mean the capacity price?

24 Q Correct.

[WITNESS PANEL: White|Goulding]

1 A (White) The clearing prices in Forward Capacity
2 Auctions for the June 2018 through May 2019 is
3 the peak period for capacity prices, where
4 capacity cleared at \$9.55 a kilowatt-month. In
5 June of 2019, it drops to \$7.00 a
6 kilowatt-month, basically.

7 Q That's very helpful. Thank you.

8 A (White) Yes.

9 MS. AMIDON: So, at this point, Mr.
10 Chairman, I would be asking some questions
11 about confidential data.

12 CHAIRMAN HONIGBERG: All right.
13 Let's break for a minute or two to rearrange
14 some people.

15 (Pages **35** through **51** of the
16 hearing transcript is contained
17 under separate cover designated
18 as "**Confidential &**
19 **Proprietary**".)

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[WITNESS PANEL: White|Goulding]

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1 ***(Hearing resumes on the public***
2 ***portion of the record.)***

3 CHAIRMAN HONIGBERG: All right.
4 We've opened the doors again, because we don't
5 expect to be getting into confidential
6 information further.

7 Ms. Amidon, do you any further
8 questions for the witnesses?

9 MS. AMIDON: No, I do not.

10 CHAIRMAN HONIGBERG: All right.
11 Commissioner Bailey.

12 CMSR. BAILEY: Thank you.

13 BY CMSR. BAILEY:

14 Q Mr. White, can you assume with me for a moment
15 a hypothetical where the Company decided that
16 they were going to self-supply for the Large
17 C&I group. Would you set the rate based on
18 your proxy calculation?

19 A (White) I'm sorry. Could you say that last
20 part again please?

21 Q How would you establish a rate in the tariff?

22 A (White) If we were to self-supply, it's likely
23 because we're in a position where we received
24 offers that we deemed unacceptable,

[WITNESS PANEL: White|Goulding]

1 unreasonable, or we received no offers at all.
2 Given that, we would take our proxy price and
3 use the upper bound, given that it would appear
4 that wholesale suppliers view serving that term
5 as risky. So, we would take the upper bound of
6 our proxy and develop monthly rates, utilizing
7 it, and that would become the fixed rate for
8 customers.

9 Q And what would happen if the price that you
10 actually paid was higher or lower than the
11 fixed rate?

12 A (White) That would create over- or under-
13 recoveries which would get rolled over into
14 future rate periods. The big difference is
15 that that over-/under-recovery risk, that price
16 and volume difference is now being borne by
17 customers. Whereas, if we accept a offer from
18 suppliers, that risk that you're contemplating
19 is borne by the suppliers. And we pay them the
20 fixed rate, you know, pass through revenue from
21 customers, and that's it. And any variations
22 are borne by the suppliers.

23 Q How would you know when the offered rate was
24 not acceptable?

[WITNESS PANEL: White|Goulding]

1 A (White) Honestly, to a large degree, that would
2 be a judgment call. I don't think there is a
3 fixed point at which it would be a definitive
4 answer.

5 Again, when we evaluate the offers, we go
6 through a internal discussion with management.
7 Ultimately, any decision to approve a
8 solicitation, in terms of accepting an offer or
9 choosing to not take any of the offers, is
10 reviewed with senior management. And I think,
11 if we were in that position and felt that the
12 correct judgment was to reject offers, we
13 would -- we would do our best to have a
14 discussion with the Commission Staff, if we
15 found ourselves in that position, prior to
16 moving forward with that decision. In other
17 words, we wouldn't -- we would do our best to
18 discuss it with Staff, before we called up a
19 supplier and said "you didn't win" -- "you
20 didn't win any in the solicitation."

21 Q What kind of factors would go into that
22 judgment?

23 A (White) Current state of the markets, you know,
24 there would be a -- I guess there would be --

[WITNESS PANEL: White|Goulding]

1 there may be a perceived difference between the
2 Small and Large customers. Large customers
3 were serving a very small portion of that
4 group. I think it's viewed that they have more
5 ability to go, you know, go to a competitive
6 supplier and get supply.

7 You know, all the suppliers that we deal
8 with are acceptable in terms of credit, our
9 experience, our knowledge of their interaction
10 at ISO-New England. Those factors usually
11 aren't a component; they're all acceptable.
12 So, it really comes down to price. And now,
13 you're just talking about how far out-of-bounds
14 is acceptable or not.

15 And I guess everybody has a market view of
16 where they think things might be headed. We
17 are in the markets periodically, at least
18 quarterly. And so, we, too, are aware of how
19 things have been going, how volatile the market
20 has been. Those, I guess, would be the main
21 components of making that judgment.

22 Q And if you decided to self-supply, and the
23 reconciliation resulted in an under -- or, the
24 price that you paid resulted in an

[WITNESS PANEL: White|Goulding]

1 under-recovery, so you had to reconcile and add
2 a surcharge on the next six months' rate, would
3 customers be able -- would customers who have
4 benefited from the lower price be able to leave
5 at that point and not pay the surcharge? Mr.
6 Goulding?

7 A (White) Yes, they would. And Mr. Goulding may
8 want to add.

9 A (Goulding) Yes. The way the reconciliation is
10 set up --

11 *[Court reporter interruption.]*

12 **BY THE WITNESS:**

13 A (Goulding) Yes. The way the reconciliation
14 works, it doesn't go back and look at customer
15 by customer and reconcile with those individual
16 customers. It sets the rate going forward.
17 So, it could end up in a situation like you
18 described.

19 BY CMSR. BAILEY:

20 Q I took a look at the retail rates, which are on
21 Bates Page 143, for the Large C&I customers,
22 and compared them to the retail rates that we
23 approved yesterday for Liberty's. And I just
24 want to go through those and point out how

[WITNESS PANEL: White|Goulding]

1 different they are. And I'm trying -- I'm
2 trying to figure out a way to get to why
3 they're so different.

4 But, for February, your rate is 16.75
5 cents; and Liberty's rate is 12.86. For July,
6 your rate is 10.1; and their rate is 6,
7 rounded, 6 cents. So, there's like a 4-cent
8 difference in the rates. And it's pretty
9 consistently a 4-cent difference every month.

10 A (White) I'm not familiar with Liberty's load
11 profile. I don't know if it differs greatly
12 from ours. We don't know what the suppliers
13 are thinking when they make offers.

14 We agree that it's -- there's a
15 significant difference between the rates. We
16 would need to understand what the suppliers,
17 how they viewed the differences between the
18 two.

19 We based our decision, again, on its
20 relationship to our proxy prices, whether we
21 felt the solicitation had been conducted
22 properly, and there was a full complement of
23 suppliers that had an opportunity to make
24 offers into our solicitation. And we received

[WITNESS PANEL: White|Goulding]

1 what we received.

2 We also considered it against how we would
3 set rates if an offer wasn't received. And did
4 notice that there is a difference in the price
5 curve across the term, between how we would
6 have set rates and how the winning offer has
7 rates flowing through time.

8 So, while you're correct that in the back
9 end of the term they're higher, compared to our
10 monthly proxy on the front end of the curve,
11 they're actually lower. So, there is some
12 price-shaping difference between how we would
13 have viewed things and how the winning supplier
14 viewed things.

15 Q I don't understand the point you're making
16 about "it's lower in one part of the six
17 months", and there's like a 4-month difference
18 between your rates and Liberty's rates almost
19 every single month? Four cents.

20 A (White) Well, I was making a comparison to how
21 we would have established a rate across the
22 term had we used our proxy.

23 Q Oh. Okay.

24 A (White) How we would have established in the

[WITNESS PANEL: White|Goulding]

1 other scenario we discussed.

2 Yes. The differences, I know we've
3 touched on some of these already. We had a
4 discussion with suppliers about ICAP tags for
5 the Large Customer Group. And at the beginning
6 of the capability period in January, the large
7 ICAP tags took a step up, which is not that
8 unusual when a new capability period takes
9 effect. And we discussed how some of those
10 figures would be resettled. They have not been
11 resettled yet. We got into a discussion with a
12 supplier regarding the period of time during
13 which we're running the solicitation is
14 problematic this year in that the market had
15 grown volatile. You know, the position of
16 their portfolios at the time they bid into our
17 solicitation versus when they bid into
18 Liberty's, there's many factors that we're not
19 aware of that go into their offers.

20 Q I understand that. But, I mean, Liberty's
21 rates were all within your proxy.

22 Let me tell you two things that Liberty
23 does differently than you've done, and see if
24 you think that might make a difference. One of

[WITNESS PANEL: White|Goulding]

1 the things that they do I think for their C&I
2 group is they bid in two 3-month blocks. Do
3 you think that might lower the price?

4 A (White) I don't really see why it would. I
5 think the issue with six months is that it's
6 six months out. And breaking it into pieces, a
7 supplier is still offering a fixed rate four,
8 five, and six months out into the future.

9 Q But in a less risky period?

10 A (White) In a less risky period, yes, depending
11 on the term that we're looking at.

12 It's possible, and I think it also -- it
13 might make them, if we're looking for more
14 robust participation, you might get less
15 participation in the risky three months versus
16 the more -- the less risky three months. So,
17 there's a possibility that it could create
18 unintended consequences.

19 When we became aware of the differences
20 between our rate and Liberty's rate, we have
21 had the thoughts of perhaps we should do some
22 outreach with suppliers. We're kind of the new
23 kid, we're kind of last-in-line, we're the most
24 recent solicitation to come onto the wholesale

[WITNESS PANEL: White|Goulding]

1 markets. You know, is there something, some
2 difference that they see between our
3 solicitations and others? You know, just try
4 to have some directed questioning on a
5 one-on-one basis with some of the suppliers
6 we're more familiar with to get some feedback.

7 Q Are you committing to do that between now and
8 the next solicitation?

9 A (White) Yes, we could do that. Yes, we've had
10 that -- we've talked about that might be a good
11 idea.

12 Q Well, talking about it and doing it are two
13 different things. I just want to make sure
14 that you -- are you there?

15 A (White) Well, --

16 CHAIRMAN HONIGBERG: Mr. White, don't
17 be surprised to see it as a line in the order
18 that comes out of this proceeding.

19 WITNESS WHITE: Yes. I can see it
20 already.

21 CHAIRMAN HONIGBERG: Sure.

22 WITNESS WHITE: So, I think it's a
23 good idea.

24 CMSR. BAILEY: Okay.

[WITNESS PANEL: White|Goulding]

1 WITNESS WHITE: Given the experience
2 we've had through this now our third
3 solicitation.

4 CMSR. BAILEY: Yes.

5 BY CMSR. BAILEY:

6 Q Another thing that Liberty does, and I don't
7 understand whether this makes a difference or
8 not, but they ask for indicative bids, and then
9 they ask for final bids. And sometimes the
10 prices change a little bit, but they get -- I
11 don't know, maybe, based on our last
12 conversation, if they don't get a robust
13 response to their indicative bids, maybe then
14 they reach out and they try to get more
15 suppliers to bid. I don't know.

16 But do you think that that's what the
17 purpose of an indicative bid would be?

18 A (White) I think indicative bids were fairly
19 common a long time ago, when things were new to
20 everybody. This is a fairly well
21 worked-through process at this point.

22 Q But not for you, as you said?

23 A (White) Well, but I mean the process itself
24 that we're utilizing, and we've utilized

[WITNESS PANEL: White|Goulding]

1 elsewhere. We don't really see the point of
2 receiving offers. There's no commitment on
3 anybody's behalf. There's no screening that's
4 done. They don't drop people. We don't really
5 see the benefit of indicative bids.

6 Q Okay.

7 A (White) And it creates work for a lot of
8 people.

9 Q Okay. And the one thing that Unitil does, and
10 when they were in here they said that they have
11 the lowest rates for C&I customers of any of
12 the incumbents, distribution companies, but I
13 haven't gone back to look at this, is, in their
14 bid, they ask for an adder, and they assume
15 that the supplier will charge them the
16 real-time price.

17 CMSR. BAILEY: Is that right,
18 Commissioner Giaimo?

19 CONTINUED BY CMSR. BAILEY:

20 Q Meaning, so they have a very small amount that
21 the supplier adds to the price of energy that
22 they actually pay in the day-ahead market, I
23 think. And so, the rate gets filed, I don't
24 know, as the adder, and it follows the market.

[WITNESS PANEL: White|Goulding]

1 And they have had really good experience with
2 that. Better than -- they say, better than a
3 fixed price that's been procured in advance.

4 A (White) I'm a little bit familiar with how they
5 do things. I think they're in a position where
6 they can reconcile any differences in energy
7 costs by customer. Which is something that we
8 would not be able to do.

9 Q Why would they have to reconcile?

10 A (White) I think what they do is set a rate, and
11 if actual prices come in differently, they go
12 back to that customer and either credit or
13 charge the difference. So, they have a small
14 enough group of customers that they can do
15 that. What that creates is, there's no --
16 there's no profit or risk component in the
17 rate.

18 Q For whom?

19 A (White) Well, when a supplier provides a fixed
20 rate, that's it. It's fixed. So, all those
21 contingencies that may occur are covered in the
22 price. If those contingencies don't occur,
23 then they have over-collected. And I think
24 that, over several years, where we've had a

[WITNESS PANEL: White|Goulding]

1 fairly stable, low-priced market, until this
2 past winter, that's what Unitil has
3 experienced. That, in the rates, there hasn't
4 been any profit or risk component. And the
5 customers --

6 Q Isn't that in the adder?

7 A (White) Well, but it's not on energy. And
8 almost all of the risk in these offers is in
9 the energy market.

10 Q No. No, I don't think you --

11 CHAIRMAN HONIGBERG: Well, I think at
12 least one of the people in this discussion
13 doesn't really know what Unitil is doing. So,
14 what I'm going to suggest is that the Company
15 speak with Staff. Staff does have a good
16 understanding, I think, of how Unitil does its
17 solicitations. And perhaps there's some
18 valuable learning that can go in one direction
19 or the other on that topic.

20 CMSR. BAILEY: Okay. And it could be
21 me, Mr. White. It could be me that doesn't
22 understand it. But --

23 WITNESS WHITE: It could be me. I'm
24 not entirely familiar with --

[WITNESS PANEL: White|Goulding]

1 CMSR. BAILEY: He's not blaming you.

2 All right. Let's move on.

3 BY CMSR. BAILEY:

4 Q What's your experience in Massachusetts? Do
5 you have a similar load profile for your C&I
6 customers in Massachusetts?

7 A (White) I don't know that I can answer that. I
8 know there is, in one of our jurisdictions, and
9 I don't deal with those, so I've only heard
10 discussion that at least in one of our
11 jurisdictions there is a single large customer,
12 that, depending on their ingress or egress, can
13 make a big difference in the loads that are on
14 default service.

15 Q And how do the rates compare to the rates that
16 you got here? You don't know? You don't look
17 at that?

18 A (White) Honestly, no. I think those are
19 quarterly rates, and I think they go up and
20 down.

21 I do know that part of the feedback I
22 receive, when we're evaluating offers, is that
23 we've seen a lot of different outcomes, good
24 and bad, via solicitations; sometimes

[WITNESS PANEL: White|Goulding]

1 surprising, sometimes expected. It's not
2 always easy to predict where suppliers' offers
3 are going to come in. And so, rates can move
4 around, and we've experienced that.

5 BY CMSR. GIAIMO:

6 Q I'm going to pick this scab a little bit.
7 Sixteen -- February and March are 16 and almost
8 14 cents, actually, almost 17 and almost 14
9 cents for C&I. Can you guess, are your other
10 jurisdictions, C&I north, north of that number,
11 comparable, or less?

12 A (White) And I'm sorry, and did you identify
13 particular months?

14 Q February and March of 2019, I'm looking at
15 Mr. Goulding's testimony. I'm on Bates 143.

16 A (White) Okay.

17 Q It was open in front of me. And, you know,
18 look at the February number of almost 17, 16.7,
19 and March of 13.8 cents. You said these other
20 jurisdictions go in three-month blocks. So,
21 I'm thinking February and March are in the next
22 three-month block. How do we compare?

23 Significantly higher? Comparable?

24 A (White) Honestly, I don't know. I honestly

[WITNESS PANEL: White|Goulding]

1 don't know.

2 CMSR. GIAIMO: Okay.

3 CMSR. BAILEY: Okay. I'm going to
4 switch to Mr. Goulding.

5 BY CMSR. BAILEY:

6 Q Is the average energy price, the price that
7 you're going to pay the supplier, is that a
8 confidential number?

9 A (White) Yes.

10 Q Okay. All right. So, I won't refer to that.
11 But I'd like to -- I'd like, Mr. Goulding, for
12 you to walk me through how you got from that
13 number to the price per kilowatt-hour, the
14 retail price. And I think it's on Bates Page
15 148.

16 A (Goulding) Okay. I'm there on Bates Page 148.

17 Q So, there's some accounting for the loss factor
18 in Lines 1 through 3. And then I see the price
19 per megawatt-hour that you received from the
20 supplier on Line 4. And that gets converted to
21 a retail rate component by grossing it up for
22 the loss factor?

23 A (Goulding) Yes.

24 Q Okay. There's no reconciliation adjustment

[WITNESS PANEL: White|Goulding]

1 factor, we just haven't gotten to that yet,
2 correct?

3 A (Goulding) Correct. That will be in the
4 August 1st for a rate.

5 Q And we already know that there's an
6 over-collection from the last period. Didn't I
7 read that in one of your schedules?

8 A (Goulding) I think the over-collection might be
9 a little misleading, because the revenues come
10 in at -- they're at a fixed rate for the
11 residential customers, but then you might have
12 more expenses in later months, --

13 Q Okay.

14 A (Goulding) -- because of the way the rates are
15 designed. So, it's a little early to comment
16 on whether it's an overrecovery.

17 Q Okay. That's fair. All right. Then we have
18 the "RPS Factor", which is a little bit lower
19 than the Liberty RPS factor?

20 A (Goulding) Yes.

21 Q And we have the "A&G Adjustment Factor". How
22 do you get that?

23 A (Goulding) So, and that's calculated on Page 3
24 of this attachment. And as part of the costs

[WITNESS PANEL: White|Goulding]

1 associated with running the program, there's
2 internal labor; then there's the bad debt
3 expense that's associated with the basic
4 service or default service offering; and then
5 there is a PUC assessment; and then a
6 company -- a credit for company usage, that was
7 part of a legacy -- part of the settlement in
8 '09, rate case 09-035.

9 Q Is all of the PUC assessment in default service
10 rates?

11 A (Goulding) No, just \$10,000. It was part of
12 the law that was passed years ago.

13 Q Oh. Okay.

14 A (Goulding) So, \$833 a month.

15 Q That's the same as a competitive supplier would
16 pay?

17 A (Goulding) Yes. So, those numbers are added
18 up, divided by the forecasted energy service
19 sales to come up with the rate of 0.0098
20 cents -- 0.00098 cents.

21 Q Okay. But here's the part that I don't quite
22 understand. So, the rates are added up, and
23 you multiply the rate times the forecasted load
24 that has been reduced because of the loss

[WITNESS PANEL: White|Goulding]

1 factor?

2 A (Goulding) So, these are the retail rates. So,
3 they're multiplied by the load to come up with
4 what we would have to -- or, what the
5 forecasted energy service costs would be. And
6 then that's divided by the total load to come
7 up with the monthly or the average six-month
8 rate.

9 Q Okay. Tell me by line number. Line 9 --

10 A (Goulding) Okay.

11 Q -- is multiplied by either Line 1 or Line 3?

12 A (Goulding) Line number 9 is just the sum of
13 Line 5, 6, 7, and 8.

14 Q Right. And I'm trying to -- I'm sorry, I'm
15 trying to figure out how you calculate Line 10?

16 A (Goulding) Okay. Line 10 is -- excuse me -- is
17 the Line number 9, so it's the retail rate the
18 customers will pay.

19 Q That's been adjusted for loss?

20 A (Goulding) Yes. Times the retail sales,
21 Line 3, which had been adjusted for loss.

22 Q Okay.

23 A (Goulding) So that comes up with a total energy
24 service cost for the month.

[WITNESS PANEL: White|Goulding]

1 Q And then you do that for every month, and then
2 divide by what?

3 A (Goulding) Get the sum of that, and then divide
4 by the total retail sales, to get you the
5 average retail rate.

6 Q So, you've divided by Line 3?

7 A (Goulding) Yes. Sorry for the correction --
8 the misinterpretation.

9 Q I don't understand why you couldn't be inside
10 my head.

11 You made a comparison to the rate for last
12 winter in the Exhibit 17, I think. And you
13 show that it's a lower -- it's lower than
14 last -- the Energy Service charge is about
15 almost 2 cents less than it was last January.
16 But last January we still had the stranded
17 costs from the Scrubber in the default service
18 rate, correct?

19 A (Goulding) It was an estimate based on
20 Eversource's own generation. And, yes. So,
21 it would be the full cost, including the
22 Scrubber.

23 Q Okay.

24 CHAIRMAN HONIGBERG: Just to be

[WITNESS PANEL: White|Goulding]

1 clear, I think what you testified earlier, Mr.
2 Goulding, and what shows on Page 3 of Exhibit
3 17, is that the Energy Service rate is 7.6
4 cents lower now than it was for the same period
5 a year ago. Is that right? Line 19 of Page --

6 WITNESS GOULDING: Seven -- Sorry.
7 \$7.60 lower.

8 CHAIRMAN HONIGBERG: Right.

9 CMSR. BAILEY: That's for the total
10 bill?

11 CHAIRMAN HONIGBERG: That's the total
12 bill.

13 CMSR. BAILEY: Yes. And I was
14 looking at Line 2, compared to Line 4.

15 BY CHAIRMAN HONIGBERG:

16 Q Talk about Line -- talk about Line 15. Things
17 that had been in the Energy Service charge,
18 moved into the Stranded Cost Recovery Charge.
19 It's not exactly the same, but it's essentially
20 where the Scrubber charge is moved from one to
21 the other, is that about right?

22 A (Goulding) It is. But this -- yes. The
23 current -- the proposed February 1st rate does
24 account for those costs that are in the

[WITNESS PANEL: White|Goulding]

1 Scrubber -- I mean, in the securitization --
2 or, the Stranded Cost Recovery Charge, which
3 include securitization and treatment of
4 purchase power contracts, for recovery through
5 the stranded costs.

6 CHAIRMAN HONIGBERG: Sorry to
7 interrupt.

8 BY CMSR. BAILEY:

9 Q So, after all of those costs are moved into the
10 appropriate buckets, the customer -- the impact
11 on a customer's -- a residential customer's
12 bill is 1.7 percent, for the those who use 600
13 kilowatt-hours? It's a 1.7 percent increase?

14 A (Goulding) At the time, like at this time, but
15 we're still going to be filing an updated
16 Stranded Cost Recovery Charge rate for effect
17 February 1st. So, the February 1st assumption
18 right now is a Stranded Cost Recovery Charge of
19 2.067 cents. But we'll be updating that for
20 February 1st. And I believe the update goes in
21 the beginning of January, sometime in January,
22 with the updated RRB charge. So that will be
23 updated, and then the final kind of comparison
24 could be made.

[WITNESS PANEL: White|Goulding]

1 BY CHAIRMAN HONIGBERG:

2 Q Do you have a sense yet of where the Stranded
3 Cost Recovery Charge is going?

4 A (Goulding) The preliminary filing that we made
5 about a month ago, I think that was down about
6 0.3 cents from the current rate. I'm just not
7 sure what the final number would be, but I
8 would assume it's going to be somewhere around
9 there.

10 I will add, I guess I was just trying to
11 provide this to compare energy service rates to
12 energy service rates, because there have been
13 discussions in the past about winter periods to
14 winter periods, and comparing applicable rates.

15 CHAIRMAN HONIGBERG: No, it's
16 helpful. And the other information that you
17 provided allows one to see that there were
18 things that moved in both directions. So, if
19 you want to compare the winter rate with the
20 winter rate, you actually can using this. You
21 just need to make sure that you're talking
22 about all of the elements that have been moved
23 for the right reasons.

24 BY CMSR. BAILEY:

[WITNESS PANEL: White|Goulding]

1 Q All right. This is my last question. On Page
2 1 of Exhibit 17, I don't understand the
3 "8.2 percent" at the bottom of the page, on the
4 right-hand column.

5 A (Goulding) So, for all retail customers, there
6 will be an 8.2 percent increase in the total
7 delivery and energy portion of the bill.

8 Q So, that's an average of residential and C&I
9 customers?

10 A (Goulding) Yes. It's all customers. So, if
11 you took all of the revenues from all of the
12 different -- from residential customers,
13 general service customers, and down the line,
14 you come up with the -- and compare them to the
15 total revenues for all of those customers,
16 that's where the "8.2 percent" increase comes
17 from.

18 CMSR. BAILEY: Okay. Thank you.

19 CHAIRMAN HONIGBERG: Commissioner
20 Giaimo.

21 CMSR. GIAIMO: Good morning,
22 gentlemen.

23 WITNESS WHITE: Good morning.

24 WITNESS GOULDING: Good morning.

[WITNESS PANEL: White|Goulding]

1 CMSR. GIAIMO: There was some
2 discussion with respect to capacity zones, just
3 to clarify that, to the extent it's helpful.
4 With respect to the FCA capacity zones, for the
5 first ten auctions or so, there was averaging
6 between two and four zones, as few as two and
7 as many as four. New Hampshire usually was
8 lumped in with the Rest-of-Pool, which meant it
9 was in the unconstrained area of the system.

10 And I think, since FCA 10, 11, and
11 12, New Hampshire has been lumped together into
12 Northern New England states. So, to the extent
13 that's helpful.

14 WITNESS WHITE: Thank you.

15 BY CMSR. GIAIMO:

16 Q Mr. White, you suggested prices have been
17 getting worse since September or October
18 timeframe as you've been tracking them. And
19 given Liberty's recent solicitation, should we
20 consider or should you consider pushing your
21 solicitation back a week or two? It sounded
22 like you thought that the prior week -- that
23 the weeks of early December are a time of price
24 volatility.

[WITNESS PANEL: White|Goulding]

1 So, is that something that maybe we should
2 consider?

3 A (White) Well, we've thought about that. The
4 problem is that we -- we all try to avoid each
5 other's timetable and find "open" weeks.

6 Q Okay.

7 A (White) And when -- if you start moving back,
8 you bump into Thanksgiving. Now, you're into
9 November, when those who are soliciting for a
10 January start date are typically out in the
11 market. And it becomes more difficult.

12 So, we could look at that, and maybe
13 there's an opening. But I think, when you
14 get -- there's some point where you're kind of
15 too far away from the market, you know, it adds
16 to that. You know, risk has a time component
17 to it. And providing a fixed price for a
18 delivery term that begins six weeks hence is
19 different than doing that when the delivery
20 term is two or three months out.

21 Q Yes.

22 A (White) So, it becomes difficult. And I think
23 Thanksgiving really creates an issue, because
24 that kind of takes a week away, and now you're

[WITNESS PANEL: White|Goulding]

1 getting further and further back.

2 Q We can look to changing that Thanksgiving
3 holiday, if you want?

4 So, is it possible that, as PSNH was late
5 to the table with respect to getting towards
6 the solicitations, that you are now stuck with
7 the worst week?

8 A (White) No, I wouldn't. I wouldn't say that.

9 Q Okay.

10 A (White) I think we -- I think we're probably
11 going to be in a continuous dance with Liberty,
12 where either we go a week ahead of them or vice
13 versa. Or, it may occur sometime, for whatever
14 reasons, that we are in the same week. But, at
15 least so far, we're coordinating with them.
16 And I don't think it's been difficult for us
17 to, you know, find compatible schedules.

18 Q Okay. I'm looking on Bates 148 and 149, Mr.
19 Goulding, and help me understand. I did a
20 back-of-the-envelope calculation and was
21 comparing the C&I versus the residential. And
22 it looks like the C&I are generally anywhere
23 between 2 and 3 cents higher than the
24 residential. Does that look right?

[WITNESS PANEL: White|Goulding]

1 A (Goulding) That looks right.

2 Q Do you know if -- that's a unique situation,
3 correct? In the solicitations I've seen, this
4 seems to be new. I'm wondering how that
5 compares to your understanding of the market?

6 A (Goulding) So, my understanding of the market
7 is going to be based on past performance. So,
8 I went back and looked at our June filing. And
9 the monthly rates for residential customers and
10 the large customers was fairly close to each
11 other.

12 But that's where the knowledge of markets
13 ends with me.

14 Q Yes. That's generally, my understanding, is
15 that they traditionally track each other pretty
16 closely. And this delta, this difference
17 seems, obviously, seems significant and
18 noteworthy. And I wonder, if other areas were
19 seeing similar C&I spreads, if there is any
20 value in aggregating C&I amongst your other
21 customers? In other words, pooling all C&I
22 together, to help economies of scale and get a
23 better price for C&I, and possibly doing that
24 for residential?

[WITNESS PANEL: White|Goulding]

1 A (White) There may be, theoretically, some
2 benefit to doing that. I think the practical
3 considerations of doing that across regulatory
4 jurisdictions, I have trouble imagining how
5 that would work, "who's subsidizing whom" types
6 of questions.

7 Q And I'll just tell you what I'm thinking
8 quickly, and I'm sorry to interrupt. But it
9 would be a situation where Connecticut, New
10 Hampshire, and Massachusetts were to put out a
11 solicitation at the same time, I think that
12 would send a pretty significant signal to the
13 market, if we could coordinate the same day
14 with similar turnarounds, that there might be
15 enough, a critical demand out there that it
16 would increase participation.

17 But maybe that's just something to take
18 back as you contemplate all of the things that
19 we've discussed.

20 A (White) Yes.

21 Q Okay. The Consumer Advocate briefly talked
22 about "variable pricing", and talking about it
23 for residential customers. My question to both
24 of you is, when you allow for variable pricing,

[WITNESS PANEL: White|Goulding]

1 it seems like you create an incentive, and
2 there will be a likelihood that there could be
3 jumping. And by that, you -- that the market,
4 in high price months, you'd see people leaving.

5 Would that create a risk, a significant
6 risk, that would increase the premium that a
7 supplier may put into its bid, if you were to
8 go to variable pricing for residential
9 customers? Obviously, I'm just asking your
10 opinion.

11 A (White) No. I don't think it would, from a
12 supplier's standpoint. And I'm probably going
13 to overlook some considerations. But they
14 already receive a monthly price, and -- for
15 default service. And our rate for residential
16 customers is fixed across six months. So, it
17 does create a difference between that flat
18 six-month rate and monthly market prices. So,
19 that's the kind of thing that creates ingress
20 and egress.

21 If the rates follow the market, that risk
22 might actually go down.

23 Q Okay.

24 A (White) But I guess it's -- yes. I don't

[WITNESS PANEL: White|Goulding]

1 honestly know if there's another layer of
2 consideration they would apply that I'm
3 overlooking. They might have trouble picking
4 the volume level.

5 CMSR. GIAIMO: And there are,
6 obviously, gaming rules at play here, which
7 would preclude a customer from jumping back and
8 forth, where there would be a cooling off
9 period, I would imagine, of some sort. So,
10 again, something to, obviously, think about as
11 you contemplate what's next for competitive
12 solicitations.

13 Thank you.

14 CHAIRMAN HONIGBERG: All right. All
15 my questions have been answered.

16 Mr. Fossum, do you have any follow-up
17 for the panel?

18 MR. FOSSUM: I do not.

19 CHAIRMAN HONIGBERG: All right.
20 Gentlemen, I think you can stay where you are,
21 because it won't take long from here.

22 Without objection, we'll strike ID on
23 Exhibits 15, 16, and 17.

24 Anything else we need to do before

1 the parties sum up?

2 *[No verbal response.]*

3 CHAIRMAN HONIGBERG: Mr. Kreis, why
4 don't you start us off.

5 MR. KREIS: Thank you, Mr. Chairman.

6 I would like to stress that the
7 concern of the Office of the Consumer Advocate
8 is confined strictly to the residential rates
9 that are before you as the result of this
10 solicitation that the Company just conducted.
11 I express no opinion about the Large C&I rate
12 that has been the subject of much of the
13 conversation today. I found it interesting,
14 but I have no opinion one way or another about
15 that.

16 With respect to the Small Customers,
17 I think that the Company has amply demonstrated
18 that it conducted an appropriate and robust
19 solicitation process that results in a just and
20 reasonable rate that the Commission should
21 approve.

22 Beyond that though, I would say,
23 since this is Shakespeare Week at the
24 Commission, that there might be something

1 rotten in Denmark, in the sense that I think
2 there are signs here that the Commission should
3 conduct some kind of generic inquiry, in
4 cooperation with all three of our
5 investor-owned electric utilities, about the
6 way in which default service is procured, and
7 whether that could be optimized somehow, in a
8 variety of directions. Some of which the three
9 of you have touched on, a couple of which have
10 occurred to me, and some of which maybe none of
11 us have thought of yet, because there are smart
12 people who think about that that haven't been
13 involved in this particular process. So, it
14 seems to me that there is some pressure
15 building for that sort of inquiry.

16 But, with respect to the decision you
17 have to make in the near term, I think, again,
18 as to the Small Customer class, your answer
19 should be "yes", and I urge that approval.

20 CHAIRMAN HONIGBERG: Thank you,
21 Mr. Kreis. Ms. Amidon.

22 MS. AMIDON: Staff reviewed the
23 filing. And Staff is concerned about the level
24 of competition in this solicitation, especially

1 for the Large Customer class. We also think
2 the Commission should keep in mind that those
3 customers remaining on default service are only
4 10 percent of that Large Customer Group, the
5 remainder of which have gone to competitive
6 supply. So, there is that issue that needs to
7 be explored.

8 We also expect Eversource to
9 investigate and analyze the differences between
10 its price and those of other utility
11 solicitations, to determine the cause of the
12 differences that exist.

13 Despite those concerns, Staff
14 believes that the bid solicitation and
15 evaluation process was done in conformance with
16 the Settlement Agreement and with prior
17 solicitations. And we recommend that the
18 resulting rates be approved.

19 CHAIRMAN HONIGBERG: Thank you, Ms.
20 Amidon. Mr. Fossum.

21 MR. FOSSUM: Thank you. I'll begin
22 by agreeing with the comments you've heard so
23 far, that we believe the solicitation was
24 conducted appropriately and consistently with

1 the Commission's expectations and the relevant
2 requirements. The results of it, while perhaps
3 not optimal, are still fair and appropriate,
4 and have led to just and reasonable rates that
5 we would request be approved.

6 We're not, as evidenced by, you know,
7 a lot of the discussion today, we're certainly
8 not blind to the issues that have been
9 discussed this morning, relative to the rate
10 levels and the competitiveness of activities.
11 And we will be, you know, looking into those to
12 the degree that we can, and remain open to
13 discussions on the best way to improve the
14 process for our customers here in New
15 Hampshire.

16 Thank you.

17 CHAIRMAN HONIGBERG: Thank you,
18 Mr. Fossum. With that, we will close the
19 hearing, take this matter under advisement, and
20 issue an order promptly, as I know that this
21 order needs to go out by Thursday. All right.
22 The hearing then is adjourned.

23 ***(Whereupon the hearing was***
24 ***adjourned at 10:53 a.m.)***