

1                                   **STATE OF NEW HAMPSHIRE**2                                   **PUBLIC UTILITIES COMMISSION**3  
4   **June 21, 2018 - 10:04 a.m.**  
5   Concord, New Hampshire

NHPUC 9JUL18#3:17

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7           **RE: DE 18-041**  
8           **LIBERTY UTILITIES (GRANITE**  
9           **STATE ELECTRIC) CORP. d/b/a**  
10           **LIBERTY UTILITIES:**  
11           **2018 Schedule for Default**  
              **Service Solicitations.**  
              ***(Hearing regarding the period***  
              ***of August 1, 2018 through***  
              ***January 31, 2019)***12           **PRESENT:**     Chairman Martin P. Honigberg, Presiding  
13                            Commissioner Kathryn M. Bailey  
                              Commissioner Michael S. Giaimo

14                            Sandy Deno, Clerk

15           **APPEARANCES:**   **Reptg. Liberty Utilities (Granite**  
16                            **State Electric) Corp. d/b/a**  
17                            **Liberty Utilities:**  
                              Michael J. Sheehan, Esq.18                            **Reptg. Residential Ratepayers:**  
19                            D. Maurice Kreis, Esq., Consumer Adv.  
                              Office of Consumer Advocate20                            **Reptg. PUC Staff:**  
21                            Paul B. Dexter, Esq.  
                              Jay Dudley, Electric Division22  
23           Court Reporter:     Steven E. Patnaude, LCR No. 52  
24  
**CERTIFIED  
ORIGINAL TRANSCRIPT**

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**I N D E X**

**PAGE NO.**

**WITNESS PANEL:**            **JOHN D. WARSHAW**  
                                  **JAIME L. URBAN**  
                                  **DAVID B. SIMEK**

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Direct Testimony of Jaime L. Urban and David B. Simek, with attachments (05-16-18)	4
2	Direct Testimony of John D. Warshaw, with attachments, and Technical Statement of Jaime L. Urban and David B. Simek, with attachments (06-18-18) <i>[REDACTED - For Public Use]</i>	4
3	Direct Testimony of John D. Warshaw, with attachments, and Technical Statement of Jaime L. Urban and David B. Simek, with attachments (06-18-18) <b>{CONFIDENTIAL &amp; PROPRIETARY}</b>	4
4	Revised Tariff Pages, consisting of Third Revised Page 27 and Fifth Revised Page 117 <i>[Including red-lined versions]</i>	4

**P R O C E E D I N G**

1  
2 CHAIRMAN HONIGBERG: Good morning,  
3 everyone. We are here in Docket DE 18-041,  
4 which is Liberty Utilities (Granite State  
5 Electric) Corp.'s docket for its default  
6 service selections. This is for the period  
7 starting August 1.

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

10 MR. SHEEHAN: Good morning,  
11 Commissioners. Mike Sheehan, for Liberty  
12 Utilities (Granite State Electric).

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

17 MR. DEXTER: Good morning. Appearing  
18 on behalf of the Commission Staff, Paul Dexter.  
19 And joining me today is Jay Dudley, from the  
20 Electric Division.

21 CHAIRMAN HONIGBERG: Are there any  
22 preliminary matters we need to deal with,  
23 Mr. Sheehan?

24 MR. SHEEHAN: Yes, sir. We've marked

1 three -- four documents for exhibits. "Exhibit  
2 1" is the Urban/Simek testimony filed in May,  
3 Bates 001 through 032. It's Docketbook Tab  
4 Number 7. Two and three are the Warshaw  
5 testimony, with attachments, and Urban/Simek  
6 Tech Statement, with attachments. They are all  
7 in a single document, Pages 001 through 143.  
8 The redacted version is "2", the confidential  
9 version is "3". And "Exhibit 4" are the  
10 proposed tariff pages that we have in front of  
11 you. We waited until the numbers were as close  
12 to final as we thought they were to file those  
13 today.

14 The grounds for confidentiality is  
15 Puc 201.06(a)(15), which is the rule that  
16 presumes certain material in energy service  
17 filings to be confidential, and it itemizes all  
18 the various pricing and bids, *etcetera*, and  
19 that's what's been redacted here. And it  
20 follows what we've done in prior cases.

21 (The documents, as described,  
22 were herewith marked as  
23 **Exhibit 1** through **Exhibit 4**,  
24 respectively, for

[WITNESS PANEL: Warshaw|Urban|Simek]

1 identification.)

2 CHAIRMAN HONIGBERG: Thank you,  
3 Mr. Sheehan. Any other preliminaries before we  
4 get started?

5 *[No verbal response.]*

6 CHAIRMAN HONIGBERG: I see a witness  
7 panel is in place. Is there anything we need  
8 to do other than have them sworn in?

9 *[No verbal response.]*

10 CHAIRMAN HONIGBERG: Why don't we  
11 take care of that, Mr. Patnaude.

12 (Whereupon **John D. Warshaw,**  
13 **Jaime L. Urban,** and **David B.**  
14 **Simek** were duly sworn by the  
15 Court Reporter.)

16 CHAIRMAN HONIGBERG: Mr. Sheehan.

17 MR. SHEEHAN: Thank you.

18 **JOHN D. WARSHAW, SWORN**

19 **JAIME L. URBAN, SWORN**

20 **DAVID B. SIMEK, SWORN**

21 **DIRECT EXAMINATION**

22 BY MR. SHEEHAN:

23 Q I'll start with Mr. Warshaw. Your name and  
24 position with the Company please?

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 A (Warshaw) John D. Warshaw. I am the Manager of  
2 Electric Supply for Liberty Utilities Service  
3 Corp.

4 Q And did you prepare and file testimony in this  
5 docket?

6 A (Warshaw) Yes.

7 Q And it's been marked as "Exhibit 2" and "3",  
8 the confidential and redacted version. Do you  
9 have any changes to your testimony?

10 A (Warshaw) No.

11 Q And do you adopt your testimony today -- your  
12 written testimony today as your sworn  
13 testimony?

14 A (Warshaw) Yes.

15 Q Could you just give us a very high-level  
16 summary of what your testimony provides in this  
17 docket?

18 A (Warshaw) My testimony will describe the  
19 solicitation process that we went through to  
20 choose a new energy service supply for our  
21 default -- our energy service customers  
22 effective August 1st of 2018.

23 CHAIRMAN HONIGBERG: Hang on one  
24 second. Just go off the record for a minute.

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1                                    *(Off the record to adjust the*  
2                                    *microphone output.)*

3                                   CHAIRMAN HONIGBERG: Mr. Sheehan, you  
4                                   may continue.

5                                   MR. SHEEHAN: Thank you.

6 BY MR. SHEEHAN:

7 Q       And, Mr. Warshaw, you just said the purpose of  
8       your testimony was to describe the process and  
9       how the Company selected its suppliers for this  
10       upcoming period beginning August 1. Is that  
11       correct?

12 A       (Warshaw) Yes, that is.

13 Q       And are there new suppliers involved with this  
14       period?

15 A       (Warshaw) No. These are suppliers that have  
16       served Liberty Utilities' customers in New  
17       Hampshire before.

18 Q       And the documents are signed and everything is  
19       ready to go from the Company's and the  
20       suppliers' point of view?

21 A       (Warshaw) Yes.

22 Q       Mr. Simek, your name and position with the  
23       Company please?

24 A       (Simek) David Simek. And I am Manager of Rates



1 and Regulatory for Liberty Utilities Services  
2 Corp.

3 Q And you prepared testimony, which was filed in  
4 May, which has been marked as "Exhibit 1", and  
5 a tech statement, along with -- both of those  
6 along with Ms. Urban, that's been marked as  
7 "Exhibits 2" and "3". And those begin at Page  
8 123 of those, of Exhibits 2 and 3. Do you have  
9 any changes to either of those documents this  
10 morning?

11 A (Simek) Yes. To Exhibits 2 and 3, we do have  
12 one minor change, on Bates Page 134.

13 Q And that is Schedule JLU/DBS-5, Page 2?

14 A (Simek) Correct.

15 Q And the change is?

16 A (Simek) And actually, I'm sorry, there's two  
17 changes on one footnote. The footnote that's  
18 four lines down that shows the four numbers  
19 being added together, the first number that's  
20 shown there, an over-collection of "182,554",  
21 should actually be an over-collection of  
22 "148,970".

23 And then, two numbers over there, over  
24 from there, on the right, the over-collection

[WITNESS PANEL: Warshaw|Urban|Simek]

1 of "873,268", that should be an over-collection  
2 of "906,741".

3 And these numbers changing in the  
4 footnotes did not affect any other calculations  
5 in the attachments or the schedules. It's just  
6 that the footnote itself wasn't properly  
7 updated.

8 Q Other than those corrections, and I'll be  
9 asking Ms. Urban the same question, do you  
10 adopt your testimony of May and the technical  
11 statement of June to be your sworn testimony  
12 here today?

13 A (Simek) Yes.

14 Q And could you give us a high-level paragraph of  
15 the reason for the May filing? What are you  
16 filing in May and what is the overall purpose  
17 of that filing?

18 A (Simek) Overall purpose of the May filing is to  
19 give Commission Staff and OCA an update of the  
20 reconciliations early, so they have more time  
21 to see a bulk of the data that we provide in  
22 our portion of the filing, which relates to the  
23 four reconciliations that are rolled up into  
24 the Energy Service rate.

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 Q And that first filing in May, again, is what's  
2 done in the formal course for these  
3 proceedings?

4 A (Simek) Correct.

5 Q And the reconciliation period ends when?

6 A (Simek) It depends on which factor we're  
7 looking at.

8 Q But it ends -- my question is, it ends after  
9 you made this May filing, correct?

10 A (Simek) Correct. So, what we do for the June  
11 filing is we add another month of actuals to  
12 that filing, rather than having a projection,  
13 because we have a new month of actuals. And  
14 then, of course, we incorporate the bids that  
15 were part of the solicitation that Mr. Warshaw  
16 controlled, and we add those rates together to  
17 come up with our final rate in the June filing.

18 Q So, the June filing starts with the May,  
19 updates it for some more actuals, updates it  
20 for Mr. Warshaw's number of the energy service  
21 cost, and then proposes a rate for the  
22 Commission to approve effective August 1?

23 A (Simek) Correct.

24 Q And again, that's the normal course for these

[WITNESS PANEL: Warshaw|Urban|Simek]

1 filings to have what is here in the May and  
2 June filing?

3 A (Simek) Correct.

4 Q Was there anything else covered in either the  
5 May or the June filing that was somewhat out of  
6 the normal for this filing? Any other changes  
7 or adjustments that had to be made?

8 A (Simek) There were some prior period  
9 adjustments. When we were going through and  
10 looking at the prior period, and beginning to  
11 do our analysis for this reconciliation for the  
12 current period, we noticed that there was an  
13 anomaly in the way that the RECs were -- the  
14 REC expense didn't look right in the prior  
15 period.

16 Q Before we get into the details, but there was a  
17 look back, and you found some things that  
18 needed to be adjusted. Is that correct?

19 A (Simek) Yes.

20 Q And so, the May testimony covers that, correct?

21 A (Simek) Correct.

22 Q And the numbers that are attached to the May  
23 testimony -- let me ask it differently. That  
24 the schedules attached to the technical

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 statement in June, as compared to the schedules  
2 in May, which are the ones that support the  
3 rate request the Company is making today?

4 A (Simek) The June schedules.

5 Q Again, because those are the updated from May?

6 A (Simek) Correct.

7 Q And if you'd give us a -- Mr. Warshaw's piece  
8 of the testimony is the energy service, the  
9 supplier cost. What are the other factors that  
10 comprise the reconciliations that you and  
11 Ms. Urban undertake?

12 A (Simek) There are four reconciliations that are  
13 included in the overall Energy Service rate.

14 Q Why don't you just go through each of those.

15 A (Simek) Sure. There's a base energy  
16 reconciliation, which basically looks at the  
17 results of the revenue and expense based on the  
18 bids that Mr. Warshaw accepted for the prior  
19 period, and we're doing a true-up of what was  
20 projected to what was the actual costs and  
21 revenue.

22 Q And yet to be basic, a year ago, when the  
23 Commission approved a rate, was it for the  
24 whole year, this reconciliation?

[WITNESS PANEL: Warshaw|Urban|Simek]

1 A (Simek) Correct.

2 Q So, a year ago, when the Commission approved  
3 the August 1 rate, as adjusted later in the  
4 winter for the second six-month period, that  
5 rate is based on a projected sale and a  
6 projected revenue that the Company would  
7 receive, correct?

8 A (Simek) Correct.

9 Q And, of course, actuals change?

10 A (Simek) Correct.

11 Q And so, your reconciliation is just figuring  
12 out did we collect too much or too little, and  
13 adjusting rates going forward for that?

14 A (Simek) Right. And the four reconciliations,  
15 the one I just described, the base energy,  
16 solely relates to the power that was procured  
17 by Mr. Warshaw.

18 Q And the other three address what?

19 A (Simek) And then we also have an RPS  
20 reconciliation, which has to do with just the  
21 obligation for REC compliance. And that again,  
22 as you just described, the same, where we have  
23 projected revenue and expenses, and now we're  
24 truing them up to the actual that occurred over

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1 the year.

2 We also have an energy service factor,  
3 which is really there to create a factor. So,  
4 it takes into account the over/under for the  
5 base energy. It takes into account the  
6 over/under for the RPS. It takes into account  
7 the prior period over/under for this energy  
8 service factor. And it will also take into  
9 account if there are any other adjustments that  
10 may or may not have been made, and then we  
11 create a factor there.

12 Q Okay. And there's one more?

13 A (Simek) Yes. And the fourth one is the Energy  
14 Service Adjustment Factor, which is more  
15 related to the administrative costs. Mr.  
16 Warshaw's time that he spends working on this  
17 energy service procurements -- or, these energy  
18 service procurements. There's also a cash  
19 working capital component and bad debt. And  
20 again, there's a true-up between actual expense  
21 there as well.

22 Q So, those are the four reconciliations that you  
23 and Ms. Urban calculate and are in this filing.  
24 And you started to say that what is somewhat

[WITNESS PANEL: Warshaw|Urban|Simek]

1 different here is that you looked at some prior  
2 periods, some prior filings, and noticed some  
3 changes that needed to be made?

4 A (Simek) Correct.

5 Q Could you give us a high level of what those  
6 were?

7 A (Simek) Yes. While we were looking back at a  
8 prior year, we noticed that the RPX -- excuse  
9 me, the RPS expense was calculated differently  
10 than it had been in the past. And we noticed  
11 that there was \$1.1 million that were double  
12 charged last year of expense. So, it was a  
13 double count of RPS expense that we need to get  
14 back to customers.

15 Once we realized that, we decided to  
16 obviously go back and really dig into the last  
17 several filings. And we also found that there  
18 were some beginning balance corrections that  
19 needed to be made. There were true-ups that  
20 weren't -- the intent of what the true-up was  
21 meant to do wasn't being done. And so, that  
22 was another 1.1 million that had to be  
23 corrected, that is going to be given back to  
24 customers in this proposal.

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[WITNESS PANEL: Warshaw|Urban|Simek]

1           And then, another prior period adjustment  
2           is related to the accruals from last year. The  
3           accruals that we did last year that reversed  
4           this year. They're also reversing out and  
5           going back to customers.

6   Q       And all of those adjustments and the update of  
7           the May filing are contained in the June  
8           technical statement and schedules?

9   A       (Simek) Correct.

10   Q       And can you give us an overview of what rates  
11           you're asking the Commission -- or, the Company  
12           is asking the Commission to approve now as it  
13           compares to prior, the same rate last year?

14   A       (Simek) Yes. The proposal in this filing for  
15           the Small Customer class is \$0.08299 per  
16           kilowatt-hour, which is a decrease from the  
17           June rate that's currently in place of 0.00632  
18           per kilowatt-hour -- dollar per kilowatt-hour,  
19           which is a 7.1 percent decrease from the rates  
20           that are currently in place. And the Small  
21           Customer class stays fixed for the whole six  
22           months.

23                       Also as a comparison, this 0.08299  
24           proposal for effective August 1, compared to

[WITNESS PANEL: Warshaw|Urban|Simek]

1 the rate that was fixed back in August through  
2 January of 2017, which was 0.08644, that's a  
3 decrease of 4 percent.

4 Q So, the residential rate is a decrease of those  
5 various percentages compared -- depending on  
6 what you're comparing it to?

7 A (Simek) Correct.

8 Q And is it your understanding that the actual  
9 cost of the electricity this year is higher?

10 A (Simek) It is.

11 Q And the reason the rates are lower are because  
12 of these over-collections that are addressed in  
13 your part of the filing?

14 A (Simek) Correct.

15 Q Are there any other summaries of rates you  
16 wanted to explain?

17 A (Simek) No. I believe --

18 Q Okay.

19 A (Simek) -- that's all.

20 Q Ms. Urbanek -- "Ms. Urbanek". I have a good  
21 friend whose name is "Urbanek". My apologies.  
22 Ms. Urban, your name and position with the  
23 Company please?

24 A (Urban) My name is Jaime Urban. I am employed

[WITNESS PANEL: Warshaw|Urban|Simek]

1 as a Regulatory Rates Analyst at Liberty  
2 Utilities Service Corp. And in that capacity,  
3 I provide rate-related services for Granite  
4 State Electric.

5 Q And is it correct that you participated in the  
6 preparation of the May Urban/Simek testimony,  
7 as well as the June Urban/Simek technical  
8 statement?

9 A (Urban) Yes.

10 Q And other than what Mr. Simek just described as  
11 far as changes, do you have any changes to that  
12 testimony and technical statement?

13 A (Urban) I do not.

14 Q And do you adopt both of those documents today  
15 as your sworn testimony?

16 A (Urban) Yes.

17 Q And you've just heard Mr. Simek describe the  
18 process that the two of you went through and  
19 the adjustments and the reconciliations. Do  
20 you agree with his summary of what your  
21 testimony and technical statement provide?

22 A (Urban) Yes.

23 MR. SHEEHAN: I think that's all I  
24 have. Thank you.

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[WITNESS PANEL: Warsaw|Urban|Simek]

1 CHAIRMAN HONIGBERG: Mr. Kreis.

2 MR. KREIS: I think I just have one  
3 or two questions for Mr. Warsaw.

4 **CROSS-EXAMINATION**

5 BY MR. KREIS:

6 Q If I'm understanding the Company's filing  
7 correctly, the Energy Service rate is adjusted  
8 downward by about one cent, given the various  
9 adjustment factors that we just heard about.  
10 Is that a fair statement?

11 A (Warsaw) Yes.

12 Q So that means that, but for these adjustment  
13 factors, the proposed Energy Service rate of  
14 about 8.3 cents would be about 9.3 cents  
15 otherwise?

16 A (Warsaw) Approximately, yes.

17 Q And the Commission just approved an Energy  
18 Service rate for Eversource of about 9.4 cents.  
19 That's reasonably similar to your rate, true?

20 A (Warsaw) Yes.

21 Q Would you say that that suggests that there is  
22 a sort of a, I don't know, a market equilibrium  
23 at work here, the results of your solicitation  
24 were pretty similar to theirs?

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 A (Warshaw) Yes. I would say that the market,  
2 when they locked in their rates, were similar  
3 to the market that resulted in the rates that  
4 we accepted.

5 Q And would you say, therefore, that residential  
6 customers, who were concerned about whether the  
7 default service rate being offered to them by  
8 both of these utilities is reflective of the  
9 market, should be confident that it is, in  
10 fact, a reasonable market-based price for  
11 default service?

12 A (Warshaw) Yes.

13 MR. KREIS: Thank you. Those are all  
14 the questions I have.

15 CHAIRMAN HONIGBERG: Mr. Dexter.

16 MR. DEXTER: Thank you.

17 BY MR. DEXTER:

18 Q I want to begin by just asking a clarifying  
19 question on Mr. Simek's direct. Mr. Simek, you  
20 referenced two \$1.1 million figures when you  
21 were describing the four reconciliations that  
22 are set forth in this filing. One of them you  
23 said had to do with a double charge in the RPS  
24 reconciliation, and the other one had to do

[WITNESS PANEL: Warshaw|Urban|Simek]

1 with a beginning balance true-up correction.

2 Do you recall that?

3 A (Simek) Yes.

4 Q Could you indicate which of the four  
5 reconciliations is affected by the second  
6 1.1 million, the beginning balance true-up?

7 A (Simek) I believe it's all four of them.

8 Q Oh. So, that's the sum total of several  
9 adjustments?

10 A (Simek) Correct.

11 A (Urban) Correct.

12 Q Thank you. So, I did want to start with Mr.  
13 Warshaw. Mr. Warshaw, could you give a general  
14 description of the solicitation process that  
15 the Company went through?

16 A (Warshaw) Sure. We issued an RFP to a specific  
17 list of suppliers that we had issued before.  
18 We also asked and had the ISO NEPOOL Markets  
19 Committee receive a copy of the solicitation.  
20 We received responses, indicative responses and  
21 then final responses. We selected the  
22 suppliers that would provide the lowest cost to  
23 our customers.

24 Q And is this a process similar to what you've

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[WITNESS PANEL: Warsaw|Urban|Simek]

1 used in the past several years?

2 A (Warshaw) Yes. It is the similar process, and  
3 also the process that is in our Settlement  
4 Agreement.

5 Q And I wanted to preface this by saying that I  
6 know there's a lot of confidential information  
7 in here. So, if I ask you something that you  
8 think is confidential, please just let me know  
9 that before you answer. I think I can conduct  
10 all my questions without getting into the  
11 confidential information.

12 A (Warshaw) Yes.

13 Q Okay. And so, having gone through the similar  
14 process that you've used last -- over the past  
15 couple of years and in conformance with the  
16 Settlement you referenced, could you give an  
17 indication of what the results were this year  
18 as compared to say last year or the year  
19 before?

20 A (Warshaw) The results, the prices are higher  
21 than what we received a year ago.

22 Q And what would be the reason for the price  
23 increase?

24 A (Warshaw) I would say a combination of the

[WITNESS PANEL: Warshaw|Urban|Simek]

1 Forward Capacity Market costs being  
2 incorporated into the wholesale rates;  
3 uncertainty as a result of last winter's  
4 extended cold snap; the changes in ISO  
5 marketplace for this winter, with the  
6 implementation of the Pay For Performance, and  
7 as opposed to the last few winters, we had a  
8 Winter Reliability Program; and also natural  
9 gas is -- prices are forecast to be up also for  
10 part of this period.

11 Q I missed one word in your answer. Did you say  
12 a "liability" -- a "winter liability" --

13 A (Warshaw) Winter Reliability Program.

14 Q Okay. And you contrasted that with something  
15 else. And I think you indicated the Winter  
16 Reliability Program is something new this year?

17 A (Warshaw) No. The Winter Reliability Program  
18 has been in place for a couple of past winters.  
19 And the ISO is implementing their Pay For  
20 Performance Program, and that replaces,  
21 basically, Winter Reliability.

22 Q And you said that -- you indicated that that  
23 led to a price -- was one of the contributing  
24 factors to the price increase?

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[WITNESS PANEL: Warsaw|Urban|Simek]

1 A (Warshaw) I would say yes. It's an uncertainty  
2 in the marketplace.

3 Q Okay. So, could we go to your Exhibit 3, at  
4 Bates 091 please. Now, up in the top part of  
5 that page, there's a chart. And could you  
6 indicate, again without revealing the  
7 confidential information, what's the purpose of  
8 this chart? Or, table? I guess it's a table.

9 A (Warshaw) Oh. Okay. That's indicating the  
10 number of bids that we receive -- final bids  
11 that we received for the three blocks.

12 Q And would you -- how would you characterize the  
13 participation in this solicitation as compared  
14 to past?

15 A (Warshaw) I would say that the solicitation is  
16 similar to what we've seen in the last few  
17 solicitations.

18 Q Including the number of responses?

19 A (Warshaw) Yes.

20 Q Okay. And now, I'd like to turn to Bates 096  
21 in that same exhibit please. Again, all the  
22 numbers on this page are confidential for the  
23 most part. But could you explain the general  
24 purpose of this, it's labeled "Exhibit 4"?

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 A (Warshaw) The purpose of this exhibit is to  
2 come -- for us to have an idea of what we would  
3 expect the prices that we would receive from  
4 our -- the bidders would be.

5 Q And when is this exhibit prepared or the  
6 information on this exhibit? In other words,  
7 when are those estimates made?

8 A (Warshaw) They're made -- let's see, this is  
9 the indicative. The indicative prices are made  
10 on the same day that indicative prices are  
11 received.

12 Q Which is May, I think it's in your testimony  
13 actually?

14 A (Warshaw) Yes. I apologize.

15 Q If you go to Page 14, I think it indicates that  
16 indicative -- no, I'm sorry. That's looking  
17 forward. I'll let you answer the question.  
18 When were the indicative bids received?

19 A (Warshaw) June 5th, and then -- yes. The  
20 indicative bids were received on June 5th, and  
21 final bids were received on June 12th.

22 Q And how did the estimates that you put forth on  
23 Exhibit 4, Bates 096, compare to what came in  
24 on the indicative bids?

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 A (Warshaw) As you can see, on Bates Page 095 --  
2 okay. Let's see. They were reflective of the  
3 bids that we received.

4 Q And then jumping to the final bids, how did the  
5 final bids compare with the indicative bids?

6 A (Warshaw) The final bids, some of them were a  
7 little bit higher than what the suppliers had  
8 bid, and some were lower than what the supplier  
9 had bid.

10 Q And could you direct me to the page in your  
11 exhibit here that lays out the various bids?

12 A (Warshaw) Indicative or final?

13 Q Final.

14 A (Warshaw) You would see the final bids on Bates  
15 Page 097.

16 Q Ninety-seven. And so, could you give a general  
17 description as to how the Company chooses the  
18 winning bidders?

19 A (Warshaw) We -- basically, what we are looking  
20 for is the lowest cost to our customers. And  
21 we pick the bidder that is willing to lock in a  
22 price that results in the lowest cost between  
23 that bidder and the other bidders.

24 Q So, lowest cost?

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[WITNESS PANEL: Warshaw|Urban|Simek]

- 1 A (Warshaw) Yes.
- 2 Q Okay. Now, sticking with Page 097, I notice  
3 that the column that identifies the bidders by  
4 letter is not confidential. So, I'll ask you  
5 in Block A to indicate which was the winning  
6 bidder?
- 7 A (Warshaw) Block A was NextEra.
- 8 Q I'm sorry?
- 9 A (Warshaw) NextEra Energy Marketing.
- 10 Q Okay. But you've identified them by number,  
11 but the winning bids are known. So, --
- 12 A (Warshaw) Yes.
- 13 Q So, on this page, which was the winning bidder?
- 14 A (Warshaw) Oh, I'm sorry. That would be Bidder  
15 D.
- 16 Q And Block B, which is for the same customers,  
17 but later on in the year, is it correct that  
18 Block B was the winning bid?
- 19 A (Warshaw) No, it was Block C -- Bidder C was  
20 the winning bidder for Block B.
- 21 Q Block C.
- 22 A (Warshaw) Bidder C for Block B.
- 23 Q And for Block C?
- 24 A (Warshaw) And for Block C, again it was

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 Bidder D.

2 Q Okay. Now, if we could turn to Bates 009 of  
3 your testimony please. There's a chart on the  
4 bottom of Bates 009. Could you explain what  
5 this chart is?

6 A (Warshaw) This is just a summary of the RPS  
7 obligations that load-serving entities in New  
8 Hampshire are required to meet in order to meet  
9 the Renewable Portfolio Standards.

10 Q And this shows that the requirements are  
11 increasing 2019 versus 2018, correct?

12 A (Warshaw) Correct.

13 Q Would you consider this increase to be  
14 consistent with past years or is it higher or  
15 lower than recent experience?

16 A (Warshaw) It's consistent with the legislation  
17 and the requirements of the Renewable Portfolio  
18 Standard.

19 Q Okay. But is the 1 percent difference is  
20 something you've seen typically over the years?

21 A (Warshaw) It is not -- it's not a market-based  
22 change. It's just -- it's a requirement that  
23 the Legislature has put on to meet renewables.  
24 And it does change from year to year, and

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1 sometimes the increase is not done for various  
2 reasons. But it is the increase that the  
3 Legislature has required to all load-serving  
4 entities in New Hampshire to meet.

5 Q Okay. And if I understand, if I were to jump  
6 to Page 103 of your filing, there's a schedule  
7 called "RPS Cost Adder Calculation". You  
8 familiar with that?

9 A (Warshaw) Yes.

10 Q Is this a schedule that indicates how you --  
11 how Liberty is meeting its RPS obligations?

12 A (Warshaw) Yes. Well, not how it's meeting, but  
13 how it is charging its customers for the RPS.

14 Q Okay. And the figures down at the bottom of  
15 the page, under Section 5, Line 4, which are  
16 confidential, indicate what will be charged to  
17 the customers as a result of this case, if your  
18 proposal is approved. Is that right?

19 A (Warshaw) Yes.

20 Q And it indicates that the 2019 costs are higher  
21 than the 2018 costs by almost 25 percent, I  
22 think. Do you see that?

23 A (Warshaw) Yes.

24 Q And could you give an indication as to what

1 gave rise to that increase?

2 A (Warshaw) Part of that is the increase in the  
3 percentages that are required to meet the RPS,  
4 and also -- and also pricing of the cost of  
5 RECs.

6 Q And there are several classes of RECs, as I  
7 understand it. Is there one particular class  
8 where the price is going up? Or, is it more an  
9 across-the-board thing?

10 A (Warshaw) Actually, because 2019 there was only  
11 one month in this service period, I utilized  
12 the pricing that I received for 2018 RECs to  
13 reflect for 2019, since it was only going to be  
14 for one month.

15 Q So, if I understand what you're saying, if I  
16 were to look at all the grayed out numbers  
17 above Section 5, the 2018 and the 2019 numbers  
18 are all the same. Is that what you just said?

19 A (Warshaw) The pricing is.

20 Q The pricing is. Then, how is it that the  
21 Section 5 number for 2019 is higher than the  
22 2018?

23 A (Warshaw) Because the total obligation is  
24 higher.

[WITNESS PANEL: Warshaw|Urban|Simek]

1 Q I see. So, it's -- so, these numbers, the  
2 increase is related totally to the increase in  
3 the obligation?

4 A (Warshaw) Correct.

5 Q Not a pricing increase?

6 A (Warshaw) No.

7 Q Okay. Thanks. And on the whole, is it your  
8 opinion that the results of the solicitation  
9 reflect a competitive market price for energy?

10 A (Warshaw) Yes, it does.

11 Q Okay. That's all I had for Mr. Warshaw. I'd  
12 like to move into the rates and reconciliation  
13 section.

14 So, I want to start at the end and go to  
15 the bill impact page, which is Bates 143. Do  
16 you have that in front of you?

17 A (Urban) Yes.

18 Q So, if I look at this page, it compares the  
19 proposed rates to the current rates, correct?

20 A (Urban) Yes.

21 Q And the current rates -- and the only rate on  
22 this page that seems to change is the last line  
23 that's called "Energy Service Charge", is that  
24 right?

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 A (Urban) Yes.

2 Q And under the column "Current Rate", what's the  
3 time period that the current rate was in  
4 effect?

5 A (Urban) It was effective as of June 1st, 2018.

6 Q So, the Energy Service Charge changed on  
7 June 1st, 2018?

8 A (Urban) That did not. The Energy Service  
9 Charge was effective --

10 A (Simek) February through July of 2018.

11 A (Urban) Thank you. However, many of the other  
12 rate components did change effective June 1st.

13 Q Right. But just talking about the Energy  
14 Service Charge, I just wanted to verify that  
15 this is a comparison to what's in effect now,  
16 which is what it says, "Current Rates"?

17 A (Urban) Correct.

18 Q Okay. And, Mr. Simek, I think earlier you gave  
19 two percentages that compared this rate  
20 proposed as of August 1st to the current rate,  
21 and then also for the equivalent period last  
22 year.

23 A (Simek) Correct.

24 Q And when you compare it to the current rate,

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 this is 7.1 percent lower, if I have your  
2 testimony, is that right?

3 A (Simek) Correct.

4 Q Okay.

5 A (Simek) Again, that's just looking at the  
6 Energy Service charges.

7 Q That's right. That's all I'm asking about.  
8 That's why I started by saying "all the other  
9 numbers on the page didn't change". So, I just  
10 want to focus on that one line. And that  
11 current rate of 0.8299 is for the Residential  
12 class, correct?

13 A (Urban) Yes.

14 A (Simek) That's the proposed rate, yes.

15 Q Proposed rate. And that's what's shown on the  
16 proposed red-lined tariff, which is Exhibit 4,  
17 correct?

18 A (Urban) Yes.

19 Q And if we want to get into the details of that  
20 proposed rate, we'll stick with the Residential  
21 class for now, is it correct that that -- the  
22 components of that rate are detailed on Bates  
23 128?

24 A (Urban) Yes.

[WITNESS PANEL: Warshaw|Urban|Simek]

1 Q And I just want to spend some time with the  
2 middle of the page here, to see how we got from  
3 a 7 percent energy service decrease -- I'm  
4 sorry, increase, to an overall -- let me  
5 withdraw that question. I want to focus on the  
6 middle of the page here for a moment. And I  
7 had a couple of specific questions.

8 Line 10 talks about a "Loss Factor".  
9 Could you describe what the "Loss Factor" is?

10 A (Warshaw) I can easily take that question. The  
11 loss factor is the difference between what we  
12 buy at wholesale versus what we sell at retail.  
13 And that takes into account all of the losses  
14 across our distribution system, to go from  
15 where we receive the power at the edges of our  
16 system and where it actually gets delivered to  
17 the retail customer.

18 Q And I notice that the loss factor is different  
19 for the -- this schedule, Bates 128, which  
20 talks about the smaller customers, which  
21 includes the Residential class, versus Bates  
22 127, which deals with the larger customers.  
23 Would you agree that that factor is different?

24 A (Warshaw) Yes.

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 Q And could you explain why?

2 A (Warshaw) The large customers take service at a  
3 higher voltage level. So, there's less  
4 transformation down to a service level for the  
5 customers, like the residential retail  
6 customers.

7 Q Okay. So, Line 12 is called the "Base  
8 Residential/Small C&I Energy Rate". Is it a  
9 fair characterization that that's the rate for  
10 the actual cost of the power that Mr. Warshaw  
11 receives -- that Mr. Warshaw procures on behalf  
12 of Liberty?

13 A (Urban) Yes.

14 Q Okay. And, so, is it Lines 13, 14, and 15, are  
15 those the reconciliations that Mr. Simek was  
16 talking about earlier?

17 A (Urban) Thirteen (13) and 14 are. Line 15 is I  
18 believe what Mr. Warshaw was just speaking of.  
19 Is that correct?

20 A (Warshaw) Yes.

21 A (Urban) The RPS adder?

22 A (Warshaw) Yes.

23 Q Okay. So, we'll look at Lines 13 and 14 in a  
24 minute. Line 16 seems to be the sum of those

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 four items, is that right?

2 A (Urban) Yes.

3 Q Okay. And this is maybe something -- I think  
4 this is something that could be corrected for  
5 next time. If you go to the footnote for  
6 Line 16, it doesn't seem to say that. So, if  
7 you could just take a look at that and maybe  
8 make a note of that for next time, and if I'm  
9 wrong, you can leave it the way it is. But it  
10 doesn't seem like --

11 A (Urban) It looks like --

12 Q -- you could add Line 16 to a bunch of things  
13 to get Line 16.

14 A (Urban) It looks like you're correct. Yes.

15 Q Okay. Would it be correct just to say -- just  
16 to cross out the end of that footnote and say  
17 that Line 16 should be Lines 12, 13, 14, and  
18 15?

19 A (Urban) Yes.

20 Q Okay. So, let's go to Line 13 for a moment  
21 then. So, that's the "Energy Service  
22 Reconciliation Adjustment Factor". And if I  
23 read your footnote, that would tell us to go to  
24 Bates 133 for the detail of that. Is that

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 right?

2 A (Simek) Yes.

3 Q Okay. I know this is complicated. I just want  
4 to make sure I follow it. So, now I'm on Bates  
5 133, and I do see that factor. And you've got  
6 six or seven -- I guess not. I guess you've  
7 got five items, Lines 1 through 5, that make up  
8 the cost component of this factor -- actually,  
9 it's six items, Lines 1 through 6. Is that  
10 right?

11 A (Urban) It's five. Line 6 is the sum of Lines  
12 1 through 5.

13 Q Right. So, without going into too much detail,  
14 Line 6 shows an over-collection of  
15 \$4.3 million, is that right?

16 A (Urban) Yes.

17 Q Now, I went to the filing last year, the  
18 equivalent filing last year, and I saw that the  
19 over-collection last year was 1.3 million.  
20 Does that sound right?

21 A (Urban) I have it in front of me, and I can  
22 verify that. From 17-058, I have a total  
23 under-collection of 1.4 million.

24 Q An under or over-collection?

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 A (Urban) An under-collection. It's labeled  
2 Bates 072.

3 Q Okay. So, a 1. -- rounded, a \$1.5 million  
4 under-collection?

5 A (Urban) Yes.

6 Q So, that's about a \$6 million swing then from  
7 this year to last year -- last year to this  
8 year?

9 A (Urban) Approximately, yes.

10 Q Okay. So, could you, again in broad terms,  
11 describe what led to this large swing in this  
12 balance?

13 A (Simek) Yes. What we're proposing in this  
14 filing is to return to customers the  
15 over-collection that's on Bates Page 133 of the  
16 4.4 million, and also to give back what's on  
17 Bates Page 135, Line 3, of an over-collection  
18 of 701,081. And those total to a \$5.1 million  
19 over-collection. And what's related again is,  
20 this is really broken down between four  
21 components, which the first component is  
22 related to a REC double count, that we had a  
23 double count of the expense back in 2017. We  
24 also had some beginning balance corrections of

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 another 1.1 million. We had the reversal that  
2 we did of the accruals last year of another  
3 million. And then, for the current period  
4 over-collection, it's approximately  
5 1.8 million.

6 Q Okay. You mentioned a \$700,000 figure on Bates  
7 134. Can you point that to me again?

8 A (Simek) Sure. It's under the "Total" column,  
9 on Line 3. It's Bates Page 135, sorry. And  
10 just for a further clarification, if we look at  
11 Bates Page 127, to go back to the factors that  
12 you were pointing to on Lines 13 and 14, I just  
13 wanted to point out that the factors you  
14 mentioned for Line 13 is the same factor that's  
15 on Bates Page 133, of 0.00970. And then the  
16 two factors, the one for small customer and the  
17 one for large customer, on Bates Page 135, are  
18 the factors that are shown on the summary page,  
19 127, on Line 14.

20 Q Okay. That's what I was going to ask you,  
21 because I just asked you about Line 13, but  
22 your answer sort of combined the both of them?

23 A (Simek) Right.

24 Q So, we skipped a few steps, but that's fine.

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 So, you then outlined all the adjustments that  
2 affected those balances?

3 A (Simek) Correct.

4 Q Okay. Now, a month or so ago we had a similar  
5 situation, maybe not similar, but a comparable  
6 situation regarding stranded costs and  
7 transmission costs, where there were some  
8 adjustments made to prior balances. Do you  
9 recall that?

10 A (Simek) Yes.

11 Q And in the order that approved the rates in  
12 that case, the Commission ordered the Staff  
13 Audit Department to come in and review the  
14 beginning and -- to review the balances of  
15 those various accounts, as a double check to  
16 the over and under collected balances for  
17 stranded costs and transmission costs. Do you  
18 recall that?

19 A (Simek) Yes, I do.

20 Q Would you recommend or have any objection to  
21 similar language in the Commission order  
22 approving these rates?

23 A (Simek) Not at all. We highly recommend it.

24 Q Okay. If you could jump to Bates 139 please,

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 which is one of the schedules that deals with  
2 working capital. On Line 6 and Line -- Lines 4  
3 and Line 6, there are capital structure  
4 numbers. Line 4 being post-tax and Line 6  
5 being pre-tax. Do you see those?

6 A (Simek) Yes.

7 Q Do those reflect the reduced corporate tax  
8 rates that went into effect January 1st, 2018?

9 A (Simek) Yes, they do.

10 Q And if you could jump forward to Bates 142,  
11 this is again a working capital schedule.  
12 Line 4, towards the bottom, talks about a  
13 "Payment Processing and Bank Float Lag" of one  
14 day. Do you see that?

15 A (Simek) Yes, I do.

16 Q And there's a footnote that explains that, that  
17 it says it was included "Per a Staff  
18 Recommendation" back from 2009. Do you see  
19 that?

20 A (Simek) Yes.

21 Q Would you agree that in the Company's last rate  
22 case there was a lead/lag study provided that  
23 did not include this one day float?

24 A (Simek) Yes.

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 Q Would you agree that it would be more  
2 appropriate to use the recent study that was  
3 done by the Company, and ultimately resulted in  
4 a rate case settlement -- let me rephrase the  
5 question. Would you agree that it would be  
6 more appropriate to use the recent lead/lag  
7 study from the Company's last rate case, rather  
8 than the Staff recommendation from 2009 with  
9 respect to this item?

10 A (Simek) We agree that moving forward we will  
11 take out the one day float calculation from our  
12 calculation. I'm not sure it's really  
13 appropriate to look at the lead/lag from  
14 distribution costs and compare them to default  
15 service costs. But, as far as the one day lag  
16 goes, we will remove that from future default  
17 service calculations.

18 Q Could we go to your testimony -- could we go to  
19 your testimony from May, Bates Page 009 and  
20 010. Sorry to be jumping around a bit. I  
21 meant to ask you about this when we were  
22 talking about some of the changes to the  
23 factors.

24 A (Simek) Sure.

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 Q At the top of Page 10, it says that "This  
2 over-collection is partially due to the  
3 difference in projected revenues based on a  
4 sales forecast" from last year "versus the  
5 actual kilowatt-hours sold in the same  
6 period". Do you see that? I paraphrased a  
7 little bit.

8 A (Simek) Oh, I'm sorry. On Lines 2 through 4?

9 Q Right.

10 A (Simek) Okay. Yes, I see that.

11 Q So, is it another way of saying that is that  
12 the numbers that are presented in last year's  
13 case, and presumably in this year's case, rely  
14 on a sales forecast in part?

15 A (Simek) Correct.

16 Q Could you describe in general terms the sales  
17 forecasting process the Company goes through?

18 A (Warshaw) Liberty Utilities utilizes an outside  
19 consultant to develop a sales forecast  
20 annually.

21 Q Is there anything else you could talk about the  
22 process? Is there a -- does it include a look  
23 back once the forecast is over, to see how the  
24 forecast compared to actuals? Is that part of

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 the process?

2 A (Warshaw) We do look at that. But the forecast  
3 is based on weather normal, and as a result you  
4 have to -- you would have to adjust for actual  
5 weather. And we are in the process of  
6 reviewing last year's forecast as part of the  
7 process for this year's forecast, to look to  
8 see if there are any anomalies that either the  
9 forecast didn't catch or that are currently  
10 occurring in the market.

11 Q Is this a vendor that you've used for a number  
12 of years or is this a new vendor?

13 A (Warshaw) No. We've used this vendor a number  
14 of years.

15 MR. DEXTER: Okay. And that's all  
16 the questions Staff has.

17 CHAIRMAN HONIGBERG: Commissioner  
18 Bailey.

19 BY CMSR. BAILEY:

20 Q Following up on that bank lag one day question.  
21 So, you said that you would eliminate that one  
22 day in future filings, but why is it in this  
23 filing?

24 A (Simek) Well, we kept it in this filing because

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 I believe it was back in '09 that it was  
2 recommended by a consultant hired by the  
3 Commission to include a one day float. But,  
4 after talking with Mr. Dexter and his concern  
5 that maybe that was outdated and stuff, we  
6 talked about this during our technical session  
7 two days ago, we said "yes, we'll gladly remove  
8 it going forward." But the dollar change is  
9 very minimal. And we just didn't think it  
10 was -- it would be all worked out within the  
11 reconciliation process.

12 A (Urban) It was not only recommended in Docket  
13 09-010, it was actually in the order for that  
14 docket. While in Docket 16-383, it was part of  
15 the study, it was not included in any of the  
16 orders. So, that's why we did include it in  
17 this particular lead/lag study.

18 But, if there is some concern that it's  
19 not appropriate, we're more than willing to  
20 remove it.

21 Q Okay. Thank you. Could you walk me through  
22 the reversal of the unbilled accrual estimate?  
23 Because, Mr. Simek, each time that you spoke  
24 about it, it sounded like that would be a

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 credit. But, on the schedule on Bates Page  
2 133, it's not a credit, I think.

3 A (Simek) Sure.

4 Q So, I don't understand.

5 A (Simek) So, I was taking into account Lines 4  
6 and 5, both accruals being reversed, and that's  
7 where the credit came about, just for  
8 clarification. There was one for the purchased  
9 power accrual reversal and then also the  
10 unbilled accrued reversal.

11 Q Okay. So, tell me -- start with the unbilled  
12 accrual, and tell me what -- explain that to  
13 me.

14 A (Simek) Sure. Last year during this Energy  
15 Service proceeding, there was a portion of the  
16 unbilled, meaning how we do our billing from  
17 let's say it was for customers from the 15th to  
18 the 15th of the month, there's 15 days that  
19 weren't actually on the books, but we're  
20 accounting for in a journal entry or an  
21 unbilled accrual. So, that was accounted for  
22 last year. What we came across this year is,  
23 when we were reviewing it, we did that entry  
24 based on an estimate, not on any actual data.

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[WITNESS PANEL: Warshaw|Urban|Simek]

1           Because the way we perform these  
2           reconciliations, we go out through as far as we  
3           can with actuals, and then we have one or two  
4           months of projections.

5                        So, last year we accrued for it, this year  
6           it would have reversed. If we would have felt  
7           that that methodology made sense, we would be  
8           doing a new accrual this year.

9   Q       What do you mean by "reversed"?

10  A       (Simek) We accounted for it last period, and  
11       then it reverses out this period, because then  
12       the actuals actually came in. So, we're  
13       accounting for 15 days that weren't billed yet,  
14       and then they actually got billed. So, then we  
15       would have to reverse it out so that they  
16       wouldn't be double counted.

17  Q       So then, why is that -- why does that lead to a  
18       \$1.563 million increase in your costs?

19  A       (Simek) Because we're -- well, what it really  
20       leads to is, we were increasing if you want to  
21       say "revenues" or "collections" of  
22       1.563 million last period. So, we brought  
23       forward the collections, because we hadn't  
24       collected them yet from customers. So, once we

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1 then collected them this period, we would  
2 reverse that out so it wouldn't be a double  
3 count.

4 Q But when you reverse it out, it seems like you  
5 should take that away, not add to it.

6 A (Simek) Right. But it's a collection. It's  
7 not an expense. So, it's reversing out. So,  
8 it went from an increase in kind of revenue to  
9 a deduction of revenue, because it's  
10 collections from customers.

11 Just the opposite occurred on the power  
12 purchase accrual on the next line. We  
13 increased the expense last time, and now we're  
14 reversing it out this time. So, that's why  
15 it's a credit to customers.

16 One's related to collections and one's  
17 related to expense.

18 Q Okay. All right. Thank you.

19 A (Simek) You're welcome.

20 Q On Page -- Bates Page 128, the RPS adder, can  
21 you tell me why -- let me see if I'm on the  
22 right page. Nope. Where is the RPS adder  
23 calculation by month?

24 A (Warshaw) It is on -- sorry. If we turn to

[WITNESS PANEL: Warshaw|Urban|Simek]

1 Bates Page 103, if you're looking for the  
2 calculation of the RPS adder?

3 MR. SHEEHAN: It would be 103 in  
4 Mr. Warshaw's testimony, rather than in the  
5 technical statement.

6 CMSR. BAILEY: No. That's not what I  
7 was looking for. There was a table, and it had  
8 the RPS adder by month. And I wrote down that  
9 the RPS adder increased on January 1st of next  
10 year.

11 MR. SHEEHAN: 128 I think is --

12 CMSR. BAILEY: That's what I started  
13 with. I'm not seeing it.

14 WITNESS WARSHAW: I apologize. I  
15 thought you were asking about the calculation  
16 of the RPS adder and not how it is used.

17 MR. KREIS: Aren't you looking at --  
18 wouldn't you want to look at Page 132? That's  
19 says -- that's a month-by-month reconciliation  
20 of the RPS for Program Year 2017.

21 MR. DEXTER: Commissioner, I think  
22 you were looking at Bates 128, and I think  
23 you're looking at Line 15.

24 CMSR. BAILEY: Yup. Bingo. Thank

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1           you. Sorry about that.

2 BY CMSR. BAILEY:

3 Q       Okay. So, why does the RPS adder stay the same  
4       for August through December, and increase on  
5       January?

6 A       (Warshaw) August through December, the RPS  
7       percentage is fixed. And then, starting in  
8       2019, the RPS obligation percentage goes up.  
9       And as a result, we are accounting for that  
10      increase in the RPS obligation for January,  
11      starting January 1st.

12 Q      So, the table that you discussed with Mr.  
13      Dexter, where you said that the reason that the  
14      RPS rate was going up was because of the  
15      increased obligation?

16 A      (Warshaw) Correct.

17 Q      The increase doesn't happen until January?

18 A      (Warshaw) Correct. On January 1st of each  
19      year, the RPS obligation changes.

20 Q      Okay. So, --

21 A      (Warshaw) And it goes from 18.7 percent of  
22      retail sales in 2018 to 19.7 percent of retail  
23      sales.

24 Q      I understand all that. But the rate impact

[WITNESS PANEL: Warshaw|Urban|Simek]

1 doesn't happen until January, and it seems like  
2 a big -- it seems like the explanation that you  
3 gave earlier, about a 25 percent increase, is  
4 only going to be collected beginning in January  
5 for this period?

6 A (Warshaw) No. It will only be collected in  
7 January for service in January of 2019. There  
8 will be a different RPS adder calculated in the  
9 next energy service filing that would cover the  
10 six-month period February through July of 2019,  
11 and that would reflect market prices that we  
12 receive in June of next year -- no, December of  
13 next year, sorry -- of this year, December of  
14 this year.

15 CMSR. BAILEY: Mr. Dexter, would it  
16 be possible for you to point me to the table  
17 that you were looking at where it shows the  
18 25 percent increase?

19 CHAIRMAN HONIGBERG: 103. It's  
20 Page 103.

21 MR. DEXTER: It's in the testimony of  
22 Mr. Warshaw.

23 CHAIRMAN HONIGBERG: Mr. Dexter, the  
24 one you were asking him about where he agreed

[WITNESS PANEL: Warshaw|Urban|Simek]

1 with you that it was approximately 25 percent  
2 increase was on Page 103, in Section 5,  
3 designated Line 4. That's what Commissioner  
4 Bailey is asking about.

5 CMSR. BAILEY: That's right.

6 MR. DEXTER: Very good.

7 BY CMSR. BAILEY:

8 Q So, tell me how the adder in this table goes  
9 along with the information we were looking at  
10 on Bates Page 128.

11 A (Warshaw) On Bates Page 128, Line 15, each  
12 month 2018 has the same adder of 4.62 cents per  
13 kilowatt-hour. And that is equivalent to what  
14 you see on Bates Page 103, Line 5 of Section 5,  
15 which is the ultimate calculation of the adder  
16 for the remainder, the portion of -- the  
17 remainder of 2018.

18 CHAIRMAN HONIGBERG: Just before we  
19 go any further with that, Mr. Sheehan, the  
20 number on Page 103 is grayed out.

21 WITNESS WARSHAW: That will not be  
22 grayed out in the future.

23 CHAIRMAN HONIGBERG: Right. Because  
24 it is carried forward into a not confidential

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1 page later in the document?

2 WITNESS WARSHAW: Yes.

3 CHAIRMAN HONIGBERG: Okay.

4 WITNESS WARSHAW: That's my error.

5 CMSR. BAILEY: Okay. I got it.

6 Thank you. That's all I have.

7 CHAIRMAN HONIGBERG: Commissioner

8 Giaimo.

9 BY CMSR. GIAIMO:

10 Q Just following up on that, what we have is a  
11 25 percent increase effective January 2019 for  
12 a 1 percent increase in REC requirements?

13 A (Warshaw) Correct. What happened is that the  
14 different components of the RPS obligation  
15 change from one year to the next, and each  
16 component will have a different impact on the  
17 final rate, because it's only a portion of the  
18 forecasted cost. And while it's a 1 percent  
19 increase of the obligation, it's actually  
20 increasing about -- about 5 percent from, you  
21 know, from one year to the next, if you're  
22 looking at the impact of that 1 percent, going  
23 from 18.7 to 19.7.

24 Q Okay. Sorry about that, the over-sensitive

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1 mike.

2 Page 96, this is a comment more than  
3 anything else. As you're looking at the second  
4 column, you'll see that each unit is slightly  
5 different, dollars per megawatt-hour, dollars  
6 per kilowatt. I think (C) actually should be  
7 dollars per kilowatt-hour month. I don't know,  
8 maybe I have that wrong. But anyway, they're  
9 all different units. So, it's hard for a  
10 person like me to follow. To the extent you  
11 can provide that all in a similar unit, it  
12 might be easier. Does that make sense?

13 A (Warshaw) No, it does.

14 Q Okay. Thanks. Thank you. So, what I thought  
15 I heard earlier was that the difference between  
16 Exhibit 2 and Exhibits 3 and 4 is one month of  
17 updated information?

18 A (Simek) There was one month of updated  
19 information. There were a couple other things  
20 that were updated as well.

21 Q Okay. Can you walk me through, and I don't  
22 mean to sound snarky or snidey here, but the  
23 difference between Exhibit 2, Bates 023, and  
24 Exhibit 4, Bates 133 --

[WITNESS PANEL: Warshaw|Urban|Simek]

1 CHAIRMAN HONIGBERG: Exhibit 4

2 doesn't have a 133. It's only two pages.

3 CMSR. GIAIMO: I'm sorry. Exhibit 3.

4 Exhibit 3.

5 CHAIRMAN HONIGBERG: You're asking

6 about the difference between something in

7 Exhibit 1 and Exhibit 3, I think.

8 BY CMSR. GIAIMO:

9 Q Exhibit 1 -- I'm sorry, is Exhibit 1 the May  
10 filing?

11 A (Simek) Yes.

12 Q Okay. So, I'm sorry.

13 A (Simek) And which Bates page is that, I'm  
14 sorry, on Exhibit 1?

15 Q Twenty-three. And then it's updated in  
16 Exhibit 3.

17 A (Urban) So, you're referring to Bates 023 and  
18 133?

19 Q Correct. I believe they're the same thing,  
20 correct?

21 A (Urban) Yes. And the primary differences, as  
22 you can clearly see, are Lines 1, 2, 3 -- 1, 2,  
23 and 3, I'm sorry.

24 Q And 6? I'm sorry.

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[WITNESS PANEL: Warshaw|Urban|Simek]

1 A (Urban) I'm sorry, and 6, which is the sum.

2 Q Right. And that's the number that I'm looking  
3 at. So, this one additional month, this month  
4 of May, --

5 A (Urban) Yes.

6 Q Seemed to be pretty costly, to the tune of  
7 about \$900,000. Is that correct?

8 A (Urban) Yes. If you take a look -- if you look  
9 at Line 1, --

10 Q Uh-huh.

11 A (Urban) The Base Energy Service Over-Collection  
12 changed from an over-collection in May of  
13 1.5 million, to 650,000, an over-collection.  
14 So, I can refer you to Bates Page 019, which  
15 was the May filing --

16 Q Uh-huh.

17 A (Urban) -- of the Base Energy Service  
18 reconciliation. And then, you can compare it  
19 to the June filing, which is the Base Energy  
20 Service reconciliation. And if you look at --  
21 excuse me. What's updated -- sorry. What's  
22 updated here are the Line 12, --

23 Q Right.

24 A (Urban) -- in Columns (b) and (c), which

[WITNESS PANEL: Warshaw|Urban|Simek]

1 changes Column (d), the "Monthly (Over)/Under".  
2 So, in May, we had a over-collection, which is  
3 an estimate.

4 Q An estimated over-collection of 1.1?

5 A (Urban) 1.1 million.

6 Q Okay.

7 A (Urban) And once we had the actuals, it came in  
8 as an over-collection of 300,000. So, I think  
9 that would explain, for the most part, the  
10 large discrepancy there.

11 Q Okay. And now, let me ask the next question.  
12 Is that a result of sales not being accurate,  
13 the total number of sales in the month?

14 A (Urban) It's a result between what the forecast  
15 was and what the actual sales were.

16 Q So, it was warmer than anticipated possibly or  
17 there were fewer sales than anticipated?

18 A (Simek) Part of it also had to do with the  
19 factor that was used. The factor that we use  
20 for the rate is based on all these other  
21 over-collections. And if you recall, there was  
22 a RPS expense adder that was double counted  
23 that was included in the factor of revenue that  
24 we were collecting from customers, and now

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1 we're giving back.

2 Q Okay.

3 A (Simek) And so, that also plays a factor,  
4 that's being collected all year long at a  
5 higher rate than it should have been.

6 Q Okay. Has there been any analysis, it sounded  
7 like last year there was an over-collection of  
8 1 million?

9 A (Urban) For which reconciliation?

10 Q Or, a one and a half million dollar  
11 under-collection in 2017, I think that's right?

12 A (Simek) I think that's what it was, yes.

13 Q And we had a 4.4 million over-collection  
14 this --

15 *[Court reporter interruption.]*

16 BY CMSR. GIAIMO:

17 Q We had a 4.4 million over-collection in 2018.  
18 Is there anything in the filing that notes  
19 historically what we see each year before the  
20 '17/'18 filing, like '16 or '15?

21 A (Urban) I have the 15-010 filing, if you'd like  
22 me to refer to that?

23 Q Sure.

24 A (Urban) Just give me a moment to find that page

1 please.

2 So, in the filing DE 15-010, these were  
3 for rates effective November 1st, 2015, there  
4 was, for the Energy Service Adjustment Factor,  
5 there was an under-collection of \$215,000, and  
6 that resulted in a rate of 0.00058 per  
7 kilowatt-hour, as opposed to what we are  
8 currently proposing, which is negative 0.0097  
9 per kilowatt-hour.

10 Q Thank you. You did a good job answering my  
11 question. What I hear from you is four -- two  
12 of the last four years, not knowing what '16,  
13 we've seen under-collections. This year we're  
14 seeing an over-collection, which we understand  
15 is a function of multiple things.

16 I was just wondering if there was any  
17 indications that there was continually  
18 over-collections? It sounds like that's not  
19 the case, so --

20 A (Urban) I have '16 as well.

21 Q Okay. You can humor me, sure. And if that's  
22 an under-collection, then we can definitively  
23 say it was -- this one year is an outlier.

24 A (Urban) So, for DE 16-249, for rates effective

[WITNESS PANEL: Warshaw|Urban|Simek]

1 August 1st, 2016, there was an under-collection  
2 of 311,381, which resulted in an Energy Service  
3 Adjustment Factor rate of 0.00066 per  
4 kilowatt-hour.

5 CMSR. GIAIMO: Thank you. That was  
6 very helpful.

7 WITNESS URBAN: You're welcome.

8 CMSR. GIAIMO: I appreciate that.  
9 And with that, I'm done. Thank you.

10 CHAIRMAN HONIGBERG: I have no  
11 substantive questions.

12 Mr. Sheehan, do you have any  
13 follow-up for the panel?

14 MR. SHEEHAN: I do not.

15 CHAIRMAN HONIGBERG: All right. You  
16 all can stay there, because I don't think it  
17 will be long from here.

18 Without objection, we'll strike ID on  
19 Exhibits 1, 2, 3, and 4.

20 Anything else we need to do before  
21 the parties sum up?

22 *[No verbal response.]*

23 CHAIRMAN HONIGBERG: Mr. Kreis, why  
24 don't you start us off.

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1           MR. KREIS: Thank you, Mr. Chairman.  
2           I believe that the proposed Energy Service  
3           rates reflected in the various filings that  
4           we've been talking about here this morning are  
5           just and reasonable and ought to be approved.

6           I have listened with interest to all  
7           the colloquy about the various adjustments.  
8           And I guess, from the standpoint of residential  
9           utility customers, I guess I would hope that  
10          the Company will work with Staff and with our  
11          office to make this process less subject to  
12          those widely swinging adjustment factors,  
13          because they tend to, I guess, cause maybe  
14          distortions in the retail energy market that  
15          aren't helpful.

16          That said, I think the Commission, as  
17          I just said, should approve the Company's  
18          proposal. And I thank the Staff and the  
19          Company for its hard work in this docket.

20          CHAIRMAN HONIGBERG: Mr. Dexter.

21          MR. DEXTER: Thank you. Staff does  
22          recommend approval of the rates as proposed.  
23          We believe that they do reflect the competitive  
24          energy market, which is the underlying purpose

1 of the entire filing.

2 We also recommend that the Commission  
3 consider the audit language that they included  
4 in their stranded cost order of a month or so  
5 ago for this docket. It appears that a PUC  
6 audit of these balances would be warranted,  
7 based on the numbers and the swings that we've  
8 seen.

9 With regard to the inclusion of the  
10 one day bank float, it's Staff's position that,  
11 where companies are routinely filing rate cases  
12 that include lead/lag studies that cover items  
13 such as how long, you know, the money is held  
14 up at the banks and all that, we recommend  
15 that, as a matter of course, that companies  
16 rely on the most recent lead/lag studies,  
17 adapted to the situations at hand. If there's  
18 an item that doesn't relate to default service  
19 or does relate to default service, that could  
20 be adjusted for. But, as a matter of course,  
21 we believe it would be appropriate to use the  
22 updated lead/lag results, and would urge the  
23 Company to include that next year.

24 And with that said, Staff recommends

1 approval of the filed rates.

2 CHAIRMAN HONIGBERG: Mr. Sheehan.

3 MR. SHEEHAN: Thank you. Taking the  
4 last item Mr. Dexter mentioned, we have no  
5 objection to doing that. Just to note, the one  
6 day float is a product of a Commission order,  
7 and it would require an order to change that.  
8 And that is Order Number -- I wrote it down.  
9 It's the order in 09-110 that comes from June.  
10 I wrote it down somewhere, but anyway. So, it  
11 just would take a new Commission order out of  
12 this proceeding to change that, and that's fine  
13 with the Company.

14 We support the auditing of these  
15 filings. We also support the effort that the  
16 Company will undertake to get to the beginning  
17 balances from the Grid transition, as we  
18 discussed in the retail -- I mean, the  
19 transmission case. And we will work with Audit  
20 Staff on that.

21 Otherwise, we ask the Commission to  
22 approve the rates as appropriate under 374-F.

23 Thank you.

24 CHAIRMAN HONIGBERG: All right.



1 Thank you all. We will take the matter under  
2 advisement, issue an order as quickly as we  
3 can, which we know needs to be ordered quickly.  
4 And then, we'll adjourn.

5 ***(Whereupon the hearing was***  
6 ***adjourned at 11:25 a.m.)***

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