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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 30, 2013 - 10:08 a.m.
Concord, New Hampshire

NHPUC NOV19'13 PM 2:54

RE: DE 13-018
GRANITE STATE ELECTRIC COMPANY
d/b/a LIBERTY UTILITIES:
Default Service Request for Proposals.
*(Hearing regarding the Petition for
Changes to its Default Service
Solicitation Process)*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Clare Howard-Pike, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division

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

ORIGINAL

P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DE 13-018. This is Granite State
4 Electric Company, doing business as Liberty Utilities,
5 Petition for Changes to its Default Service Solicitation
6 Process. Switching over from the way things had been done
7 under National Grid to a new system for Liberty. On
8 August 26, 2013, Liberty filed a request to change its
9 process, for both its Large Customer Group and its Small
10 Customer Group. And, by an order of notice dated
11 October 2nd, 2013, we scheduled a hearing for this
12 morning.

13 So, let's begin first with appearances.

14 MS. KNOWLTON: Good morning,
15 Commissioners. My name is Sarah Knowlton. I am here
16 today on behalf of Granite State Electric Company, which
17 does business as Liberty Utilities. And, with me today
18 from the Company is the Company's witness, John Warshaw,
19 and, at counsel's table is Stephen Hall and David Simek.

20 CHAIRMAN IGNATIUS: Welcome.

21 MS. CHAMBERLIN: Good morning. Susan
22 Chamberlin, Consumer Advocate for the residential
23 ratepayers.

24 CHAIRMAN IGNATIUS: Good morning.

[WITNESS: Warsaw]

1 MS. AMIDON: Good morning. Suzanne
2 Amidon, for Commission Staff. And, with me today from the
3 Electric Division is Grant Siwinski, a utility analyst.

4 CHAIRMAN IGNATIUS: Good morning.
5 Welcome, everyone. It's snowing outside.

6 MS. AMIDON: Oh.

7 MR. HALL: It's a beautiful thing.

8 CHAIRMAN IGNATIUS: But we're not going
9 to have the October snowstorm scenario we had before,
10 we're going to leave it at a few flurries. Mr. Warsaw is
11 already to testify, I see. Is there anything we need to
12 do before he begins?

13 MS. KNOWLTON: The Company has one
14 exhibit that it would propose to mark for identification,
15 which is the "Technical Statement of John D. Warsaw",
16 that the Company filed in association with the Petition.
17 The Petition was filed on August the 23rd, 2013. And, we
18 would propose to mark that as "Exhibit 12".

19 CHAIRMAN IGNATIUS: And, is this version
20 you've got on the desk any different than what was
21 submitted on the 23rd?

22 MS. KNOWLTON: No. It's the same.

23 CHAIRMAN IGNATIUS: All right. We'll
24 mark that for identification as "Exhibit 1" -- oh,

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[WITNESS: Warshaw]

1 actually, we're up to other exhibits, aren't we?

2 MS. HOWARD-PIKE: We're on twelve.

3 CHAIRMAN IGNATIUS: Twelve? Because
4 we're building off of the other default service --

5 MS. KNOWLTON: Right. From the
6 September default service hearing, I believe.

7 CHAIRMAN IGNATIUS: Thank you.

8 (The document, as described, was
9 herewith marked as **Exhibit 12** for
10 identification.)

11 CHAIRMAN IGNATIUS: All right. Then, if
12 there's nothing else, Mr. Patnaude, would you swear the
13 witness.

14 (Whereupon **John D. Warshaw** was duly
15 sworn by the Court Reporter.)

16 **JOHN D. WARSHAW, SWORN**

17 **DIRECT EXAMINATION**

18 BY MS. KNOWLTON:

19 Q. Mr. Warshaw, please state your full name for the
20 record.

21 A. John D. Warshaw.

22 Q. By whom are you employed?

23 A. Liberty Utilities New Hampshire.

24 Q. What is your position with the Company?

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[WITNESS: Warsaw]

1 A. I'm Manager of Electric Procurement.

2 Q. What does your job entail in that regard?

3 A. Among other things, I am responsible for procuring the
4 energy service supply for Granite State's energy
5 service customers. And, I also run the procurements
6 for Renewable Portfolio Standard also for our Granite
7 State customers.

8 Q. And, do you have a copy of what's been marked for
9 identification as "Exhibit 12" in front of you?

10 A. Yes, I do.

11 Q. And, was that technical statement prepared by you or
12 under your direction?

13 A. Yes, it was.

14 Q. Do you have any corrections to that statement?

15 A. I have two corrections, on Paragraph I, on the first
16 page, on Line 3, it has "Utility Commission", it should
17 be "Utilities Commission". And, also, three up from
18 the bottom of that same paragraph, in the middle of
19 that line it should also say "Utilities".

20 Q. Subject to those two corrections, is the content of
21 Exhibit 12 the same today as it was at the time that
22 you filed it?

23 A. Yes.

24 Q. As far as being true and correct?

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[WITNESS: Warsaw]

1 A. Yes.

2 Q. Would you please explain for the Commission what the
3 genesis of this filing is.

4 A. I would be happy to. When the original Settlement was
5 made for procuring default service for Granite State's
6 customers, this was a time when Granite State was a
7 subsidiary of National Grid. And, at the time,
8 National Grid, for administrative efficiency, and also
9 to ensure, you know, they would be receiving bids and
10 allowing for suppliers to be able to participate more
11 easily, they put together the bids for Granite State
12 Electric's blocks with the bids that go out for its
13 Massachusetts Electric subsidiary. And, that was the
14 -- that was what the Settlement Agreement set up as a
15 procurement process. That way, there would be four
16 procurements for the Large Customer Group, and each
17 procurement would be for three months of supply, and
18 two procurements for the Small Customer Group, and that
19 would be twice a year for six months. And, the dates
20 of those procurements would basically be at the same
21 time as the procurements for Mass. Electric are issued.

22 Q. What is the Company proposing as far as a change to the
23 procurement process?

24 A. In order to move away from National -- you know, the

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[WITNESS: Warshaw]

1 umbrella or the shadow of National Grid, we are looking
2 to move two of the Large procurement dates, you know,
3 instead of being a separate independent procurement,
4 but we would add them to the procurements that are done
5 for the Large procurement and the Small procurements
6 that are done twice a year. The idea would be that we
7 would go out, again, for the Large procurement, we
8 would go out for a six-month supply twice a year, and
9 we would go out for the Small procurement for a
10 six-month supply twice a year.

11 Q. And, will that reduce the number of proceedings that we
12 have before the Commission then on those Large Customer
13 Group procurements?

14 A. Yes. We would then only need to have two proceedings,
15 instead of four.

16 Q. And, those two proceedings would be for both the
17 Residential Customer Group procurement, along with
18 meeting the Large Customer Group procurements?

19 A. Yes.

20 Q. And, which hearings would be -- what time of the year,
21 you know, would this affect, as far as the hearings
22 that we typically have?

23 A. Well, we would propose -- we would propose to eliminate
24 the June and December hearings, and instead only have

[WITNESS: Warsaw]

1 hearings scheduled in March and September.

2 Q. Did the Company solicit any input from the suppliers
3 regarding this proposal?

4 A. Yes. When we were developing this proposal, I did send
5 out emails and interviewed -- and discussed the issues
6 with a number of our suppliers, and most of them
7 supported our change. A few of them were reluctant to
8 go for a full six-month bid. They like just the
9 three-month bid. So, as a result, we decided to break
10 up the Large Customer Group into two blocks; one block
11 for the near three-month term and a second block for
12 the far three-month term. This would allow suppliers,
13 who were -- who are unwilling to take on the migration
14 risk of a six-month term to just bid on one of those
15 two terms, and also be able to take advantage, if there
16 is any, of differences in models between suppliers, as
17 far as how they forecast and develop pricing for
18 near-term bids versus supply for a little further out.

19 Q. Do you have any expectation that the proposal will
20 affect the number of suppliers that will bid on the
21 Large and Medium customer block?

22 A. No, I do not.

23 Q. Do you have any concerns about the proposal with regard
24 to whether the rates that will ensue from the

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[WITNESS: Warsaw]

1 twice-a-year bids, as opposed to the four-times-a-year
2 bid, as far as how close those rates are to the market?

3 A. Those rates will stay relatively close to the market.
4 Of course, because we're going out for six months, the
5 block -- the retail rates for the outer months may move
6 away from the market. Whether they're above or below
7 market, it still gives the customers a opportunity to
8 move to a retail choice supplier, if they do not -- if
9 they feel that the prices are above market. And, that
10 group, the Large Customer Group, have the greatest
11 ability to select a retail choice supplier for their
12 commodity service.

13 MS. KNOWLTON: The Company has no
14 further questions for Mr. Warsaw.

15 CHAIRMAN IGNATIUS: Thank you.
16 Ms. Chamberlin.

17 MS. CHAMBERLIN: Thank you.

18 **CROSS-EXAMINATION**

19 BY MS. CHAMBERLIN:

20 Q. No costs are shifted from the Large Industrial
21 customers to the Small or Residential customers by this
22 change in process, is that correct?

23 A. Yes.

24 THE COURT: Thank you. I have nothing

[WITNESS: Warsaw]

1 further.

2 CHAIRMAN IGNATIUS: Thank you.

3 Ms. Amidon.

4 MS. AMIDON: Thank you. Good morning.

5 WITNESS WARSHAW: Good morning.

6 BY MS. AMIDON:

7 Q. Mr. Warsaw, do you know at this point how many
8 customers remain in the Large Customer Group?

9 A. While I don't know the exact number, I would say that
10 at this point the Large Customer Group is made up of
11 two customer classes, the G-1 and the G-2 customers.
12 And, as of the end September, the G-1 customers, about
13 62 percent of the customers that moved over to retail
14 choice, and that accounts for 80 percent of the energy
15 that's sold to that customer group. And, then, for the
16 G-2s, 30 percent of those customers have moved over to
17 retail choice, which is 43 percent of the energy sold
18 to that customer group.

19 Q. And, in preparing this proposal, did you consult with
20 or talk to any of your customer reps for customers,
21 about the large customers who would be affected by this
22 to see what their reaction would be?

23 A. No, we did not.

24 Q. Do you think that there is any concerns that those

[WITNESS: Warsaw]

1 large customers will have?

2 A. I don't believe that they would have concerns, because,
3 again, this group has the greatest opportunity to
4 select either service from the Company or retail
5 choice. They have the most number of opportunities.

6 Q. Do you plan to conduct any kind of information for the
7 large customers, so they understand how the rates may
8 be developed in those later months? Because you said
9 it's possible, and I'm probably going to describe it in
10 my own terms, but, you know, if anyone -- any supplier
11 who is bidding for the later three-month term will
12 probably hedge price volatility and customer migration
13 into their costs. Would that be fair to say?

14 A. Yes. All the suppliers hedge that into their costs.

15 Q. Right. But, for -- and, presently, they only hedge it
16 for a three-month period, an immediate, if you will,
17 three-month period. So, now, another -- a supplier
18 will have to hedge for this later three-month period.
19 And, do you think that that's some information that
20 needs to be shared with the customers, so they
21 understand how the rates are being developed?

22 A. Well, when we developed this proposal, we did not
23 consider reaching out to the large customers to explain
24 that difference to them. I think the Large Customer

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[WITNESS: Warsaw]

1 Group is a well -- is a very knowledgeable customer
2 group that understands the market very well, and is --
3 and they're able to manage their buying of electric
4 service.

5 Q. But it's fair to say, while, and, you know, I'm just
6 trying to point this out, it's fair to say, though,
7 that while the three-month term that the Company
8 presently acquires for power provides rates that are
9 closer to the market, this proposal, if approved, would
10 not align the costs in that later three-month term to
11 market as it is under the present paradigm. Is that
12 fair?

13 A. That's fair. But the advantage to that would be that a
14 competitive supplier would then have a longer period of
15 time with which to compare their offer to the default
16 service offer, and be able to give the customer a
17 better set of numbers to evaluate an offer.

18 Q. I'm assuming, and you can correct me if I'm wrong, that
19 you are not aware of any large customers who have
20 remained on default service because they have credit
21 issues or other types of issues which might be barriers
22 to going to competitive supplies? You're not aware of
23 any?

24 A. I'm not aware of any.

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[WITNESS: Warsaw]

1 Q. Okay. But there could be some?

2 A. There's always that possibility.

3 Q. Okay. You said that you met with suppliers and you
4 mentioned that they had one comment regarding splitting
5 the bids into two three-month periods. Were there any
6 other comments that you received from them, positive or
7 negative, insofar as your proposal went?

8 A. You know, the only negative comments were that they
9 were not interested in bidding for a six-month block
10 for the Industrial Customer Group. And, which is why
11 we broke it up into two three-month blocks. Most were,
12 you know, said they would continue to bid, the few that
13 did mention that they were concerned about the outer
14 three months, which is why we set -- designed it so
15 that it would be two three-month blocks, so that those
16 that were uncomfortable with bidding in the latter
17 three months would be able to bid in just the near
18 three months.

19 Q. So, you're uncertain at this point whether there will
20 be the same, I don't want to use the word "robust", but
21 the same level of participation in bidding for that
22 later three-month period than for the first three-month
23 period based on that? Are you uncertain about that?

24 A. "Uncertain" is one word. I have -- I'm comfortable

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[WITNESS: Warshaw]

1 that the bidders that did not express any problems
2 would bid for both blocks.

3 Q. In the unlikely event you had no bidders for that
4 second block, what would the Company do?

5 A. We have a number of options. We would reach out to
6 bidders to, you know, after the indicative round, to
7 find out why they're not bidding on the second
8 three-month block. We also have the option of actually
9 serving the load from the ISO marketplace, which we
10 would not want to do, but that's another option that we
11 would have.

12 Q. And, just to carry on from what you just said, why
13 would you not -- why would the Company not want to do
14 that? I, frankly, don't know. That's why I'm asking.

15 A. Yes. No, no. Serving the load from the ISO
16 marketplace would require a significant increase in the
17 amount of time we would spend monitoring and bidding
18 into the marketplace. The marketplace actually
19 requires daily bids and payments for, as the market
20 clears every day, and having to settle with the ISO
21 price, invoices every couple of days, would increase
22 the amount of administrative duty that the group would
23 have to do.

24 Q. Are there any financial constraints to your being able

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[WITNESS: Warshaw]

1 to serve them from the ISO directly?

2 A. No. There are no financial constraints.

3 Q. What -- have you been able to quantify any efficiencies
4 that the Company would experience from going from the
5 four solicitations for the Large Customer Group to two?

6 A. It would be more -- have not any specific dollar
7 values, it's more just the general efficiency for us to
8 not have to go through two additional hearings and
9 preparing additional procurements.

10 Q. And, so, there are not any efficiencies that would go
11 to the benefit of ratepayers, is that fair to say?

12 A. The costs that are factored into the customers are very
13 small at this point. And, I would speculate that any
14 additional efficiencies would not affect that factor
15 much.

16 Q. All right. And, in your technical statement, you
17 indicate that being able to do this twice a year,
18 instead of four times a year, would allow the Company
19 to address other customer concerns. Could you tell us
20 what you meant by "other customer concerns"?

21 A. Well, as the marketplace and the rules in New Hampshire
22 continue to evolve, there are issues that need to be
23 addressed, like net metering seems to be becoming a
24 bigger issue, especially as group net metering rules

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[WITNESS: Warsaw]

1 roll out, and suppliers and customers look to take
2 advantage of -- advantage of that. There's also some,
3 you know, changes in Renewable Portfolio Standards that
4 we need to keep an eye out. And, this would also allow
5 for a little more -- spend more time monitoring the
6 actual wholesale marketplace.

7 Q. Okay. Going back to the two three-month blocks, what
8 is the Company's plan? And, I'll give you an example.
9 Do you plan to choose the supplier who meets the lowest
10 cost and other non-quantifiable criteria? In other
11 words, are you going to look for the lowest cost for
12 each of those two blocks?

13 A. Yes. And, it could actually be two different suppliers
14 for those two blocks.

15 Q. Okay. And, I know -- I know you may be familiar with
16 the restructuring principles in RSA 374-F, but did you
17 evaluate whether or consider whether this proposal
18 would be consistent with those restructuring
19 principles? And, if you haven't, that's fine. I know
20 you're not a lawyer. But I just wanted to find out if
21 the Company had considered those thoughts?

22 A. Well, I think the principle is to encourage the
23 development of the retail choice marketplace. And, we
24 did feel that by providing, instead of just a

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1 three-month pricing, but a six-month pricing, it would
2 give customers and retail choice suppliers more
3 information with which to make educated choices on
4 their commodity supply.

5 MS. AMIDON: Okay. Thank you. I have
6 no further questions.

7 CHAIRMAN IGNATIUS: Thank you.
8 Commissioner Harrington, questions?

9 CMSR. HARRINGTON: Yes. Good morning.

10 WITNESS WARSHAW: Good morning.

11 BY CMSR. HARRINGTON:

12 Q. Just I'm trying to get -- to make sure I'm clear on
13 exactly what you're proposing here on the Large
14 Customer Class. So, you would go out for a
15 solicitation and say "we're looking for people to
16 provide us bids for a three-month block, and then a
17 second three-month block, or a combination, which they
18 could either do the first block, the second block, or
19 both blocks"?

20 A. Correct.

21 Q. Okay. And, the price would be the same, in the
22 three-month blocks, all three months would be the same
23 price or would it be variable from month-to-month?

24 A. It would, like on all of our solicitations, the monthly

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1 prices would be variable.

2 Q. So, I guess what I -- so, if I'm going to bid, and I
3 can bid one value for month one, one value for month
4 two, one value for month three, one value for month
5 four, one value for month five, and one value for month
6 six, why do I have to package them up as a value for
7 "here's my one through three values", which may --
8 probably won't be the same for all three months, and my
9 five, six -- my four, five, and six block, which
10 probably won't be the same for all three months? Why
11 don't you just put out a solicitation for six months,
12 and people can bid whatever they want? Oh, it's going
13 to be a monthly variable, and, if they decide they
14 don't want to bid in months four, five, and six, they
15 just don't bid those months.

16 A. Only because we don't select suppliers on a
17 month-to-month basis.

18 Q. Uh-huh.

19 A. Our process that we've used is that we select suppliers
20 for the entire block.

21 Q. Okay. All right. Well, that makes sense. So, you
22 want to have a minimum, whoever you pick, will be for a
23 minimum of a three-month period?

24 A. Correct.

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[WITNESS: Warsaw]

1 Q. But somebody could bid the first three months, and then
2 they would have to bid all of months four, five, and
3 six to be selected for them. They couldn't just bid
4 month four, for example?

5 A. Correct.

6 Q. Okay. So, that would be -- now I think I understand
7 the process. And, what are the dates associated with
8 the months? Have they been established yet?

9 A. Yes, they have.

10 Q. And, they are?

11 A. We would -- We're proposing to begin this new process
12 in our March filing, with an RFP that's issued in
13 February. And, this would be for the period of May 1st
14 through October 31st. And, that would be consistent
15 with the period that we use for the Small Customer
16 Group.

17 Q. And, that would just continue then for another
18 six-month block into next year?

19 A. Yes.

20 Q. Okay. All right. You had mentioned that, in your
21 various G Class customers, that a lot of them had
22 already migrated. And, I think you said 60 percent of
23 G-1 and 80 percent of the energy, and something smaller
24 than that on G-2. Do you know, most of those

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[WITNESS: Warshaw]

1 customers, are they migrating to a competitive supplier
2 or are they buying directly from the ISO?

3 A. I believe the vast majority is buying from a
4 competitive supplier. I don't have any knowledge of a
5 customer that is buying directly from the ISO. There
6 could be, but I don't have that knowledge.

7 Q. And, because the prices are going to be month-to-month,
8 do you think this will mitigate, from the customers'
9 point of view, they're going to get a charge that would
10 vary, for example, I guess let's just say their
11 November bill of next year, going ahead, if this was
12 approved, they would have one price for November, one
13 price for December, one price for January, one price
14 for February, as they went along during that time
15 frame. Do you think this will minimize the amount of
16 people jumping back and fourth from fixed price to, you
17 know, from your fixed price, where they know what the
18 price is going to be, say, for the month of January, as
19 compared to somebody else, where the price may be more
20 variable, if they were to go to the ISO market, for
21 example, because prices can spike really high there?

22 A. Yes. They can spike, if you're at the market. But,
23 usually, those price spikes are hourly. And, if you
24 average the price over the entire -- excuse me -- over

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[WITNESS: Warshaw]

1 the entire month, you know, it's not going to be as
2 high as that one hour in the month that went to, you
3 know, 500 bucks or something like that.

4 But our current procurement process, and
5 the current retail rates that we publish for the Large
6 Customer Group, the prices are posted and change
7 monthly. It's only the Small Customer Group that we
8 have a uniform price for the six-month period.

9 So, the difference would be that, when
10 the new pricing goes into effect for May 1st, instead
11 of having just three monthly prices out there to
12 review, they would now have six monthly prices and six
13 -- usually six different monthly prices to compare a
14 offer from a retail choice supplier. And, customers in
15 that class may be looking for features other than
16 pricing close to the marketplace. They may be looking
17 for a firm price over a fixed period. They may be
18 looking to mix their purchase of electric with purchase
19 of gas or other commodities or other features or
20 services that a supplier would provide to them.

21 Q. Okay. And, as far as the bidding evaluation, you
22 obviously -- there was a discussion just a little while
23 ago about, you know, somebody may choose only to bid
24 the first three months, because they just feel there's

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[WITNESS: Warsaw]

1 too much risk involved with looking out through six
2 months, and other suppliers, it sounds like they're
3 willing to do this. Are you going to evaluate the bids
4 separately? In other words, you look at all the first
5 three-month bids independently and select the
6 lowest-cost approved supplier, or is it going to be
7 looked at as a package? Where you're going to check
8 the first, and have the second six months -- or, second
9 three months of bidding influence what you may do on
10 the first?

11 A. The blocks will be evaluated independently.

12 Q. And, what if you got in the situation where you only
13 had one supplier that bids for months four, five, and
14 six, and it's contingent on being accepted for all six
15 months?

16 A. We would have to evaluate how that -- if that bid is
17 lowest cost for our customers.

18 Q. Okay. And, as far as the -- you had mentioned about
19 you could go out to the ISO directly, if someone -- if
20 you just didn't get any bidders for four, five, and
21 six, and you had talked about the administrative cost
22 dealing with the daily markets. There was a study done
23 a few years ago, it's probably not up-to-date right
24 now, certainly, this is probably -- this was going back

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[WITNESS: Warshaw]

1 three or four years ago. But, at that time, if someone
2 had actually bought power on an annual basis from the
3 ISO markets, it would have been cheaper than most of
4 the fixed rates that were available, even on a monthly
5 basis at the time. Did you, in the process of changing
6 your bidding strategy, did you look at buying from the
7 ISO as an alternative to monthly bids?

8 A. No, we did not.

9 Q. Do you plan on doing that evaluation any time in the
10 future? As certainly the dynamics of the markets,
11 since the availability of cheap gas has changed things
12 quite a bit, and we may have closing suppliers in the
13 area as well and so forth.

14 A. For us to do that, we would also have to propose a
15 different structure for pricing for our Large Customer
16 Group. Currently, we're required to post those prices
17 in advance. If we were to buy it, price it -- buy a
18 supply from the ISO spot marketplace on a daily basis,
19 we would not know what those pricing -- that pricing
20 was until after the fact. Which would then, you know,
21 we would then have to have a different pricing regimen
22 to our customers.

23 Q. So, you have no desire to get into the power marketing
24 at all?

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[WITNESS: Warsaw]

1 A. We really don't have a desire to do that. And, again,
2 that's something that a retail choice supplier can
3 offer to a customer, and a daily price or a monthly
4 price that's tied to the ISO spot market.

5 Q. And, just one other question. It's only sort of
6 semi-related. Have you seen any changes in your
7 migration rates, either leaving or coming back for this
8 upcoming winter, with the fact that the -- the prices
9 last winter were so volatile, and a lot of people got,
10 you know, caught short, to be quite honest, in January
11 and February? A lot of suppliers had contracts to
12 supply energy at a much lower cost than they ended up
13 buying it for.

14 A. What I have seen is, as of September, we are at a
15 higher percentage of customers, and I'm looking at all
16 customers taking retail choice than in the past for
17 Granite State. But, again, you know, the vast majority
18 of our customers are, you know, residential and small
19 commercial. But we're up to almost three percent of
20 our customers, by customer count, taking service from
21 retail choice. And, there seems to be --

22 Q. I'm sorry, you said "three percent"?

23 A. Three percent of all customers.

24 Q. Okay. And, most of those are residential. So, the

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1 overwhelming majority of the residential customers are
2 still taking default service?

3 A. Correct. But they are starting to see more marketing
4 towards those customers, even in the radio.

5 CMSR. HARRINGTON: Thank you. That's
6 all the questions I have.

7 CHAIRMAN IGNATIUS: Thank you.
8 Commissioner Scott, questions?

9 CMSR. SCOTT: Yes. Thank you. Good
10 morning.

11 WITNESS WARSHAW: Good morning.

12 BY CMSR. SCOTT:

13 Q. So, on Page 2 of your technical statement, you discuss,
14 mid paragraph, you know, a couple advantages of going
15 this route. And, one you mentioned is it "encourages
16 suppliers who are bidding on the larger Massachusetts
17 load to also bid on New Hampshire load". So, that
18 would imply some economies of scale and being able to
19 attract. Can you elaborate on that more? Are the two
20 -- are you planning on the solicitation processes, for
21 Massachusetts and New Hampshire, are you going to marry
22 them together and would they bid as a block with those
23 or how does that all work? What are you saying here?

24 A. Well, at the time that National Grid owned both

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1 Massachusetts Electric and Granite State Electric, they
2 put -- they proposed to put the two solicitations for
3 the two states together.

4 Q. Right.

5 A. Now that Granite State Electric is independent from
6 National Grid, we've had independent solicitations
7 since the sale last July 2012.

8 Q. Okay. So, there's no more synergies there anymore?

9 A. There is no synergies. We're completely separate.
10 We're not even using National Grid personnel for any of
11 our solicitations.

12 Q. Okay. So, stating the obvious as to where I was going
13 is, so that advantage, to the extent there was any, is
14 not available to the utility anymore?

15 A. Correct.

16 Q. Okay. Thank you. I guess I could have just asked
17 that, I guess, but -- in the past, we've discussed the
18 number of bidders for the solicitations. Can you
19 remind me or remind us in the past few cycles the
20 number of bidders we've been seeing?

21 A. Other than keeping this general, we've been seeing
22 about the same number of bidders with bidding in these
23 procurements since the sale, as compared to prior to
24 the sale, when it was under National Grid. So, there

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1 hasn't been that big a change.

2 Q. But has it been -- it's been single digits, not double
3 digits?

4 A. It's been mostly single digits. And, that's been a lot
5 -- I don't want to go into anything, any more detail
6 than that, without having to go into the confidential
7 record. And, I don't have that information with me.

8 Q. And, again, I think you've already stated, you don't
9 think that this would impact the number of bidders?

10 A. No. I find that what impacts the number of bidders is
11 more the uncertainty in the wholesale marketplace.
12 Like what was going on in September, we had a
13 tremendous amount of uncertainty because of the Winter
14 Reliability Program that had not yet been approved by
15 the FERC. And, it created a bit of anxiety with a
16 number of suppliers, because they didn't know how to
17 factor that risk in, because they didn't even know if
18 they were going to be taking on that obligation.

19 Q. And, again, so, you've -- talking to potential bidders,
20 you don't see this would be -- have an impact on that,
21 if I understood right. Have you had discussions,
22 obviously, the more bidders, the more competitive, in
23 theory, it should be better for your ratepayers?

24 A. Yes. More bidders is always better for our customers.

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1 I'm always looking to bring in more bidders, yes.

2 Q. And, that goes to my next question is, in having those
3 discussions, are there recommendations that are out
4 there, "gee, if you went to some other solicitation
5 scheme, it would be more attractive to bid", and be
6 more competitive that way?

7 A. That would, you know, their feedback was one of the
8 reasons why we've gone -- we decided to break up the
9 Large Customer Group, instead of one six-month block
10 and do two three-month blocks. So, we are always
11 interested in feedback from our suppliers.

12 Q. Okay. Fair enough.

13 A. But there has not been any, you know, major
14 significant, you know, "why don't you go and do
15 something totally different", we just have not had
16 that. This market is relatively mature at this point,
17 and it's consistent with how other suppliers in this
18 state and in other states bid for their default service
19 or basic service supplies.

20 Q. Though, I would think it would be safe to assume, if
21 they suggested what you are asking to implement, take
22 the six months and break it into two three-month
23 blocks, they would suggest that because it makes it
24 more comfortable for them to bid on?

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1 A. Yes.

2 CMSR. SCOTT: All right. Thank you.

3 BY CHAIRMAN IGNATIUS:

4 Q. You can see our concerns have to do with the mechanics
5 quite a bit. I think it sounds as though you're
6 confident you will have bidders for the second
7 three-month block for the large customers, correct?

8 A. Yes.

9 Q. And, you've said that it was likely that customers --
10 some of those bidders would build in enough of a hedge
11 for them to feel confident to project out for that
12 second three-month block?

13 A. Yes.

14 Q. What I take from that then is this is a trade-off
15 between the regulatory savings for the Company, to be
16 able to come in only twice a year, instead of four
17 times, which I understand, and there's good reasons for
18 that, balanced against the potential of an artificially
19 high price for that second three-month block, because
20 bidders need to protect themselves, they're going to go
21 a little higher. The market may support that, may not
22 support it. Is that fair?

23 A. Yes.

24 Q. It could go the other way, too. In that the market

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1 could take off on them and that price could turn out to
2 be a better price than if they were bidding it closer
3 to the time frame of the three months, I realize.

4 A. Correct. But, again, that customer group is the group
5 that has the best access to retail choice. And, they
6 can mitigate that risk of over possibly paying a little
7 more than market by going to a competitive supplier.
8 And, this is very similar, you know, the six-month
9 blocks are similar to what we're currently purchasing
10 for the Small Customer Group.

11 Q. Oh. Though, you don't break those six months into two
12 different bids?

13 A. No, we don't. They're required to -- a supplier to the
14 Small Customer Group is required to take on the
15 obligation for the entire six months.

16 Q. Under the new solicitation for the larger customers,
17 would you give them the option of bidding the full six
18 months or one or both of the three-month blocks, or is
19 it only going to be in the three-month blocks?

20 A. We are going to ask for independent pricing for the two
21 three-month blocks.

22 Q. And, then, as you said, you might select -- conceivably
23 select two different bidders for each of the blocks?

24 A. Correct.

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1 Q. I said that wrong. But one bidder for the first block
2 and a different bidder for the second block?

3 A. Correct.

4 Q. And, do you know if there are other utilities that are
5 using this three-month block structure right now?

6 A. I know Mass. Electric -- in Massachusetts, the
7 utilities use the three-month block structure, and that
8 was what was developed when Massachusetts developed its
9 rules for default service procurement. And, that's why
10 Granite State ended up with the same procurement,
11 because Massachusetts Electric at the time proposed to
12 do the procurements in a similar fashion, as they were
13 already doing.

14 Q. I wasn't -- I apologize. I wasn't clear. I meant to
15 say the three plus three structure, to do a six-month
16 solicitation broken into two three-month blocks?

17 A. If I remember correctly, I think Unitil has moved over
18 to a six-month solicitation for their Large Group.
19 They have a different -- a different program also,
20 because they have three different groups, as opposed to
21 our two.

22 Q. If this were approved, and after a couple of rounds of
23 bidding you found very little interest in the second
24 three-month block or what seemed like very high prices

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1 to support that three-month -- that second three-month
2 block, would the Company consider revising its bidding
3 and seeking readjustment to go back to the old way,
4 more closer-in-time bids for the period being served?

5 A. We would consider that. But, first, we would reach out
6 to the suppliers to find out what is causing them to
7 not bid or, if their bids are significantly higher, to
8 find out what are they concerned about. The other
9 thing would be, you know, to look at what impact this
10 may have on migration rates. But, you know, we would
11 evaluate all of those issues before we would propose to
12 make another change.

13 CHAIRMAN IGNATIUS: Thank you. I have
14 no other questions. All right. Ms. Knowlton, do you have
15 any redirect?

16 MS. KNOWLTON: Yes, I have a question
17 for Mr. Warsaw, which builds on one of the questions that
18 you just asked, with regard to the communications that you
19 have with suppliers.

20 **REDIRECT EXAMINATION**

21 BY MS. KNOWLTON:

22 Q. And, would you just describe for the Commission the
23 types of communications that you have now with
24 suppliers, in terms of reaching out to them regarding

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1 opportunities to bid?

2 A. Yes. You know, besides when we issue an RFP, we issue
3 that to the suppliers that have bid, we issue it to a
4 group of folks that have made, you know, interest in
5 bidding, and also to the ISO -- the NEPOOL Markets
6 Committee. But I also speak personally with a number
7 of the bidders, to see if they have any questions or
8 issues. And, I usually have conversations with them,
9 you know, besides at the bid time, but in between bid
10 time. And, also, I have conversations with the
11 suppliers, who did not get selected, why their bids
12 were not selected, to give them some indication of
13 where they fall in relationship to the actual winning
14 bid. But we don't talk specific details of other
15 bidders' bids.

16 Q. Would you continue those types of communications if
17 this proposal were approved?

18 A. Oh, yes.

19 MS. KNOWLTON: I have nothing further
20 for Mr. Warshaw.

21 CHAIRMAN IGNATIUS: Thank you. Then,
22 you're excused. We appreciate your testimony. Is there
23 any objection to striking the identification of
24 Exhibit 12?

1 (No verbal response)

2 CHAIRMAN IGNATIUS: Seeing none, we'll
3 do that. Anything else, before we hear closing
4 statements?

5 (No verbal response)

6 CHAIRMAN IGNATIUS: If nothing, then,
7 Ms. Chamberlin.

8 MS. CHAMBERLIN: Thank you. The OCA's
9 interest is that the process remain competitive. I
10 believe the testimony supports that the change is not
11 going to have a negative effect on the competitive rate.
12 Should that occur, we might ask to have it revisited, but
13 it does not appear, on first blush, that that will be the
14 case. No costs will be shifted from the commercial and
15 industrial customers to the residential customers. And,
16 so, we don't object to the proposal.

17 CHAIRMAN IGNATIUS: Thank you.
18 Ms. Amidon.

19 MS. AMIDON: Thank you. As you can tell
20 from my cross-examination of Mr. Warshaw, Staff has, you
21 know, thoroughly reviewed this proposal. Having said
22 that, we do not find the proposal to be inconsistent with
23 the restructuring principles of RSA 374-F, and do not
24 object to the proposal.

1 CHAIRMAN IGNATIUS: Thank you.

2 Ms. Knowlton.

3 MS. KNOWLTON: Thank you. The Company
4 believes that the proposal that has been put forth is
5 consistent with the principles of the restructuring act,
6 primarily in that the proposal will promote customer
7 choice. As Mr. Warshaw has testified, there will be more
8 price information out there for customers to make
9 decisions based on whether they want to take energy
10 service from the Company or whether they want to go out to
11 the retail choice market and procure their supply.
12 Currently, those large customers have three months of
13 price information to base their decisions on. Under this
14 proposal, they will have six. And, I think that is a good
15 thing, and that will promote customer choice, consistent
16 with RSA 374-F.

17 In addition, the rates for that period
18 will still be market-based rates, which also complies with
19 the requirements of RSA 374-F. The restructuring statute
20 also talks about restructuring making regulation more
21 efficient and reducing administrative process. And, I
22 think that certainly would be the case, both for the
23 Company, but also for the Commission, in that this also
24 affects the workload that the Commission has, and

1 particularly at the time of year, in December, that can be
2 very, as I understand it, demanding for the Commission and
3 its Staff.

4 I think, also, the feedback, it's
5 important that the feedback that the suppliers have
6 provided on the proposal, and that they don't see
7 obstacles to it is a positive thing, and should give the
8 Commission and its Staff and the OCA some confidence that
9 this is a proposal that will work.

10 So, with that, I would ask that the
11 Commission approve the proposal, so that it could take
12 effect for the solicitations scheduled to be issued in
13 February of 2014.

14 CHAIRMAN IGNATIUS: Thank you. Then, if
15 there's nothing further, we'll take all of this under
16 advisement. And, we are adjourned.

17 **(Whereupon the hearing was adjourned at**
18 **10:53 a.m.)**