

1 STATE OF NEW HAMPSHIRE

2 PUBLIC UTILITIES COMMISSION

3
4 **January 23, 2014 - 10:35 a.m.**
5 Concord, New Hampshire

DAY 1

NHPUC 10FEB14PM3:36

6
7 **RE: DE 13-108**
8 **PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:**
9 ***Annual Reconciliation of Energy Service***
10 ***and Stranded Cost for 2012.***11 **PRESENT:** Chairman Amy L. Ignatius, Presiding
12 Commissioner Robert R. Scott
13 Commissioner Martin P. Honigberg

14 Clare Howard-Pike, Clerk

15 **APPEARANCES:** **Reptg. Public Service of New Hampshire:**
16 Matthew J. Fossum, Esq.17 **Reptg. the Conservation Law Foundation:**
18 Christophe Courchesne, Esq.
19 N. Jonathan Peress, Esq.20 **Reptg. Residential Ratepayers:**
21 Susan Chamberlin, Esq., Consumer Advocate
22 Stephen R. Eckberg
23 Office of Consumer Advocate24 **Reptg. PUC Staff:**
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.
Michael D. Cannata, Jr., Accion Group

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

ORIGINAL

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

I N D E X

PAGE NO.

WITNESS PANEL:	MICHAEL L. SHELNITZ	
	FREDERICK B. WHITE	
	WILLIAM H. SMAGULA	
	ERIC H. CHUNG	
	MICHAEL D. CANNATA, JR.	
	STEVEN E. MULLEN	
Direct examination by Mr. Fossum		7, 9
Direct examination by Ms. Amidon		8, 20
Cross-examination by Mr. Courchesne		21, 99
Cross-examination by Mr. Peress		77
Cross-examination by Ms. Chamberlin		109
Interrogatories by Cmsr. Scott		139
Interrogatories by Cmsr. Honigberg		148
Interrogatories by Chairman Ignatius		152

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	PSNH initial filing, including testimonies and attachments of Michael L. Shelnitz, Frederick B. White, and William H. Smagula (05-09-13)	11
2	PSNH Rebuttal Testimony of Eric H. Chung, including attachments (01-10-14)	13
3	Stipulation and Settlement Agreement between PSNH and PUC Staff (01-16-14)	14
4	PUC Staff Direct Testimony of Steven E. Mullen, including attachments (11-20-13)	15
5	Direct Testimony of Michael D. Cannata, Jr., including attachments (11-20-13)	16
6	PSNH Response to CLF Request No. Q-TS-02-007 and PSNH Response to OCA Request 9	26
7	PSNH Response to OCA Data Request 16	32
8	PSNH Response to CLF Tech Session Request No. Q-TS-02-001	60
9	CLF spreadsheet prepared using the information found in PSNH's Response to CLF Tech Session Request No. Q-TS-02-001 (Exhibit 8)	60
10	Page 20 from a document entitled "Report on Investigation into Market Conditions..." in Docket IR 13-020	73

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 13-108. This is the PSNH
4 Reconciliation of Energy Service and Stranded Costs for
5 Calendar Year 2012. And, by a procedural schedule
6 approved by the Commission many months ago, we scheduled
7 this for evidentiary hearing on the merits today. Let's
8 begin first with appearances. And, then, I understand
9 there's going to be a panel of thousands to present the
10 evidence.

11 So, let's first start with appearances
12 please.

13 MR. FOSSUM: Good morning,
14 Commissioners. Matthew Fossum for Public Service Company
15 of New Hampshire.

16 CHAIRMAN IGNATIUS: Good morning.

17 MR. COURCHESNE: Good morning.
18 Christophe Courchesne for Conservation Law Foundation.

19 CHAIRMAN IGNATIUS: Good morning.

20 MR. PERESS: Good morning. Jonathan
21 Peress, on behalf of the Conservation Law Foundation.

22 CHAIRMAN IGNATIUS: Good morning.

23 MS. CHAMBERLIN: Good morning. Susan
24 Chamberlin, Consumer Advocate for the residential

1 ratepayers. And, with me today is Stephen Eckberg.

2 CHAIRMAN IGNATIUS: Good morning.

3 MS. AMIDON: Good morning, Commission.

4 I'm Suzanne Amidon with Commission Staff. To my immediate
5 right is Steve Mullen, who is the Assistant Director of
6 the Electric Division, and to his -- I mean, to my
7 immediate left. Thank you. And, to his left is Michael
8 D. Cannata, Jr., with the Accion Group, who is a
9 consultant with Staff in this docket.

10 CHAIRMAN IGNATIUS: Good morning.

11 Welcome, everyone. I understand we have a Settlement
12 Agreement reached with some of the parties, but not all,
13 and we'll be putting on evidence in support of the
14 Settlement Agreement, and opportunity for people to raise
15 concerns with it. And, then, also Mr. Eckberg will be
16 testifying, is that correct?

17 MS. CHAMBERLIN: That's correct.

18 CHAIRMAN IGNATIUS: Is that it for
19 witnesses?

20 (No verbal response)

21 CHAIRMAN IGNATIUS: All right. Before
22 we begin, there is a Motion for Confidential Treatment
23 that's been filed by PSNH, regarding fuel prices. And, I
24 saw no opposition to the motion. Is there anything that

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 has been filed in response to that motion that didn't make
2 it into our file?

3 (No verbal response)

4 CHAIRMAN IGNATIUS: All right. We've
5 reviewed the motion itself, the Commissioners. We find
6 that it's appropriate under our standards, and we'll grant
7 the Motion for Confidential Treatment.

8 Is there anything else to take up
9 procedurally, before we begin with the panel?

10 (No verbal response)

11 CHAIRMAN IGNATIUS: All right. Seeing
12 none, then, let's begin. I don't know if people are
13 moving from where they are or staying where they are and
14 just testifying from various locations?

15 MS. AMIDON: They will all be going to
16 the witness bench or this table.

17 CHAIRMAN IGNATIUS: All right.

18 (Whereupon **Michael L. Shelnitz,**
19 **Frederick B. White, William H. Smagula,**
20 **Eric H. Chung, Michael D. Cannata, Jr.,**
21 and **Steven E. Mullen** were duly sworn by
22 the Court Reporter.)

23 CHAIRMAN IGNATIUS: All right.

24 Mr. Fossum, do you want to begin?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 MR. FOSSUM: Thank you. And, I suppose
2 we'll start at one end and work to the other and just do
3 the standard introductions.

4 **MICHAEL L. SHELNITZ, SWORN**

5 **FREDERICK B. WHITE, SWORN**

6 **WILLIAM H. SMAGULA, SWORN**

7 **ERIC H. CHUNG, SWORN**

8 **MICHAEL D. CANNATA, JR., SWORN**

9 **STEVEN E. MULLEN, SWORN**

10 **DIRECT EXAMINATION**

11 BY MR. FOSSUM:

12 Q. So, we'll begin with Mr. Smagula. If you can state
13 your name and position and your responsibilities for
14 the record please.

15 A. (Smagula) Yes. My name is William Smagula. I'm the
16 Vice President of Generation for Public Service of New
17 Hampshire. And, my responsibilities include the
18 oversight of all of our generating plants in New
19 Hampshire, which includes facilities that burn coal,
20 oil, gas, wood, and also have hydro facilities.

21 Q. And, just moving down.

22 A. (White) My name is Frederick White. I work for
23 Northeast Utilities Service Company. I'm a Supervisor
24 in the Energy Supply Group. My primary

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 responsibilities involve the analysis of the portfolio
2 of supply resources and load for the ES portfolio,
3 mostly involving ES rate setting and reconciliation of
4 costs.

5 A. (Shelnitz) My name is Michael Shelnitz. I am Team
6 Leader, Revenue Requirements - PSNH. I work for
7 Northeast Utilities Service Company. And, my primary
8 responsibility is putting together revenue requirements
9 calculations and ES and SCRC calculations for PSNH.

10 A. (Chung) My name is Eric Chung. I'm the Director of
11 Revenue Requirements for Massachusetts and New
12 Hampshire at Northeast Utilities. And, I'm currently
13 responsible for all regulatory activity affecting the
14 financial requirements for the operating companies of
15 Northeast Utilities in Massachusetts and New Hampshire.

16 BY MS. AMIDON:

17 Q. For the record, Mr. Mullen, would you please state your
18 name and your place of employment and your position.

19 A. (Mullen) My name is Steven Mullen. I'm the Assistant
20 Director of the Electric Division. And, I work for the
21 New Hampshire Public Utilities Commission.

22 Q. Thank you. And, Mr. Cannata, would you please state
23 your name, your employment, and describe your
24 participation in this docket please.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Cannata) My name is Michael D. Cannata, Jr. I'm
2 Senior Consultant with the Accion Group, who was
3 engaged by Staff to assist them in the evaluation of
4 system operations and efficiency at Public Service for
5 2012.

6 MS. AMIDON: Thank you.

7 BY MR. FOSSUM:

8 Q. All right. Now, returning back to Mr. Smagula. Did
9 you, back on May 9th of 2013, submit prefiled testimony
10 in this docket?

11 A. (Smagula) Yes, I did.

12 Q. And, was that testimony prepared by you or under your
13 direction?

14 A. (Smagula) Yes, it was.

15 Q. And, do you have any corrections or updates to that
16 testimony today?

17 A. (Smagula) No, I do not.

18 Q. And, if you were asked the same questions that are in
19 that testimony, if you were asked those same questions
20 today, would your answers remain the same?

21 A. (Smagula) Yes.

22 Q. And, Mr. White, did you also submit testimony back on
23 May 9th, 2013 in this docket?

24 A. (White) Yes, I did.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. And, was that testimony prepared by you or under your
2 direction?

3 A. (White) Yes.

4 Q. And, do you have any corrections or updates to that
5 testimony today?

6 A. (White) No, I do not.

7 Q. And, if you were asked the same questions today, would
8 your answers be the same today?

9 A. (White) Yes, they would.

10 Q. And, Mr. Shelnitz, did you, on May 9th, 2013, submit
11 prefiled testimony in this matter?

12 A. (Shelnitz) Yes, I did.

13 Q. And, that testimony, was it prepared by you or at your
14 direction?

15 A. (Shelnitz) Yes.

16 Q. And, do you have any corrections or updates to that
17 testimony today?

18 A. (Shelnitz) No, I do not.

19 Q. And, if you were asked the same questions today, would
20 your answers remain the same today?

21 A. (Shelnitz) Yes, they would.

22 MR. FOSSUM: With that, Commissioners, I
23 would offer as the first exhibit for identification PSNH's
24 May 9th, 2013 filing in this docket, being the testimony

1 of Messrs. Smagula, White and Shelnitz.

2 CHAIRMAN IGNATIUS: This is the green
3 bound volume?

4 MR. FOSSUM: Yes. It was delivered to
5 the Commission in green bound volumes, yes.

6 CHAIRMAN IGNATIUS: All right. We'll
7 mark that for identification as "Exhibit 1".

8 (The document, as described, was
9 herewith marked as **Exhibit 1** for
10 identification.)

11 BY MR. FOSSUM:

12 Q. Now, simply for convenience sake and getting these
13 items in the record, I'll turn to -- Mr. Chung, did
14 you, on January 10th, 2014, submit rebuttal testimony
15 in this docket?

16 A. (Chung) Yes, I did.

17 Q. And, was that rebuttal testimony prepared by you or at
18 your direction?

19 A. (Chung) Yes, it was.

20 Q. And, do you have any corrections or updates to that
21 testimony today?

22 A. (Chung) I do have a correction to the Attachments 3 and
23 4 that were originally included on January 10th. We
24 refer to the Attachments 3 and 4 on Page 11 of my

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 rebuttal testimony. We had provided the incorrect data
2 responses. They should be "Staff 1-5" and "1-6", not
3 "PSNH 1-5" and "1-6", as was referenced or provided in
4 the testimony.

5 CMSR. SCOTT: Can you give us the line
6 number and page number again please?

7 WITNESS CHUNG: Sure. It's Page 11 of
8 16, Line 12, where we say "Please see Attachments 3 and
9 4."

10 MR. FOSSUM: And, for the Commissioners,
11 here are copies of the corrected attachments that should
12 have been included.

13 (Atty. Fossum distributing documents.)

14 CHAIRMAN IGNATIUS: So, if I'm
15 following, we would substitute Bates Page 83 and 84 with
16 new pages?

17 MR. FOSSUM: Correct.

18 CHAIRMAN IGNATIUS: Thank you.

19 BY MR. FOSSUM:

20 Q. Now, Mr. Chung, subject to the correction that you have
21 just identified, would your testimony, if you were
22 asked the same questions in your testimony today that
23 you provided at the time, would your answers remain the
24 same?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Chung) Yes. They would be the same.

2 MR. FOSSUM: Thank you. So, then, I
3 would offer that, subject to the correction that's
4 provided, for identification as "Exhibit 2" is Mr. Chung's
5 prefiled testimony of January 10th.

6 CHAIRMAN IGNATIUS: And, does everyone
7 have those two substitute pages, either just now or in
8 your own files?

9 MR. FOSSUM: Yes. They were distributed
10 prior to the hearing this morning.

11 CHAIRMAN IGNATIUS: Thank you. All
12 right. Then, we'll mark Mr. Chung's January 16th [10th?]
13 testimony, with those two substitute pages, for
14 identification as "Exhibit 2".

15 (The document, as described, was
16 herewith marked as **Exhibit 2** for
17 identification.)

18 BY MR. FOSSUM:

19 Q. And, finally, the last item that I'll ask about
20 initially, I suppose Mr. Smagula is probably the most
21 appropriate. Mr. Smagula, did you participate on
22 behalf of PSNH in a Settlement Agreement with Staff
23 that was filed on January 16th, 2014 in this docket?

24 A. (Smagula) Yes, I did.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. And, so, it's the Company's position that it supports
2 this Settlement Agreement as it has been provided and
3 submitted to the Commission?

4 A. (Smagula) Yes. That's correct.

5 MR. FOSSUM: I would offer then as the
6 next exhibit for identification the Settlement Agreement
7 between Staff and PSNH, submitted January 16th, 2014 in
8 this docket.

9 CHAIRMAN IGNATIUS: Thank you. We'll
10 mark that as "Exhibit 3" for identification.

11 (The document, as described, was
12 herewith marked as **Exhibit 3** for
13 identification.)

14 MS. AMIDON: And, thank you. With your
15 permission, I'll get the exhibits identified for my
16 witnesses.

17 BY MS. AMIDON:

18 Q. Mr. Mullen, did you prepare testimony in this case,
19 which was filed and dated November 20th, 2013?

20 A. (Mullen) Yes, I did.

21 Q. And, do have any corrections to that testimony?

22 A. (Mullen) No, I do not.

23 Q. If were you asked the same questions today under oath,
24 would your answers be the same?

1 A. (Mullen) Yes.

2 MS. AMIDON: Thank you. And, I would
3 ask that Mr. Mullen's testimony be marked for
4 identification as "Exhibit 4"?

5 CHAIRMAN IGNATIUS: So marked.

6 MS. AMIDON: Thank you.

7 (The document, as described, was
8 herewith marked as **Exhibit 4** for
9 identification.)

10 BY MS. AMIDON:

11 Q. Mr. Cannata, good morning.

12 A. (Cannata) Good morning.

13 Q. Did you file testimony in this docket, that consists of
14 I believe it's 265 pages, including attachments?

15 A. (Cannata) Yes, I did.

16 Q. And, it's dated November 20th, 2013?

17 A. (Cannata) That's correct.

18 Q. And, do you have any corrections to this testimony at
19 this time?

20 A. (Cannata) Yes. I have two minor corrections to make.

21 Q. Please provide them to the Commission.

22 A. (Cannata) Page 11, Line 1, the sentence starts out "The
23 second outage", and it should say "The third outage".
24 On Page 12, Line 7, the sentence starts "The third

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 outage", and it should read "The fourth outage".

2 Q. Are there any other corrections to your testimony?

3 A. (Cannata) No, there are not.

4 Q. And, if you were asked the same questions today, given
5 the corrections, under oath, would your answers be the
6 same?

7 A. (Cannata) Yes, I would -- they would.

8 MS. AMIDON: Thank you. And, I would
9 like to mark Mr. Cannata's testimony for identification as
10 "Exhibit 5".

11 CHAIRMAN IGNATIUS: So marked.

12 (The document, as described, was
13 herewith marked as **Exhibit 5** for
14 identification.)

15 MR. FOSSUM: Now, unless the Commission
16 desires otherwise, it was our understanding that we would
17 forgo the direct examination and recitation of what's
18 already in the testimony, but we would have a description
19 of the terms of the Settlement Agreement offered as
20 direct.

21 CHAIRMAN IGNATIUS: That's fine. We've,
22 obviously, read the materials and you don't need to
23 summarize them. I do have one request, though. As we're
24 going through discussion of the outages and open issues, I

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 became confused. And, I think their numbering system
2 sometimes refers to, you know, "2012-10", in particular,
3 in some of the testimony it's describing the "2012 Number
4 10 outage" and sometimes it's referring to the "2012 open
5 issue" that Mr. Cannata describes that the Settlement asks
6 to keep open. I take it there's two different numbering
7 systems, and -- because it's not lining -- the issues
8 aren't lining up. So, as you're -- if I'm right about
9 that, please try and make sure I know which thing we're
10 talking about. And, if I'm wrong about it, somebody can
11 tell me why I'm getting my numbering wrong.

12 WITNESS CANNATA: Commissioner, maybe I
13 could help, so that you don't get confused any further.
14 The numbers dated 2012-1 through 10 or 12 are the pending
15 issues from previous cases that required follow-up, and
16 then -- and we address each one of those separately. If
17 you can turn to the Settlement Agreement, the outages are
18 listed as 2012 outages. And, they are listed as
19 "Newington E" or "Schiller Unit 6 Outage E" for the year.
20 Each unit has an alphabetical outage for the year. And,
21 that's on Page 2 of the Settlement.

22 CHAIRMAN IGNATIUS: Yes.

23 WITNESS CANNATA: So, each unit has its
24 own number. We call it like "Eastman 2, Outage I",

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 meaning there was Outages A through I, and maybe even
2 beyond that. The 2012, the whole docket is 2012. So,
3 that's really not part of the numbering system of the unit
4 outages. We would just call that "Eastman Falls, Outage
5 2-I".

6 MS. AMIDON: Well, I don't want to
7 belabor this. But I just think, for the sake of the
8 record, if you look at Mr. Smagula's testimony, Bates
9 stamp 72, for example, his identification of "2012-OR-10",
10 is not the same as your "2012-10".

11 WITNESS CANNATA: Okay.

12 CHAIRMAN IGNATIUS: There's a different
13 way of numbering.

14 WITNESS CANNATA: Yes.

15 CHAIRMAN IGNATIUS: And, I get that
16 one's current outages under his classification is not the
17 same as your open issues coming into this docket. I just
18 want to be sure we keep track of which numbering system is
19 which.

20 WITNESS CANNATA: Yes. That's a third
21 numbering system, and that's a PSNH numbering system.
22 That the Commission requires that outages over a certain
23 duration at the larger units file an outage report. So,
24 the outage report is "2000-OR-12", meaning "Outage

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Report". That is different than the numbering system that
2 we have in the testimony.

3 I think you will find that, in the
4 testimony, the outage reports are also included in the
5 appendix. That, when I go through and discuss each
6 outage, I will indicate "this comes from Outage Report
7 11", to try to keep that straight. But there are three
8 different numbering systems, you're correct.

9 CHAIRMAN IGNATIUS: Thank you. So, are
10 we forgoing direct on the Settlement Agreement by both
11 PSNH and the Staff, correct?

12 MS. AMIDON: Yes. The idea here is to
13 present the Settlement Agreement and take any questions on
14 that.

15 CHAIRMAN IGNATIUS: And, Mr. Chung's
16 testimony as well? Or, are you going to come back to that
17 after the Settlement Agreement questioning is done?

18 MR. FOSSUM: Well, at the moment, my
19 intention was to treat his testimony like other direct
20 testimony. And, I mean, at the moment, it speaks for
21 itself. And, I didn't believe that there was any need for
22 additional direct about it.

23 CHAIRMAN IGNATIUS: That's fine. I just
24 want to be sure, when we turn to CLF and OCA, this is now

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 their opportunity to ask about both the Settlement
2 Agreement and Mr. Chung's rebuttal testimony, correct?

3 MR. FOSSUM: That was my understanding,
4 yes.

5 CHAIRMAN IGNATIUS: All right. That's
6 fine. That's fine. Then, Mr. Courchesne or Mr. Peress?

7 MR. FOSSUM: Unless the Commission
8 wanted us to walk through the terms of the Settlement
9 first? If you don't feel a need for that, then, we can
10 forgo that as well.

11 CHAIRMAN IGNATIUS: No. I think we're
12 fine.

13 MR. FOSSUM: Okay then.

14 CHAIRMAN IGNATIUS: Thank you.

15 MS. AMIDON: May I ask my witness one
16 question please, of Mr. Mullen?

17 CHAIRMAN IGNATIUS: All right.

18 MS. AMIDON: Thank you.

19 BY MS. AMIDON:

20 Q. Mr. Mullen, I just want to clarify for the record, did
21 you participate in the discussions that led to the
22 development of the Settlement Agreement?

23 A. (Mullen) Yes, I did.

24 Q. And, did you consult with Mr. Cannata as you proceeded

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 to review the Settlement discussions?

2 A. (Mullen) Yes.

3 Q. And, did you agree with the terms of the Settlement
4 Agreement?

5 A. (Cannata) Yes.

6 MS. AMIDON: Okay. Thank you.

7 CHAIRMAN IGNATIUS: Thank you. All
8 right. Mr. Courchesne, are you asking the questions?

9 MR. COURCHESNE: Thank you,
10 Commissioner. I do not have any questions for Mr. Chung
11 about the rebuttal testimony. We do have a number of
12 questions about the Settlement Agreement.

13 CHAIRMAN IGNATIUS: All right.

14 MR. COURCHESNE: So, shall we start?

15 CHAIRMAN IGNATIUS: Please. Thank you.

16 **CROSS-EXAMINATION**

17 BY MR. COURCHESNE:

18 Q. My first question is for Mr. White. I was hoping that,
19 to start, we could walk through how your testimony or
20 other materials filed by PSNH in this docket establish
21 the prudence and reasonableness of the Company's
22 decisions to run the units in 2012 in the manner they
23 did. On a general level, walk through that
24 information.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

- 1 A. (White) Well, I guess I would state that the testimony
2 filed, I think, speaks for itself. It's in a format
3 and outline, if you will, that has been used for
4 several of these proceedings. And, it explains the
5 operations of our generation fleet, as well as
6 supplemental purchases that are made to serve ES load
7 during 2012. And, then, following that summary
8 testimony, we responded to numerous data requests for
9 general discussion, as well as additional detail,
10 regarding operations and purchases. Many of those data
11 requests, again, are very similar to the types of
12 inquiries that have been made in previous dockets on
13 the same subject. And, through Staff review of those
14 materials, we don't make a determination of prudence,
15 we provide information upon which those judgments are
16 made. I'm searching a little bit for what more you'd
17 like me to get into. So, I'll stop there, and perhaps
18 you can help direct me any further.
- 19 Q. So, to follow up on that, on that answer, perhaps it
20 would be helpful to take a specific example of a
21 decision to operate the unit in 2012, a unit of PSNH's
22 generation fleet in 2012, and the factors that went
23 into the decision to operate that unit, for the
24 Commission's benefit as well.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (White) Okay. Well, generally speaking, on a daily
2 basis, we -- our Bidding and Scheduling Group, which is
3 the group that interacts with ISO-New England regarding
4 generation operations, we offer our units into the ISO
5 markets on a daily basis. Every day there's
6 discussions with our Fuels Procurement Group, as well
7 as each station. And, through the stations, we get
8 operating status of the unit, if there's any concerns
9 about operating today, tomorrow, or over the next
10 several days. And, from the Fuels Procurement Group,
11 we get variable operating costs, as well as fuel costs,
12 from which we develop a cost to run the unit. We also
13 poll the markets for the value of power being traded
14 for tomorrow, the next day, and, you know, a week or
15 more out, so that we get a feel for what is the likely
16 price for power in the upcoming operating days.

17 In addition, we perform load forecasts,
18 which give us an idea of how much load we expect to --
19 we need to cover. And, through all that other
20 information, we develop what we believe is an economic
21 dispatch for our generation fleet. And, we evaluate
22 whether our operations are going to fully cover the
23 load or whether there will be a gap. And, from that
24 information, we would make decisions on whether

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 supplemental purchases, in addition to expected unit
2 operations, are necessary. And, we would then develop
3 a plan for the next operating day and the next several
4 operating days, and we would implement that plan. It
5 may involve dispatch of generation, it may involve
6 making market purchases. And, we do that day after
7 day.

8 So, it's an evaluation of expected
9 economic generation of our fleet, the position of the
10 portfolio, in terms of additional needs or not. And,
11 we develop a plan for the day and for the next several
12 days, in consultation with our generation plants. And,
13 we implement those plans.

14 Q. These daily decisions you're describing, they involve a
15 level of judgment by the Company?

16 A. (White) Yes. There's a number of factors that enter
17 into it. And, we make judgments on what we believe
18 will be the most economic course of action for
19 customers in utilizing our fleet to serve ES load.

20 Q. Once you've made that judgment on economic dispatch,
21 what is the evidence that is in the filing that would
22 allow someone to go back and evaluate that judgment?

23 A. (White) Well, I think most of the information in the
24 filing is summarized on a monthly basis. And, so, one

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 can get a pretty good feel for the amount that our
2 generation fleet ran, the amount of load that there was
3 to serve in a given month. Through data requests,
4 there's been a number of more detailed data. There's
5 -- fuel costs are provided in the filing. And, there's
6 a fair amount of comparison between how we saw
7 operations, how we forecasted operations heading into
8 given periods, and how things played out in actual.
9 And, so, the comparisons can be made between what we
10 expected, what actually happened. And, there are
11 reasons given in responses for why things change.
12 Primarily, those are changes in market prices of power
13 and/or necessary change in unit operations, outages,
14 for example.

15 MR. COURCHESNE: At this time, I'd like
16 to explore the issue of that decision to go into the
17 marketplace, with the concept of what is
18 "self-scheduling". There's been a number of data
19 responses about this issue. And, with the Commission's
20 permission, I'd like to offer an exhibit to reflect a data
21 response from the Company. And, it's a two-part exhibit,
22 it reflects the responses to two data requests.

23 (Atty. Courchesne distributing
24 documents.)

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 CHAIRMAN IGNATIUS: So, Mr. Courchesne,
2 you're asking that these --

3 MR. COURCHESNE: These would be marked
4 for identification I believe as "Exhibit 6" for now, with
5 your permission.

6 CHAIRMAN IGNATIUS: That together they
7 would constitute Exhibit 6?

8 MR. COURCHESNE: Yes.

9 CHAIRMAN IGNATIUS: And, these are a
10 response to CLF Request TS-02-007 and response to OCA
11 Request 9?

12 MR. COURCHESNE: Yes.

13 CHAIRMAN IGNATIUS: All right. We'll
14 mark those together then for identification as "Exhibit
15 6".

16 (The document, as described, was
17 herewith marked as **Exhibit 6** for
18 identification.)

19 BY MR. COURCHESNE:

20 Q. If I can direct Mr. White's attention to that, those,
21 that Exhibit six.

22 A. (White) Which one is 6? I'm sorry.

23 Q. They're both 6. But we'll start with TS-02-007. And,
24 first of all, before we get there, if you could explain

1 the difference between "self-scheduling" and being
2 "dispatched by ISO-New England", if you could.

3 A. (White) Well, you can offer your unit into the markets
4 in a number of ways. But, in general, it could be
5 purely on economic dispatch, where you provide
6 operating parameters, ramp rates, start costs, start
7 times, and variable costs to dispatch, no-load costs.
8 There's a number of parameters that are provided on a
9 daily basis for each individual unit. And, from that,
10 the ISO can run those parameters through its dispatch
11 algorithm and issue dispatch orders.

12 Units also have the option to
13 self-schedule a unit. Where you request of ISO that
14 your unit be brought on line, and, in that situation,
15 you're essentially a price-taker, rather than ISO
16 making the economic decision of whether or not to
17 operate you and at what level. Most generally, a
18 self-schedule will be at a minimum load level, with
19 dispatchability between economic minimum and economic
20 maximum for each unit. But it's a part of ISO's market
21 rules that units have the option to request
22 self-schedules. It's not -- it doesn't have to be
23 granted, but, most generally, it is.

24 Q. And, so, directing your attention to the second page of

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 TS-02-007, reflecting -- there's a "Page 2 of 16" at
2 the top?

3 A. (White) Yes.

4 Q. And, does this reflect decisions made in 2012 on what
5 form of dispatch -- what form of dispatch PSNH's units
6 were dispatched with?

7 A. (White) Yes, it does. And, you could probably think of
8 it as identifying probably the primary driver. I think
9 the preamble states that, you know, I've gone through a
10 number of different factors that are considered on a
11 daily basis. And, all of those are considered every
12 day, not simply the brief explanation that's provided.
13 But, for example, in January, for several days, through
14 the 23rd, we made the decision to self-schedule
15 Merrimack 1. The evaluation of load and resources in
16 the portfolio, it was clear that the generation output
17 would be serving load. And, after polling the market
18 for expected prices over the next day and several days,
19 an evaluation was made that it would be beneficial to
20 self-schedule on these days. And, you know, those
21 decisions, for the Merrimack units in particular, it's
22 difficult and costly to cycle those units on a daily
23 basis. So, we're often looking at expected economics
24 over a multi-day period. And, so, that's the

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 evaluation that would have been made that leads to this
2 exhibit.

3 I'll point out also, in 2012, it was
4 soon after the Scrubber came on line, so, you can see
5 several days in February and March that identify the
6 "Clean Air Project testing", in order to prove out
7 installed systems and verify vendor performance for
8 systems, operational performance was required. And,
9 so, that led to several days of self-scheduling. In
10 addition, it was recognized that that output also would
11 serve ES load.

12 I spoke also about the comparison in the
13 filing between expected operations and actual
14 operations. Heading into the winter, typically
15 high-cost period, our plan would have identified that
16 period as we anticipated to run the units during that
17 period. And, you could see that we, for the most part,
18 did, for varying reasons.

19 Q. So, to summarize what's on this page, referencing the
20 "Clean Air Project testing" that you discuss, it
21 appears that Clean Air Project testing occurred
22 throughout the months of February and March. Would
23 those units have been self-scheduled otherwise?

24 A. (White) I don't recall where, but, and, again, I'm

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 speaking in generalities, but I believe a determination
2 was made that they likely would not have been
3 self-scheduled to the extent they were, during February
4 and March, except for the necessary testing of the
5 Scrubber. If you recall, the Winter of 2012 became one
6 of the warmest on record, particularly after January.
7 February and March wound up being -- it's when the gas
8 glut occurred, due to warm weather, there were fairly
9 low prices. Given that, and even though plans envision
10 running in those months, prices didn't materialize.
11 So, in general, I'm sure there are days going both
12 ways, periods -- during all these periods that, you
13 know, prices are always moving around. But, generally,
14 though, we would not have one run to this extent,
15 except for required Scrubber testing.

16 Q. So, in general, does your testimony mean that the units
17 were -- that Merrimack Unit 1 was ultimately
18 uneconomic, relative to the market, for, in general,
19 the months of February and March?

20 A. (White) In general, over February and March, if you
21 were to just take the narrow view of comparing its
22 dispatch costs to the market value of energy? Then,
23 yes, that's correct. But, in our view, it would not
24 have been wise to not test the Scrubber, when there

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 were millions of dollars at stake and performance
2 guarantees in vendor contracts. So, I think your
3 narrow question would be true. But these other
4 considerations outweigh that.

5 Q. So, do you -- how much did that decision, in terms of
6 cost, to run the units when they were uneconomic -- run
7 the unit when it was uneconomic, how much did that cost
8 Energy Service ratepayers?

9 A. (White) Well, we don't know what the costs would have
10 been had we not tested the Scrubber. I do believe
11 issues were uncovered through this testing that
12 required repairs on those systems, which could have led
13 to more expensive outages in another period.

14 Q. So, you haven't quantified that?

15 A. (White) Well, no. We haven't attempted to quantify
16 that. That's an unknown. But the strict energy value
17 comparison is -- I believe it was something on the
18 order of \$5 million.

19 MR. COURCHESNE: And, I'd like to offer
20 another exhibit for identification that hopefully will
21 shed some light on this particular issue. With the
22 Commission's permission, I'd like to mark this exhibit for
23 identification as "Exhibit 7".

24 CHAIRMAN IGNATIUS: This is the response

1 to OCA Question 16?

2 MR. COURCHESNE: That is correct.

3 CHAIRMAN IGNATIUS: We'll mark for
4 identification as "Exhibit 7" as requested.

5 (The document, as described, was
6 herewith marked as **Exhibit 7** for
7 identification.)

8 BY MR. COURCHESNE:

9 Q. This exhibit will hopefully be helpful in drilling down
10 to that last estimate. And, if you look at Page 2,
11 does that reflect a summary of the cost to ratepayers
12 relative to market of running Merrimack in February and
13 March of 2012?

14 A. (White) Yes. That's an estimate of the comparison
15 between daily cleared energy prices and operating
16 costs, variable operating costs, at both Merrimack
17 units during these months.

18 Q. And, you said the grand total of that, of those daily
19 numbers is around \$5 million?

20 A. (White) I believe that's, subject to check, I believe
21 that's what they would sum to.

22 Q. But you don't have a way of quantifying the risks that
23 were avoided by conducting the testing during this
24 period?

1 A. (White) Well, I think -- I don't know that we thought
2 about attempting to do that. I could say that, you
3 know, the \$5 million, in relation to the cost of the
4 Scrubber, and the need to prove that it was performing
5 as expected for what we paid for, you know, there's
6 that cost relationship. But what things it may have
7 led to, had we not done this testing? That's difficult
8 to say.

9 I'll also point out that, in terms of a
10 long range plan, if you will, when the Scrubber came on
11 line, and it was recognized that extensive testing
12 would be required, it was planned to do it over the
13 these winter, typically high-priced, high-valued
14 months. Unfortunately, it didn't turn out that way.
15 But we still recognized the need to perform that
16 testing. I don't know if -- with a large engineered
17 project like that, you don't just take the vendor's
18 word that "hey, everything's -- we're all done." So,
19 we tested it.

20 Q. So, the decision to conduct the testing in February and
21 March, could the testing have been done in another
22 period of the year?

23 A. (White) Could we have delayed? I don't know about all
24 the timing issues associated with contracts. I do

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 know, and I'll state that, you know, as I said, on kind
2 of a long range plan, we planned to do it over this
3 period, because it was anticipated to be an economic
4 period. And, in establishing those plans, you can't,
5 you know, it requires a lot of vendor input, and
6 perhaps contract personnel and materials procurement,
7 all of that happens, a lot of logistics involved in,
8 just like you plan for an outage, you had to plan for
9 this testing. And, so, all that had to be coordinated
10 in advance of the testing. There were those factors.
11 All that would have had to have been canceled, put on
12 hold, probably at some cost, to delay to the next
13 high-priced period.

14 As we've all seen, generally speaking,
15 nowadays winter is a more sure high-priced period than
16 the summertime. It's sort of flipped on us. But I
17 guess the next option may have been to delay until the
18 summer peak period.

19 Q. And, did PSNH consider delaying the testing, when it
20 became clear that market prices were lower than
21 anticipated on a long range basis?

22 A. (White) I'm going to let Mr. Smagula address that.

23 Q. Sure.

24 A. (Smagula) If you don't mind, I'll perhaps add some

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 information to this area of questioning. The Scrubber
2 Project clearly entailed a lot of systems and equipment
3 that are very large and very complicated. The
4 personnel -- and, just to refresh people's minds, the
5 Scrubber went in service in September of 2011 with Unit
6 1 operation, followed by November 2011 with Unit 2
7 operation. So, both units operating into the Scrubber,
8 as was designed, really didn't commence until the last
9 few weeks of 2011. The guarantees and performance
10 criteria that existed with a lot of the equipment and
11 the systems with the Scrubber generally had clauses
12 associated with them that they would be tested after so
13 many days of operation. And, sometimes they had
14 calendar periods associated with certain periods of
15 time.

16 So, with the manufacturers and
17 engineers, who were on-site for initial start-up and
18 testing, we had the most appropriate experts who knew
19 the project at Merrimack available to us. And, an
20 agreement -- and, in concert with the contracts, it was
21 in our customers' best interests to pursue this
22 critical testing to ensure equipment reliability and
23 see if there were any problems, because then you would
24 be able to pursue corrective measures under certain

{DE 13-108} [Day 1] {01-23-14}

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 warranty and guaranty clauses in those contracts. So,
2 the continuity of the right people, and the terms
3 associated with the various contracts, were a portion,
4 as has been discussed, of why this testing should have
5 continued after both units went on line in late 2011.
6 And, we did identify a number of pieces of equipment
7 that had to be tuned or corrected over into later 2012
8 because of this operation.

9 So, the investment of this operation I
10 think demonstrated that -- that the benefit is, we were
11 able to go and get repairs and other corrections made
12 with the right people who were going to be responsive.
13 If there was a period of time where we had to wait,
14 whether it would be into the Summer of 2012 or into the
15 Fall of 2012, there would have been large difficulty in
16 having the continuity of the appropriate people to do
17 that work as they got involved with other projects with
18 their firms. So, just to perhaps expand on the
19 business benefit of conducting this testing, to protect
20 a large investment, was a contributing element to the
21 self-scheduling aspects in early 2012.

22 Q. Mr. Smagula, did you ever provide a document to
23 Mr. White or anyone else at the Company that
24 articulated these factors or put a dollar figure to

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 them, as these decisions to go forward with the testing
2 were made and the unit was dispatched into the market
3 on a self-scheduled basis?

4 A. (Smagula) No. No formal document was prepared. But,
5 through the course of the start-up of Unit 1, and in
6 Unit 2 in late '11, 2011, and the operations in 2012,
7 this was a -- one of the many topics in discussion.
8 And, not in general, but, during the course of that
9 period, we had certain pieces of equipment that had to
10 be corrected and adjusted. So, it was common knowledge
11 to the team that makes the daily discussions on
12 dispatch. So, there was a general awareness of
13 activities that were occurring that contributed toward
14 this, this decision.

15 Q. So, is it your testimony that this decision to go
16 forward with testing during this period, which
17 ultimately cost Energy Service ratepayers approximately
18 \$5 million, that decision wasn't committed to a memo or
19 some type of documentation?

20 A. (Smagula) To the best of my knowledge, that's correct.

21 Q. I'll return to this, I'll return to this issue of --
22 well, actually, before we leave this issue, that
23 \$5 million in over-market charges that are reflected on
24 Exhibit 7, those costs are proposed to be recovered in

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 the Energy Service -- through Energy Service rates, and
2 not through the temporary or potential future Scrubber
3 -- Scrubber rate?

4 A. (White) No, that's not correct. When we develop the
5 Energy Service rate, we make an evaluation, because
6 that rate is filed without the Scrubber. And, so, for
7 the actual period, we do an analysis to calculate those
8 types of numbers. And, those dollars are put in the
9 Scrubber bucket, if you will.

10 Q. So, is that -- is there something in the filing that,
11 in this docket, that makes -- that clarifies that, the
12 treatment of these costs?

13 A. (White) I don't believe so. I believe the exhibits in
14 this filing show all costs. But, without a complete
15 understanding of all the machinations, it's understood
16 that our approach is to do as I said, in the ES
17 filings, the rates and cost recovery are set to exclude
18 costs associated with the Scrubber, except for the
19 temporary rate. And, so, I guess I would say that
20 those -- those costs are reflected more explicitly in
21 the ES rate, rather than here. I don't believe there's
22 an exhibit here that would break those out.

23 MR. COURCHESNE: So, if I might make a
24 hearing document request to address that issue, and

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 provide -- for the Company to provide an exhibit breaking
2 down the Scrubber underrecovery reflected in the filing
3 for this docket that illustrates that \$5 million cost.

4 CHAIRMAN IGNATIUS: Well, let me ask you
5 some questions to understand your request. As I recall
6 from reading the file, there is an identification of the
7 amount of underrecovery, the amount of deferred Scrubber
8 costs. So, I assume you're not asking -- really asking
9 for that, because that is in the record, isn't?

10 MR. COURCHESNE: That's correct. I'm
11 asking for a breakdown of that very large \$50 million
12 number that would -- that would essentially illustrate the
13 comments that Mr. White has made.

14 CHAIRMAN IGNATIUS: So, a "breakdown"
15 meaning, in the month of January, there's this much
16 underrecovery; in February, this much underrecovery?

17 MR. COURCHESNE: So, that -- yes. That
18 would illustrate that these self-scheduling decisions,
19 which resulted in an uneconomic operation of the Merrimack
20 units, that those above-market costs are allocated to that
21 underrecovery, such that they're not being recovered from
22 Energy Service ratepayers under the non-Scrubber ES rate.

23 CHAIRMAN IGNATIUS: All right. I'm
24 sorry. I'm not following how the request to show the

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 underrecovery is connected to the allocation of the
2 underrecovery. So, why don't you explain again what
3 exactly you're asking the Company to produce.

4 MR. COURCHESNE: I'm asking the Company
5 to provide an exhibit that breaks down the sources of the
6 underrecovery by category, in such a way that this
7 particular category of costs, which are, in Mr. White's
8 words, "in the Scrubber bucket", would be evident from
9 that exhibit.

10 CHAIRMAN IGNATIUS: And, the relevance
11 to the reconciliation is what?

12 MR. COURCHESNE: If they are -- the
13 relevance to the reconciliation is that, if the costs, if
14 this \$5 million figure is truly within the \$50 million
15 number, then, that, you know, that is not an issue. If
16 the \$5 million number, once it's broken down, is not
17 within that \$50 million figure, that would be an issue,
18 because it would be proposed through this reconciliation
19 for recovery through the non-Scrubber rate and the
20 non-Scrubber reference. These are the types of costs,
21 madam Chair, that are -- the prudence of these decisions
22 around the Scrubber are being litigated at great length in
23 another docket. And, if, in fact, this decision has, you
24 know, is part of that docket, you know, then, it is

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 irrelevant to this docket. But, if it's being -- if the
2 prudence of making these decisions and incurring this
3 additional cost in this circumstance are being reconciled
4 here, that creates a, you know, a mismatch with the
5 Commission's order, as to where these decisions are going
6 to be litigated.

7 CHAIRMAN IGNATIUS: We'll come back to
8 that in a moment. Commissioner Honigberg.

9 CMSR. HONIGBERG: Well, I actually think
10 -- I think we're right there. I think I'm in the same
11 area. You want to be sure that they're not trying to
12 recover Scrubber costs here. And, you want something to
13 show you that they have excluded the Scrubber costs from
14 what their request is here. Is that what you're asking?

15 MR. COURCHESNE: That's correct.

16 CMSR. HONIGBERG: Okay.

17 CHAIRMAN IGNATIUS: And, just for
18 clarity, there is an authorization for recovery of a
19 portion of Scrubber costs through the temporary rates.

20 MR. COURCHESNE: Correct.

21 CHAIRMAN IGNATIUS: We're not debating
22 that, right?

23 MR. COURCHESNE: That's right. That's
24 correct.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 CHAIRMAN IGNATIUS: And, so, is it your
2 argument that the other Scrubber docket, 11-250, that
3 involves the prudence of the investment in the Scrubber,
4 should also be the place where the prudence of a decision
5 to test the Scrubber should be heard, and that testing
6 should not be in any economic -- any financial
7 consequences of the testing should not be a part of the
8 reconciliation docket?

9 MR. COURCHESNE: Yes. If it is a
10 financial implication of the Scrubber being installed,
11 then it is a -- then it is a Scrubber cost, as I
12 understand the orders. The prudence and reasonableness of
13 which would be determined in the docket that's
14 investigating that.

15 CHAIRMAN IGNATIUS: That's an issue I
16 think we're going to need to discuss. For the sake of
17 keeping going right now, --

18 MR. COURCHESNE: Yes.

19 CHAIRMAN IGNATIUS: -- let's continue
20 on, with an understanding that, depending on how that's
21 resolved, there may be a decision to strike certain
22 information from this record.

23 In terms of the underrecovery data
24 request or record request, Mr. Fossum, are you following

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 the request and understand what the Company is being asked
2 to produce?

3 MR. FOSSUM: I think so. But I do have
4 one concern about it. I mean, what's been said so far is
5 that, if the Company produces certain information, based
6 upon that information, a determination can then be made
7 whether that information is relevant to this docket or
8 not, which I think sort of raises sort of threshold issues
9 of the relevance of the request itself. But, on top of
10 that, Mr. White has testified now as to where those costs
11 are. So, he's testified where those costs are. So,
12 providing a further breakdown that may or may not be
13 relevant, depending on the view of it after-the-fact, I
14 guess I'm -- you know, if the Commission ultimately orders
15 that we provide it, I presume we can do so. But I don't
16 see how it would be particularly useful in anything at the
17 moment.

18 CHAIRMAN IGNATIUS: Well, Mr.
19 Courchesne, do you want to respond to that? I mean, I
20 guess you've said that what the Company produced --

21 MR. COURCHESNE: Does not break it --

22 CHAIRMAN IGNATIUS: -- didn't give you
23 what you're looking for. And, so, Mr. Fossum's theory
24 that it's already out there is not fully resolving the

1 problem?

2 MR. COURCHESNE: That's right, madam
3 Chair. And, there was testimony as well that there's
4 really no document on PSNH's part that discusses this
5 decision, could, you know, have clarified where -- have
6 clarified some of these issues. It seems appropriate for
7 the Company to have to look at that \$50 million number in
8 the filing, which I think is a substantial one, and
9 illustrate, you know, that this \$5 million does, in fact,
10 fall within that filing.

11 CHAIRMAN IGNATIUS: Commissioner
12 Honigberg.

13 CMSR. HONIGBERG: Did you ask for that
14 as part of a data request, when you looked through what
15 they submitted? Did you ask them for that kind of
16 breakdown?

17 MR. COURCHESNE: What we received --

18 CMSR. HONIGBERG: That wasn't the
19 question. Did you ask them?

20 MR. COURCHESNE: Did we ask them for
21 this breakdown of the under -- no, we did not.

22 CMSR. HONIGBERG: Why not?

23 MR. COURCHESNE: At the time, we did not
24 have the data response that illustrated the above-market

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 charges incurred during February and March. That's not
2 evidence in the filing.

3 CHAIRMAN IGNATIUS: Well, so, we get
4 back again to I'm not following what it is that you're
5 asking for. Just tell me what a chart might look like or
6 the response might look like. So, just make up some
7 information to -- you've got the, now, Exhibit 7, that
8 shows you the day-by-day over-market cost. And, is it
9 that document you want spelled out further?

10 MR. COURCHESNE: Yes, madam Chair. The
11 document that -- it would total to that underrecovery.
12 And, it could be broken down by month. But it would
13 provide a categorization of costs that are reflected in
14 the costs that were put forward in the filing. And,
15 however -- to me, the over-market charges, to the extent
16 they're in that 50 million, should be a pretty clear line
17 item in that chart.

18 WITNESS WHITE: Excuse me.

19 MR. COURCHESNE: And, Scrubber operation
20 and maintenance charges, for example, that are included in
21 this, in this cost filing, would also be another line,
22 would be another line item, I would presume.

23 CHAIRMAN IGNATIUS: I confess, I'm
24 completely lost by your question. And, maybe it makes

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 sense that we, during a break, you work up what you're
2 really looking for and talk to PSNH about it. Because it
3 seems to me you're talking about a difference between a
4 market price and a cost to produce, and somehow being
5 broken out into buckets that have to do with questions of
6 rate recovery under the temporary rate versus total cost.
7 And, I just have trouble seeing how they break out. You
8 know how much is authorized under temporary rates. How
9 does a day-by-day breakdown of market prices get you
10 beyond what you already know is the amount under temporary
11 rates that's authorized?

12 And, so, rather than us keep debating
13 it, maybe we just, during a break, talk it over. And,
14 it's probably me just not getting it. I'm not trying to
15 argue, but I just don't understand it.

16 MR. COURCHESNE: Sorry, madam Chair. We
17 can move onto another issue, if you would like.

18 CHAIRMAN IGNATIUS: Commissioner Scott
19 has a question.

20 CMSR. SCOTT: Just to help clarify.
21 And, maybe this will help your thinking, or help mine. Is
22 your position that, potentially, that any testing
23 regarding start-up for the Scrubber should be in one
24 bucket, which would be the Scrubber docket, and

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 operational and maintenance issues for continued running
2 of the Scrubber would be put in this filing? Is that what
3 you're getting at?

4 MR. COURCHESNE: I think that what's in
5 this docket is continued maintenance and operation of the
6 unit as a whole, and not the Scrubber specifically. And,
7 you know, forgive me, as I'm not counsel for CLF in that
8 other docket, but my suggestion is that the costs of --
9 all Scrubber costs, as I understand the order in 11-250,
10 are -- essentially, the prudence and reasonableness of
11 PSNH incurring those costs, whatever they may be, has been
12 assigned to that docket, that question. So that,
13 therefore, for this docket, those prudence and reasonable
14 decisions are, you know, not part of this docket.

15 In this circumstance, we have -- Exhibit
16 7 shows that there were \$5 million in over-market charges
17 that Mr. White's testimony says were in the Scrubber
18 bucket. And, so, what we're -- what I'm trying to
19 elucidate, and apparently not extremely successfully, is
20 are those costs, those above-market costs, being recovered
21 through Energy Service or -- and, therefore, are subject
22 to reasonableness decisions in this docket, about whether
23 they, you know, whether those costs are allowable, or are
24 they more properly in the 11-250?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 CHAIRMAN IGNATIUS: Well, that seems
2 like a more straightforward question. If you're asking
3 "are the \$5 million of over-market costs being reconciled
4 into Energy Service rates?" Then, ask the witness that.

5 CMSR. HONIGBERG: I mean, we have a
6 bunch of people right here who might be able to answer
7 that.

8 CHAIRMAN IGNATIUS: I don't know how
9 what the day-by-day break-out of each cost helps to answer
10 that question.

11 MR. COURCHESNE: I understand
12 Mr. White's testimony that it's in the Scrubber bucket.
13 But it is a --

14 CHAIRMAN IGNATIUS: Well, help me. I
15 don't understand the answer. So, maybe I'll ask, while
16 we're here. Mr. White, is the \$5 million over-market
17 costs that's shown on Exhibit 7 included in the
18 reconciliation that you want brought into Energy Service
19 rates?

20 WITNESS WHITE: No, it's not. Those
21 dollars, along with many other dollars associated with the
22 Scrubber, are held separate. And, I don't know if
23 "escrow" is the right terminology, I'm not an accountant.
24 But those are to be evaluated in the Scrubber docket. So,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 they are not included in ES rate proposals.

2 We, both in a forecast and in an actual
3 period, associated with an ES rate setting, we do analysis
4 and make an attempt to remove those costs. There is some
5 judgment on our part as to, you know, such as the
6 questions we've been discussing: "Okay, you ran in
7 February and March. How much of those operations were due
8 to the Scrubber? And, would you have run during those
9 months, if not for the Scrubber?" So, we make those
10 judgments. And, in those months, we determine we would
11 not have run. So, the costs in those months, associated
12 with the Scrubber, because that's the determination we
13 made, we made an evaluation of how much money to move over
14 into the Scrubber docket. They're out of ES. And, while
15 they're represented in the exhibits here, as I think are
16 all scrubber costs, they're not -- they're not being asked
17 to be reconciled through ES.

18 And, I guess the only other thing I
19 would add would be, we do an evaluation, and in these
20 months it was done several months ago. I'm not going to
21 -- I'm not going to testify that dollar-for-dollar, the
22 two -- what's over there would match the Exhibit 7
23 dollars, but that's the intent. And, through, you know,
24 we're doing these analyses in a closer time frame than

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 when the year is past, all dollars are entirely settled.
2 This may be a more refined number, is all I'm saying.
3 And, we've adjusted the way we approach that analysis to
4 some degree through time. But the intent is as I've
5 stated. That those dollars are not recovered through ES
6 reconciliation, they are in the Scrubber bucket, along
7 with many other Scrubber-related items.

8 WITNESS SHELNITZ: And, if I could just
9 add. So, if you were to go back and look at the Company's
10 June 13th, 2013 filing, you would -- that was the rate
11 setting proceeding, you would see that we had included in
12 that rate, in that rate calculation an amount of
13 \$7,099,000. That number compares to the \$57,227,000 that
14 you see as being the ES underrecovery in this docket.
15 That difference, between the 7,099,000 and the 57,227,000,
16 is an approximate \$50 million difference that relates to
17 the Scrubber costs that Mr. White has indicated that we
18 have removed when it comes time to set rates. It's my
19 understanding that this additional 5 million that we're
20 talking about is in that \$50 million, and, therefore, is
21 not being -- is not being charged currently to ES
22 customers. With one caveat, and that is we have the 0.98
23 cent temporary rate that is currently built into the ES
24 customers' rates to recover a portion of Scrubber costs.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 CHAIRMAN IGNATIUS: Both Mr. Courchesne
2 and Ms. Chamberlin want to speak. You're both giving
3 leeway to the other. So, --

4 MR. COURCHESNE: Ms. Chamberlin can go
5 first.

6 MS. CHAMBERLIN: Thank you. Chairman
7 Ignatius, this is a concern of mine as well. It's
8 extremely difficult to pull out the data in the filing
9 regarding what's in the Scrubber docket and what is being
10 recovered here. And, we have -- we've asked lots of data
11 requests, and we've worked really hard to clarify it. I
12 appreciate Mr. White's testimony, when he says "it's not
13 in there", but we have nothing but him saying that "it's
14 not in there." And, it would be really helpful to have
15 the detail that shows is it in, you know, what exactly is
16 in there and what isn't.

17 This is the first time that we are
18 really looking at operational Scrubber costs. And, I have
19 a series of questions on that as well. Digging through
20 the exhibits, you find these little pockets of costs, and
21 it's just difficult to tell, are they asking for them here
22 or are they being deferred? And, they have the data, we
23 don't. If we could get an exhibit that really explains
24 it, it would be very helpful.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 CHAIRMAN IGNATIUS: Mr. Courchesne, more
2 on this?

3 MR. COURCHESNE: And, the only thing I
4 would add, madam Chair, is that Mr. White suggested there
5 are certain items and an accounting that's done that is
6 essentially an allocation of these things. And, I think
7 an exhibit could -- an exhibit could reasonably be put
8 together to document what Mr. White described, without a
9 significant amount of effort on the part of the Company.
10 And, it would be helpful, I think it would be helpful for
11 all the parties.

12 WITNESS SHELNITZ: If I can -- could I?
13 I just wanted to make one other statement. In response to
14 Data Request OCA-2, we provided the Scrubber costs that
15 are associated with this filing. And, if you go to Page 3
16 of 4 of that data response, --

17 MR. FOSSUM: Well, the Commissioners
18 don't necessarily have that response.

19 WITNESS SHELNITZ: Oh, okay. All right.
20 I'm sorry. Well, there is a line there that, it's Line
21 14, "Merrimack Scrubber fuel-related costs". And, you can
22 see that, in February and March, those values are very
23 high. And, speaking with Mr. White, and he indicates that
24 those -- that those high values represent that fuel cost

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 associated with the Scrubber testing that took place.

2 CHAIRMAN IGNATIUS: Mr. Fossum.

3 MR. FOSSUM: I suppose my comment at
4 this point is I still, you know, that we now have
5 witnesses who have testified a couple of times now as to
6 where those costs are. There appears to be, for whatever
7 reason, they're either not credible in that testimony,
8 though, I'm not certain on what basis their credibility on
9 that has been challenged. But, going to the point raised
10 by Commissioner Honigberg a few minutes ago, is that, if
11 we're talking about a breakdown of what was on Exhibit 7,
12 I mean, this was responded to in August of last year.
13 And, there was additional discovery that continued on
14 beyond that point. And, to the extent that there weren't
15 -- that this question wasn't raised before, I take an
16 issue with it being raised now. That there was ample
17 opportunity to ask this very question to get that kind of
18 information and it wasn't asked. And, we've provided the
19 information, we've now provided testimony about it. I
20 don't know what else is necessary.

21 CHAIRMAN IGNATIUS: What I'd like to
22 suggest is, when we take a break, the parties have a
23 little mini-tech session here to look at how the Company
24 tracks the money, the various exhibits, Mr. Shelnitz,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 you've obviously got some that you're pointing to, and be
2 able to follow the dollars, and see if that resolves the
3 issue. And, if not, then, we'll entertain a request for
4 some further documentation and see if that seems
5 appropriate. But it may be that it's there, if you just
6 know which thing to flip to and which line and how they
7 all interrelate, which can be a pretty complex process, I
8 recognize. Let's go off the record for a moment.

9 (Brief off-the-record ensued.)

10 CHAIRMAN IGNATIUS: All right. We're
11 back on the record. We've just been discussing some of
12 the timing and scheduling for the rest of the afternoon.
13 We're going to take a break, from now until 1:15, for
14 people to both get some lunch, and then also talk over
15 among the parties this question of following some of the
16 Scrubber costs, in response to the concerns that CLF and
17 OCA have raised about an uncertainty about what's in and
18 what's out. And, if that resolves their concerns, there's
19 no need to ask for a further record request. If not,
20 we'll hear your argument and determine if it's
21 appropriate. So, we're in suspension until 1:15.

22 (Lunch recess was taken at 11:58 a.m.

23 and the hearing resumed at 1:36 p.m.)

24 CHAIRMAN IGNATIUS: All right. We're

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 back. And, was there an opportunity during the break to
2 resolve the question of whether a further data request is
3 needed, a record request is needed?

4 MR. COURCHESNE: Madam Chair, if I may.
5 We did have a discussion. And, at this point, we do not
6 -- CLF does not have a data request to put forward. We
7 have a better understanding of what the Company has done.
8 I understand that Ms. Chamberlin will be pursuing a line
9 of questioning to elucidate that in a little more detail.
10 But, with your permission, I would be happy to continue
11 with my cross.

12 CHAIRMAN IGNATIUS: All right. Please
13 do. Thank you. And, I think you may have been notified
14 of this, but just in case not, just to put on the record,
15 we have a couple of other commitments at 2:30. And, so,
16 we're going to take a break at 2:30 and resume again at
17 3:00. Thank you. But go ahead.

18 BY MR. COURCHESNE:

19 Q. I'd actually like to go back to Exhibit 6, with
20 Mr. White. But I promise that the other pages won't
21 take as long as the first page. So, if you would refer
22 to, of the Tech Session 02-007, Pages 7 and 8, as well
23 as 15 and 16. Those are the pages reflecting Schiller
24 Units 4 and 6, self-scheduling decisions for 2012. It

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 looks like, from my reading of the information, that
2 Schiller 4 and 6 were dispatched by ISO-New England
3 about half the time, versus self-scheduling decisions
4 on PSNH's part. Is that about right?

5 A. (White) Okay.

6 Q. Can you explain the difference between that, between
7 ISO-New England dispatching Schiller units, versus the
8 much more dominant decision at the Merrimack units to
9 self-schedule?

10 A. (White) Generally speaking, the Schiller units have a
11 lot more operational flexibility than do the Merrimack
12 units. And, it doesn't impact reliability for the
13 Schiller units to cycle off and on day-to-day. And,
14 their start costs are lower, such that all those
15 factors make those units more operationally flexible.
16 As opposed to Merrimacks, where we typically view the
17 economics over multiple days. Recognizing that, should
18 the units be taken off line, it could impact
19 reliability, and its start costs are higher. So, to
20 get that them back on line, a shutdown would add costs
21 to the overall run costs.

22 And, there may be a perception here that
23 "self-scheduled for load" implies uneconomics. And, it
24 doesn't. It's another form of economic dispatch. And,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 we view operations at both stations in terms of how we
2 see the best economics for customers.

3 MR. COURCHESNE: That's actually a good
4 segue to my next exhibit, which addresses this issue. If
5 I may offer an exhibit marked for identification as
6 "Exhibit 8", I believe we're at?

7 CHAIRMAN IGNATIUS: Yes.

8 (Atty. Courchesne distributing
9 documents.)

10 CHAIRMAN IGNATIUS: Before we mark
11 this, --

12 MR. COURCHESNE: Yes.

13 CHAIRMAN IGNATIUS: -- Mr. Courchesne,
14 if you can explain, it doesn't have the normal heading on
15 it, what this is?

16 MR. COURCHESNE: Yes. Yes, I will
17 explain. That this is two separate documents. The first
18 being a representation of the numbers in the second part
19 of the -- the second document. The second document is
20 Tech Session Data Request -- Data Response 02-001, from
21 Mr. Smagula and Mr. White. And, the information in the
22 first page is, it's simply a -- it's simply a
23 transposition of those numbers, with an additional column
24 on the right-hand side that is calculated based on numbers

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 within the Tech Session data response.

2 CHAIRMAN IGNATIUS: So, did you
3 create --

4 MR. COURCHESNE: Yes.

5 CHAIRMAN IGNATIUS: -- the first eight
6 -- no, I'm sorry, the first ten pages?

7 MR. COURCHESNE: Yes. Based on simply a
8 spreadsheet of taking the numbers in that response.

9 CHAIRMAN IGNATIUS: And, then, the final
10 column you added?

11 MR. COURCHESNE: Yes. And, the column
12 that's in bold, on the first eight pages, was added by me
13 as a calculation of numbers within the data response.

14 CHAIRMAN IGNATIUS: And, have the
15 parties seen this prior to this afternoon?

16 MR. COURCHESNE: No. No, they have not.

17 CHAIRMAN IGNATIUS: Mr. Fossum, any
18 objection to marking for identification?

19 MR. FOSSUM: Well, initially, I'm not
20 sure where these numbers came from. And, it doesn't sound
21 like there's going to be anybody who's going to testify
22 about where these numbers came from. So, initially, I do
23 have a problem with this going in as an exhibit,
24 especially if our witnesses are going to be expected to

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 answer questions about it.

2 MR. COURCHESNE: And, if -- I can only
3 state that it is a representation of the same data that's
4 in the data response. It's offered for illustrative
5 purposes. It's not offered as testimony. It was a
6 shorthand way of putting calculations that I might have
7 asked the witness to do, to characterize on the page.

8 CHAIRMAN IGNATIUS: All right. Well,
9 let's allow it for identification, and then we'll see
10 where it goes. And, whether, at the end, there's always
11 an opportunity to challenge whether a document should be
12 made a full exhibit. I think it's going to be important,
13 as you work someone through this, to explain the price per
14 megawatt-hour and how those number were reached, and
15 Mr. Fossum said he was not familiar with it.

16 CMSR. HONIGBERG: Can I ask a question?

17 CHAIRMAN IGNATIUS: Yes. Commissioner
18 Honigberg.

19 CMSR. HONIGBERG: Can we split this into
20 two documents, 8A and 8B? Just 8B or 8 and 9, just so
21 it's two different documents?

22 MR. COURCHESNE: Very amenable to that,
23 Commissioner.

24 CHAIRMAN IGNATIUS: That's a good idea.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 So, let's make the data response itself as "Exhibit 8" for
2 identification, and that was the second half of the
3 packet. So, separate that out. That would be "8". And,
4 then, Exhibit 9 would be the first ten pages that CLF
5 prepared, working with the information found in Exhibit 8.

6 MR. COURCHESNE: Thank you, madam Chair.

7 (The documents, as described, were
8 herewith marked as **Exhibit 8** and
9 **Exhibit 9**, respectively, for
10 identification.)

11 MR. COURCHESNE: Yes. As to Exhibit 9,
12 I'll just clarify for the record that those calculations
13 were prepared using a spreadsheet and are subject to
14 check. They're reflective of what I described, which is a
15 simple division of two columns of information, which was
16 provided in Exhibit 8.

17 BY MR. COURCHESNE:

18 Q. So, using Exhibit 8 to start with, Mr. White, is it
19 this -- this document, as to all the units that are
20 depicted in the various pages, what exactly does it
21 show?

22 A. (White) It shows energy market revenues received by the
23 PSNH generation units.

24 Q. And, does it also show how much in megawatt-hours the

1 unit produced?

2 A. (White) Yes. And, I think the question asked for
3 things to be summarized by week. So, that's how it's
4 laid out.

5 Q. So, it shows weekly market revenues that PSNH received
6 from ISO-New England's Settlement process, is that
7 correct?

8 A. (White) Yes. Energy market.

9 Q. Energy market.

10 A. (White) Yes.

11 Q. So, looking at each unit, were there weeks during the
12 year when PSNH received less in market revenues from
13 operating the units than its cost of production?

14 A. (White) There would be, subject to check, I believe,
15 yes, there are some weeks where that would be the case.

16 Q. And, so, referring to the Exhibit 9 that's been marked
17 for identification, if we look at Merrimack 1, which is
18 the first page, which is reflective of the same
19 information provided in the second page of Exhibit 8,
20 do the numbers for average cost of production that have
21 been calculated based on the Exhibit 8, in the
22 right-hand column, appear accurate to you?

23 A. (White) Without checking on it, I'd rather not comment
24 on it.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. Subject to check, would they be reasonably consistent
2 with PSNH's revenues per megawatt-hour generated at
3 those units during the weeks that they did?

4 A. (White) I don't know. I would have to go back and
5 check. I believe I understand what you said you have
6 done.

7 Q. So, does it, for example, on the row specifying, to
8 return to an issue that we discussed this morning,
9 February 12th -- the week of February 12th, 2012,
10 according to the information in Exhibit 8, and depicted
11 on Exhibit 9 as well, the Merrimack Unit 1 produced
12 3,265 megawatt-hours of energy, is that correct?

13 A. (White) Yes. Yes, I'm with you.

14 Q. And, from the market, received \$70,000 through that
15 mechanism we discussed with ISO-New England, for
16 energy?

17 A. (White) Yes. And, just doing the math quickly in my
18 head on that line item, it appears \$21 is -- seems
19 about in the right neighborhood, given those two
20 numbers.

21 Q. So, is \$21 for that week less than the cost of
22 production for Merrimack Unit 1?

23 A. (White) Yes, it would be. It's -- again, this is in
24 the period that we discussed where Scrubber testing was

1 taking place.

2 Q. Carrying down the page, to "August 19th, 2012",
3 Merrimack Unit 1 generated about 8,794 megawatt-hours
4 that week, correct?

5 A. (White) Yes.

6 Q. And received from the ISO-New England energy markets,
7 \$289,000, is that correct?

8 A. (White) Yes.

9 Q. And, how does \$32.86 compare with Merrimack Unit 1's
10 cost of production?

11 A. (White) That would likely be less. Again, I'd like to
12 point out that a number of factors that go into these
13 decisions, one of which is --

14 Q. It is less, though? It is less than the cost of
15 production?

16 A. (White) I presume that would be less.

17 Q. And, --

18 A. (White) That may not be the price of alternative
19 energy. It's possible that the alternative purchase,
20 on a forward basis, when we're making the decision
21 whether to run the unit or to serve load in some other
22 fashion, either at an unknown price or a price we can
23 lock in on a given day, could well be above the \$33
24 that you're showing. So, I just want to point that

1 out.

2 Q. Is there -- my question would be, is there information
3 in the filing that would demonstrate or show or
4 document that there were -- that the alternative supply
5 options you mentioned were less economic than running
6 the unit?

7 A. (White) No, I don't believe it's in there. I don't
8 believe it was asked for either. I mean, it's not a
9 cost that was incurred. So, it's not in the filing.
10 The fuel cost was incurred instead.

11 Q. Would it be appropriate to compare that number with a
12 market price, to determine whether there was any
13 over-market charges to ratepayers?

14 A. (White) Well, again, the 32.86, presumably, if this
15 math is correct, would be reflective of cleared prices,
16 with the unit in service. And, so, in settlement,
17 that's what flows to the generator. It doesn't speak
18 to what forward prices are at the time you're making
19 the dispatch decisions. And, it doesn't speak to what
20 the price would have been had the unit not been on line
21 and generating energy on the system.

22 Q. How did the -- going back to that issue we discussed
23 this morning, in Exhibit 7, how were those numbers
24 calculated? "Those numbers" being the --

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (White) Those were calculated --

2 Q. -- over-market charges.

3 A. (White) Those were calculated comparing market revenues
4 to variable costs to generate.

5 Q. And, so, for another -- for any other week of the year,
6 could that same calculation be done?

7 A. (White) Yes, it could be. Yes.

8 Q. Has that calculation been done?

9 A. (White) Has that calculation been done? No, I don't
10 believe it has.

11 Q. So, it's not -- there's no evidence as to what portion,
12 if any, of ratepayer funds were an above-market charge
13 for weeks outside of that period?

14 A. (White) No. I feel like we've explained the types of
15 considerations that are made with regard to unit
16 dispatch. All costs incurred, in the service of ES
17 load, have been filed and are exhibited. We've
18 provided information as requested. And, the particular
19 viewpoint or nuance that you're asking about, I don't
20 think that information exists in front of us right now.

21 All I can tell you is, all the costs to
22 serve load are what's shown. So, to the extent we had
23 fuel costs for a dispatch cycle, they're in there. To
24 the extent we didn't run generation, and made

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 alternative purchases, either on a forward basis or
2 through the spot market, they're in there. The amount
3 of the energy that, from all of those resources that
4 serve load, and the amount that was surplus to load,
5 it's all in here.

6 Q. And, the question I have is, is there information that,
7 in the filing that you can point to, that demonstrates
8 that that decision to run the unit that week, at that
9 market revenue, was a reasonable and prudent decision?

10 A. (White) Well, I mean, that's a very specific question
11 to a -- and it sort of begs a very simple answer to a
12 complex approach to serve load. There are many factors
13 that go into it. Have we broken that down hour-by-hour
14 and day-by-day in this filing? No. We've provided
15 information. We've responded to numerous data
16 requests. We've sat with Staff's consultant and gone
17 over our operations. And, that's what's in front of
18 us. The additional things you're asking for, they
19 aren't explicitly in here in the form you've requested,
20 I guess. I don't know -- I don't know what else to
21 say.

22 Q. So, there's no -- there's no information in the filing
23 that allows us to take a look at that week of
24 operations and see how it is reasonable?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 MR. FOSSUM: Commissioners, if I might
2 interject for a moment. I'm not entirely sure where the
3 line of questioning is going. But there was a data
4 request, to which PSNH objected, earlier in this docket.
5 It was subject to a motion to compel that was ultimately
6 rejected by the Commission, had to do with a request for
7 tremendous amount of data about dispatch instructions and
8 operational requirements and things, you know, information
9 that was just -- it was voluminous to prepare. And, it
10 would seem, I guess, to speak to the issue that Mr.
11 Courchesne is trying to pinpoint. And, I note the
12 Commission's already denied a request for PSNH to compile
13 that pile of information and turn it over. I mean, as
14 Mr. White has testified here, you know, the costs to serve
15 load are in the docket, and they're here, they're what has
16 been filed.

17 So, I guess I'm not entirely sure what
18 his question is. But, if it's getting down to "we want to
19 look on a daily or weekly basis at exactly what all of the
20 operating parameters were and all of the decision-making
21 behind it", I think I understand the Commission has
22 already answered that question with a "no".

23 CHAIRMAN IGNATIUS: Mr. Courchesne.

24 MR. COURCHESNE: If the -- the line of

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 questioning was about whether there's information in the
2 record, which, as PSNH said in its objection to our motion
3 to compel, was basically available to the public and was
4 provided in other forms within the filing, we were -- the
5 line of questioning is intended to illustrate that, in a
6 reconciliation docket, on these somewhat micro level
7 decisions that have major economic ramifications in the
8 aggregate, that that level of detail was not provided in
9 the filing. And, the witness for the Company cannot
10 explain how to justify its decisions to run the units.
11 And, that's the purpose of the line of questioning. And,
12 I'm basically done with it at this point for this issue.

13 So, I don't intend to go much further
14 with it on this, with this witness, on this line of
15 questioning. And, I could move on, if that's --

16 CHAIRMAN IGNATIUS: Well, I do think we
17 do need to clarify. The request for the level of detail
18 that you had sought was denied by Commission order. So,
19 it's not fair to suggest that the Company chose not to
20 respond to a question that you had asked, contrary to
21 Commission order, we had said that the way you had
22 requested it was too voluminous, and we weren't going to
23 order it to be done.

24 Now, if you want to probe on less

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 detailed information, and whether that's in the filing and
2 whether the Company can point to that, I think that's
3 fine. But I think it's a little unfair to say "there is
4 nothing in the level of detail you'd asked for", when the
5 Commission ordered the Company that it was not required to
6 produce that.

7 MS. AMIDON: Madam Chair, if I may?

8 CHAIRMAN IGNATIUS: Yes.

9 MS. AMIDON: I think we previously
10 marked for identification Exhibit 6, which is the response
11 to Technical Session 2-7.

12 CHAIRMAN IGNATIUS: Yes.

13 MS. AMIDON: And, the week of inquiry
14 that Mr. Courchesne asked about is the week of
15 August 19th, 2012, if I have that correct. And, if you
16 look at Page 3 of 16 of Exhibit 7 [Exhibit 6?], it
17 references outages -- I mean, not "outages", pardon me,
18 day-by-day it goes through that week, the 20th, the 21st,
19 the 22nd, the 23rd, and 24th. And, in the column that's
20 headed "Reason for Dispatch", it provides the reason for
21 the dispatch for that week. And, I just wanted to say
22 it's already in the record. It was part of discovery.
23 So, I'm just trying to point this out as a point of
24 clarification, and nothing further. But I think that

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 provides some information regarding why it was dispatched
2 that week. I'll let the document speak for itself. Thank
3 you.

4 CHAIRMAN IGNATIUS: Thank you.

5 MR. COURCHESNE: And, I can, madam
6 Chair, there's -- I just have -- I just have maybe one
7 more question along this, along this line, and then we'll
8 go -- I will move on.

9 CHAIRMAN IGNATIUS: All right.

10 BY MR. COURCHESNE:

11 Q. If we look at, in Exhibit 9, moving down to Schiller's
12 Units 4 and 6, which are on Pages 5 through 8, the
13 questions I have on these are very simple. That, if
14 you total the revenues for each week to a total, which
15 I have indicated on this exhibit, on Pages 6 and 8, did
16 the costs of ownership and operation of those two
17 units, did those costs -- how do they compare to those
18 revenues? Did you -- do those units result in a net --
19 did those units result in a net cost to ratepayers?

20 MR. FOSSUM: I guess, before the
21 question is answered, I would seek some clarification. I
22 mean, he just said "the total costs of ownership and
23 operation". You know, I'm not sure what that entails.
24 And, I don't know that the witness would know that

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 necessarily either. Every single cost associated with
2 these two plants, top to bottom?

3 CHAIRMAN IGNATIUS: Mr. Courchesne, do
4 you want to clarify what you're asking please?

5 MR. COURCHESNE: Yes, madam Chair. The
6 costs of ownership and operation would be the full costs
7 that are reflected in this filing associated with
8 ownership and operation of those units. And, for the
9 purposes of this discussion, I don't think that -- I
10 appreciate the witness may not have that number to ten
11 significant digits in front of him. But I'm looking for a
12 comparison of the number, which is roughly \$2.6 million in
13 market revenues. And, --

14 WITNESS WHITE: I don't believe in the
15 filing the cost of individual units are shown
16 individually. All of the costs of ownership and operation
17 are included in the filing off the Company's books.
18 There's not a comparison in here unit-by-unit or
19 station-by-station of revenues to those costs. And, I
20 would also point out that the 2. -- the numbers you're
21 referring to in Exhibit 9 are energy market revenues only.
22 They do not include other revenues from other power
23 products, such as capacity or reserves. So, I'd offer
24 that.

1 BY MR. COURCHESNE:

2 Q. No, that's -- that's why I was simply offering that.

3 And, the question is, comparing that, those energy
4 revenues to a rough sense of what the costs of
5 ownership are and operation?

6 A. (White) I don't know -- yes, I don't know what that
7 figure would be.

8 Q. Was it --

9 A. (White) The total cost of ownership in 2012 of Schiller
10 4 or Schiller 6? Yes, I don't know what that number
11 is.

12 Q. About operations?

13 A. (White) About operations?

14 Q. Yes.

15 A. (White) I don't know what you mean. Well, I'm sorry.

16 Q. The cost of production for Schiller units?

17 A. (White) I don't know either one, and --

18 (Court reporter interruption.)

19 **BY THE WITNESS:**

20 A. (White) The cost of ownership and operations, of either
21 Schiller 4 or Schiller 6, I don't have those figures.
22 All I can tell you is, all those costs are included in
23 the filing and reflected in the exhibits, not broken
24 out by unit. There's O&M costs shown, there's fuel

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 costs shown, there's net plant, and return shown,
2 depreciation, *etcetera*, are all included in the filing.

3 MR. COURCHESNE: Okay. I'll move onto a
4 -- offer another exhibit for identification.

5 CHAIRMAN IGNATIUS: All right.

6 (Atty. Courchesne distributing
7 documents.)

8 MR. COURCHESNE: This will be offered
9 for identification as "Exhibit 10". And, it reflects a
10 Staff Report on Investigation into Market Conditions filed
11 in IR 13-020. The date of the report is June 7, 2013.
12 And, it is only Page 20 of that report.

13 CHAIRMAN IGNATIUS: All right. We'll
14 mark that as "Exhibit 10" for identification.

15 (The document, as described, was
16 herewith marked as **Exhibit 10** for
17 identification.)

18 BY MR. COURCHESNE:

19 Q. And, I have a question first for Mr. White, and,
20 actually, I think that I will ask Mr. Mullen a question
21 after that. But, Mr. White, turning to the Figure 8,
22 in the middle of the Page 20 that is on Exhibit 10, is
23 the dispatch cost per megawatt-hour for Merrimack,
24 Schiller, and Newington reasonably reflected in this

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 chart?

2 MR. FOSSUM: Commissioners, before
3 there's an answer given, I guess that I would question
4 whether that means anything. This is a 2013 report that
5 notes it's using "2011 data", that doesn't belong to and
6 did not come from PSNH. So, I'm not sure what -- I
7 understand the question, and it's asking for a comparison
8 at this point. But I don't even know what would be the
9 value of a comparison of 2011 data from another source to
10 the costs for 2012 that are under consideration in this
11 docket.

12 CHAIRMAN IGNATIUS: Well, I think the
13 witness can note if for any reason it isn't a good
14 comparison.

15 MR. FOSSUM: Thank you.

16 CHAIRMAN IGNATIUS: I'll allow the
17 question.

18 WITNESS WHITE: Could you restate the
19 question please?

20 BY MR. COURCHESNE:

21 Q. Yes. Does the data for dispatch costs reflected in
22 Figure 8, on Page 20 of Exhibit 10, reflect those costs
23 of Merrimack, Schiller, and Newington in an accurate
24 fashion? And, I'll specify, for 2012.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (White) Well, I don't think I can answer the question.
2 It may approximate a reasonable value. But I don't --
3 I don't know what went into these numbers. It's noted
4 that it's developed from "SNL data", which we have
5 nothing to do with. I guess one observation might be
6 Schiller looks a little high. I am assuming that the
7 Y-axis is dollars per megawatt-hour, and the X-axis is
8 megawatts of load. But I'm not, you know, other than
9 that, I'm kind of looking at this on its surface.

10 Q. So, I'll ask Mr. Mullen, if I may. Mr. Mullen, are you
11 familiar with the information provided in this exhibit?

12 A. (Mullen) I'm familiar with it. I did not compile it,
13 but I'm familiar with it.

14 Q. Based on your review of the Company's filing in this
15 docket, is the dispatch cost reflected in Figure 8, for
16 Merrimack, Schiller, and Newington Stations, reasonably
17 reflective of those units' dispatch costs in 2012?

18 A. (Mullen) I think I'd say what Mr. White just said.
19 You're talking different years. And, while it may be a
20 reasonable approximation, without looking at the
21 underlying data and comparing that to 2012, I can't
22 give you a definite answer.

23 Q. Have the heat rates of any of the units materially
24 changes between 2011 and 2012?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Mullen) Not to my knowledge, but Mr. Cannata might
2 know better than me on that one.

3 Q. Mr. Cannata, I believe Mr. Peress will have some
4 questions for you, but does the information in
5 Exhibit 10, on this figure, reasonably reflect the data
6 in the filings you've reviewed for 2012, for each of
7 the Merrimack -- each of the PSNH fossil units?

8 A. (Cannata) Well, I would have to agree with Mr. Mullen's
9 answer and copy it. I did look at the PSNH heat rate
10 data, and that was presented as part of the filing.
11 Oh, sorry. I forgot the microphone.

12 Q. And, in your testimony, is it correct that the heat
13 rate data is similar year to year?

14 A. (Cannata) I was just referring to that section of the
15 testimony. So, we can just read it together.

16 Q. Can you refer me to where in the testimony that is?

17 A. (Cannata) That would be Page 54 of my testimony.
18 There's a table.

19 Q. And, referring to that, which I believe is --

20 A. (Cannata) The top table.

21 Q. Referring to Page 54 of that testimony, which I believe
22 is Exhibit --

23 A. (Cannata) Five.

24 Q. -- Exhibit 5 for the record. The heat rates haven't

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 appreciably changed as between 2011 and 2012 for the
2 fossil units, is that correct?

3 A. (Cannata) That's correct.

4 Q. Is there any other reason you would expect the dispatch
5 costs to have changed between 2011 and 2012 at any of
6 the fossil units, based on your review of the filing?

7 A. (Cannata) Not between 2011 and 2012, no.

8 MR. COURCHESNE: Okay. Just one moment,
9 if you wouldn't mind, Commissioner?

10 CHAIRMAN IGNATIUS: All right.

11 (Short pause.)

12 MR. COURCHESNE: Mr. Peress has a few
13 questions for Mr. Cannata at this point.

14 CHAIRMAN IGNATIUS: All right. Please
15 proceed.

16 MR. PERESS: Good afternoon, madam
17 Chair.

18 BY MR. PERESS:

19 Q. Mr. Cannata, CLF has a few questions regarding the
20 methodology and the conclusions in your testimony,
21 which has been marked "Exhibit 5". And, if you would
22 turn to Page 5 of your testimony please. I'd like to
23 start with the sentence -- the first full sentence at
24 the top of the page, which, for the record, reads that

1 "Accion concluded that PSNH made sound and prudent
2 management decisions with regard to its capacity and
3 energy purchases in its market environment consistent
4 with its 2012 Least Cost Integrated Resource Plan
5 requirements." And, it makes reference, in Footnote 1,
6 to the "2007 LCIRP", which was "amended on March 28,
7 2008." Is that a correct representation of your
8 testimony?

9 A. (Cannata) Yes, it is.

10 Q. Okay. A couple of questions about that. Does that
11 conclusion extend to the extent to which Public Service
12 Company of New Hampshire self-scheduled its units,
13 rather than them being dispatched by ISO-New England?

14 A. (Cannata) Okay. I first would like to refer you to
15 Page zero of my testimony, the cover sheet. The title
16 of the docket is a review of costs, not an audit. The
17 information I believe you're asking for is a detailed
18 review of every decision that's made on whether to run
19 the unit that day, that hour.

20 Q. No, Mr. Cannata, I haven't said anything of the sort.
21 So, if I may, I'm just asking a simple question.

22 A. (Cannata) You haven't let me finish my answer.

23 Q. Well, your answer is not responsive. I'm just asking a
24 simple question.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Cannata) Because I haven't finished it.

2 CHAIRMAN IGNATIUS: Well, Mr. Peress,
3 you asked if -- well, now I've forgotten exactly what
4 you've asked.

5 MR. PERESS: I asked if his conclusions
6 regarding the sound and prudent management decisions
7 extended to the decisions to self-schedule. I didn't ask
8 about any specific incident. It was a general question.

9 CHAIRMAN IGNATIUS: You're right. All
10 right. And, Mr. Cannata, I think you can answer that
11 question, with whether it includes the self-scheduling
12 hours?

13 BY THE WITNESS:

14 A. (Cannata) Overall, yes.

15 BY MR. PERESS:

16 Q. Thank you, Mr. Cannata. In that vein, I noticed, when
17 you -- when you introduced yourself in this docket, you
18 said that your -- the focus of your review was system
19 operations and efficiency. Did it also include the
20 economics of their energy purchase decisions and their
21 dispatch decisions?

22 A. (Cannata) Overall, yes.

23 Q. Thank you, Mr. Cannata. In support of that conclusion,
24 your testimony indicates that, and I'm still on Page 5,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 the second paragraph -- actually, let me strike that
2 please. Back to the 2012 LCIRP, you're aware that the
3 LCIRP contained the expressed statement in there that
4 these units were expected to operate as base-load units
5 with respect to the coal units. Are you aware of that?

6 A. (Cannata) I do have some documentation with me. I'll
7 get a reference.

8 Q. All right.

9 A. (Cannata) Could you give me the reference where you're
10 drawing that from?

11 Q. I don't have it in front of me. I'm referring
12 generally to that LCIRP. Subject to check, you're
13 aware that they projected those units to be -- the coal
14 units to be base-load units? Are you aware of that?

15 A. (Cannata) What I see in the LCIRP is "Schiller steam
16 units have historically served a base-load or
17 intermediate-load role for NEPOOL. The units have the
18 capability of starting up and shutting down daily, if
19 needed. But they also have effectively served a
20 base-load role."

21 Q. Thank you. And, if you turn to Page 50 of your
22 testimony here.

23 A. (Cannata) Okay. I'm there.

24 Q. In the first full paragraph, which starts about a

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 quarter of the way down the page, you refer to
2 Merrimack and Schiller as "former base-load coal
3 units". Do you see that on Page 50?

4 A. (Cannata) Yes.

5 Q. Can you explain why you refer to them as "former
6 base-load coal units" in the context of your review?

7 A. (Cannata) Okay. "Base-load" could apply either as a
8 design reference, a unit can be designed as a base-load
9 unit and operate in some other mode, or it can be a
10 base-load unit in the operational mode. And, in the
11 "former" sense, I was talking operationally.
12 Currently, operationally, the base-load operation of
13 the Merrimack units is no longer as much as it used to
14 be. And, that's why I said "former". In the last
15 couple of years, the units have run less than they have
16 historically, from an operational standpoint.

17 Q. And, would the supply curve represented in Exhibit 11
18 that Mr. Courchesne was just discussing with you be
19 representative of the fact that those units are no
20 longer base-load units from an operational standpoint?

21 CHAIRMAN IGNATIUS: That's Exhibit 10.

22 BY MR. PERESS:

23 Q. I'm sorry, Exhibit 10.

24 A. (Cannata) No. This curve, you cannot draw that from

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 this curve. This curve looks to me just to be an
2 estimate of the full load heat rate of the unit stacked
3 up in meritoricy [sic] order against load. It doesn't
4 reflect operations, because some of these units may not
5 be operating, available, *etcetera*.

6 Q. Thank you. From an economic dispatch standpoint, would
7 the diamond representing units that are to the left
8 side of the curve be more likely to be base-load units
9 than the diamonds representing units that are further
10 to the right side of the curve?

11 A. (Cannata) Either base-load or must-run, such as a hydro
12 unit, because of its cost, or a contract, must-take
13 contract.

14 Q. Thank you. So, back to Page 5 of your testimony, in
15 support of your conclusions, which you said generally
16 apply to PSNH's decisions to self-schedule, you noted
17 that you reviewed detailed backup information with
18 respect to the decisions made by PSNH. Is that a fair
19 characterization?

20 A. (Cannata) Yes.

21 Q. Can you tell us what that detailed backup information
22 consisted of please?

23 A. (Cannata) Okay. The review included a review of the 80
24 purchases that were made, in terms of the duration,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 whether they were consistent with Least Cost Plan,
2 whether they were consistent with the internal
3 safeguards, operating principles that the Commission
4 has asked them to change over the years, that they
5 comply with that. And, what I looked for was, as the
6 year changed, the price of gas changed, the price of
7 unit energy changed, and did the Company react
8 appropriately, in terms of how it approached its
9 purchase requirements? In the beginning of the year,
10 in 2012, prices were very low, as it was said, because
11 of the gas glut brought on by the warmer weather, PSNH
12 was very much concentrated in the short-term aspect of
13 the market, with most purchases being daily. As prices
14 firmed during the year, I saw them, they started to
15 take a long look in the market, doing more weeklies and
16 longer-term purchases. That's the type of review I
17 did, is that they had a good pulse on the market, and
18 tried to follow it as much as -- as best they could, to
19 make the adjustments in their purchase parameters to
20 get the best economics out of the purchases.

21 Q. Thank you. Did your review also entail reviewing
22 detailed data with respect to when PSNH made sales into
23 the market?

24 A. (Cannata) I would say, generally, yes. Specifically,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 no. I did not look at each sale into the market. If
2 Public Service has excess generation, they have a
3 process whereby they go through to try to maximize
4 their return back to customers for that excess
5 generation. Either it's generated from their own units
6 or it's excess energy purchased to serve load that
7 became excess, selling it back to the market.

8 Q. Just for clarification and stepping back from the
9 specifics of that answer, in effect, all of PSNH's
10 generation is sold into the market, right? Because
11 they do get paid whatever the locational marginal price
12 was for that hour when they generate, whether or not
13 they self-dispatch -- or, self-scheduled or were
14 dispatched in merit, is that correct?

15 A. (Cannata) I think, as you were discussing this morning,
16 I think there's a difference whether you self-schedule
17 or if you let the ISO dispatch for you. If you
18 self-schedule, you basically take away the ISO ability
19 to, say, bounce your unit around.

20 Q. I'm talking about in terms of market revenues. Whether
21 they self-scheduled or were dispatched in merit by ISO,
22 they were essentially being paid the clearing price on
23 an hourly basis for that output, isn't that correct?

24 A. (Cannata) I believe that's true, yes.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. So, in effect, all of their output, with maybe a few
2 exceptions that I'm not aware of, is sold into the
3 market?

4 A. (Cannata) It's not presented in the filing that way.
5 It's presented as Mr. White characterizes it, as
6 "supplemental purchases". Public Service has served
7 its energy from its own units. It buys supplemental
8 energy. And, those could be bilateral, daily, hourly.
9 And, then, it makes sales. And, it goes through the
10 numbers to show what each part of those transactions
11 cost.

12 Q. And, did you look at those numbers for any of the
13 transactions for which they self-scheduled their fossil
14 units?

15 A. (Cannata) No. That's beyond the scope of what I -- I'm
16 not doing an accounting audit.

17 Q. So, what information did you rely on when you
18 concluded, in general, that their decisions to
19 self-schedule their units were prudently made?

20 A. (Cannata) I think I answered that earlier. I went
21 through the records. How they react to market
22 conditions; how well -- we also discussed the process
23 by which they make those decisions on a process basis;
24 the type of discussions that they had before those

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 decisions are made; what people are included, what is
2 the availability of the people, the time to make those
3 decisions. And, they're basically available 24 hours a
4 day as operational conditions may change.

5 Q. And, do you maintain records of those discussions when
6 you have them as part of your investigation?

7 A. (Cannata) The records basically come out. If it's not
8 in my notes, it's in my testimony.

9 Q. So, there's no additional records relating to the
10 follow-up information and the detailed backup
11 information that you spoke to on Page 5?

12 A. (Cannata) I don't believe it's in the record, no.

13 Q. Did you, for a single time in which they self-scheduled
14 a unit, look at what the day-ahead market prices were
15 for the hours for those periods for which they
16 self-scheduled?

17 A. (Cannata) No.

18 Q. Did you look at the price of fuel that would be assumed
19 to be bid into the market by PSNH for any of those
20 hours in which they self-scheduled?

21 A. (Cannata) No. As I said earlier, I looked at the
22 process.

23 Q. And, there wasn't one single instance, in which they
24 self-scheduled, where you looked at what the actual

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 numbers were relating to the potential effects on
2 ratepayers and the economics of those decisions?

3 A. (Cannata) As I said, I looked at the process.

4 Q. Is that a "no" or --

5 MR. PERESS: Madam Chair, would you
6 instruct the witness to answer the question please.

7 CHAIRMAN IGNATIUS: Well, I think he has
8 said that he looked at the process of each of those. And,
9 are you asking for something more pointed? Why don't you
10 be clear what it is that you're asking if it's other than
11 the process. I mean, you've already asked about --

12 MR. PERESS: Steve, will you --

13 CHAIRMAN IGNATIUS: -- the day-ahead
14 price and the price of fuel. So, are you asking for
15 something further than those two things?

16 MR. PERESS: Steve, would you repeat my
17 question please.

18 CHAIRMAN IGNATIUS: Mr. Peress, are you
19 asking for something other than the two things you've
20 already asked? Which are, "did you look at the day-ahead
21 price?" And, he said "no". "Did you look at the price of
22 fuel?" And, he said "no". And, I'm asking you, if you're
23 asking for some third or fourth category, why not identify
24 that for Mr. Cannata.

1 MR. PERESS: No. I just am trying to
2 get direct answers. I actually don't recall what the
3 question was at this point. And, I apologize, madam
4 Chair.

5 BY MR. PERESS:

6 Q. Mr. Cannata, you've been doing this a long time, right?

7 A. (Cannata) Yes.

8 Q. How long?

9 A. (Cannata) The SCRC is sometime after -- around 2000ish,
10 2001.

11 Q. And, Mr. White previously testified that the tools that
12 they have used for assessing the prudence of their
13 energy market purchases and the prudence of their
14 Energy Services -- Default Energy Services rate are the
15 same tools that they have used in many prior years.
16 Did hear him testify to that?

17 A. (Cannata) Yes. But I would also note that the -- that
18 those tools were revised recently to become even better
19 tools. But they're still basically the same tools.

20 Q. And, so, would you -- is it your testimony that those
21 tools are equally valid when the units are no longer
22 base-load units, as they were when they were assumed to
23 be base-load units?

24 A. (Cannata) Yes. I think the tools are not

1 unit-specific. Right.

2 Q. If you were going to check the reasonableness and
3 prudence of a decision to self-schedule, in a specific
4 given self-schedule notification and action by PSNH,
5 what would you look at?

6 A. (Cannata) One would have to look at what the unit cost
7 was, what the market cost might be. There are other
8 parameters, in that "do I have operational problems
9 existing at the unit?" As an example, a condenser
10 that's running low on vacuum that it may cause an
11 operational problem, call it a probability of being
12 able to serve through the period that I'm looking at.
13 Weather. And, also, what my operational requirements
14 were further out.

15 Q. Can I just stop you for a second on weather?

16 A. (Cannata) Sure.

17 Q. Wouldn't the implications of weather be reflected in
18 the day-ahead market pricing?

19 A. (Cannata) It may or may not be. Because what's not
20 reflected in a market pricing is the ability of the
21 units to supply that load. ISO may come up with a
22 forecast of load, but what you don't have in there is
23 the ability of the hundreds of units to serve that
24 load.

1 Q. And, --

2 CHAIRMAN IGNATIUS: Mr. Peress, I'm
3 sorry to interrupt. We do have to take a break. So, make
4 note of where you are. We'll resume again at three
5 o'clock. All right?

6 MR. PERESS: Thank you, madam Chair.

7 CHAIRMAN IGNATIUS: Sorry to have to do
8 this, but we've got a couple things we need to get to that
9 were scheduled. So, we will be back here at three
10 o'clock.

11 (Recess taken at 2:35 p.m. and the
12 hearing resumed at 3:06 p.m.)

13 CHAIRMAN IGNATIUS: We're back after a
14 break. And, Mr. Peress, you were questioning Mr. Cannata.
15 If you would continue.

16 MR. PERESS: Yes. Thank you, madam
17 Chair. Just a full couple more questions.

18 BY MR. PERESS:

19 Q. Mr. Cannata, we were talking about the fact that PSNH,
20 in their testimony, the testimony of Mr. White referred
21 to, generally speaking, the fact that they have
22 provided the same information this year that they have
23 provided in prior years, in order to demonstrate the
24 prudence of their Default Energy Service expenditures.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Do you recall that?

2 A. (Cannata) Yes. I thought we were at the question where
3 you asked me "what were the parameters I would consider
4 for self-scheduling?"

5 Q. I think we had gotten by that. But, if you would like
6 to speak to that issue, please do.

7 A. (Cannata) All right. I thought that's where we left
8 it. All right. Because I was talking about, you know,
9 reliability, all right? And, one has to consider the
10 ability of the unit to start and stop. As an example,
11 Schiller is a much more flexible unit. It's designed,
12 Schiller 4 and 6, is designed to go up and down in
13 load. Merrimack is not. The probability of an outage,
14 if you take Merrimack 1 or 2 down, is much higher.
15 That's when most trips occur, an outage that occur in a
16 unit is bringing a unit back on line after it's been
17 off line.

18 Q. Can I ask you a question about that please?

19 A. (Cannata) Sure.

20 Q. So, are you saying that Merrimack is not a particularly
21 flexible unit for its role as an intermediate unit in
22 the market right now?

23 A. (Cannata) It's less flexible than Schiller, because of
24 the design.

1 Q. And, so, are you saying that, because of its lack of
2 flexibility, it requires it to run at times when it
3 otherwise would not be economic to run, in order to
4 avoid ramping up or down?

5 A. (Cannata) I believe the units' characteristics
6 determine the economics.

7 Q. But, from an economic standpoint, they get paid every
8 time they start the unit up, right? They have a
9 start-up cost that they get paid when they're
10 dispatched in merit, right?

11 A. (Cannata) Yes. Yes.

12 Q. And, they have an economic minimum and an economic
13 maximum when they're dispatched in merit, right?

14 A. (Cannata) That's correct. But they also have minimum
15 downtimes and minimum start-up times. And, on a
16 Merrimack unit, those times are longer, because of
17 their design, than Schiller. So, therefore, their
18 start-up costs are higher.

19 Q. Which would translate to them needing to run more of
20 the time when they're uneconomic than Schiller would,
21 because Schiller is more flexible, right?

22 A. (Cannata) Or not run.

23 Q. Or not run.

24 A. (Cannata) The other thing one would want to consider is

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 the weather. And, you know, that goes in terms of
2 load, which you mentioned, was supplied by the ISO.
3 The ISO supplies an aggregate load. If PSNH is going
4 to commit customer dollars, they're interested in two
5 loads, what the load is in New England and what load
6 they have to serve. The ISO does not supply "well,
7 this is Public Service's load forecast." Public
8 Service needs their loads and the reasonableness of the
9 ISO load to determine how much should they be going
10 into the market for. So, they need those loads for
11 numbers.

12 Q. A quick question in that regard?

13 A. (Cannata) Sure.

14 Q. But all of the power that's supplied through the
15 transmission system and, ultimately, to distribution
16 customers throughout New England, comes from the same
17 power pool, unless they self-gen, those customers
18 self-generate, correct?

19 A. (Cannata) Yes. Of which PSNH does not have the same
20 information as ISO. Public Service doesn't know that
21 Seabrook is going to be out tomorrow for some type of
22 repair. That information is not available to other
23 parties.

24 Q. And, so, the implications of that to PSNH are what now?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Cannata) That they are responsible to make the
2 decision on what to do for customers. They don't have
3 the units that are out-of-service, nor do I think they
4 have what transmission is going be out-of-service.
5 These are things that are deemed confidential. So, the
6 Company must take those risk factors, factor them into
7 their decisions. And, then, when you extend those
8 decisions over longer periods of time, it just puts
9 more risk as to what one would do.

10 Q. So, are you suggesting that PSNH is responsible for the
11 reliability of the service to their customers or
12 ISO-New England is?

13 A. (Cannata) The reliability I'm talking, in transmission
14 and generation, the generation is the responsibility of
15 the generators, whoever they may be; the transmission
16 is the responsibility of the transmission providers,
17 but only ISO knows what transmission is going to be
18 available.

19 Q. And, who sets the installed capacity requirement that
20 applies to PSNH?

21 A. (Cannata) The ISO does.

22 Q. So, --

23 A. (Cannata) On a New England basis.

24 Q. Ultimately, isn't it ISO-New England's job to determine

1 whether there's enough power on a day-ahead basis for
2 the market the next day?

3 A. (Cannata) Yes.

4 Q. Okay. Do you -- I'm satisfied, unless you want to
5 continue?

6 A. (Cannata) No, no. Those are the other two points I
7 wanted to make.

8 Q. All right. Thank you. Now, does Accion operate in
9 other states and look at plants in other states in New
10 England, besides the PSNH fleet?

11 A. (Cannata) I have not acted in that capacity with
12 Accion. I've acted in other states on my own and for
13 other entities.

14 Q. And, indeed, the other plants in those other states
15 within New England make up collectively the energy
16 market that we were talking about previously that you
17 need to look at when you look at PSNH's operations,
18 right?

19 A. (Cannata) I did not confide -- confine my answer to New
20 England when I was talking about the other plants I've
21 looked at.

22 Q. Did you look at other plants in New England?

23 A. (Cannata) No. They have all been out of New England.

24 Q. Have you looked at the extent to which any other

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 coal-fired power plants in New England self-schedule in
2 comparison to the extent to which the coal-fired units
3 at PSNH self-schedule?

4 A. (Cannata) No.

5 Q. Are you aware of any regulatory requirements in other
6 jurisdictions that apply to power plant owners that
7 self-schedule their units specifically?

8 A. (Cannata) No.

9 Q. Would you think it would be helpful if a public
10 utilities commission required a unit that
11 self-schedules to provide the clearing price in the
12 day-ahead market for the days for which it has
13 self-scheduled, do you think that would be helpful to
14 determine prudence?

15 A. (Cannata) It would be up to the commission, I believe.

16 Q. Do you think a commission that would require that would
17 be making a sound decision?

18 A. (Cannata) Well, I do know the Commission has access to
19 the market rules of the ISO-New England. And, if the
20 market rules have been accepted by the Commission, the
21 market rules spell out what must be kept for records
22 and what may not be kept for records.

23 Q. Do you think a commission would be making a sound
24 decision if they made a plant owner which

1 self-scheduled to provide the price of its fuel that
2 would have been assumed if it bid into the day-ahead
3 market?

4 A. (Cannata) I think any decision the Commission makes is
5 sound.

6 Q. Do you think it would be prudent for a similarly --
7 sound for a similarly situated commission to have a
8 plant owner that self-schedules predict the day-ahead
9 energy margin for the time for which it self-scheduled?

10 A. (Cannata) I have no viewpoint on what a commission
11 would consider reasonable. The commission would make
12 its determination and supply its reasoning with its
13 determination.

14 Q. Would you believe me if I told you that another
15 commission in New England requires that information
16 from a generator that self-schedules?

17 A. (Cannata) I have no reason to disbelieve you.

18 Q. Going back to where we were when we left. You've been
19 -- you said you've been doing this a long time,
20 correct?

21 A. (Cannata) That's correct.

22 Q. And, PSNH said that they have been essentially using
23 the same information to demonstrate the prudence of
24 their Default Energy Services rate expenditures for

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 many years. Did you hear that testimony?

2 A. (Cannata) Yes, I did.

3 Q. In light of the fact that they are no longer base-load
4 units, do you think that it's -- there are some changes
5 that perhaps would be helpful to assessing the prudence
6 of the decisions made with respect to market purchases
7 and self-scheduling?

8 A. (Cannata) None come to my mind. The units have changed
9 operational capability, units have changed. They just
10 lost Vermont Yankee out of the mix. They lost Seabrook
11 out of the mix back in 2000. So, the whole operation
12 of the system changes according to contracts. You
13 know, as these small power producers fall out of the
14 mix, there's less base-load units, it changes, it
15 ripples through the whole dispatch. So, those changes
16 have been taking place for all that time. The process
17 has been very similar and is equally applicable, you
18 know, to -- for all those operational differences.

19 MR. PERESS: Okay. No further
20 questions, madam Chair. Thank you.

21 CHAIRMAN IGNATIUS: Thank you. Any
22 other questions from Mr. Courchesne?

23 MR. COURCHESNE: Yes. One, one brief
24 line of questioning. This is for Mr. Smagula.

1 BY MR. COURCHESNE:

2 Q. Can you, Mr. Smagula, please describe any 2012 costs at
3 Schiller Units 4 and/or 6 reflecting testing of
4 emissions control technology?

5 A. (Smagula) In 2012, I don't believe there were any.

6 Q. Was there any testing of environmental control
7 equipment at Schiller in 2012?

8 A. (Smagula) Not that I recall.

9 Q. In that case, would it refresh your recollection if I
10 referenced testing of dry sorbent injection technology
11 at Schiller Station in 2012?

12 A. (Smagula) Well, 2012 is what's causing me to pause. We
13 have conducted two series of dry sorbent injection
14 testing at Schiller Station. I know we conducted one
15 at some point last year. And, there was a earlier test
16 that it's my recollection was in early 2013. If you
17 have information that corrects that first series of
18 tests, then, if that -- if I were to refresh my memory,
19 that may be correct. But my initial recollection was
20 twice last year.

21 MR. COURCHESNE: Madam Chair, may I
22 request the opportunity to give Mr. Smagula a document?

23 WITNESS SMAGULA: Sure.

24 MR. COURCHESNE: And, if you want to see

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 it, you can. But I don't intend to offer it as an
2 exhibit. I'll provide one to Matthew as well.

3 CHAIRMAN IGNATIUS: Yes. Make sure that
4 Mr. Fossum takes a look. And, if he has any objection
5 before, to note that.

6 (Atty. Courchesne distributing documents
7 to Atty. Fossum.)

8 MR. COURCHESNE: So that he may refresh.

9 WITNESS SMAGULA: If I can see it?

10 CHAIRMAN IGNATIUS: You can show the
11 witness.

12 MR. COURCHESNE: Thank you. Madam
13 Chair.

14 (Atty. Courchesne distributing documents
15 to Witness Smagula.)

16 WITNESS SMAGULA: Yes. I have the
17 document you are looking at.

18 BY MR. COURCHESNE:

19 Q. It might be, if you wouldn't mind explaining that
20 testing of dry sorbent injection at Schiller Station,
21 the time frame it occurred and the purpose of it.

22 A. (Smagula) Yes. I'd just like to refresh my mind for
23 one moment. Yes. Based on this document, I would like
24 to correct my response to your question. That we did

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 do two phases of dry sorbent injection testing. The
2 first of which was in 2012.

3 Q. And, the purpose of that? The purpose of that testing?

4 A. (Smagula) The purpose of that testing is to investigate
5 the technical feasibility of injecting a dry material
6 into the combustion process to assist the Company in
7 meeting future environmental emission regulations.

8 Q. Do you recall when, in 2012, that testing occurred
9 specifically?

10 A. (Smagula) Well, according to the document that you've
11 given me, the test occurred in the latter half of 2012.

12 Q. You don't have a more specific recollection?

13 A. (Smagula) No, I don't, because I had initially thought
14 we had two series of tests in '13. So, I do not.

15 Q. Do you recall what the testing showed and was it
16 successful?

17 A. (Smagula) The testing illustrated that this technique
18 of removing certain products from the combustion
19 process was very positive, and that it was held during
20 certain operational conditions. And that, in order for
21 us to confirm results, under certain other operating
22 parameters and better quantify the injection process,
23 we conducted a second set of tests to confirm things.
24 And, as a result of that, we have concluded our

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 testing. So, the testing was, in the end, a positive
2 illustration that that technique would be successful in
3 meeting future air emission regulations.

4 Q. What were the costs associated with that first round of
5 testing in 2012?

6 A. (Smagula) I do not recall specifically.

7 Q. Would those costs be reflected in PSNH's filing in this
8 docket?

9 A. (Smagula) Yes. They were operational expenses that we
10 were -- that occurred, yes.

11 Q. But there isn't any additional information in the
12 filing that would illuminate the nature of the costs?

13 A. (Smagula) No. I see this process of testing for
14 environmental -- emerging environmental questions or
15 requirements, testing for possible new -- the
16 installation of new or more efficient equipment,
17 testing for new control systems, any such testing to
18 demonstrate proper performance or, in fact, improve
19 performance, is part of our daily -- our annual routine
20 operation. So, it is one of many things we do at all
21 of our facilities all year as part of our operational
22 responsibilities.

23 Q. Can you characterize the potential costs of installing
24 the technology that's being tested?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 MR. FOSSUM: I would object to that
2 question. The "potential costs", I mean, I don't -- this
3 is a retrospective for 2012. What "potential costs" there
4 are, I don't know that that -- I don't believe that's
5 relevant at all.

6 CHAIRMAN IGNATIUS: All right. I'm
7 inclined to agree with you. But, Mr. Courchesne, do you
8 have a response to that? And, I'll admit, I don't even
9 know which unit we're talking about.

10 MR. COURCHESNE: These are Units 4 and
11 6.

12 CHAIRMAN IGNATIUS: Both?

13 MR. COURCHESNE: Both of them are
14 subject to this requirement Mr. Smagula mentioned.

15 CHAIRMAN IGNATIUS: So, the relevance of
16 your question?

17 MR. COURCHESNE: The relevance of the --
18 the relevance of the question is that incurring certain
19 costs associated with environmental compliance, as
20 Mr. Smagula suggested, which are connected to a project in
21 the future that is of an uncertain cost or a large
22 potential cost, implicates that future project. And, when
23 considering the reasonableness and prudence of undertaking
24 those costs, they -- it is not simply a matter of -- the

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 nature, the precise nature of the future project is not
2 the nature of the question. The question goes to the
3 scale of the potential investment associated with this
4 testing. And, if it's a large investment that's being
5 contemplated, and PSNH is recovering costs in this docket
6 that support that process and in the investment, that
7 should be relevant to this, to this docket, as to whether
8 those costs were reasonable and prudently incurred.

9 MR. FOSSUM: And, I would maintain the
10 objection to that. I mean, if I understand the argument,
11 essentially, whatever costs were incurred for testing now
12 matter because sometime in the future there may be a
13 different project that costs a lot of money. You know, I
14 have -- I don't see any relevance to that whatsoever.
15 It's a project that may or may not ever be completed, it
16 may cost more or less money than expected. It doesn't fit
17 in this docket at all.

18 CHAIRMAN IGNATIUS: That's how I was
19 trying to understand your response, similar to
20 Mr. Fossum's. And, if he and I both got that wrong, I'll
21 give you a chance to explain, because that may not be what
22 you're asking. If that is what you're asking, then I
23 think it's not relevant and we're going to move on. But,
24 if there's some different reason for your question than

1 how he described it, please help me understand.

2 MR. COURCHESNE: The problem that I'm
3 facing is that we don't know how much the -- Mr. Smagula
4 said they don't know how much the testing costs. He
5 doesn't have the figure on how much the testing costs.
6 And, I'm really trying to get a scale of the sense of the
7 investment that this testing implies. And, if there's a
8 very large -- if this is a very large project for Schiller
9 Station, this technology represents a large potential
10 cost, testing is -- the prudence of the testing is at
11 issue in this docket. And, I think it makes it much more
12 significant a decision that PSNH made to go forward with
13 the testing, incur the cost charged to the ratepayers. I
14 think the calculus changes if this is a small tweak that
15 happened, may or may not happen in a couple years, versus
16 whether this is a very large project that they're starting
17 down the road.

18 CHAIRMAN IGNATIUS: And, did you ask for
19 any of this in discovery?

20 MR. COURCHESNE: The reason, in fact, we
21 did not ask for any of this in discovery, and part of the
22 -- part of the reason -- we actually did ask a related
23 discovery request in 13-275, to which we got a generic
24 answer without any specifics. It came to our attention in

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 December, this document that I shared with Mr. Smagula,
2 that reflects this testing and reflects the fact that it
3 occurred in 2012. It was news to us that it had occurred
4 in 2012 and that was why we didn't ask questions about it.

5 CHAIRMAN IGNATIUS: So, the question
6 you're asking right now?

7 MR. COURCHESNE: What's the scale of the
8 investment that's associated with the technology that was
9 being tested? Is it a large cost? Is it a small cost?
10 That's the question.

11 CHAIRMAN IGNATIUS: To the extent you
12 can answer that question, go ahead.

13 MR. FOSSUM: Well, before, I mean, large
14 or small, it's nevertheless speculative, isn't it?

15 CHAIRMAN IGNATIUS: To the extent he can
16 answer the question, I'd like him to do so.

17 MR. FOSSUM: Thank you.

18 WITNESS SMAGULA:

19 **BY THE WITNESS:**

20 A. Regarding testing, and as I indicated, we conduct
21 numerous tests on many pieces of equipment at each of
22 our facilities every year to determine what can be done
23 to operate our equipment more efficiently or more
24 effectively, or to meet potential future requirements.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 So, not conducting a test for a future regulation that
2 is going to or will exist or that does exist would be
3 imprudent. Not conducting the test would be imprudent,
4 regarding the 2012 costs, which, in my view, is the
5 heart of the issue.

6 However, to take those test results,
7 which indicate that a future equipment or system will
8 be installed is a -- I still question the validity of
9 that with regard to the docket that's at hand. And,
10 furthermore, we are conducting the engineering review
11 now, in order to determine what the true costs will be.
12 You have to approach a very complex issue. And, air
13 compliance requirements are complex issues. They have
14 to be demonstrated on a site-by-site basis, because
15 different boilers respond differently to different
16 injection products, different coals respond differently
17 to different injection products. So, it would be
18 imprudent for us not to conduct the test. And, in
19 fact, the Department of Environmental Services has
20 agreed with that and allowed us to do this testing well
21 in advance of any future air requirements.

22 So, as the conclusions have been
23 developed, and we have identified a technological
24 approach to the project, the next step is to develop

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 specifications and go out for bids to determine what
2 the actual costs would be. And, that is the phase of
3 the effort that we're at now. The letter that I have
4 been handed agrees with that fully. And, in fact, says
5 that, in order for us to be compliant, we need to take
6 our data, our field empirical data, translate that into
7 an analysis, do some engineering to develop the proper
8 specifications for the equipment, conduct bids, and
9 then go forward with it. And, because of the sequence
10 of events that will -- that are now ahead of us, and
11 are ongoing, now that we're in the middle of this
12 effort, in order, before we could even go out for bids
13 and get true costs, we have requested to the state, in
14 accordance with federal regulations, and I will say
15 almost -- most utilities across this country have
16 conducted similar requests and have been granted a
17 one-year extension in the due date for the installation
18 and compliance with reduced air emissions. The
19 Department of Environmental Services has subsequently
20 granted that request, because we meet all of the
21 appropriate criteria upon which our application and our
22 request was presented. So, it illustrates that there
23 is no immediate answer to what will be the costs, but
24 they are to be developed.

{DE 13-108} [Day 1] {01-23-14}

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 MR. COURCHESNE: Madam Chair, I would
2 move to strike everything, except that last sentence, that
3 Mr. Smagula said. That was non-responsive.

4 CHAIRMAN IGNATIUS: I'm wondering why
5 you didn't stop him along the way?

6 MR. COURCHESNE: I was waiting for cost
7 answer.

8 CHAIRMAN IGNATIUS: Well, I think, on
9 redirect, we probably would hear an explanation of it.
10 So, I'm not going to strike it. But, if you find a
11 question to be non-responsive, speak up at the time and
12 not wait for the answer to continue. All right?

13 MR. COURCHESNE: Thank you. Reviewing
14 my notes, madam Chair, I don't believe I have any further
15 questions. Thank you.

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

18 MS. CHAMBERLIN: Thank you.

19 BY MS. CHAMBERLIN:

20 Q. I have just a couple of follow-up questions on the
21 self-scheduling. I'm looking at the CLF Exhibit 6,
22 which is the request from CLF, TS-02-007. I did a
23 quick back-of-the-envelope Merrimack 1 and Merrimack 2
24 number of hours that the ISO dispatched, and came up

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 with about 50 for the year. Does that sound right to
2 you? And, if you go through and you see, you take out
3 all the self-scheduling, and you go down to where it
4 was dispatched by load, we've got a little bit in
5 April, a little bit in June, one day in November, and I
6 think that's it. I came up with about 50 hours. Does
7 that sound right to you?

8 A. (White) I don't know if that's right or not. It
9 doesn't necessarily imply that the ISO would not have
10 dispatched the unit far greater than that had we not
11 self-scheduled.

12 Q. We don't know, because you self-scheduled?

13 A. (White) Yes.

14 Q. Okay. Turning to some questions for Mr. Shelnitz to
15 clarify the issue regarding the Scrubber, it being
16 included or not included in this docket. Could you
17 turn to MLS-3 and MLS-4. And, these are attachments to
18 your testimony, which is marked as, I don't know
19 what --

20 MR. PERESS: It's part of Exhibit 1.

21 BY MS. CHAMBERLIN:

22 Q. Part of Exhibit 1.

23 A. (Shelnitz) I have those.

24 CHAIRMAN IGNATIUS: So, his Attachments

1 3 and 4?

2 MS. CHAMBERLIN: Yes.

3 CHAIRMAN IGNATIUS: Thank you.

4 BY MS. CHAMBERLIN:

5 Q. Now, if you go to MLS-3, and you turn to Page 2 -- oh,
6 all right. It's easier to do it off of Page 1.

7 CHAIRMAN IGNATIUS: And, this is Bates
8 stamp 13, I believe.

9 MS. CHAMBERLIN: Well, Page 2 is 13.
10 I'm going to do it off of those.

11 BY MS. CHAMBERLIN:

12 Q. I'm sorry, I got that mixed up. Let's go to MLS-4,
13 first page. We've got net plant. That number includes
14 the Scrubber, correct?

15 A. (Shelnitz) I'm sorry, which page again?

16 Q. MLS-4, the front, the first page, "Net Plant", Line
17 2 -- I'm just going to mess it up. It talks about net
18 plant being about 669 million, correct?

19 CHAIRMAN IGNATIUS: I think you've got
20 the wrong citation. That's not -- it doesn't match our
21 MLS-4, Page 1.

22 CMSR. SCOTT: Maybe you could try the
23 Bates.

24 CMSR. HONIGBERG: What Bates number?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 MS. CHAMBERLIN: Forty-eight.

2 WITNESS SHELNITZ: Yes. I have that.

3 MS. CHAMBERLIN: All right.

4 WITNESS SHELNITZ: That's MLS-4,

5 Page 12.

6 MS. CHAMBERLIN: Great. Everybody else
7 have that? Sorry about that.

8 BY MS. CHAMBERLIN:

9 Q. Line 2, "Net Plant", this includes all costs related to
10 the Scrubber that you incurred in 2012, is that
11 correct?

12 A. (Shelnitz) This line includes all costs that would be
13 recovered from ES customers. So, it would include both
14 Scrubber-related net plant, as well as all other
15 generation-related net plant.

16 Q. Okay. And, when you go down to Line 12, over to the
17 right, you have a -- you calculate the return on that
18 figure, correct?

19 A. (Shelnitz) Correct.

20 Q. And, how much is that?

21 A. (Shelnitz) On this schedule here, it is \$82.7 million.

22 Q. Now, that is not what you will be -- that is not
23 already included in rates at this point, correct?

24 A. (Shelnitz) Correct.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. And, can you explain how you would take that number and
2 figure out what has been removed from it?

3 A. (Shelnitz) Sure. I think it's important to note that
4 this filing occurs well after when we set rates for
5 2012. So, what would have happened is, in 2012 -- I'm
6 sorry, in late 2011, when we would set rates for 2012,
7 we would produce a forecast of costs to be recovered
8 from ES customers. And, that forecast would exclude
9 all Scrubber-related costs, including return on the
10 Scrubber. So, that is what would be -- what would be
11 put into rates during 2012. Then, what happens is,
12 after 2012 is completed, we put together this filing,
13 which is the reconciliation of all ES costs, both
14 Scrubber and non-Scrubber. And, then, we -- that will
15 produce an over and underrecovery compared to what we
16 had originally forecast and put into rates. We then
17 take that over and underrecovery and pull out the
18 Scrubber-related portion of that over/underrecovery,
19 and the net that remains is then included in the rate
20 setting process. In this case, it was for the second
21 half of 2013. So, approximately, I think the filing
22 was made on June 13th. And, so, that was in docket
23 12-292. And, in that filing there, we include a
24 projection -- well, it's not a projection, actually, it

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 was based on the actual figures. We put in the actual
2 under/overrecovery associated with 2012, without the
3 Scrubber.

4 Q. Now, can you show me in this docket where we would find
5 either a schedule or a description of the removal of
6 any Scrubber-related costs?

7 A. (Shelnitz) Sure.

8 Q. Okay.

9 A. (Shelnitz) The first place I would point would be in my
10 testimony, on Page 5. There's a Q&A there that
11 discusses what the final results of the ES were for
12 2012, on approximately Lines 24 through 30. In that
13 portion of the testimony, we discuss how the total
14 underrecovery at 2012 was 57.2 million. And, then, we
15 go on a little bit later in the next sentence to say
16 that that underrecovery was due primarily to a couple
17 of components. The first component is the major one,
18 it's \$50.1 million associated with the Scrubber,
19 Scrubber costs. Within the actual filing schedules, we
20 have noted that, when you go to Schedule -- Attachment
21 MLS-4, Page 6. And, on this schedule here, we have a
22 footnote. The footnote is at the -- on line --

23 CMSR. HONIGBERG: I'm sorry, what's the
24 Bates number on this page?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 WITNESS SHELNITZ: Bates number 19.

2 CMSR. HONIGBERG: Thank you.

3 WITNESS SHELNITZ: Sure.

4 **CONTINUED BY THE WITNESS:**

5 A. (Shelnitz) If you go to Line 9 of this schedule here,
6 this is a month-by-month cumulation of the ES costs and
7 revenues and the resulting under or overrecovery by
8 month. You get to the "total" column, for total 2012,
9 you will see the \$57.2 million that was referenced in
10 the testimony. There is a footnote next to that "(A)",
11 and that footnote indicates that, if you remove the
12 Merrimack Scrubber, that underrecovery drops to
13 \$7.099 million. And, that's the amount that was built
14 into customers' rates in the docket 12-292.

15 BY MS. CHAMBERLIN:

16 Q. And, I would ask that, if we have another of these
17 dockets, that you make it a little bit more clear where
18 the numbers come from, just because it's difficult to
19 go back and forth between the dockets and trace it.
20 So, if I -- say if the Commission approves this case in
21 any way, they will not be approving any
22 Scrubber-related docket -- costs, correct?

23 A. (Shelnitz) That would be our view.

24 Q. All right.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Shelnitz) That those costs will be handled in the
2 prudence docket, in 11-250.

3 Q. Thank you.

4 CHAIRMAN IGNATIUS: Can you just
5 clarify, people keep referring to "removing all Scrubber
6 costs". Do we mean removing anything above the temporary
7 rate amount in rates?

8 MS. CHAMBERLIN: I'm not talking about
9 the temporary rates. I'm talking about anything -- this
10 docket they have explained is every cost, and then they
11 pull out the Scrubber costs. So, that's unrelated to the
12 temporary rate.

13 CHAIRMAN IGNATIUS: Well, if you -- but
14 Mr. Shelnitz's testimony on Page 5 that he read portions
15 of specifically referred to the "deferred Scrubber costs"
16 that were "in excess of the temporary rate recovery".
17 So, --

18 WITNESS SHELNITZ: Yes. Perhaps I can
19 clarify.

20 CHAIRMAN IGNATIUS: Thank you.

21 WITNESS SHELNITZ: So, the reason why I
22 began my discussion of how we set the rate originally is
23 because it's before -- the rate is set before the period
24 that the rate applies to. And, so, when we set that rate,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 all the individual costs, like the fuel, the O&M, the
2 return, those all exclude the Scrubber, the Scrubber
3 component, if you will. We get to a total value at the
4 end. We divide that by the annual kilowatt-hour sales to
5 come up with the rate. And, this is the part I left out
6 before, then we add to that the 0.98 Scrubber adder, and
7 that's how we come up with the rate.

8 So, it's -- when I was speaking about
9 "excluding Scrubber", I was talking about those individual
10 components. But, at the end of the calculation, we do
11 include the temporary rate. And, that is -- that portion
12 is recovered from customers, the amount that was allowed
13 as the temporary rate.

14 CHAIRMAN IGNATIUS: Thank you.

15 MS. CHAMBERLIN: Okay. That's all I
16 have on that particular issue.

17 CHAIRMAN IGNATIUS: All right.

18 BY MS. CHAMBERLIN:

19 Q. Let me go to Mr. Chung's rebuttal testimony regarding
20 the affiliate agreement. If I understand correctly,
21 your testimony is that PSNH does not have an affiliate
22 agreement with NSTAR Electric Gas on file with the PUC
23 or anywhere else?

24 A. (Chung) We don't have it on file with the New Hampshire

1 Public Utility Commission.

2 Q. And, it's your testimony that you don't believe you
3 need to file one?

4 A. (Chung) As of my understanding of the rules that we are
5 instructed to abide by, we don't have a requirement to
6 require -- excuse me, to file a direct bilateral
7 agreement between PSNH and NSTAR Electric Gas Company,
8 which I should point out, doesn't -- as a service
9 company no longer exists. This has now been subsumed
10 into the Northeast Utilities Service Company.

11 Q. You are requesting that the PUC grant you about
12 \$900,000 of recovery for services provided by NSTAR
13 when it did exist, is that correct?

14 A. (Chung) I don't have the 9 -- that figure you've cited
15 in front of me, but that sounds about right.

16 Q. And, there's no itemized list of the services provided
17 in your testimony or in the file somewhere?

18 A. (Chung) I'm not aware of any, nor am I aware that we
19 were asked to provide such a list.

20 Q. You are aware that PSNH has the burden to show that
21 \$900,000 of services are for the benefit of PSNH
22 customers, if you're asking us to pay for them?

23 A. (Chung) Well, I'm aware that we need to have a
24 bilateral agreement in place between our Northeast

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Utilities Service Company and PSNH, in order to source
2 the services that do provide service to PSNH customers.
3 And, we do have that in place.

4 Q. And, that -- so, you have a contract between NUSCO and
5 PSNH?

6 A. (Chung) Yes.

7 Q. And, that authorizes NUSCO to enter into agreements
8 with third parties on behalf of PSNH?

9 A. (Chung) I'm not aware of precisely what the language
10 is. But, you know, one aspect of that agreement is
11 that we are able to source from those we have bilateral
12 contracts with, which, at the time of this filing,
13 included one with the then in existence NSTAR Electric
14 & Gas Company.

15 Q. So, you're asking this Commission to approve costs
16 allocated by NUSCO to PSNH, but we have no data on what
17 those services were?

18 A. (Chung) Well, I'm not -- I'm not aware that we have a
19 basis to disallow these costs. And, I believe we've
20 provided all of the data that we were asked to, and
21 that supports our being able to prudently source the
22 services that support the customers of PSNH.

23 Q. You didn't provide the affiliate agreement, correct?

24 A. (Chung) We provided the affiliate agreement that

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 enables us to source PSNH services from the Northeast
2 Utilities Service Company. We do have that in the
3 testimony that I filed. And, we also have, in the
4 testimony, the then in existence agreements between
5 NUSCO and the NSTAR Service Company.

6 Q. So, if -- but not on file with the PUC? You don't
7 believe that you need to file those?

8 A. (Chung) Well, we were not required to, but we have
9 provided, upon request, the contracts for --

10 Q. Yes or no, they're not filed with the PUC?

11 A. (Chung) I don't believe they are.

12 Q. All right. So, if NUSCO entered into a contract with
13 another NUSCO affiliate, on behalf of PSNH, you'd see
14 no reason to file that contract with the PUC?

15 A. (Chung) If we were required to file it, then, you know,
16 we would do that, and in the sense that we have
17 provided the contract with NUSCO and NSTAR. I guess my
18 -- it is my testimony that we've done everything that
19 was asked of us, in terms of documentation and
20 prudence.

21 Q. Okay. We can disagree on that. Turning to the Average
22 Year of Final Retirement, this was another area of
23 discussion in your rebuttal testimony. Can you
24 describe what change in useful lives for PSNH's

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 generation plant took place? Or, if there's another
2 witness who can do it, that's fine as well.

3 A. (Chung) We're not able to provide specifics on the
4 individual changes, if that's what you're asking for.

5 Q. Well, there was a technical update in 2012. And, I was
6 interested in what that consisted of. Did the lives
7 change in some way?

8 A. (Shelnitz) Okay. So, on a -- from a big picture
9 perspective, yes, the lives did change. The lives were
10 extended, and resulting in lower depreciation compared
11 to the rates that were calculated from the prior, from
12 the last technical update, if you will.

13 Q. So, in the short term, it would lower rates to PSNH
14 customers. However, in the long term, the money
15 collected would be the same, because it's over an
16 extended or a different period of time?

17 A. (Shelnitz) Well, I believe there were -- the underlying
18 reasons for some of those changes could have been or
19 were some capital additions that had increased the life
20 of at least some of the assets. So, I believe it also
21 would have increased over, you know, we will be
22 recovering more money as well.

23 Q. Okay. So, in the short term, the rates do go down,
24 because the life has been extended, is that correct?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Shelnitz) Yes.

2 Q. And, in the long term, you're collecting more money,
3 because you, in your view, has invested more money in
4 the plant?

5 A. (Shelnitz) In some cases, yes. More money was
6 invested, but, in other cases, the determination was
7 made just that the life of the underlying asset was
8 longer.

9 A. (Smagula) If I may contribute perhaps to that response?
10 Some of the engineers under my responsibility
11 participate in the assessment as to the remaining
12 depreciation life of units. This is not to be confused
13 with life -- extending the life, the depreciation life.
14 So, I want to make that differentiation, that we are
15 not, we are talking about the recovery of the remaining
16 book value. As we look at our units, and as they
17 approach the currently established end life for
18 depreciation purposes, we determine "does that end life
19 continue to be reasonable?" We look at this every
20 year. And, as we have a facility that is operating
21 well and still providing service to customers, as it
22 gets within a year or two of its end-of-book life, we
23 judge as to whether the facility continues to have a
24 good condition, which they currently have good

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 conditions, and we look at other parameters that come
2 into play as to whether the unit will likely continue
3 to serve our customers physically and properly over a
4 period. And, then, we say "it seems as though we
5 should extend it for a certain period of time, perhaps
6 five years." That's another window. We push the
7 horizon out, based on an assessment of our facility and
8 the ongoing use of that asset, that unit.

9 If other factors come into play, such as
10 the wood boiler repowering of Schiller 5 or the
11 additional Scrubber on Merrimack 1 and 2, we say "well,
12 those new assets are reasonable to extend the life
13 further."

14 Q. If I --

15 A. (Smagula) So, we wouldn't just perhaps look on those
16 units as "well, are they in good condition to run
17 another four or five years." We have this other piece
18 of equipment that has a longer extension. And, we
19 challenge ourselves with "is the unit reasonable, with
20 balanced and reasonable maintenance and capital
21 investment, can its life go out 10 years or 12 years?"
22 And, it's based on an assessment of the condition of
23 the unit --

24 MS. CHAMBERLIN: Chairman Ignatius, with

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 the understanding that we have limited time, I appreciate
2 the detail, --

3 WITNESS SMAGULA: I want to -- well,
4 this is an important issue.

5 MS. CHAMBERLIN: -- but that really
6 wasn't what I was looking for.

7 CHAIRMAN IGNATIUS: Hold on. Hold on.
8 Ms. Chamberlin.

9 MS. CHAMBERLIN: I wanted to know what
10 the extension -- what the difference was, what the
11 extension was. I wasn't really interested in how they got
12 there.

13 WITNESS SMAGULA: Okay. It's not a --

14 MS. CHAMBERLIN: And, he answered that
15 it was extended, the rates went down, but the money was up
16 in the investment. That was all I was looking for.

17 WITNESS SMAGULA: It's not a haphazard
18 calculation.

19 MS. CHAMBERLIN: No, and I'm not
20 insinuating that it is. I just wanted a sense of what was
21 different about this year, as opposed to last year, and I
22 got it.

23 WITNESS SMAGULA: Through discovery
24 there was some of those issues. So, I just wanted to

1 clarify it. Sorry. Thank you.

2 BY MS. CHAMBERLIN:

3 Q. I'm not sure who the best person is to answer some of
4 these, so, I will put them to the panel. The
5 shareholders will earn the same return whether the
6 plants run one day or 365 days, correct? I believe
7 Mr. White could answer that.

8 A. (White) Yes. I believe that's true.

9 Q. And, we went into a little bit about the ISO-New
10 England dispatch. The ISO doesn't look at embedded
11 plant costs when they schedule a plant?

12 A. (White) No, they don't. That's correct. They look at
13 the offers that we present them on a daily basis.

14 Q. So, ISO-New England is indifferent as to whether PSNH
15 default customers pay the embedded costs or they
16 collect them through the market. That's not ISO-New
17 England's concern?

18 A. (White) Say that again. I'm sorry.

19 Q. Well, it's not ISO-New England's concern as to whether
20 you're a merchant plant or a plant from an integrated
21 utility. They're not looking at embedded costs,
22 they're just looking at the market prices?

23 A. (White) Well, in terms of dispatch, I suppose that's
24 true. But they have a deep concern about the

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 reliability and the viability of your resources as a
2 source for energy, capacity, and other power products,
3 that they are available.

4 Q. Yes. That's true. I was just asking for dispatch.

5 A. (White) They run when they are asked to.

6 Q. Just asking for dispatch. So, if PSNH plants were
7 owned by a merchant, the owner would be out the
8 difference between the cost to run and the market
9 clearing price, if the price was lower than its cost to
10 run?

11 A. (White) I don't know what financial arrangements a
12 merchant generator has with its affiliates or parent.
13 I guess, on its surface, I think what you stated would
14 be correct.

15 Q. Just for PSNH, if there is a difference, if there is a
16 higher cost to run than the market clearing price, it's
17 the Default Energy Service customers that pick up the
18 difference?

19 A. (White) Yes. All those costs would flow through ES.

20 Q. We touched a little bit about the nature of the fossil
21 plants. And, Mr. Smagula, I believe you're the witness
22 for this. The plants were built originally in the '50s
23 and the '60s, is that correct?

24 A. (Smagula) Schiller in the '50s, the repowering in 2006

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 with Unit 5; Merrimack, in the '60s; and Newington in
2 the 1970s.

3 Q. And, there was no concept at that time of it being a
4 base-load plant or a peaking plant, right, because we
5 didn't have a competitive market?

6 A. (Smagula) Yes. There was very specific determinations
7 made by the designers of those facilities, as Mr.
8 Cannata mentioned earlier. That the Schiller units
9 were built with the design basis and the technology in
10 the 1950s to run most of the time. And, they did run
11 most of the time, because of the demand for energy and
12 the growing demand for energy in that period.
13 Merrimack 1 and 2 were built to run full load all the
14 time, because of their design and their price and the
15 demand and growth for energy services. Newington
16 Station was built with a different philosophy. It was
17 built as a bridge until Seabrook would get on line, and
18 it had design characteristics which allowed it
19 operational flexibility. More automation, quicker
20 start-up time, faster, and more ramp rates to ramp up
21 in power and ramp down in power. It was a more
22 flexible unit. It perhaps could be best characterized
23 as designed as an intermediate unit. It had a lot of
24 flexibility. But it didn't have the same heat rate as

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 the other, as Merrimack, for example. So, Newington
2 was designed a bit differently. So, they do have
3 different characteristics, based on their vintage and
4 their intended operational expectations.

5 Q. And, Newington, for 2012, has I believe a capacity
6 factor of 2 percent?

7 A. (Smagula) In 2012, yes, for the period we're looking
8 at. 2012, as was mentioned earlier, was an extremely
9 unique year. It had a very moderate summer and it had
10 a very warm winter. And, yet, your statement is
11 correct, but there are reasons beyond -- that go beyond
12 its price and other aspects that determine why our
13 units didn't run. In fact, our whole fleet did not run
14 and many other units in New England did not run much in
15 2012.

16 Q. I'm just looking at the capacity factors for Newington,
17 and I am in the green binder, which is Exhibit 1, Bates
18 stamp 145. That's where Newington is. The capacity
19 factor dropped to, it's' a little hard to tell, in 2006
20 I don't know, 5 percent maybe. Do you see where we
21 are?

22 A. (Smagula) Yes.

23 Q. Okay.

24 A. (Smagula) Yes.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. And, so, in 2006, it dropped, and it has continued --
2 well, actually started dropping in 2003. Is that a
3 correct reading of that graph?

4 A. (Smagula) Well, I think it did have -- yes. It did
5 have a reduction, but with still very strong capacity
6 factors in the period 2003, '04 and '05.

7 Q. And, then, it dropped in 2006, and stayed fairly --
8 well, under 20, at least according to this graph.

9 A. (Smagula) Yes.

10 Q. I would argue under 10. Until 2012, which is when we
11 are discussing today. Is that correct?

12 A. (Smagula) Yes. That's correct. And, that was driven
13 for a number of reasons. Some new combined cycle units
14 came on line in the region, and also New England, as
15 much of the country, experienced a significant drop in
16 the economy. So, demand was down, and some new
17 resources were added into the region, and that
18 contributed toward that reduction. Because, as I said
19 before, Newington was designed for its intermediate
20 service and has its design characteristics and its
21 operational characteristics that were perhaps different
22 than new units that came on.

23 Q. And, except for Schiller 5, the capacity factors of the
24 plants, in general, it has changed from running all the

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 time, to running, you know, maybe less than 50 percent.
2 I mean, I could go through each one. But I'm just
3 saying that the market has changed, and these plants
4 are running less than they used to. Is that a fair
5 generalization?

6 A. (Smagula) Yes. But, as I've indicated before, the 2012
7 number is more extreme than you will see in subsequent
8 years, 2013 and so on.

9 Q. Now, that's -- the Schiller plant, it's capacity factor
10 is fairly level. It runs on wood, correct, Schiller 5?

11 A. (Smagula) Yes, it does.

12 Q. And, it receives credits for being a renewable
13 resource?

14 A. (Smagula) Yes. Schiller 5 is unique in our fleet.
15 And, I would say, perhaps unique in New England. It
16 receives a revenue stream from its ability to create a
17 renewable energy certificate, which is a marketable
18 product to meet, you know, dispatch requirements in all
19 of our states with the renewable portfolio standards
20 that exist throughout New England. So, there is a
21 product that it sells. For every megawatt-hour it
22 creates, it creates a REC. And, that REC has a value
23 of, it's variable, but it could be very well in the \$40
24 to \$60 per REC market. In addition, because of the

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 date that this repowering of the coal boiler with a new
2 wood boiler took place, it does receive a federal tax
3 credit as a result. And, these two revenue streams
4 more than offset the capital investment that took place
5 for that facility for that repowering. So, that unit
6 is dispatched and is, in fact, a unit that we would
7 place in, what --

8 A. (White) Self-scheduled.

9 A. (Smagula) That unit is self-scheduled every day,
10 because, irrespective of what the market prices are,
11 that facility, you know, makes benefit to customers.
12 So, it is one of those units that will be
13 self-scheduled, and you look at it every day and it
14 will be self-scheduled.

15 Q. Because the economics are improved by their stream of
16 revenue from the REC?

17 A. (Smagula) Because of its design, yes.

18 Q. Okay.

19 A. (Smagula) And, it's because of the benefit to customers
20 that we do that.

21 Q. In terms of migration of customer load, not individual
22 customer, but customer load, approximately 50 percent
23 of the load has migrated. Is that a fair
24 characterization?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Smagula) That's reasonable, yes.

2 Q. So, 100 percent of the costs of the generation are
3 being allocated among 50 percent of the load?

4 A. (Smagula) Yes.

5 Q. All right. Now, the situation in New Hampshire, where
6 there is both a vertically integrated utility that owns
7 generation and the opportunity for customers to move to
8 a competitive supplier is unique. There's no other
9 state that does that. Is that true, to your knowledge?

10 A. (Smagula) I'm not qualified to respond to whether
11 that --

12 Q. Does anyone on the panel know of a state that has this
13 hybrid model? It's unique, as far as I know.

14 A. (Chung) To the best of my knowledge, it's unusual.
15 There are other states that, you know, say California,
16 who have gone part way to full restructuring and aren't
17 fully restructured at this point. But, you know, New
18 Hampshire has some very unique regulatory constructs.

19 Q. Okay. I have a few questions for Mr. Cannata. A
20 fundamental premise of your testimony is that the
21 fossil fuel plants are going to remain in service for
22 an indefinite amount of time. Is that a fair
23 characterization? You don't look at them and say
24 "well, they're going to invest this amount, but they're

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 going to retire them next year. So, maybe they
2 shouldn't invest this amount." You're just saying, "to
3 keep these plants running, this is what they do to keep
4 them running"?

5 A. (Cannata) My focus and my engagement is for year 2012,
6 okay? And, the outages that I review are 2012 outages,
7 I'm looking for the costs associated with it, and
8 whether they were prudently managed. In terms of
9 maintenance, O&M, I look at O&M for 2012. But I do
10 have to gain a feel that "is enough money being spent
11 that they are providing the maximum benefits for
12 customers in New Hampshire?" So, I do look at a longer
13 term maintenance schedule, and knowing and judging the
14 condition of the equipment and the positioning of the
15 future maintenance projects, which varies year to year,
16 based on the running of the units, is an adequate
17 amount of maintenance being spent to ensure good
18 operation in the future? That can change next year.
19 In a unit was declared to be not suitable for service
20 anymore, just like you would a car, you wouldn't change
21 the oil, and there's many things you wouldn't do. The
22 maintenance program would completely change. And, I
23 would make sure that something like that would be
24 factored in, that they weren't wasting money on a unit.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 So, I'm looking at 2012. And, to the extent I have to
2 make a judgment or an opinion on whether what they're
3 doing is adequate, I look at longer maintenance.

4 Q. And, in your review for 2012, you did not see a reason
5 to stop investing in these plants?

6 A. (Cannata) The two things I did see is, one, the process
7 started changing the maintenance schedule because of
8 reduced operation a couple years ago at Newington. The
9 PSNH process appeared to be very reasonable. And, it's
10 turned out that the conservative process they took
11 forth worked out very well for that unit. They're
12 doing the same process right now at Merrimack, which I
13 think the process is not completed. That, if the units
14 stay at current levels of operation, that they may be
15 able to reduce maintenance even more. Conversely, if
16 operation increases, they're going to have to increase
17 their maintenance program.

18 So, what I saw was the right amount of
19 maintenance being done to ensure reliable operation for
20 customers, and take into consideration the operational
21 conditions from which they have to operate, the
22 environment in which they operate in.

23 Q. As part of that, you're not including an economic
24 analysis of the market competitiveness of these plants?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Cannata) No. No.

2 Q. Just looking at the plants. Okay. Does your -- or,
3 I'm going to make a statement and you tell me if you
4 agree. Your testimony assumes that all of the plants
5 will operate as a fleet, and not that one or two will
6 be sold or retired or anything else. You're looking at
7 the entire fleet?

8 A. (Cannata) I'm looking at past operation, which is a
9 given. 2012, when I review it, is a given. The plant
10 was there or not there. If it wasn't there, I didn't
11 look at it.

12 Q. All right.

13 A. (Cannata) If it was there, I did.

14 Q. Right. But you're not again saying, "well, this plant
15 could run more, if this plant retired. That might save
16 money." That's not as far as your analysis goes?

17 A. (Cannata) That specific analysis, no. But we do look
18 at the economics of plant operation. You know, as an
19 example, and getting into another subject that was
20 discussed at length, in terms of testing. Public
21 Service conducted extensive testing at Newington trying
22 to get fuel oil out of its start-ups at this plant.
23 They finally were successful in developing what they
24 call an "all-gas start", which eliminates 10, \$15,000

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 for every start-up that the plant goes through. And,
2 that plant's been starting up more and more for ISO-New
3 England, which is requiring it to run for reasons other
4 than to serve load. System security, take advantage of
5 its fast ramp-up time to provide security in case of
6 contingencies, you know, supply spinning reserve. The
7 Pool is relying more on that unit for that.

8 Q. Mr. Cannata, do you have a must-run agreement from
9 ISO-New England?

10 A. (Cannata) Do I have?

11 Q. Does the plant have? Are you aware of one?

12 A. (Cannata) I don't think ISO-New England has must-run
13 agreements with anybody.

14 Q. I don't think so either?

15 A. (Cannata) Yes.

16 Q. All right. And, you assume that all of the costs will
17 be borne by the Default Service customers. You are not
18 saying "well, if there was a nonbypassable charge, we
19 could afford to spend more." You're simply assuming,
20 whatever is spent is done by the -- is recovered from
21 the Default customers?

22 A. (Cannata) I make no assumptions in that regard
23 whatsoever.

24 Q. Okay. So, you don't look -- you don't worry about the

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 money at all?

2 A. (Cannata) No.

3 Q. You're just looking at the plants.

4 A. (Cannata) I have an easy task.

5 Q. All right. You did state that these plants were not
6 designed to be cycled on and off repeatedly. That was
7 your earlier testimony, is that correct?

8 A. (Cannata) Could you refer me to where I said that?

9 Q. Not in writing. It was in response to questions.

10 A. (Cannata) Well, I would be referring to Merrimack 1 and
11 2.

12 Q. Okay. So, Merrimack 1 and 2 is not designed for
13 fast --

14 A. (Cannata) Right.

15 Q. -- for cycling on and off?

16 A. (Cannata) Neither would Schiller 5.

17 Q. Right. In your testimony, you do refer to "economic
18 reserve", and I don't have a page number, but I just
19 ask you what you mean when you say "a plant is in
20 economic reserve"?

21 A. (Cannata) A plant is available to run, but is not
22 dispatched by the ISO to do so, and it's not
23 self-scheduled to do so.

24 Q. Okay. So, it's the same as being available?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (Cannata) Yes.

2 Q. So, I could say "I'm available to serve on the Supreme
3 Court", if they were to call me?

4 A. (Cannata) If you could quit immediately.

5 Q. All right. A few questions for Mr. Mullen. We got
6 into a little bit about the difference between the
7 "review" and an "audit". And, my understanding is that
8 there is no audit done of the reconciliation amounts
9 proposed to be collected by PSNH, is that correct?

10 A. (Mullen) If, by an "audit", you mean looking at every
11 single dollar that was spent, that's correct.

12 Q. And, regarding the affiliate services, is there any
13 analysis of what those services were done for PSNH, to
14 see that PSNH customers received a benefit for them?

15 A. (Mullen) Well, I think lots of different things are
16 explored through the discovery process. I don't know
17 what particular affiliate services you're referring to.

18 Q. Unfortunately, I don't either, because there is no data
19 on them. It's the affiliate services between NSTAR and
20 PSNH. And, I just wanted to make sure I didn't miss a
21 list or an exhibit or something that describes the
22 services.

23 A. (Mullen) I believe you've already been through this
24 with Mr. Chung, and I have nothing different to add

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 than what Mr. Chung said.

2 Q. All right. And, we went over the Scrubber, which is
3 not part of this docket. Do you agree with the earlier
4 testimony from PSNH witnesses that any acceptance by
5 the Commission of these numbers has no bearing on
6 whether or not the Scrubber costs will or will not
7 ultimately be recovered, other than the temporary rate?

8 A. (Mullen) Yes.

9 MS. CHAMBERLIN: Thank you. Let me just
10 confer for a minute.

11 CHAIRMAN IGNATIUS: Please. Take your
12 time.

13 (Atty. Chamberlin conferring with Mr.
14 Eckberg.)

15 MS. CHAMBERLIN: That's all I have.
16 Thank you.

17 CHAIRMAN IGNATIUS: Thank you.
18 Commissioner Scott, do you have questions?

19 CMSR. SCOTT: Yes. Thank you.

20 BY CMSR. SCOTT:

21 Q. I'll start with -- and, again, whoever feels best
22 qualified to answer, please do so. This first question
23 relates to Mr. Chung's rebuttal testimony, but I
24 suspect Mr. Smagula may be best to answer it. Anyways,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 my question is in regards to the -- in regard to the
2 issue of the oil sale for Newington. And, if memory
3 serves me right, if I understand my recollection of the
4 environmental requirements for Newington, there was a
5 July 1st, 2013 date by which the sulfur level, or I
6 think it was a 30-day rolling average, had to be
7 reduced. Does that sound familiar?

8 A. (Smagula) Yes, it does.

9 Q. And, did that have any bearing in the sale of the oil
10 or was that too early for that?

11 A. (Smagula) The primary driver for the sale of oil is
12 because the inventory had been maintained for a number
13 of years with a reduced capacity factor. And, in our
14 effort to try to reduce carrying costs of that
15 inventory, we tried to reduce our volume. So, that was
16 the driver. And, because of the purchase price of the
17 oil versus the market price, we were able to provide a
18 net profit, if you will, to customers. It did also
19 reduce our inventory of higher sulfur oil, allowing us
20 to receive shipments of lower sulfur oil. So that,
21 when blended, we could have an oil that was in better
22 position to meet emerging compliance with regard to
23 sulfur percentage. So, it did have that effect, as
24 well as customer benefit.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. And, put another way, if you hadn't reduced your
2 inventory, the value, if you will, the use of that
3 higher sulfur fuel would be less, is that correct?

4 A. (Smagula) The use at Newington would have been less.
5 So, making the sale facilitated that, yes.

6 CMSR. SCOTT: Thank you. And, I covered
7 up my questions. So, hold on for a minute.

8 CHAIRMAN IGNATIUS: That's one way to
9 move things along.

10 BY CMSR. SCOTT:

11 Q. And, thank you for that. On the issue of
12 self-scheduling, and this may be Mr. White, but, again,
13 whoever feels best qualified to answer. I'm curious,
14 the Scrubber testing aside, if I understand right,
15 there are some issues, as far as ramp-up time for the
16 units, in that you have to take that in account when
17 you're looking at being available and being able to
18 sell electricity when the prices are high. Is that a
19 correct statement?

20 A. (White) Yes. I believe so. We would, yes.

21 Q. And, along those lines, and, again, you talked quite a
22 bit with other questioners about self-scheduling. So,
23 I presume, is it a safe assumption that I have that
24 some of the self-scheduling is kind of based on your

1 assumption that the prices will rise and it will be
2 economically beneficial to self-schedule. Is that a
3 correct statement?

4 A. (White) Right. Given the outlook at any point in time,
5 and I would point out that a lot of the self-scheduling
6 occurs during peak periods of the year, when prices can
7 be volatile. And, we may recognize or believe that, if
8 we came off line, number one, our ability to get back
9 on line for extreme heat or cold three or four or five
10 days hence may be impaired. And, with the outlook that
11 riding through a lower cost period ultimately will
12 provide benefits to customers over a longer term, so
13 that we are on line should those volatile prices occur.
14 A thought along the same lines, if we do come off line,
15 we would be faced with a decision of whether to leave
16 our customers' loads subject to spot prices or whether
17 we would make a forward purchase in its place. And,
18 the quotations for those forward purchases may be
19 higher or lower than what occurs in actuality. But we
20 don't know that at the time we're making those
21 decisions, though.

22 Q. So, again, so, it sounds like, obviously, you're making
23 your best guess at forecasting, and, based on that
24 forecast, informs your decision?

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (White) Yes. I mean, there are some knowns and there
2 are some unknowns. And, there is a -- there's input
3 from the stations as well as any operational issues
4 that they may have. So, there's a lot of factors that
5 go into it. But we try to weigh all those to make the
6 best decisions on an economic basis over the next
7 operating period.

8 Q. Do you ever, after the fact, do a, for want of a better
9 word, backcast, to see how accurate your projections
10 are and do you need to change how you forecast?

11 A. (White) Well, we do, from time to time, make some
12 evaluations. But they're not, you know, those types of
13 daily decisions, you know, we have frequent discussions
14 among the Bidding and Scheduling Group, which is part
15 of the department I'm in, and the generation plants,
16 where those issues are discussed. They're not --
17 they're not recorded or documented in minutes or things
18 like that. I mean, we do -- we do have the opportunity
19 to see where prices cleared after you've made those
20 decisions. You'd have to make further assumptions
21 about what would have happened had you not made those
22 decisions? What would the price have been if I hadn't
23 been on line? So, we don't -- we don't evaluate those
24 decisions on a regular, you know, on a frequent basis

1 like that.

2 Q. Okay. And, I notice, under Exhibit 8 and 9, there was
3 a column for "NCPC" payments, or "uplift" I call it.
4 Why do you receive those payments?

5 A. (White) Those are payments that you receive -- I'll
6 point out that you don't receive them to the extent
7 you're self-scheduled. So, to the extent ISO
8 dispatches you to a certain level, if that portion of
9 dispatch winds up being uneconomic, with regard to the
10 revenues you received through the energy market, they
11 will make up the difference between what you stated you
12 were willing to run for and what the market provided.
13 That shortfall is an NCPC payment.

14 Q. Is, and, again, this is for my education more than
15 anything else, is uplift payments, is that an indicator
16 that, during that cycle, there's likely to be high
17 prices potentially, so, you'd want to be on line?

18 A. (White) Well, not necessarily. I think it would be
19 more an indication -- it may be an indication that
20 prices are volatile over that period. But it's really
21 more an indication that the ISO sees a need to dispatch
22 your generation, even though their algorithm that
23 produces a locational marginal price isn't supporting
24 that dispatch. So, it represents an operational need,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 most likely reliability-based, on behalf of ISO, for
2 system security and so forth.

3 Q. And, on the same topic or line of questioning, is, to
4 the extent you're receiving those payments, obviously,
5 it means ISO wants you there. Once they say that "we
6 don't need you anymore", am I correct in that, since,
7 in effect, you've already been paid to be up and
8 running, there would be a calculation there to be made
9 also, "do you continue running?" Since you're not
10 starting from a cold start, obviously.

11 A. (White) Yes. I mean, the way they do it, and they're
12 talking about changing this, but they look at your
13 dispatch over the course of a day. Part of NCPC is a
14 commitment period. The commitment period is a day.
15 So, they look at total cost that you said you were
16 willing to run for, laid up against how you ran, and
17 your total revenues from the market over that day.
18 And, if there's a shortfall, they will make you whole.
19 I'm not sure I'm getting to your question or not. I
20 guess what I'm trying to say, it's not necessarily
21 hour-to-hour. They look at it over an operating day.

22 Q. Let me rephrase that. What I'm getting at is, let's
23 say you have received those payments for that operating
24 period, and you're already up and running.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 A. (White) Yes. We'd be on line, yes.

2 Q. You're on line. And, now, you're not needed anymore,
3 *per se*, at least you're not going to get NCPC payments.
4 Am I correct that there's a calculation you'd make,
5 "I'm already up and running. I'm already warm. So, I
6 may want" -- "and, I anticipate prices going up again,
7 so it may be economical, since I'm already up and
8 running." That may be a reason why you would stay
9 running, is that correct?

10 A. (White) Yes. Absolutely. I mean, already being on
11 line, we know we can avoid start costs, any operational
12 issues that may occur by coming off line. We have
13 minimum downtimes, which for, you know, can be lengthy.
14 And, so, if you come off line now, you recognize that
15 you can't get on line perhaps for two days. So, yes.
16 Once you're on line, that is -- that's definitely a
17 component of the decision-making process.

18 Q. And, I apologize. I asked all those questions to get
19 to that question.

20 A. (White) Okay.

21 Q. Thank you. And, Mr. Smagula, you were asked by CLF
22 regarding the sorbent testing in, as you now realize,
23 2012 at Schiller.

24 A. (Smagula) Yes.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. I understand you didn't know the exact figures. Do you
2 at least have an order of magnitude? Are we talking
3 tens of thousands? Hundreds of thousands? Millions?

4 A. (Smagula) For the testing?

5 Q. Yes.

6 A. (Smagula) We had a test company come, and we hired them
7 to do testing for a week. That required some of their
8 equipment and manpower, and we used some products.
9 Subject to check, 40, \$50,000, I'm guessing. But I
10 know it's not hundreds -- I don't believe it's hundreds
11 of thousands. But that's subject to check. I don't
12 recall specifically.

13 Q. Thank you. That's fair enough.

14 A. (Smagula) Okay.

15 Q. I'm not going to hold you to the exact number. Thank
16 you. And, Mr. Cannata, you made a statement, and I
17 didn't stop you, maybe I should have then, so you
18 remembered it. And, I have it in quotes here, "If you
19 self-schedule, ISO can't bounce the unit around." Can
20 you explain what you meant by that?

21 A. (Cannata) Yes. You'll notice that in all the data
22 requests that have self-scheduling and the times at
23 which they're self-scheduled, it's times at which PSNH
24 believes their unit would run all that time in benefit

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 of customers. So, they don't want to take the chance
2 of being reduced by the ISO. If there's a chance that
3 they would be reduced, they would either just offer
4 part of the unit, let the unit dispatch it, or by
5 contracts, whichever was cheaper. So -- and, I think
6 this is especially clear when you look at Schiller 5.
7 When you looked on that page, self-scheduled any time
8 it runs, because of the costs, which were discussed
9 between the parties. And, those times are now smaller
10 for the Merrimack units, and even smaller for Schiller
11 Station.

12 CMSR. SCOTT: Thank you. That's all I
13 have for now.

14 CHAIRMAN IGNATIUS: Commissioner
15 Honigberg.

16 BY CMSR. HONIGBERG:

17 Q. I have questions about the affiliate payments. I just
18 want to understand, is there anywhere in this
19 documentation what the Company got for the payments
20 that it made to NSTAR?

21 (Witnesses conferring.)

22 **BY THE WITNESS:**

23 A. (Chung) To the best of our knowledge, it's not
24 explicitly broken out.

1 BY CMSR. HONIGBERG:

2 Q. In previous years, the services that it was getting
3 were being provided by NUSCO, is that right?

4 A. (Chung) I'm not able to comment on previous years.

5 Q. Can anybody tell me if the numbers are roughly the same
6 as to what they were charged in previous years?

7 A. (Shelnitz) Are we talking just about the costs related
8 to NSTAR?

9 Q. Yes.

10 A. (Shelnitz) Okay. Those would have been new costs as a
11 result of the merger.

12 Q. Okay.

13 A. (Shelnitz) So, it only would have been, let's see, the
14 merger closed in 2012, so, this is the first year that
15 we would have had those costs. And, I believe that
16 whole line of questioning originally came about because
17 of some data requests that were asked about certain
18 compensation of our new CEO and how they flowed in.
19 So, 2012 was the first year of that.

20 Q. Does it strike any of you as odd that you didn't have
21 to tell the Commission about this intercompany, I guess
22 it would be subcontract of work? PSNH had a deal with
23 NUSCO to do certain things for it, and there were
24 intercompany transfers, accounting entries, I'm sure,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 to move the money around within the Company. It had it
2 within it a provision that said "we could have somebody
3 else do it." But wouldn't you think that the regulator
4 would be interested in what that arrangement was and
5 how the money was going to flow? Because, and maybe
6 I'm missing something, maybe I'm totally
7 misunderstanding how this goes. But it strikes me as
8 odd. And, I'm just wondering if anybody else ever
9 questioned whether maybe they should file something?

10 (Witnesses conferring.)

11 **BY THE WITNESS:**

12 A. (Chung) You know, we were willing to provide the NUSCO
13 agreement with NSTAR Gas -- Electric & Gas Company.
14 So, we had no problem providing that. I think, you
15 know, one should consider that. We, now that we're
16 post merger, starting with this year, January 1st,
17 2014, this is a non-issue. We have a NUSCO Service
18 Company and a bilateral agreement with PSNH. So, you
19 know, this is, to me, a one-time issue.

20 A. (Shelnitz) And, to maybe add a little further about
21 your question. I mean, I think from our -- the
22 Company's viewpoint is, these would have been the same
23 type of services that have typically been provided.
24 You know, there is administration and executive type of

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 costs. And, so, the types of costs haven't changed.
2 It was just, after the merger, the location of those
3 costs. And, if you look in the particular agreement
4 between PSNH and NUSCO, that agreement from the NUSCO
5 side of things had the ability to obtain services from
6 other entities.

7 BY CMSR. HONIGBERG:

8 Q. And, did PSNH have the ability to approve who NUSCO was
9 going to use to provide those services?

10 A. (Shelnitz) I believe it was at NUSCO's discretion as to
11 who they would contract with.

12 Q. Is there some amount above which someone would have --
13 someone at PSNH would have said "Wait a minute. That's
14 not a reasonable amount for you guys to charge
15 internally for this kind of service"?

16 A. (Shelnitz) Well, internally, I mean, I think we are,
17 you know, there are have been long-standing allocation
18 methodologies that have been in place. And, I don't
19 believe that at least the concepts behind those
20 methodologies changed.

21 CMSR. HONIGBERG: Okay. Everything else
22 I had was covered by somebody else.

23 CHAIRMAN IGNATIUS: Well, let me keep
24 going with that then.

1 BY CHAIRMAN IGNATIUS:

2 Q. The money at issue on the services provided by the
3 NSTAR-EGC entity, am I right that it's approximately
4 \$900,000?

5 A. (Shelnitz) Yes.

6 Q. And, is there in the record, not a copy of the
7 agreement, but the actual services rendered for that
8 amount?

9 A. (Chung) We'd have to verify. It's not coming to mind.
10 But, you know, we do have the agreements in place, as
11 you mentioned.

12 Q. Okay. And, I'm wondering now just about the money, not
13 whether the agreement is in place. If it's not in the
14 filing, then how can anyone assess if it's
15 appropriately included in the ES reconciliation?

16 A. (Shelnitz) Well, those -- when we say "not in the
17 filing", I mean, they were -- those costs were in, I
18 believe, the O&M line that is in the filing. They're
19 just not broken out between sourced from NUSCO, sourced
20 from NSTAR, *per se*.

21 Q. So, how do we get to the total of the \$900,000? How do
22 you distinguish which is which, when you look at all of
23 the materials for the totals that you're talking about?

24 A. (Shelnitz) We'd have to double check, but we're

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 thinking that it was in the discovery phase, in the
2 discovery process that we went through during this
3 docket.

4 Q. All right. My guess is we're not finishing today. So,
5 maybe when we next gather, if you can locate that, that
6 would be helpful.

7 A. (Shelnitz) Okay.

8 Q. I guess one last question on the affiliate agreement.
9 Mr. Mullen, you review affiliate agreements as part of
10 your duties, correct?

11 A. (Mullen) Yes.

12 Q. In this case, we have sort of one-step removed
13 agreement, where the affiliate agreement between PSNH
14 and NUSCO is on file, correct?

15 A. (Mullen) Yes.

16 Q. But the secondary agreement between NUSCO and the NSTAR
17 entity is not on file?

18 A. (Mullen) Correct.

19 Q. Does that trouble you or does that seem appropriate,
20 given your experience with affiliate agreements?

21 A. (Mullen) Given my experience with affiliate agreements,
22 the governing statute, RSA 366:3, requires the filing
23 of a contract between a utility and its affiliate. In
24 this case, if the contract was between two different

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 service companies, neither one of them is a New
2 Hampshire utility. So, when you go by what the statute
3 says, it doesn't trouble me. And, typically, utilities
4 will have agreements with other affiliates, say PSNH
5 and CL&P. They will provide services, in terms of
6 storms and that sort of thing. We don't have
7 agreements associated with those as well.

8 Q. Thank you. Mr. Shelnitz, looking at your testimony, on
9 Page 8, --

10 A. (Shelnitz) I have that.

11 Q. -- on Lines 6 through 10, there's a discussion of the
12 final SCRC. And, you say that there's an overrecovery
13 for a number of reasons, one of which is due to "higher
14 than forecasted sales". And, in other testimony, we've
15 heard that migration of load was working against the
16 Company, offsetting its -- or, I'm sorry, it was
17 different than its projections had been. So, help me
18 understand how "higher than forecasted sales" play in
19 here and how that matches with the migration testimony?

20 A. (Shelnitz) Sure. This particular Q&A is reference to
21 the SCRC, which is billed out to total delivery sales,
22 as opposed to just generation sales. So, whereas
23 generation sales are impacted by customers migrating,
24 customers are not allowed to migrate away from the

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 SCRC. This is a nonbypassable rate.

2 Q. All right. You're right. That helps. And, so, the
3 actual throughput on the distribution lines was higher
4 than forecasted?

5 A. (Shelnitz) Correct.

6 Q. Even though it may not have been all PSNH load, it was
7 higher than forecasted?

8 A. (Shelnitz) Well, specific to our explanation of our
9 SCRC overrecovery, the PSNH delivery load was higher
10 than what we had forecasted when we set the rate.

11 Q. Thank you. Mr. White, a couple of questions about your
12 testimony. Page 53, this is the Bates number 53. At
13 the very top of the page you say that "50 [57?] percent
14 of peak energy requirements and 63 percent of off-peak
15 energy requirements were met with generation resources"
16 that you identified. And, I assume those are your
17 owned generation and the required contracts for
18 generation that you hold, correct?

19 A. (White) Yes. That's correct.

20 Q. Everything except spot market or bilateral contracts?

21 A. (White) Yes.

22 Q. What accounts for the difference in the percentages
23 between peak and off-peak?

24 A. (White) The main difference is probably due to load

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 shape, where loads are higher in peak periods. So, if
2 you were to assume that generation level from those
3 resources was flat across all hours, which isn't
4 necessarily true. But, if it were, and the load shape
5 is much higher in peak hours, and then decreases in
6 off-peak hours, on a percentage basis, the same amount
7 of generation, as a percent of a lower load amount, is
8 a greater percentage. So, the percentage, by nature,
9 will be a little bit higher off-peak than on-peak, just
10 due to the shape of the load curve. And, these are
11 percentages of ES load served by those resources.

12 Q. And, so, "peak" is referring to -- I think when I read
13 that, I was assuming "peak" was referring to the
14 regional peaks and high demand periods in the region,
15 and would have assumed that you would be dispatched
16 more during the peak periods, and, therefore, there
17 would be a higher percentage on-peak than on off-peak.
18 But I think I'm reading "peak" to be something
19 different than what you're describing.

20 A. (White) Well, peak periods are weekdays, hours 8 to 23.
21 So, it is generally the period of highest energy usage
22 by customers. And, that's what it's based on across
23 all months.

24 Q. So, are the peak -- the category "peak" and "off-peak",

1 does that bring in any reflection of the weather
2 pressures that are on the system? And that, in a
3 period, such as today, with extreme cold weather, I
4 assume you're being -- you would be economically
5 dispatched, even if you weren't self-scheduled during a
6 day like this, correct?

7 A. (White) Yes. That's correct. It would, on a day like
8 today, peak energy usage is going to occur probably
9 between 6:00 and 8:00 at night, when people get home,
10 ramp up the heat, turn on lights, and that is a portion
11 of the peak period identified here. But it's not --
12 this definition of peak is not seasonal in nature.
13 It's every day of the year has those hours during
14 weekdays that are considered "peak periods".

15 Q. All right. That helps. I understand. So, I was
16 misreading it. On Page -- Bates Page 54, the next page
17 over, in Lines 5, 5 through 11, you describe having
18 supplemental bilateral purchases at times that exceeded
19 your requirements. And, so, you sold some of those off
20 to the ISO spot market, correct?

21 A. (White) Yes.

22 Q. Why, if you are -- well, how would you get into the
23 point where you would be in an excess situation? Why
24 would you have made those supplemental purchases that

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 you no longer needed?

2 A. (White) There can be a number of reasons. First of
3 all, those transactions are typically made in
4 50-megawatt blocks. So, if you see a need for
5 40 megawatts or 60 megawatts, you know, there's going
6 to be some slop, if you will, in hitting the right
7 amount. It's also the case that they are, in fact,
8 blocks of energy. So, they are the same megawatt
9 amount in each hour of the period for which you
10 purchase them. For instance, in all peak hours, which
11 is a 16-hour period, you might purchase 50 megawatts in
12 every hour. And, that's going to be in place in the
13 early morning, mid morning hours, where loads are
14 lower. So, again, that load curve may dip below total
15 resources into that purchase quantity. Then, when you
16 get to the peak hours of the day, the load curve may
17 ramp up above that flat block of purchased energy. So,
18 it's similar to the prior discussion. So, there's
19 those factors. And, in addition, we may forecast a
20 need for 50 megawatts. And, loads may not materialize
21 per our forecast. On a summer day, it may turn out, it
22 may get cloudy and turn out to be much cooler, a
23 thunderstorm hits, and the loads don't materialize as
24 we forecast when we made the purchase.

{DE 13-108} [Day 1] {01-23-14}

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. Turning to Bates Page 56, at the top of the page, you
2 describe the capacity credit to PSNH of \$38.2 million.
3 And, I just want to be sure I understand what that is.
4 Are you saying that your Forward Capacity Market
5 revenue exceeded the costs to --

6 A. (White) No. I think you --

7 Q. No. Did I just get confused?

8 A. (White) No, I don't think so. That's a revenue amount.

9 Q. Yes.

10 A. (White) That's not a profit amount, if you will. So,
11 it doesn't speak to the cost of ownership of the
12 generation, and it doesn't speak to the cost -- the
13 capacity cost for having load on the system. It's
14 simply, because I think we were asked at some point in
15 time to provide that figure, it is the revenue to, and
16 I believe that's just for owned generation. So, that's
17 not total capacity revenues that flow into ES. That's
18 total capacity revenues attributable to our own
19 generation that flow into ES.

20 Q. So, that it's not a netting out of a benefit?

21 A. (White) That's correct. It's a gross revenue amount.

22 Q. And, is there any place where you do perform that
23 comparison to get to a net benefit?

24 A. (White) Well, only from the standpoint in FBW-5, which

1 is Bates 62.

2 Q. Yes.

3 A. (White) This exhibit builds up an ISO requirement and
4 PSNH's share, until you get to the fourth column of
5 figures in, labeled "PSNH Capacity Expense". There's
6 50.6 million of expense attributable to ES load. And,
7 if you move over a couple columns, well, the last two
8 columns, the second to last column, "PSNH Capacity
9 Revenues", the 38 million we just spoke of is a
10 component of the 43 -- 44 million total, which would
11 include revenues from things other than our own
12 generation, contracts and other units that we don't
13 own. And, the "6.662 million" is the net of those two
14 numbers. So, on an aggregate basis, it's in here, for
15 essentially all ES activity in the capacity markets.

16 Q. It's a net loss or a net benefit?

17 A. (White) It's a net cost, in 2012, costs to load
18 exceeded revenue from resources.

19 Q. I'm going to ask you to look at Exhibit 6, which we've
20 been through quite a lot, but I just want to be sure
21 that I'm understanding. This was the break-out of the
22 units and the days they were self-scheduled for a
23 variety of reasons. If you look at the Merrimack 1 and
24 2 charts, you've identified the "Clean Air Project

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 testing and load". I assume that's all the
2 Scrubber-related testing that we talked about?

3 A. (White) Yes.

4 Q. And, those run throughout the year. There's some in
5 December as well, on the second page. All of those are
6 removed from the reconciliation calculations, correct?

7 A. (White) All of -- yes. That's correct.

8 Q. And, the same thing with the Merrimack 2 chart, that
9 has a number of the "Clean Air Project testing"?

10 A. (White) Yes. We perform a virtual analysis, if you
11 will, of what costs would have been without the
12 Scrubber, because we know what they were with the
13 Scrubber. And, so, we evaluate that cost delta. Based
14 on our judgment of what would have happened in this
15 virtual case, and in these periods we made the judgment
16 that the units would not have run or would have run
17 less, if not for Scrubber testing. So, the resulting
18 cost deltas are removed from ES reconciliation.

19 Q. I know earlier there had been a lot of discussion about
20 it coming out of -- that the dates in March and
21 February being removed, and I just wanted to be sure
22 those other dates throughout the year that were for
23 testing were similarly removed?

24 A. (White) Yes. That's correct. As we proceed through

1 the year, we do that on a monthly basis.

2 Q. Thank you. Mr. Chung, a couple of questions for you.
3 Your testimony, that's Exhibit 2, on Page 9, you're
4 talking about the fuel oil sales, and explaining how
5 those calculations are made, and take issue with
6 Mr. Eckberg's analysis of it. And, I just -- he'll
7 have his chance to testify. But I just want to be
8 sure, at Lines 9 through 12, you describe a "credit to
9 customers of \$8.4 million".

10 A. (Chung) Yes.

11 Q. And, we know that the purchases were 2.7 million, is
12 that correct? I'm sorry, that's the return. What's
13 the net benefit to customers? Is it 8.4 or is it
14 something less than that?

15 A. (Chung) I may have my colleague respond to that.

16 A. (Shelnitz) Sure. If what you mean by "net benefit" is
17 how much profit, if you will, from the sales exceeded
18 the carrying costs that ES customers paid while that
19 oil was in inventory? If that's the question, then,
20 what we're showing here is it's roughly, what is this,
21 5.7, \$5.7 million. It's the 8.5 -- 8.4 million credit
22 that they received for the sale, less the carrying
23 costs calculation of 2.7 million.

24 Now, the only caveat that I would

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 mention about that is that there's a couple different
2 ways that you could calculate the carrying charge.
3 What we did is we, you know, we basically sat back and
4 said "well, what" -- "We sold some oil. If, with
5 perfect hindsight, would we have done something
6 differently?" And, again, this is just for purposes of
7 calculating the carrying charge. And, what me decided
8 on, for purposes of calculating the carrying charge, is
9 that we would go back to the last purchases that were
10 made, and under the theory that those purchases may not
11 have been made. So, the value of those purchases was
12 available to us. And, we used that value to calculate
13 the carrying charge. And, so, that's how we came up
14 with the 2.7 million. You could come up with a
15 different value, if you calculated, you know, if you
16 made different assumptions.

17 Q. Thank you. Mr. Chung, in your testimony, at Page
18 16, --

19 A. (Chung) Yes. I'm there.

20 Q. -- you're talking about the OCA's "fully used and
21 useful" analysis. And, Mr. Eckberg will be able to
22 testify to that. So, I'm not asking you to go into
23 that in any great length. But you said that the OCA
24 didn't supply any examples where, this is a quote,

1 "such a test is being effectively applied to the
2 rate-setting of a similarly-regulated utility." And,
3 earlier this afternoon you said you weren't aware of
4 any states that had some of the regulatory constructs
5 of New Hampshire, and I think you were saying "there is
6 no utility quite like PSNH in the country." Is that
7 correct?

8 A. (Chung) That's a fair assessment.

9 Q. Then, there could be no way OCA could provide you any
10 example, if there's no other utility like it?

11 A. (Chung) Well, if I could clarify what I mean by this
12 statement, it's that, you know, we were seeking
13 evidence of the fractional disallowance of an
14 in-service used and useful asset, like the PSNH
15 generating assets, across the country. And, we didn't
16 hear of any through our questions in the tech session
17 or in discovery.

18 Q. Okay. That's the more important question. You're not
19 aware of any state that has some fractional, partial
20 used and useful approach in place?

21 A. (Chung) We were not aware of any. We asked, and we
22 were trying to explore with the OCA if they were. And,
23 we didn't hear of any answers to that, in terms of
24 specific examples where this was in place.

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 Q. A couple of questions about the issues you raised about
2 the important -- the consequences of a partial
3 disallowance using this fractional approach. And, it
4 seems you took issue with the concept, but you also
5 said it would be counterproductive for the OCA's
6 constituency, because it would put further pressure on
7 the Company that could cause its ability to borrow, its
8 ratings to drop, I forget exactly how you phrased it,
9 but that it would then -- could result in even greater
10 costs to the Company. Is that a fair summary?

11 A. (Chung) That's a fair summary.

12 Q. Not a very articulate one, but --

13 A. (Chung) But it's the right direction, absolutely.

14 Q. Is there any point where it would be appropriate for a
15 disallowance, even though that may be a consequence to
16 a company? I mean, couldn't you make that argument in
17 all sorts of things, where it might be that it's not
18 appropriate to allow the recovery, but the consequence
19 would put the Company at some risk, and, therefore, the
20 regulator should go forward and allow for recovery,
21 because it's protecting the Company?

22 A. (Chung) Instances where I might see this, a "used and
23 useful" test of any kind, might be towards the start of
24 the entry into rate base of an asset or considering the

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 end of that asset. I don't think it's at all
2 appropriate when the asset is in service and providing
3 value to the customers. I think it's especially an
4 issue, if you are considering a hindsight and
5 retroactive evaluation, which is what is being proposed
6 in Mr. Eckberg's testimony. And that, to me, confuses
7 the differences between a good decision and a good
8 outcome. And, I think we would -- a reasonable person,
9 you know, would say those are two different things to
10 look at, and is not appropriate to equate them,
11 especially in a hindsight review.

12 Q. Well, you had said earlier, when I think Ms. Chamberlin
13 asked you, "if the plant ran one day or it ran 365
14 days, the return would be the same." It may not have
15 been you, but somebody said "yes" to that, the return
16 to the Company would be the same, right?

17 A. (Chung) Yes. That was our -- our panel answered that.

18 Q. And, if that were to be zero days in the course of a
19 year, it would still earn the return?

20 A. (Chung) If -- from zero to 365, if it's in the rate
21 base.

22 Q. And, if it were for two years running it was zero days,
23 I mean, at some point isn't it fair to ask "should this
24 be" -- "should the return be fully given, because it

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 once was used and useful, and maybe one day it will be
2 again?"

3 A. (Chung) I'm not sure if I have a perspective on that.
4 I do think a retroactive review does not make sense.
5 It's -- you know, for future planning, I think that's a
6 different question than what's being asked in this
7 setting.

8 Q. And, why should they be different, retroactive versus
9 prospective?

10 A. (Chung) Because it goes back to the question of a
11 decision versus an outcome. When we look at a metric,
12 which I think is inappropriate, such as capacity
13 factor, that's one outcome. And, it's just one outcome
14 among many different metrics that characterize a fleet
15 or an in-service plant. So, I don't think that -- I
16 don't think it's appropriate to pick one metric, and
17 then to go back and assess where that metric fell and
18 relate it to decision-making. I think it feels like it
19 impedes a utility's ability to look forward and make
20 good investment decisions, because there's a risk of
21 what feels like a capricious disallowance at any given
22 time.

23 Q. So, the Commission's investigation that was referenced
24 in one page pulled out of the report in IR 13-020,

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 investigating PSNH's ownership of generation assets,
2 that would be the sort of place where that discussion
3 would more appropriately occur?

4 A. (Chung) I'm not -- can you remind me what page that
5 was? I actually did not see that one.

6 Q. Oh. It was just we saw one exhibit that pulled one
7 page, it was the graph of the unit costs. But not --
8 don't worry about that page.

9 A. (Chung) Okay.

10 Q. What I mean is, is that inquiry that the Commission has
11 ongoing and looking prospectively into the question of
12 PSNH's ownership of generation, is that the -- is that
13 the kind of place where discussions about the earnings
14 on plants that are marginally used would more
15 appropriately be considered?

16 A. (Chung) I don't have a clear perspective on that.

17 Q. All right. Fair enough. Just a couple more questions.
18 Mr. Mullen, you've had too easy a time of it today.

19 CMSR. HONIGBERG: He doesn't agree with
20 that.

21 BY CHAIRMAN IGNATIUS:

22 Q. There was a recommendation from Mr. Eckberg that there
23 needed to be more evaluation of the Average Year of
24 Final Retirement issue before a determination in this

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 case. You've reviewed that issue. Do you think
2 there's a need for further documentation or analysis?

3 A. (Mullen) No. And, I can say, during technical
4 sessions, I believe that Mr. Eckberg's concerns may
5 have been taken care of. But you can explore that
6 further with him, when he's on the stand. But I say
7 that subject to further correction.

8 Q. And, on the question of the approximately \$900,000 that
9 is attributable to services obtained through the NSTAR
10 entity, are those expenses things that you had the
11 ability to look at in this docket? Do you feel as
12 though you've scrutinized the expenses that the Company
13 is seeking recovery for, even though the affiliate
14 agreement itself -- or, the agreement, not affiliate
15 agreement, but the agreement itself wasn't on file with
16 the Commission?

17 A. (Mullen) Are you asking me personally or anyone
18 involved in the case?

19 Q. No. I'm asking about your review.

20 A. (Mullen) If I had seen something that caused me to
21 further inquire on it, I would have followed up on it.
22 For those particular, I don't think I have, you know, I
23 don't think I've seen a list of what all those costs
24 are. But, you know, in looking at costs from one year

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 to the next, and trying to, you know, when you go
2 through a case for the entire year, you know, certain
3 things you sample, certain things you look at. And, if
4 something had stuck out, saying "Hey, wait a minute.
5 You know, what's this?" I certainly would have
6 followed up on it. For this particular subject, I'm
7 not aware of anything that, you know, if there was
8 something, like I say, I would have further -- have
9 done a further inquiry.

10 CHAIRMAN IGNATIUS: Thank you. All
11 right. That concludes my questions. Thank you. Do we
12 have redirect from Mr. Fossum?

13 (Short pause.)

14 MR. FOSSUM: No, I don't believe so.
15 Apologies. No. The only thing I would point out is that
16 the Chair has asked for a particular answer to be provided
17 by PSNH's witnesses the next time we meet. And, so, we
18 would be prepared to do that. But, subject to that, no, I
19 do not have any redirect at this time.

20 CHAIRMAN IGNATIUS: And, I wasn't asking
21 to create a new document. It was just, if there was
22 something in the record already or a couple of different
23 pages to follow, sometimes we go from, you know, one
24 exhibit, follow a line, and then see how it's reflected on

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 another, it was that sort of thing. Just to be walked
2 through it.

3 MR. FOSSUM: Certainly. But, you know,
4 I don't know that our witnesses were prepared to do that
5 on the stand. But we can talk about that and have that at
6 the next point. But, right now, no, I do not have any.

7 CHAIRMAN IGNATIUS: Understood. Thank
8 you. Any redirect, Ms. Amidon?

9 MS. AMIDON: No thank you.

10 CHAIRMAN IGNATIUS: Then, the witnesses
11 are excused. Thank you very much. It's a long day for
12 you to be testifying, and I appreciate it. Let's go off
13 the record.

14 (Brief off-the-record discussion
15 ensued.)

16 CHAIRMAN IGNATIUS: All right. We'll go
17 back on the record. We are back on the record. We've
18 just been talking a little bit about scheduling. We're
19 not able to finish this afternoon, and don't want to rush
20 through Mr. Eckberg's testimony. So, we will reconvene
21 Monday, January 27th, at nine o'clock. We have the full
22 morning, have to be done by about noon. And, so, that
23 should be enough time. At the close of testimony and
24 cross-examination, regarding Mr. Eckberg's testimony, we

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 would then have oral closings on all issues, except the
2 issue of the proposed "partial used and useful" concept
3 that Mr. Eckberg proposed. That would be addressed
4 through written briefs that would be filed no later than
5 Tuesday, February 4th. And, I think, also on the 27th, if
6 PSNH is able to identify the information that I asked for,
7 we'll give you time to -- you don't need to bring all your
8 witnesses back, but, Mr. Fossum, if you could identify
9 that and bring back the pages and lines that help
10 demonstrate that information, to the extent it's in the
11 file, that would be useful.

12 MR. FOSSUM: Certainly. The only
13 question I would raise is, since the Commission is
14 allowing briefs on the "used and useful" issues, is there
15 or should there be a page limit?

16 CHAIRMAN IGNATIUS: I'm hearing "ten"
17 from both sides. Is that acceptable to everyone?

18 MS. CHAMBERLIN: That's fine.

19 MR. PERESS: That's fine.

20 CMSR. HONIGBERG: I think Mr. Fossum
21 thinks he can do it in two, but --

22 CHAIRMAN IGNATIUS: Yes, it's not a
23 minimum. That's the maximum.

24 MR. FOSSUM: No, I just -- I didn't want

[WITNESSES: Shelnitz~White~Smagula~Chung~Cannata~Mullen]

1 to read a bunch of them, and I imagine you didn't either,
2 that went on for 30 pages.

3 CHAIRMAN IGNATIUS: All right. Is there
4 anything else before we adjourn?

5 MS. CHAMBERLIN: A quick clarification,
6 on the affiliate costs, is that going to be distributed to
7 all the parties?

8 CHAIRMAN IGNATIUS: I think it's oral.

9 MS. CHAMBERLIN: Oh, it's going to be
10 oral.

11 CHAIRMAN IGNATIUS: I don't think it's a
12 document necessarily.

13 MS. CHAMBERLIN: Okay.

14 MR. FOSSUM: Yes. My understanding was
15 it was to be something to be presented at the hearing.
16 So, --

17 MS. CHAMBERLIN: I got it. Okay.

18 CHAIRMAN IGNATIUS: Thank you. Then, I
19 think that concludes for today. Thank you. We've run
20 until 5:15. I appreciate everyone's willingness to keep
21 plugging along. And, we will see you Monday, at nine
22 o'clock. We're adjourned. Thank you.

23 **(Hearing was adjourned at 5:17 p.m., and**
24 **to reconvene Jan. 27, 2014 at 9:00 a.m.)**