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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

December 10, 2013 - 10:15 a.m.  
Concord, New Hampshire

NHPUC DEC23'13 PM 1:44

RE: DE 13-248  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:  
*Petition to Amend Rate EOL to include  
Light Emitting Diode Technology.*

PRESENT: Chairman Amy L. Ignatius, Presiding  
Commissioner Michael D. Harrington  
  
Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:  
Matthew J. Fossum, Esq.  
Charles Goodwin  
Janet Kelliher  
Lois Jones  
  
Reptg. the City of Manchester, N.H.:  
Theodore L. Gatsas, Mayor  
Timothy J. Clougherty, Dep. Public Works Dir.  
  
Reptg. PUC Staff:  
Michael Sheehan, Esq., Esq.  
Al-Azad Iqbal, Electric Division

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

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**STATEMENTS REGARDING CITY OF MANCHESTER'S  
REQUEST TO INTERVENE BY:**

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	Mr. Sheehan	14, 19

\* \* \*

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1 MAYOR GATSAS: Thank you.

2 MR. CLOUGHERTY: My name is Tim  
3 Clougherty. I'm Deputy Public Works Director for the City  
4 of Manchester.

5 CHAIRMAN IGNATIUS: And, is it  
6 "Clougherty?"

7 MR. CLOUGHERTY: Correct.

8 CHAIRMAN IGNATIUS: Thank you.

9 MR. SHEEHAN: Good morning. Michael  
10 Sheehan, for Staff. And, with me is Al-Azad Iqbal of the  
11 Staff.

12 CHAIRMAN IGNATIUS: Good morning. We  
13 have the request from the City of Manchester, Mayor  
14 Gatsas's submission that was dated December 4th, and  
15 received on the 5th. Is there any opposition to the  
16 request to intervene?

17 MR. FOSSUM: Good morning,  
18 Commissioners. I don't know that PSNH opposes the  
19 Petition, but we do have a couple of issues that we wanted  
20 to raise, at least to put on the record, if I may?

21 CHAIRMAN IGNATIUS: All right.

22 MR. FOSSUM: Initially, I mean, the  
23 order of notice was timely published. I want to make sure  
24 that that is clear on the record. And, it set a date for

1 interventions in this docket that was well before  
2 December 4th.

3 But, that said, I did want to make sure  
4 to raise a couple of issues. One is that, in the City's  
5 request to intervene, there's a statement that says that,  
6 "we" -- if I may quote, "we find it disingenuous on the  
7 part of PSNH to request the commission to issue an order  
8 approving the new offering and rate within 30 days". And,  
9 I want to be clear on the record, PSNH didn't make a  
10 request for "the Commission to issue an order approving a  
11 new offering and rate in 30 days". In fact, in the  
12 Petition, that came with prefiled testimony, both the  
13 testimony and the Petition state that it would take at  
14 least "30 days from the date of an order" to implement it.  
15 And, so, we had asked for an order by December 1st, or, if  
16 not by December 1st, then an order allowing implementation  
17 within 30 days of that order.

18 So, I don't know that -- and, PSNH  
19 certainly disagrees with the idea that it was  
20 "disingenuous" on its part to have made this request.  
21 It's made a request that, even in the City's letter, it  
22 indicates has been some time in coming, and it's done so  
23 entirely consistently with the Commission's practice.

24 I also did want to note that the City

1 states that it believes that it would not impede the  
2 orderly and prompt conduct of the hearing, and then,  
3 immediately thereafter, asks to extend the timeframe  
4 associated with the hearing to allow for further  
5 preparation and response. But it's not clear what further  
6 preparation or response would be necessary for what is to  
7 be reviewed today. I don't know, it's not clear to me at  
8 any rate, from the content of the letter, what it is that  
9 the City's interests really are, nor why they would  
10 require extending the timeframe for the hearing.

11 So, as I led off, I don't know that we  
12 would oppose their intervention. But I would request that  
13 at least their interests be made more clear than they are  
14 in the letter, and that there be a ruling from the  
15 Commission about the scope of the issues in this docket.  
16 This is to, as you had noted in the opening, this docket  
17 is to address the addition of LED lighting to an existing  
18 rate, the Rate EOL. That's what the docket is about,  
19 that's what everything in the docket is about, and that's  
20 what we would request, that this hearing be limited to  
21 that issue.

22 CHAIRMAN IGNATIUS: Thank you. Mayor  
23 Gatsas, we've read your letter, and want to give you an  
24 opportunity, if there's anything else that you wanted to

1 add to that and any response to Mr. Fossum's comments?

2 MAYOR GATSAS: Sure. If you would give  
3 me, madam Chairman, the opportunity to read probably a  
4 five minute statement, I think that you will be able to  
5 get a lot of what I'm saying. Because, certainly, the  
6 City of Manchester is not opposed to LED lighting. We  
7 have had conversation with PSNH over four years ago about  
8 LED lighting. And, certainly, when you are the one-third  
9 consumption of LED lighting in their entire book of  
10 business, I would think that the City of Manchester would  
11 have been afforded some sort of notification that this was  
12 coming forward, rather than trying to read it in a  
13 newspaper that says that there is a hearing coming  
14 forward.

15 So, it's not like we've been silent on  
16 the issue. We've been very active with PSNH over four  
17 years on LED lighting, because it concerns us that our  
18 street lighting cost is about \$1.4 million. And,  
19 according to what I'm seeing from the 2009 docket that we  
20 have before us, their revenue was about 3.2 million. Now,  
21 I know that that was revenue in '09, and that number may  
22 have changed, but I still would contend that we're still a  
23 third of their revenue for that line item.

24 So, if you just give me the opportunity

1 to read this statement, I would appreciate it, for the  
2 record.

3 CHAIRMAN IGNATIUS: All right. I mean  
4 I'll tell you, we're inclined to admit -- grant your  
5 request to intervene, and then you would have the  
6 opportunity to question witnesses and make a closing  
7 statement, which may be similar to what you're doing now.  
8 But I'll leave it to you, whichever you prefer.

9 MAYOR GATSAS: Well, I would hope that  
10 we would extend this, because, obviously, in my previous  
11 life, in knowing how these hearings go, normally, when  
12 somebody comes in for discussion about rates in August,  
13 not heard until October, looking at 60 days for those  
14 numbers to come forward, I would think that any other  
15 person that would have a third interest in that revenue  
16 would have some time for discovery and see what the  
17 discovery is, so that we could have intelligent  
18 conversation about it, because I think it affects the City  
19 greatly. And, certainly, when you talk about one-third of  
20 the revenue, we understand how PSNH operates, and I think  
21 that's important. And, I think that, when you start  
22 talking about a cost of 36 cents to 72 cents per kilowatt  
23 per fixture, there has to be some demonstration on what  
24 the rate of return is, and we're paying for the asset, and

1 they're buying -- and we've got to turn the asset over to  
2 them, and then they can get a rate of return on that  
3 asset. So, I think that -- I would hope that the  
4 extension of the order is long enough then for us to sit  
5 here and try and question folks today, because I'm  
6 certainly not prepared to do that. And, I think that it's  
7 important that we have the opportunity to get the facts  
8 and the discoveries before us, so that we can  
9 intelligently ask the questions.

10 CHAIRMAN IGNATIUS: All right. All  
11 right, then, why don't you go ahead and make your remarks.  
12 I hope you have a copy for the court reporter for the  
13 parts that he gets, you know, he gets behind sometimes,  
14 when people read, they go very fast.

15 MAYOR GATSAS: I'm sure we can get him  
16 one.

17 CHAIRMAN IGNATIUS: So, keep him in your  
18 thoughts.

19 MAYOR GATSAS: But I'm sure that I will  
20 speak so slowly that it's not going to interrupt his  
21 thought process or his taking of the, you know, the facts.

22 CHAIRMAN IGNATIUS: Thank you.

23 MAYOR GATSAS: Thank you very much,  
24 Commission. I'd like to start with the statements of

1 facts for the Commission. The City pays on an average  
2 about 30 cents per kilowatt-hour for street lighting.  
3 According to the United States Energy Information  
4 Administration, the EIA, for September 2013, the average  
5 price of retail electricity in the United States was 10.45  
6 cents per kilowatt. The City of Manchester represents  
7 more than one-third of the revenues PSNH receives in the  
8 EOL rate class. This is according to data from Docket DE  
9 09-035. Please consider these facts when considering your  
10 Petition to Intervene, as well as the merits of expanding  
11 the EOL rate class under the current proposal.

12 With that being said, the City of  
13 Manchester strongly supports the introduction of LED  
14 fixtures into the EOL rate classification. The benefits  
15 associated with the energy reduction measure can and  
16 should be substantial. However, as currently proposed,  
17 any benefits are substantially minimized to the betterment  
18 of PSNH's bottom line. In order to reach this conclusion,  
19 you don't have to do an exhaustive service study or  
20 anything like that. A simple review of the data supplied  
21 by PSNH in the docket shows that the costs per kilowatt  
22 for LED actually increase for all categories. One fixture  
23 doubles 36 cents per kilowatt to 72 cents per kilowatt.

24 All this said, PSNH represents the

1 proposal to the Commission as a savings to the customer.  
2 Who's kidding who here? PSNH delivers 40 percent less  
3 electricity, doubles the rate, and presents this as an  
4 "8 percent savings". Where is the savings going? The LED  
5 rate structure proposed is worse than the already flawed  
6 structure it's based on.

7 Furthermore, the LED petition erodes the  
8 already negligible maintenance performed by the Company,  
9 burdens the municipality with procurement of fixtures, and  
10 requires title to same fixtures be transferred to PSNH,  
11 presumably, so the Company can collect return on equity  
12 from the asset. In fact, according to the PU Staff, the  
13 proposal does not even fall within the line of the  
14 Commission's longstanding policy of cost-based rate  
15 establishment. The rate structure proposed for LED  
16 lighting is based on the current EOL rate, which is also  
17 not based on cost.

18 The rate proposed are structured around  
19 revenue generation. These facts are affirmed by the Staff  
20 and PSNH in the memo to the Commission dated December 4th,  
21 2013. For these reasons alone, the Commission must  
22 strongly consider delaying the process, affording a more  
23 thorough review of the Petition. If the Commission sees  
24 no benefit in further study, we, a clearly established

1 interested party, would respectfully request that our  
2 Petition to Intervene be granted and additional time to be  
3 considered for the Petition to be heard.

4 PSNH has had almost four years to  
5 investigate LED options. The benefits of following a  
6 hastened schedule fall solely to PSNH. Very familiar to  
7 the benefits of reducing electric consumption, the  
8 consumer is ignored and PSNH's bottom line is increased.  
9 Along those lines, in addition, we would encourage the  
10 Commission to investigate the structure of the entire EOL  
11 classification. As the PUC Staff stated, the EOL rate  
12 structures currently recognized by tariff are not based on  
13 cost, the rate establishment commonly instituted by the  
14 Commission.

15 In closing, I would like to simply  
16 remind the Commission that the City pays about 30 percent  
17 -- 30 cents per kilowatt-hour for street lighting; the  
18 national average is 10.5.

19 Some of the other, I think the report  
20 includes, in that report that we show, that Docket 09-035,  
21 shows the Rate EOL total revenue is 3.2 million, the rate  
22 of EOL total cost is 3.3 million. And, the report  
23 includes \$510,000 for salaries and bonuses to officers and  
24 executives, as well as \$185,000 in office supplies.

1 Although, they are not included in the EOL category, these  
2 costs are also described as not charged -- "not chargeable  
3 directly to a particular operating function" not  
4 specifically provided for in other accounts.

5 So, with that, I would ask the  
6 indulgence of the Commission for the time, so that the  
7 City of Manchester, being a 33 percent interest in their  
8 revenue, have the time to continue forward to discover and  
9 also ask questions at a later date. Thank you.

10 CHAIRMAN IGNATIUS: Thank you.  
11 Commissioner Harrington, a question?

12 CMSR. HARRINGTON: Yes. Mayor, I just  
13 -- I was a little confused, I want to make sure I got  
14 something right. At the beginning of your presentation,  
15 you said that there was -- that the City was paying around  
16 30 cents a kilowatt-hour for street lights, and then you  
17 quoted a figure of 10. something cents as the national  
18 average cost of electricity, I believe, at the very  
19 beginning?

20 MAYOR GATSAS: Retail electricity.

21 CMSR. HARRINGTON: Retail electricity.  
22 Then, towards the closing, you said that Manchester is  
23 paying around 30 cents a kilowatt-hour, and the national  
24 average was around 10. Was that still the national

1 average for --

2 MAYOR GATSAS: Retail.

3 CMSR. HARRINGTON: -- overall retail or  
4 just national average for street lighting?

5 MAYOR GATSAS: Overall retail.

6 CMSR. HARRINGTON: Overall retail.

7 Okay. Just wanted to get it clear. Thank you. And, when  
8 you mentioned time, actually, you're looking for  
9 increasing the schedule. Do you have any type of -- you  
10 know, what type are you referring to? Is this a month?  
11 Three months?

12 MAYOR GATSAS: It would be difficult for  
13 me to give you a time figure today. As I said that, just  
14 in my past experiences, I've never seen a rate case move  
15 this quickly.

16 CHAIRMAN IGNATIUS: Thank you.  
17 Mr. Sheehan, does the Staff have a position on the  
18 intervention request?

19 MR. SHEEHAN: We do not.

20 CHAIRMAN IGNATIUS: Mr. Fossum, I don't  
21 know if there's any specific issues that the Mayor raised  
22 that you feel a need to respond to?

23 MR. FOSSUM: Well, some of it, I believe  
24 Mr. Goodwin was prepared to testify about some of the

1 issues that were raised today, and that may dispel some of  
2 the concerns that have been raised. I guess a couple of  
3 things I would point out is that, though, the City has  
4 described this as a "rate case", you know, that's -- I  
5 don't believe that PSNH views it that way, I don't believe  
6 the Staff had viewed it that way either. This is a new  
7 technology being added to an existing rate, and a rate  
8 structure had to be developed for it. And, at least in my  
9 understanding of a "rate case", that is a much, much  
10 larger endeavor, that deals with, you know, rate classes,  
11 rate structures across the board, and is a very intensive  
12 effort that can take a very long time.

13 This is a very narrow request to  
14 implement the LED. And, I guess to that end, that's -- I  
15 would reiterate my concern about expanding the docket.  
16 The City has requested now not only to delay the process,  
17 but delay the process and investigate the entire EOL rate  
18 structure. And, I don't know if that would involve, in  
19 the City's estimation, a cost of service study, based upon  
20 -- well, I'm not sure what inputs exactly, whether it  
21 would be related to the EOL rate structure alone. It  
22 would seem not terribly worthwhile to undertake a cost of  
23 service study for a single rate.

24 So, I guess I would reiterate my concern

1 that this is being expanded well beyond -- or, that the  
2 request would expand it well beyond what this was ever  
3 intended to be, and that we should limit the proceeding to  
4 the request that PSNH has made today.

5 CHAIRMAN IGNATIUS: Can I ask you,  
6 Mr. Fossum, in the months and years, really, since this  
7 issue was first addressed in Docket 09-035, has PSNH  
8 worked with municipalities and contacted them to discuss  
9 this rate?

10 MR. FOSSUM: In so many -- well, in  
11 09-035, the issue did come up. And, at the time, there  
12 was, if I recall correctly, a discussion along the lines  
13 of delaying any implementation in LED, because there had  
14 yet to be a standardization of technology or a  
15 standardization of expectations about what the  
16 technologies could do. Since that time, I mean, there's  
17 still a broad range of technologies out there. But, yes,  
18 the Company has engaged in discussions with various  
19 entities, a number of municipalities, and the City of  
20 Manchester specifically, about these issues.

21 Now, I personally was not involved in  
22 those. So, I can't speak to exactly what those  
23 discussions were or whether any decisions were made at  
24 them. But --

1 CHAIRMAN IGNATIUS: Do you know when and  
2 with whom PSNH folks discussed this with Manchester?

3 MR. FOSSUM: I know of a discussion that  
4 was held within the last few weeks. But, prior to that, I  
5 can't say specifically. I could -- I could find out.  
6 But, as I sit here today, no, I don't know exactly when,  
7 nor who was involved in those discussions.

8 CMSR. HARRINGTON: I assume there's an  
9 account manager from Public Service for the City of  
10 Manchester?

11 MR. FOSSUM: Yes, there is.

12 CMSR. HARRINGTON: And, would that be  
13 the contact person for these type of discussions?

14 MR. FOSSUM: It would certainly be one  
15 of them, yes.

16 CHAIRMAN IGNATIUS: I mean, I think you  
17 must glean from my questions, and Mr. Harrington's,  
18 Manchester is a significant customer. It raised this  
19 issue with a considerable amount of interest in the prior  
20 case, and did a lot of work in bringing forward studies  
21 and analyses done in other municipalities. And, so, I  
22 remember from those hearings it expressed a real desire to  
23 take advantage of street lighting opportunities that would  
24 save it money. And, so, I guess I'd be surprised that

1 there wasn't considerable amount of discussion with the  
2 City immediately after that prior case. And, so, to hear  
3 that, you know, there was some discussion, but it may not  
4 have been until a couple of weeks ago, and it sounds like  
5 after the Petition to Intervene was filed by the City, I  
6 think gives me some sympathy for the Mayor's situation to  
7 say "okay, we're glad we're finally here, but we need more  
8 time to evaluate what the proposal is and what the impacts  
9 are to the City as a customer."

10 MR. FOSSUM: Understood. And, two  
11 points of clarification. One is that I didn't mean to  
12 imply that there had been no discussions prior to a few  
13 weeks ago. All I meant to say was, as I sit here right  
14 now, off the top of my head, I know of discussions from a  
15 few weeks ago.

16 What other discussions were had over the  
17 prior four years, and when they were had and with whom,  
18 that I do not know, as I sit here right now. I do not  
19 intend to say or imply that no discussions had been had.

20 And, also, the other point of  
21 clarification is that, yes, the City did -- my  
22 recollection is the City did present certain information  
23 in the prior rate case. Some of which was on LEDs, and  
24 much of it was on other issues. In fact, one of the

1 studies I believe was about the City of Newton,  
2 Massachusetts taking over maintenance and control of its  
3 street lights, which is -- I don't know if the intention  
4 is to review that issue as well now.

5 So, you know, there are a number of  
6 issues potentially in play. And, as I've said now a  
7 couple of times, my hope was to keep this related to the  
8 request that's here today, and which the City has  
9 indicated, I mean, they support the introduction of LED  
10 lighting. And, so, we would hope that we'd be able to go  
11 forward today on that issue.

12 If the Commission's inclined not to do  
13 that, then, I suppose I can't help that. But, you know,  
14 you do have a request that was out there, that we've  
15 abided by our requirements to provide notice. And, so,  
16 you know, we're here today according to a proper process.

17 CHAIRMAN IGNATIUS: Thank you.

18 MR. SHEEHAN: If I may make one comment?

19 CHAIRMAN IGNATIUS: Yes.

20 MR. SHEEHAN: The only thought I had was  
21 a delay, the only person conceivably harmed by a delay is,  
22 in fact, the City, because their rate would not be  
23 affected, it would be later, rather than sooner, other  
24 than the fact that we're all here. So, there's no harm to

1 PSNH in delaying the rate, and there's certainly no harm  
2 to Staff either.

3 CMSR. HARRINGTON: And, you've not heard  
4 from any other municipalities besides Manchester?

5 MR. SHEEHAN: That's correct. That's  
6 correct.

7 (Chairman Ignatius and Commissioner  
8 Harrington conferring.)

9 CHAIRMAN IGNATIUS: This is what we  
10 propose to do. We will first grant the intervention  
11 request. The City is a customer of the Company, and a  
12 significant one at that. It is late. The request for  
13 intervention was supposed to have been filed no later than  
14 November 4th, I think it was. But it's not unheard of to  
15 have late requests for intervention. The real question is  
16 how much we go forward with the original scheduled plan  
17 for a hearing on the merits today or whether we back up a  
18 bit and allow for more development of people's  
19 understanding of the case, an opportunity to ask  
20 questions.

21 We would like to give some additional  
22 time to explore the request that PSNH has made. I also,  
23 though, don't want to waste the time that we have here  
24 today. People have traveled to be here. And, we ought to

1 get some value out of today's session. So, I don't think  
2 it's appropriate to just dismiss everyone and come back at  
3 another date.

4 What I would like to do is to have Mr.  
5 Goodwin testify. We have the prefiled testimony, and have  
6 an opportunity for probably some education, to walk  
7 through what the proposal is and, through some  
8 questioning, to explore all of that. The City is welcome  
9 to ask questions as well. I know you may feel you're not  
10 quite ready for that, but to make that as useful as  
11 possible.

12 After today's proceeding, there wouldn't  
13 be a decision on that. We would then ask the Staff to  
14 help to develop a modified procedural schedule that allows  
15 for some more work among the parties to fully understand  
16 the proposal and the rate impacts. So, that could be in  
17 the form of some meetings, what we call "technical  
18 sessions", to sit and just go through question and answer.  
19 It's not with a court reporter, it's not with the  
20 Commissioners, but to just kind of interview each other to  
21 really understand how it all works.

22 And, then, if there -- we could come  
23 back, I'm sort of open to whatever you think as a group  
24 makes the most sense, we could come back to a final

1 hearing on the merits. Again, Mr. Goodwin available, if  
2 there's further testimony. If the Staff or the City of  
3 Manchester wants to testify, to do that as well. I am  
4 open to it either being in the form of written prefiled  
5 testimony or, if it's by agreement, that it just simply be  
6 people testifying without prefiling it.

7 I mean, I think -- we have a model we  
8 usually follow, but we don't have to always do it that  
9 way. And, I think we sometimes bury ourselves in our own  
10 procedures. Every now and then we try to accelerate  
11 things, and then we sometimes end up regretting it. You  
12 know, you can't win. We're either too -- take too long or  
13 we're moving too quickly. But I think we ought to look to  
14 see, this isn't a full rate case, this is a particular  
15 area that we know we want to see more development in. We  
16 charged PSNH to do so, and it did. And, so, the sooner we  
17 can get to a resolution and get more LED opportunities out  
18 there is a good thing for all of us.

19 So, I'm hoping this isn't a six-month  
20 schedule, this is a matter of a couple of months in order  
21 to get there. And, it may be a little bit of a hybrid.  
22 It may look a little different. If it's by agreement,  
23 we'll be very much inclined to approve it. If you can't  
24 reach agreement, then everybody make their best pitch of

1 what they think the schedule should be, and we'll just  
2 make a decision.

3 So, what I would like to do today is, I  
4 guess, two things. Mr. Goodwin to testify, and everyone  
5 an opportunity to question him. And, then, we have a  
6 recommendation filed by the Staff. I don't know if you  
7 were planning on testifying to that today?

8 MR. SHEEHAN: We were not.

9 CHAIRMAN IGNATIUS: All right. It might  
10 be useful, either -- I guess, if you feel prepared to do  
11 it, and I don't want to put people on the spot, if you  
12 feel prepared to do it, to walk through the  
13 recommendations that are made in that memo, and I'm  
14 talking about what was filed December 4th with the  
15 Commission, if anyone doesn't have it, we'll get you a  
16 copy, that lays out a couple of conditions, and help to  
17 educate all of us about what those might mean, how they  
18 might play out. We may have some questions about that.  
19 And, then, ask you afterwards, at the close of the  
20 hearing, to work together to talk about a schedule and  
21 next steps.

22 Whether we open this to larger issues  
23 than just the Rate EOL proposal that was filed, or, as the  
24 Mayor said, to look at the whole structure of Rate EOL, I

1 don't -- I confess, I don't understand enough to know the  
2 distinction. If the Company has proposed to change to a  
3 fixed charge and a usage charge, a change to how fixtures  
4 are obtained, who maintains them, who has title to them,  
5 how they work with vendors, it seems to me that's kind of  
6 the entire EOL program, but there are -- and, Mr. Goodwin,  
7 you're shaking your head. So, there's obviously more to  
8 it there that I'm not appreciating. And, maybe, as you  
9 testify, you could help us understand the distinction.  
10 What else is there in the program that's beyond the  
11 proposals you've made? And, it may be that the City of  
12 Manchester is less concerned about that, once it hears the  
13 full explanation of how many things are at play here and  
14 what you think should not be delved into at this stage,  
15 and then we can better understand it.

16 So, if -- Mayor Gatsas, a question?

17 MAYOR GATSAS: Thank you, madam

18 Chairman. I guess, just for the record, for the record,  
19 there was neither myself, nor Mr. Clougherty, has met with  
20 anybody from PSNH in the last two weeks or in the last  
21 three years. So, I'd like to know who they're identifying  
22 that would be decision-makers that they would be meeting  
23 with and having a conversation about this, because,  
24 obviously, you only see two of us at the table. The

1 discovery of data is before us. We understand that  
2 there's data there. There's no way that we're entitled to  
3 that data until you put us in as an intervenor. We're now  
4 an intervenor. And, I would rather have an opportunity to  
5 study that data, so that, when somebody comes up to  
6 testify, I can ask them pertinent questions about the data  
7 that's before us.

8 And, I would think that, rather than us  
9 doing that twice, we would maybe postpone this meeting and  
10 come back in a week, or two weeks, just so that we have an  
11 opportunity for the discovery of the data that's been  
12 presented and that's here with the Commission. We have  
13 not seen it. So, I can't tell you what anybody is saying  
14 or what data was found by the Staff or anybody else that I  
15 may question what those numbers are. As you can see,  
16 based on the docket of 09-035, we've discovered that  
17 \$510,000 is paid out in bonuses and \$185,000 is paid out  
18 in supplies. And, that's why the EOL doesn't make money.

19 (Chairman and Commissioners conferring.)

20 CHAIRMAN IGNATIUS: Mayor, you're being  
21 very persuasive this morning.

22 MAYOR GATSAS: Thank you very much,  
23 madam Chairman.

24 CHAIRMAN IGNATIUS: We are going to not

1 go forward. I think the comment about "having Mr. Goodwin  
2 testify twice" is probably a good one. That sounded like  
3 a joke, the "Goodwin" and the "good one".

4 But what I think we should do then  
5 instead is, I have a couple of questions that it would  
6 help me to just clarify a few facts. And, if I just take  
7 the prerogative of asking a few of them, and Commissioner  
8 Harrington may have some as well, we won't put people on  
9 the stand. But, then -- and, I'd like the Staff to  
10 explain some of their recommendations, so that that's all  
11 out clearly on the record. And, then, we will not go  
12 through questioning of Mr. Goodwin, not have him on the  
13 stand. Plan on doing that after the schedule that you  
14 folks are able to develop, I hope it's a matter of weeks  
15 and not months before we're back here again, and try and  
16 get to the determination on the merits. All right?

17 MR. FOSSUM: Commissioner, if I may,  
18 before you proceed?

19 CHAIRMAN IGNATIUS: Yes. Mr. Fossum.

20 MR. FOSSUM: I just -- I'm a little -- I  
21 wanted to put on the record, I'm a little troubled by all  
22 the references to the 09-035 case. That case was -- it  
23 was a 2008 test year of data. That case was settled. It  
24 was not -- there was no detailed examination that was

1 presented for the Commission. That was a settled case,  
2 with a settled rate structure and rate design. That  
3 settlement was approved by the Commission, has been in  
4 place for years. And, to raise it now, to warrant an  
5 examination -- on the claim that it warrants examination  
6 of a single rate, that was, as I noted, settled and  
7 approved, I find -- I find fairly troubling. And, I just  
8 wanted to say that for the record, that I think that  
9 that's -- I think that's a tad inappropriate for this  
10 proceeding.

11 CHAIRMAN IGNATIUS: And, presumably, the  
12 discussions in the next couple of weeks will help explore  
13 the components of the rate that's being proposed, as  
14 opposed to rates that were in place coming out of that  
15 prior case, correct?

16 MR. FOSSUM: I presume so. I don't -- I  
17 can't speak for what exploration others may seek to do. I  
18 can say, and Mr. Goodwin was, I believe, going to testify  
19 today, had he been permitted to do so, that this rate for  
20 LEDs was established in the same manner that the other  
21 rates for other products, the metal halides, the high  
22 pressure sodiums, under Rate EOL were established. So,  
23 you know, to the extent that it applied then, it would  
24 apply now. So, what other examination people want to do,

1 I'm not sure.

2 And, I also did want to note one other  
3 thing that was clarified to me a few minutes ago, is there  
4 was mention of who would be harmed by delay. I've been  
5 informed that there are other municipalities who have  
6 expressed interest in this. So, the longer that this gets  
7 delayed, this is not simply an impact to the City of  
8 Manchester, it may impact other municipalities that are  
9 looking at possibly implementing this technology as well.

10 CHAIRMAN IGNATIUS: Well, I think that's  
11 the sort of thing that's going to have to be worked out as  
12 you meet as a group to discuss all of these things. If  
13 the Company is proposing a new rate, its obligation is to  
14 explain the justification for that rate.

15 MR. FOSSUM: Absolutely.

16 CHAIRMAN IGNATIUS: And, if those are  
17 new numbers, then the prior numbers don't have any  
18 bearing, and what was filed in that prior case aren't  
19 significant. If you're pulling those numbers forward to  
20 be the basis for the new proposal, then they are  
21 significant. And, so, I'll leave you to work that out as  
22 you discuss it.

23 I did want to ask Mr. Goodwin, or  
24 Mr. Fossum, either way, the testimony is confusing to me,

1 because it says, and I'm probably just misreading it, it  
2 says, on Page 7 of Mr. Goodwin's testimony, there's a  
3 question at Line 8, "is this new option available to those  
4 taking standard outdoor lighting Rate OL?" And, the  
5 answer is "No. You've got to already be on Rate EOL in  
6 order to have these changes apply", is how I read that  
7 page. And, then, over on Page 11 -- no, I'm sorry, Page  
8 10, at the top of the page there's a discussion of  
9 "savings", and, at Lines 4 through 6, it says "The savings  
10 shown here range from 8 percent regarding Rate EOL and  
11 69 percent for someone under -- currently under Rate OL",  
12 I've left out some other words in that sentence. If one  
13 can't move from Rate OL to EOL, then, what's the purpose  
14 of identifying savings shifting from those two? And, it  
15 makes me think I've misread Page 7.

16 MR. GOODWIN: Yes. Yes, Commissioner.  
17 Actually, I'm a little disappointed that I wasn't able to  
18 testify, because I think that there's a lot of confusion,  
19 misunderstanding, frankly, some statements made by the  
20 Mayor that are not accurate, and I think are more  
21 confusing and misleading, frankly, than helpful. So, I  
22 was looking forward to the opportunity to clarify a lot of  
23 that. So, could I take a couple of minutes and provide a  
24 general explanation as to what's really going on here?

1                   CHAIRMAN IGNATIUS: Yes. Please.

2                   MR. GOODWIN: The Company has two  
3 different types of street lighting service. And, I'm  
4 going to walk through the elements that go into developing  
5 a street lighting service. Common to all street lighting  
6 rates, fixtures, technologies, what have you, whether it's  
7 OL or EOL, high pressure sodium, metal halide or new LED,  
8 regardless, common to all of that, the biggest, most  
9 fundamental charge is the use of our -- I'm talking now  
10 distribution charges, not transmission and energy and  
11 other components, but I'm speaking to distribution. The  
12 common element to all street lighting rate offerings is  
13 the recovery for the use of the poles and wires  
14 distribution infrastructure. The basic distribution  
15 service that all customers pay. So, we've got a fixed set  
16 of assets out there, in terms of poles, conduits,  
17 transformers, *etcetera, etcetera*. So, there's a use of  
18 the distribution system that all customers pay, and, in  
19 all our street lighting rates, there's a common recovery  
20 for that usage.

21                   It generally varies by size of light  
22 measured by wattage. So, obviously, a smaller watt unit  
23 should pay less towards the recovery of that  
24 infrastructure, and a larger watt more. And, if you look

1 at our existing Rate EOL or OL rates, you'll see that the  
2 fixed monthly charge generally varies by size. So, that's  
3 the primary cost that all street lighting customers pay  
4 for.

5 The next cost is maintenance of those  
6 street lights. And, again, that's common, regardless of  
7 whether it's under Rate OL or Rate EOL, the Company's  
8 rules and regulations dictate that we are the only ones  
9 allowed to maintain street lighting equipment on our  
10 poles, because of safety concerns. So, whether it's an OL  
11 light or an EOL light, they all pay a maintenance cost.  
12 It's roughly 90 cents per month per fixture built into the  
13 rate. So, so far, we've got the basic use of the  
14 distribution facilities and maintenance costs.

15 What differentiates OL from EOL is that,  
16 under Rate OL, the Company will purchase the equipment,  
17 own the equipment, have the equipment on our books at our  
18 cost, and provide all service related to that equipment.  
19 That's Rate OL. So, I would describe that as  
20 "company-owned street lighting". So, under company-owned  
21 street lighting, we own the equipment, whatever it costs,  
22 it's on us. We maintain the equipment. And, we charge  
23 customers for the use of the distribution infrastructure.  
24 EOL is only different in that customers purchase the

1 fundamental street lighting equipment. What's common is  
2 that the maintenance cost is the same to both, the use of  
3 the poles and wires distribution infrastructure is the  
4 same. The only real difference is that, rather than the  
5 Company owning the street lighting fixtures themselves,  
6 customers pay us the full cost of the fixtures, and it  
7 goes onto our books at a zero value. So, there's no cost  
8 of service to the Company for the actual street lighting  
9 fixtures, because customers have fully funded them.  
10 That's the EOL service. So, that's the two different  
11 services.

12 In terms of developing the rate per LED  
13 under EOL, so, remember, we really only have two basic  
14 costs going on there; the use of the poles and wires  
15 infrastructure, that generally is the same for everybody,  
16 but varies somewhat by wattage, and a maintenance fee of  
17 about 90 cents a month. Those are the two primary  
18 elements to EOL service.

19 If you were to look at our EOL rate  
20 schedule today, you'll see a variety of wattages for high  
21 pressure sodium and metal halide, the traditional  
22 technologies, and they vary from about 8 -- below \$8, up  
23 to, well, I guess it gets maybe as high as \$20 for very,  
24 very large.

1           And, if you were to look in my testimony  
2           on Page -- I'm just looking for an example, on Page 2 of 8  
3           of Attachment 3 to my testimony, down at the bottom, and  
4           it goes onto the top of the next page, you can see, for a  
5           50-watt unit, high pressure sodium, "8.26", and it  
6           graduates up to, basically, \$11, and then there's an  
7           exceptionally high one for a 1,000-watt fixture. And,  
8           then, similarly, for metal halide, 8.50, goes to \$12, \$13,  
9           and, then again, very high for that one exceptionally  
10          large. So, those charges per month, in the current rates,  
11          recover basically two things. The revenue requirement for  
12          our distribution poles and wires infrastructure and  
13          maintenance.

14                 So, when we developed the LED rate, it's  
15          the same use of the same poles and wire infrastructure.  
16          So, the cost that we should charge in LED should be  
17          comparable to the costs that we're charging these other  
18          technologies. 50 watts is 50 watts, in terms of using the  
19          distribution infrastructure, and then the 90 cent per  
20          month maintenance.

21                 So, what we've -- how we developed the  
22          rate is to simply look at those relationships by wattage  
23          that exist today and develop a comparable rate for LED.  
24          The reason that we had to come up with a fixed and a

1 variable piece in our LED rate design is that, unlike the  
2 existing traditional technologies of metal halide and high  
3 pressure sodium, unlike those, where the wattage levels  
4 are more standardized among vendors and have stabilized,  
5 you can see "50", "70", "100", "150" watts, LED technology  
6 has not standardized yet. So, there isn't a standard set  
7 of 40, 50, 100. Each vendor has slightly different  
8 standards. One may have a 66-watt, another may have a  
9 48-watt. So, in order to develop a rate schedule that was  
10 purely fixed like this, we'd have virtually an infinite  
11 number of options. So, rather than do that, we developed  
12 a fixed and variable component, using a regression, that  
13 simply looked at the relationship between current wattage  
14 and current fixed charges, and developed a minimum fixed  
15 amount, plus a small variable amount as the wattage  
16 changed.

17 CHAIRMAN IGNATIUS: Right. And, I know  
18 you testified to that in your profiled. I don't want to  
19 go into all of that today.

20 MR. GOODWIN: Okay. So, I just wanted  
21 to clarify, hopefully, for your benefit, to understand,  
22 really, fundamentally, what the proposal is, and to  
23 demystify it, because there's really nothing complicated  
24 or confusing going on there. It's as simple as those two

1 pieces of costs.

2 CHAIRMAN IGNATIUS: All right. What  
3 about my question, though, that --

4 MR. GOODWIN: Oh, yes. Yes.

5 CHAIRMAN IGNATIUS: -- is it possible  
6 for someone under Rate OL to --

7 MR. GOODWIN: Yes.

8 CHAIRMAN IGNATIUS: -- go to the  
9 proposed EOL rate and program?

10 MR. GOODWIN: Yes. I took more than two  
11 minutes.

12 CHAIRMAN IGNATIUS: That's all right.  
13 That's okay.

14 MR. GOODWIN: So, the rest of it is  
15 that, so, if you think of those two different services,  
16 the only difference between OL and EOL is who owns the  
17 equipment. We're offering this as an EOL, so that  
18 customers can go to any vendor they want, take any  
19 technology they want, and install it on their equipment.  
20 For us to offer an OL rate, we would have to pick a  
21 particular vendor, inventory that equipment, develop a  
22 cost of service for us owning the equipment. And, because  
23 the market is not yet really stabilized, in terms of a  
24 small number of vendors and a small number of wattages,

1 it's really still an evolving market. We're not  
2 comfortable with the Company making commitments long term  
3 about a particular technology and a particular cost of  
4 service, because the cost is changing over time as the  
5 technology evolves.

6 So, rather than wait until all of that  
7 stabilizes and offer a company-owned option, we're  
8 offering a customer-owned option. And, they can go pick  
9 basically anything they want and put it in. So, what  
10 happens is, if we have a customer today who is under a  
11 Company-owned option, so, they're OL, and let's say they  
12 may own -- or, they may have, in their population, some  
13 older metal halide technology that we're charging them  
14 under the Rate OL schedule. If they were interested --

15 CHAIRMAN IGNATIUS: If it's  
16 customer-owned, why are they under OL?

17 MR. GOODWIN: No, Company-owned. I'm  
18 sorry, Company-owned. If I said "customer-owned", I  
19 misspoke.

20 CHAIRMAN IGNATIUS: I may have misheard.

21 MR. GOODWIN: Yes. So, Company-owned.  
22 So, I'll tell you that there's a town -- yes. There's a  
23 town that I personally have spoken to who is in this  
24 situation. They have got some fairly old equipment. They

1 want to become high efficiency. So, what that OL customer  
2 could do is make the investment in LEDs themselves under  
3 the EL -- EOL rate, abandon the lights that are in place  
4 under the OL rate, and then become an EOL customer with  
5 the LED. So, that's how an OL customer can take advantage  
6 of LEDs under the EOL rate.

7 CHAIRMAN IGNATIUS: All right. So, you  
8 can shift. You can move out of OL?

9 MR. GOODWIN: Sure.

10 CHAIRMAN IGNATIUS: Go into EOL. You'll  
11 have to purchase the fixtures, I understand that.

12 MR. GOODWIN: Yes.

13 CHAIRMAN IGNATIUS: Okay. That's  
14 helpful.

15 MR. GOODWIN: What you would have to pay  
16 for is any undepreciated life. And, for a lot of the  
17 towns that have older equipment, there's not a lot of  
18 undepreciated life. And, then, the cost of the new LEDs  
19 and installation costs.

20 CHAIRMAN IGNATIUS: And, in your  
21 testimony, you said that "93 percent of municipal lights  
22 currently are billed under Rate EOL." Does that include  
23 Manchester?

24 MR. GOODWIN: Yes.

1                   CHAIRMAN IGNATIUS:  And, as Manchester  
2                   stated, they're approximately 30 percent of the revenue.  
3                   Is that correct, from your understanding?

4                   MR. GOODWIN:  No, I can't confirm that.  
5                   When we were talking prior to the hearing, that doesn't  
6                   add up to me.  I think that the Mayor is referring to  
7                   charges that include transmission, and there may be some  
8                   System Benefits Charges and other things.  I don't think  
9                   it's an apples-to-apples distribution.  We had a  
10                  discussion earlier, and I think that they're including  
11                  some significant dollars for the cost of the Company to  
12                  replace failed technology.  And, so, what happens under  
13                  the EOL rate today, let's say the City, and my  
14                  understanding is a lot of the technology is vintage '80s,  
15                  1980s say.  So, it's at the end of its useful life under  
16                  Rate EOL, say if you had a metal halide fixture.  When  
17                  that fixture fails, the Company charges the City to go  
18                  replace that with a new fixture.  And, so, again, because  
19                  of the vintage of some of the inventory in the City, I  
20                  think that there's a fair amount of frequency of that  
21                  happening, and that amounts to significant dollars.  So,  
22                  the Mayor is referring to the City's costs as one side,  
23                  and I don't think he's got a comparable total cost on the  
24                  other side.  I wouldn't dispute the fact that they're not

1 a significant piece of that, but I don't think "a third"  
2 is a fair representation.

3 CHAIRMAN IGNATIUS: And, the meetings  
4 that are more informal, without a court reporter, will  
5 help to really look at those numbers and --

6 MR. GOODWIN: Right.

7 CHAIRMAN IGNATIUS: -- an easier  
8 give-and-take to really get to the bottom of it, and be  
9 sure that the terms are commonly used and fair comparisons  
10 from one to another. Commissioner Harrington.

11 CMSR. HARRINGTON: Just one. On  
12 Attachment 2 of your testimony, where it says "Proposed  
13 LED Option - Energy Efficiency Outdoor Lighting", at the  
14 top of the chart there it talks about a sample of  
15 converting from the OL rate to the LED rate. And, you had  
16 mentioned that, in the OL rate, the Company purchases and  
17 owns all equipment. Which one of these categories does  
18 the charge for the carrying costs for the Company to own  
19 the equipment appear in? It doesn't -- I'm just trying to  
20 figure out where that would go in, under the OL rate?

21 MR. GOODWIN: The charges under the --  
22 what's listed there as "mercury".

23 CMSR. HARRINGTON: Uh-huh.

24 MR. GOODWIN: I'm just looking at the

1 first line there, it says "Distribution \$164.28".

2 CMSR. HARRINGTON: It's excluded in that  
3 one?

4 MR. GOODWIN: That would be, yes. And,  
5 so, when I said before the "cost of the poles and wires  
6 infrastructure", what I'm really referring to is the  
7 revenue -- our distribution revenue requirement. So,  
8 obviously, it's the return on and of the assets. And,  
9 it's also the recovery of A&G expenses, and the Mayor  
10 mentioned something about, you know, executive comp, or  
11 whatever the other things are that are covered within the  
12 overall distribution revenue requirement. You know,  
13 that's spread amongst all of the rate classes. So, all of  
14 the Company's revenue requirement is in that 164.28.

15 CMSR. HARRINGTON: But the difference in  
16 that, the 164 and the 108, is partially because, under the  
17 108 option, the municipality would be buying --

18 MR. GOODWIN: Right.

19 CMSR. HARRINGTON: -- the LED fixtures,  
20 and you'd be carrying them on your books at zero cost?

21 MR. GOODWIN: Right. That's right. So,  
22 I think, on that page, the bottom example, which is an EOL  
23 to an EOL, --

24 CMSR. HARRINGTON: Yes.

1 MR. GOODWIN: -- is probably a better  
2 representation of the savings on EOL.

3 CMSR. HARRINGTON: And, that's why  
4 they're closer?

5 MR. GOODWIN: That's right.

6 CMSR. HARRINGTON: Okay. All right.  
7 Thank you.

8 MR. GOODWIN: But, to your point,  
9 though, it would be impossible to kind of represent an OL  
10 to EOL, because it would be highly dependent on what that  
11 capital cost was, which is different, depending on --

12 CMSR. HARRINGTON: For each type of  
13 light?

14 MR. GOODWIN: Right. Exactly.

15 CHAIRMAN IGNATIUS: All right. Thank  
16 you. I appreciate, Mr. Goodwin, on the overview, that's  
17 helpful, and helped me understand an important component  
18 of what you're proposing.

19 What I'd like to do is ask the Staff, if  
20 you similarly could give an overview of your understanding  
21 of the file and the way the recommendations that you made  
22 in your memo, and understanding further that, if there's  
23 more time to be had here, some of these things could be  
24 explored. It may change some of your recommendations, if

1 there's other things to explore or other changes to  
2 timing, because it seems as though some of your  
3 recommendations involved a middle ground, going forward  
4 and yet continuing to evaluate some of the components of  
5 the proposal. And, so, in light of slowing this down a  
6 little bit, if that changes those recommendations, that's  
7 certainly fair, and something we ought to think about,  
8 even if you're not prepared this morning to address. But  
9 Mr. Iqbal.

10 MR. IQBAL: Yes. I would, based on Mr.  
11 Goodwin's overview of this, that's our understanding, too.  
12 That all this cost difference are not that big on the  
13 distribution side. Only difference is on the energy  
14 conservation side, the savings is there. But, on the  
15 distribution side, there might not be a savings as many  
16 people might thought.

17 So, on that, I would say that only  
18 difference that we found that -- under EOL, the only  
19 options right now, we have HPS and MH. The only  
20 difference we have that, right now, the Company actually  
21 carry the inventory, and then, when the replacements or  
22 maintenance is required, they use their own inventory.

23 But, on LED, because of this newer  
24 technology and all of this uncertainty, the Company is

1 requiring that the customer has to keep the inventory.  
2 Because the Company -- it would be, on PSNH's side,  
3 because of this variation of the wattage and everything,  
4 it would be almost impossible for them to keep inventory  
5 for all these -- all these lighting fixtures.

6 So, only -- we found that that is the  
7 only difference between the traditional EOL and LED  
8 option. So, -- and, our understanding, and I think PSNH's  
9 understanding, is also that the cost difference for this  
10 particular component of the cost is very minimal. But we,  
11 from -- although we understand that, but we thought that  
12 it would be a good idea to track those costs. And, based  
13 on the actual cost, we can say that there is minimal  
14 difference, instead of assuming there will be a minimum  
15 difference. That's one of the reason we said that you  
16 have to track the costs of all the options.

17 And, another reason we commented that  
18 tracking these costs for all options is for future rate  
19 cases. That is, current rate is not based on, in one of  
20 our data requests we found out, and PSNH provided this  
21 response, that it was not based on the cost analysis. So,  
22 we thought that it's a good idea. This is a good  
23 opportunity to track those costs and use that in future --  
24 future rate cases.

1                   CHAIRMAN IGNATIUS: Excuse me. When you  
2 say "the current rate is not based on cost analysis", do  
3 you mean the proposed rate in the Petition or the rate  
4 that's currently being charged in the tariff?

5                   MR. IQBAL: That's currently being  
6 charged in the tariff.

7                   CHAIRMAN IGNATIUS: Thank you.

8                   MR. IQBAL: That's not based on a cost  
9 analysis. And, that's one of the reason. And, our  
10 recommendation -- one of the reason we recommend that we  
11 have to track this cost. And, the last sentence of this  
12 that, if the Commission want to adjust it before the next  
13 case, it gives the option, if there is a big cost -- a big  
14 cost difference, that the charges and actual costs, there  
15 is a big difference, the Commission might want to revisit  
16 those charges. So, that's why we said that these annual  
17 costs -- the annual report should be provided to the  
18 Commission, so that we should have the information whether  
19 it want to go forward or not, based on that actual cost.

20                   CHAIRMAN IGNATIUS: But you're not  
21 arguing that the tariffed rate in effect right now should  
22 -- is improper or should be overturned?

23                   MR. IQBAL: No.

24                   CHAIRMAN IGNATIUS: It's just that, if,

1 down the road, we're going to consider a new rate,  
2 tracking costs now would help to inform that new rate at a  
3 later time?

4 MR. IQBAL: Exactly.

5 CHAIRMAN IGNATIUS: Thank you.  
6 Commissioner Harrington.

7 CMSR. HARRINGTON: Yes. I'm just -- I  
8 guess I'm not getting something on this lack of ability to  
9 determine what the costs are. If you know that the new  
10 EOL LED fixture is going to be installed, there is a cost  
11 associated with purchasing that, but that's borne by the  
12 municipality. And, then, whatever Public Service charges  
13 to install is going to be a cost based on actual -- is  
14 going to be charged based on actual cost. Then, once it's  
15 there running, they know it's a 52-watt fixture, and it's  
16 going to run for so many hours a day, so many days of the  
17 year, why can't you just determine this is the total  
18 amount of kilowatt-hours that the light fixture will use,  
19 and then distribute that up to the various, whether it's  
20 distribution, transmission, you know, System Benefits, all  
21 those other things, based on a kilowatt-hour basis, just  
22 like we do with every other electric bill? I'm a little  
23 confused here.

24 MR. IQBAL: I think that you're right.

1 That's -- I think that's exactly what PSNH, my  
2 understanding, that's what exactly PSNH is going to do for  
3 energy service part of it.

4 CMSR. HARRINGTON: Uh-huh.

5 MR. IQBAL: But, for the distribution  
6 part, the whole idea is that, as Mr. Goodwin already  
7 pointed out, that actual distribution cost is similar,  
8 whether it's -- we are using LED or not, or any other  
9 technology, PSNH has -- still has their -- the poles and  
10 all this infrastructure there, they already built to solve  
11 this outdoor lighting is -- the cost is the same, whether  
12 it's LED or not. The savings comes from the energy  
13 service part.

14 CMSR. HARRINGTON: Right.

15 MR. IQBAL: And, the energy service  
16 part, yes, they are going to use the same way you have --  
17 you just described, the energy service part. And, if you  
18 look at the attachment, Attachment 2, if you look at the  
19 energy cost, before the Energy Service, there is a big  
20 difference.

21 CMSR. HARRINGTON: Right.

22 MR. IQBAL: That is the savings that we  
23 are talking about.

24 CMSR. HARRINGTON: I understand where

1 you're coming from on that. But, I guess my question is  
2 that, when you do the distribution rate effect, what's  
3 unique about a street light, as compared about a light  
4 bulb in my house? I use so many kilowatt-hours a month,  
5 and Public Service comes in and they say "okay, we're  
6 going to charge you this much for Energy Service, this  
7 much for the Electric Consumption Tax, System Benefits,  
8 cost recovery, transmission and distribution, based on  
9 those kilowatt-hours." Now, it seems like what you're  
10 saying is that there's something unique about a street  
11 light that you can't do that on this kilowatt-hour basis.  
12 And, that's the part I'm not following. And, if the  
13 Company could help on this.

14 MR. GOODWIN: Yes. Can I address that?

15 CMSR. HARRINGTON: Sure.

16 MR. GOODWIN: Your points are exactly  
17 the points that are presented, debated, and discussed in a  
18 rate case, when we do a cost of service study, because  
19 that's what the name of "cost of service" means. What  
20 does it cost the utility to serve this type of customer  
21 versus that type of customer versus that type of customer?  
22 And, to your point, we have different rates for  
23 residential service customers versus large manufacturing  
24 customers.

1 CMSR. HARRINGTON: Uh-huh.

2 MR. GOODWIN: So, why do we have  
3 different rates? Because the cost of service allocation  
4 is different to the different classes. So, we may charge  
5 Residential five cents for distribution service, we may  
6 charge Large General Service one cent for distribution  
7 service. Where's the right number for street lighting?  
8 And, it really gets into a discussion about cost of  
9 service allocation. And, why it's a little bit  
10 complicated, and not necessarily intuitive, is that the  
11 distribution -- our distribution revenue requirement, just  
12 distribution, there is not one single cost that varies by  
13 kilowatt-hour. We bill most of our revenue on a  
14 kilowatt-hour basis, but our costs are not driven by the  
15 group, our costs are driven primarily by two things: That  
16 we have customers to serve and that there is a kW maximum  
17 demand on a circuit or a system. Those are the two cost  
18 drivers, yet we recover it in kilowatt-hour charges.

19 So, what a cost of service study does in  
20 a rate case is to look at the characteristics of each rate  
21 class, in terms of how much of the revenue requirement  
22 should be allocated to them on a customer basis versus on  
23 a maximum demand basis. And, then, we put all of that  
24 allocation together, and then that gets translated into an

1 equivalent rate per kilowatt-hour. And, that's what you  
2 see when somebody says it's "10 cents a kilowatt-hour".  
3 But it's really not 10 cents a kilowatt-hour, it's derived  
4 to be 10 cents, but more based on some fundamental cost of  
5 service allocation.

6 CMSR. HARRINGTON: Right. I understand  
7 that. That's why you have a minimum charge. If I use no  
8 electricity for a month, you're still going to charge  
9 me, --

10 MR. GOODWIN: Right.

11 CMSR. HARRINGTON: -- because I still  
12 have the ability to draw on it, using the wires and so  
13 forth and so on. So, just to get -- maybe to expedite  
14 this a little bit, what it sounds like is you're saying  
15 then is that, for industrial and commercial users and  
16 residential users, you've been able to do this analysis,  
17 and, for whatever reason, even though street lights have  
18 been around for, I don't know, a hundred years, you've  
19 never bothered to make -- do that same analysis and come  
20 up with the equivalent cost per kilowatt-hour that you  
21 have for residents and commercial and industrial users  
22 when it comes to street lights?

23 MR. GOODWIN: Yes, we have. And, that  
24 was reflected in the last rate case cost of service study.

1 CMSR. HARRINGTON: Okay.

2 MR. GOODWIN: And, so, can I explain  
3 what we mean by --

4 CMSR. HARRINGTON: Let me just answer --  
5 maybe I can clarify things somewhat. You're saying "yes",  
6 but what I keep hearing is that "we don't know what the  
7 cost is."

8 MR. GOODWIN: Yes.

9 CMSR. HARRINGTON: So, that's where I'm  
10 getting confused.

11 MR. GOODWIN: Let me try to --

12 CMSR. HARRINGTON: You have it, you  
13 don't have it. I mean, you're kind of going back and  
14 forth here.

15 MR. GOODWIN: Okay. Can I explain it to  
16 you?

17 CMSR. HARRINGTON: Sure.

18 MR. GOODWIN: Okay. So, in the last  
19 rate case, we ran a cost of service study. What the cost  
20 of service study does is allocate cost to rate classes,  
21 and then compares that cost to the revenue we're  
22 collecting, and then the result generates a rate of return  
23 for that rate class. When the rate of return for the rate  
24 class is at the Company average rate of return, let's just

1 say "10 percent" for simplicity purposes. If inside the  
2 cost of service study each class has a 10 percent rate of  
3 return, then, the aggregate of that class is paying its  
4 cost of service. So, I would describe that as "cost-based  
5 rates". When we look at street lighting rates, in  
6 aggregate, they are about at what the cost of service said  
7 they should be. So, the aggregate amount of money we're  
8 collecting from Rate OL and Rate EOL is fair and  
9 reasonable.

10 Then, you go to the next step, which is  
11 rate design. So, you could ask the same question in  
12 Residential. We can say, "okay, in Residential, in total,  
13 they're paying a cost of service." But, then, the  
14 question is, "How much should the customer charge be?",  
15 "How much should the kilowatt-hour charge be?", etcetera.  
16 The comparable in street lighting is "How much should a  
17 50-watt versus a 100-watt pay as a fixed amount?" "Is  
18 there a maintenance difference between high pressure  
19 sodium and metal halide?" Those become detailed rate  
20 design questions.

21 CMSR. HARRINGTON: Uh-huh.

22 MR. GOODWIN: We have not done that in a  
23 rate case for PSNH in a long, long time, primarily because  
24 rates have changed with rate settlements over time. So,

1 we've got a basic amount of street lighting revenue on  
2 rates that's reasonable, and they have changed over time  
3 by percentage increases or something like that. We  
4 haven't stepped back for a long time and really drill down  
5 and kind of built from a bottoms-up, you know, really what  
6 some of these basic costs are that are differentiated by  
7 wattage or technology. And, that's what we plan to do in  
8 a future rate case. We haven't done that, frankly, the  
9 industry, I can tell you from my experience in working a  
10 lot with the EEI Rate Committee on this, the industry  
11 hasn't done a lot of that. And, that I am personally  
12 committed for Northeast Utilities that we're going to  
13 engage in that type of bottoms-up rebuilding of street  
14 lighting rates as we move forward in subsequent rate  
15 cases. And, at that time, LED will be part of that, metal  
16 halide will be part of that, and we'll start to really  
17 differentiate any of those niche characteristics that  
18 might be unique from one technology to another.

19 CMSR. HARRINGTON: Okay. So, if I  
20 understand what you're saying then, you're proposing to  
21 use basically the *status quo* going forward, with the only  
22 major difference being the electric consumption between  
23 the LEDs and the other types of lighting, and maybe  
24 maintenance costs, which are, I mean, I assume they're

1 determined fairly quickly and fairly accurately?

2 MR. GOODWIN: Right. Exactly right.

3 And, so, Staff has suggested I think one of the things  
4 that we would look at, to try to get a better handle on  
5 for better rate design going forward, is what's the  
6 experience on LED maintenance --

7 CMSR. HARRINGTON: Uh-huh.

8 MR. GOODWIN: -- versus maintenance on  
9 other technologies? And, again, we have an average of 90  
10 cents a month, maybe LED should be 40 cents versus  
11 something. So, those are the things that we'll look at to  
12 try to bring a better rate design going forward.

13 CMSR. HARRINGTON: And, then, somewhere  
14 down the road you'd be looking at that first category, the  
15 distribution category, which is, by far, the overwhelming  
16 amount associated with this, and either truing that up so  
17 that it more accurately reflects the actual cost  
18 associated with distribution charges that should be  
19 charged to street lights?

20 MR. GOODWIN: That's correct. And, one  
21 of the things that I would, I'm kind of getting ahead of  
22 ourselves here, but, you know, one of the things that I  
23 would expect in the next rate case is, from our '09  
24 docket, we have been required to file a embedded cost of

1 service study and a marginal cost of service study in the  
2 next rate case. The reason I think that those  
3 requirements were in there is that the Commission  
4 acknowledged that we really need to kind of do this  
5 rebuilding of rate design again. And, to do that,  
6 fundamentally, you need these cost of service studies.  
7 So, I think the Commission had envisioned, that next rate  
8 case around we'd be doing a deeper dive. And, that's  
9 where we would look much further into distribution cost of  
10 service.

11 Quite honestly, you could have five cost  
12 of service, you know, qualified cost of service analysts,  
13 and they would probably have five slightly different cost  
14 of service allocations. So, this distribution represents  
15 the Company's cost of service as proposed last rate case.  
16 I fully anticipate that the next rate case we'll have  
17 intervenors who will want to argue for a different  
18 allocation methodology. And, quite honestly, street  
19 lighting is one class that the needle can move fairly  
20 significantly, depending on which allocation methodology  
21 you pick. And, that will, unfortunately, be your all's  
22 job to kind of referee that discussion next time around.

23 CMSR. HARRINGTON: Thank you. That's  
24 helpful.

1                   CHAIRMAN IGNATIUS: Thank you. Mayor  
2 Gatsas, I'll give you a chance to respond briefly, --

3                   MAYOR GATSAS: Sure.

4                   CHAIRMAN IGNATIUS: -- but we're not  
5 going to get into debating it all.

6                   MAYOR GATSAS: No, I'm not looking to do  
7 that. I just want to thank Mr. Goodwin, because in his  
8 testimony I think he mentioned six times at least a "cost  
9 of service study". And, I think that that's exactly where  
10 we're at. The last time a cost of service study was done  
11 on street lighting was in the '90s. We have 9,000  
12 fixtures in the City of Manchester, 30 of them are halide.  
13 So, when I keep hearing these numbers, and when I look at  
14 the Staff's recommendations to you folks, the fifth line  
15 up from Page 1 it says "The Company stated that it  
16 experienced an increase of interest among its EOL  
17 customers in LED lighting systems. Customers' preferred"  
18 -- Customers' preference for the newer LED technology over  
19 the currently available HPS and MH options is based on the  
20 potential savings in electricity usage."

21                   Now, if we're not using it -- if we're  
22 not getting credit based on a lower, as Commissioner  
23 Harrington asked, on the kilowatts, then how do we present  
24 a lower usage and a savings? Because, when you look at

1 other communities throughout the country, their return on  
2 investment is one to two years. The program that we have  
3 before us doesn't effectively even qualify for SmartStart,  
4 because it's about a seven and a half year return.

5 So, I agree with Mr. Goodwin. Cost of  
6 service study is certainly something that should be  
7 addressed here, and it should be done for street lighting.  
8 Because \$1.4 million is our cost for street lighting in  
9 the City of Manchester. We can call it "distribution", we  
10 can call it "delivery", we can call it whatever we want to  
11 call it. All I know is, that based on the numbers that  
12 I've seen from the docket of '09, it's about one-third of  
13 the bottom line of street lighting to PSNH.

14 Now, I'm sure I can involve many other  
15 communities in this discussion. My call into Mayor Lozeau  
16 was this morning. So, I'm sure that -- I know she doesn't  
17 have a intervenor status, but I know that she would be  
18 more than curious to see if she could sit in the back of  
19 the room and see where we are when we go forward.

20 But the cost of service study, I  
21 appreciate the Chairman's opening up of the discussion,  
22 because it certainly made an awful lot of enlightening  
23 remarks that I heard from the other side.

24 CHAIRMAN IGNATIUS: All right. And, all

1 of these are things that you'll be discussing in a more  
2 informal setting, which can begin as soon as we're  
3 concluded today. This is our chance at it, and then we'll  
4 be out of the discussions for awhile while the parties  
5 work it through.

6 MR. GOODWIN: Madam Chairman?

7 CHAIRMAN IGNATIUS: Yes, Mr. Goodwin.

8 MR. GOODWIN: I don't mean to belabor  
9 it, but could I just clarify one point that I think is  
10 important for your understanding --

11 CHAIRMAN IGNATIUS: All right.

12 MR. GOODWIN: -- on LEDs? The Mayor  
13 spoke to a "one to two-year payback". I've done a fair  
14 amount of analysis on it, and LEDs don't have a short  
15 payback. It tends to be more in the seven to ten year  
16 range, unless you can get some funding up front to help  
17 pay for the capital. And, so, there have been other  
18 jurisdictions and other municipalities that have had  
19 opportunities for federal grants, state grants, perhaps  
20 some energy efficiency funding. When you get those types  
21 of grants that write down the upfront capital, then it  
22 turns into a one, two, three year payback, depending on  
23 the amount.

24 But, just so that you're clear, absent

1 those types of incentives, LEDs have closer to a seven to  
2 ten year payback, which is a significant concern of the  
3 Company's, because I think that there is a perception,  
4 just as the Mayor has suggested here, that there's some,  
5 you know, phantom economics to the opportunities. There  
6 are opportunities, but it's not the panacea that I think  
7 is generally understood.

8 CHAIRMAN IGNATIUS: Well, and I think  
9 it's worth everyone keeping in mind that the Legislature,  
10 just in this past session, required that \$2 million be set  
11 aside each year for municipal energy efficiency programs  
12 built into the CORE programs. This is with RGGI money  
13 that's supplementing the System Benefits Charge funds.  
14 And, how those municipal funds will be divvied up remains  
15 to be seen, but it's a tremendous influx of cash year  
16 after year after year. And, I don't think it's already  
17 been defined how it will be spent, and thus some of this  
18 could be, you know, as you're saying, sort of buying down  
19 some of the costs of those fixtures conceivably could be a  
20 good program to put towards. So, I think it would be  
21 helpful for everyone within the City to be sure you know  
22 about that program.

23 MAYOR GATSAS: We do.

24 CHAIRMAN IGNATIUS: And, probably a lot

1 of potential uses for those funds that they're going to be  
2 competing for it, but could add lighting to the list.

3 We're then going to conclude this  
4 hearing, and ask the Staff to kind of manage discussions  
5 with the Company and the City on next steps, how we work  
6 towards a resolution that is timely, but gives the time  
7 needed. I want to, I think, take a little responsibility  
8 in authorizing an order of notice that was very fast in  
9 getting to a hearing. And, I think hearing today how  
10 complex this is, I think that was a mistake on our part.  
11 Even if the City had moved to intervene back in November,  
12 the fact is, this is more complex than I was fully  
13 appreciating, and we probably should not have jumped  
14 immediately to a hearing on the merits in early December.  
15 So, live and learn.

16 And, hopefully, fairly soon we'll be  
17 back again for resolution, where there is enough  
18 understanding of all of the details and the impacts, with  
19 an eye towards still getting to something that's fairly  
20 prompt and brings opportunities to municipalities that  
21 want to. And, it may not be the end of the discussion.  
22 It may be that it's just one more phase of this, with more  
23 to come in future cases, and with further refinements of a  
24 tariff. But I'll leave that to all of you to explore.

1                   So, thank you for your attention and  
2 being, you know, understanding that this was a little bit  
3 of an odd morning this morning.

4                   **(Whereupon the hearing was adjourned at**  
5                   **11:31 a.m.)**

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