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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 16, 2013 - 11:07 a.m.
Concord, New Hampshire

NHPUC JAN03'14 PM 2:55

RE: DE 13-275
PUBLIC SERVICE OF NEW HAMPSHIRE:
*Proposed Default Energy Service Rate
for 2014.*

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

Sandy Deno, Clerk

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Reptg. Conservation Law Foundation:
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Thomas C. Frantz, Director/Electric Division

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

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P R O C E E D I N G

CHAIRMAN IGNATIUS: I'd like to open the hearing in Docket DE 13-275. This is Public Service Company of New Hampshire's submission for changes to the Energy Service rate. We had a filing made earlier in the year, and I can't find the date, establishing a proposed rate, that was then updated on December 12th, 2013. The original came in -- thank you, Commissioner Scott -- came in September 27th, 2013, and had an update in October because of an ISO issue, and then we had the December 12th, 2013 submission as well.

So, let's begin first with appearances.

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

CHAIRMAN IGNATIUS: Good morning.

MR. MUNNELLY: Good morning, Commissioners. Robert Munnelly, from North American Power, with me is Ken Traum.

CHAIRMAN IGNATIUS: Good morning.

MR. COURCHESNE: Good morning, Commissioners. Christophe Courchesne, staff attorney for the Conservation Law Foundation.

CHAIRMAN IGNATIUS: Good morning.

1 MR. COURCHESNE: Good morning.

2 MS. CHAMBERLIN: Good morning,
3 Commissioners. Susan Chamberlin, Consumer Advocate for
4 the residential ratepayers, and with me today is Stephen
5 Eckberg.

6 CHAIRMAN IGNATIUS: Good morning.

7 MS. AMIDON: Good morning. Suzanne
8 Amidon, for Commission Staff. To my left is Steve Mullen,
9 the Assistant Director of the Electric Division, and to
10 his left is Tom Frantz, the Director of the Electric
11 Division.

12 CHAIRMAN IGNATIUS: Good morning. And,
13 welcome, everyone. Do we have anything to take up before
14 we begin with evidence? Ms. Amidon.

15 MS. AMIDON: Commissioners, I'd just
16 like to point out that there is a pending motion for
17 confidential treatment with respect to some data responses
18 that was filed by the Company on December 5th.

19 CHAIRMAN IGNATIUS: Thank you. And,
20 this is a filing that addresses an OCA data request and
21 some market information in the response, on one aspect of
22 the motion, another aspect of the motion regards certain
23 information within a review of costs submitted by PSNH.
24 We have reviewed the motion. We don't need to hear the

1 motion restated, because we've read it. But are there any
2 responses to the request for confidential treatment?

3 Mr. Munnelly?

4 MR. MUNNELLY: We didn't take a position
5 on that.

6 CHAIRMAN IGNATIUS: All right. Mr.
7 Courchesne?

8 MR. COURCHESNE: Neither did we.

9 CHAIRMAN IGNATIUS: Does OCA have a
10 position on the motion?

11 MS. CHAMBERLIN: No. Just that it's
12 PSNH's burden to show that it is confidential, otherwise
13 it should be available to the public.

14 CHAIRMAN IGNATIUS: Ms. Amidon?

15 MS. AMIDON: Based on a review of the
16 motion and the related information, we find it's
17 information for which the Commission has in the past found
18 confidential treatment, and, on that basis, we don't
19 object to the motion.

20 CHAIRMAN IGNATIUS: Thank you. We, both
21 Commissioner Scott and I, are comfortable that it meets
22 the test required, and that it is the sort of thing that
23 the statute anticipates being protected from public
24 disclosure. So, we will grant the motion.

[WITNESS PANEL: Chung~White]

1 Anything further before testimony?

2 (No verbal response)

3 CHAIRMAN IGNATIUS: If not, what's the
4 plan in terms of presentation of witnesses?

5 MR. FOSSUM: The Company was intending
6 to call a panel of Mr. Chung and Mr. White to testify this
7 morning. As for other witnesses, that we would leave to
8 the other parties to address their testimony as they see
9 fit.

10 CHAIRMAN IGNATIUS: All right. All
11 right. And, then, after the Company's panel of two
12 witnesses, Mr. Munnelly, would you put Mr. Traum on?

13 MR. MUNNELLY: That was the plan, yes.

14 CHAIRMAN IGNATIUS: And, then, Mr.
15 Mullen will be testifying finally?

16 MS. AMIDON: Madam Chairman, we'd like
17 to mark Mr. Mullen's testimony for identification. But,
18 in fact, in its update, the Company responded to the two
19 issues which Mr. Mullen identified in his testimony. And,
20 therefore, we would mark the testimony for identification,
21 but we would only present Mr. Mullen as a witness if there
22 were other people who had questions for him.

23 CHAIRMAN IGNATIUS: All right. So, we
24 can take that in order when we get there. And,

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[WITNESS PANEL: Chung~White]

1 Mr. Eckberg, you did not file testimony, correct?

2 MS. CHAMBERLIN: Correct.

3 CHAIRMAN IGNATIUS: All right. Then,
4 why don't we begin with Mr. Chung and Mr. White.

5 (Whereupon **Eric H. Chung** and
6 **Frederick B. White** were duly sworn by
7 the Court Reporter.)

8 MR. FOSSUM: Commissioners, before I
9 proceed, one other clarification I wanted to bring up is,
10 in the prior hearing that we had just a short while ago on
11 the Stranded Cost Charge, PSNH introduced an exhibit, the
12 December 12th update, as what was marked ultimately as
13 "Exhibit 2" in that docket. I don't know whether the
14 Commissioners would prefer to assign it an individual
15 docket -- or, I'm sorry, exhibit number for this hearing
16 specifically, or whether it would be more appropriate, in
17 your view, to simply refer to that document that was
18 previously filed. We're comfortable in either way. I
19 just want to make sure that it was not administratively
20 difficult.

21 CHAIRMAN IGNATIUS: I think it would be
22 best to separately mark it. We can use the copy, we don't
23 need to redistribute copies, and just make note in our
24 personal files where it's located. And, since you

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[WITNESS PANEL: Chung~White]

1 submitted an additional one with pagination, I actually --
2 it makes it easy to have one in each file. So, why don't
3 we separately mark the December 12th update as an exhibit.
4 And, I'll let you do it in the order that you choose.

5 MR. FOSSUM: Certainly. And, I'll
6 represent, before I begin, also that I've distributed the
7 updated copies with pagination to the parties in this
8 docket.

9 CHAIRMAN IGNATIUS: All right. Thank
10 you.

11 MR. FOSSUM: So, they all presently have
12 copies of that document.

13 **ERIC H. CHUNG, SWORN**

14 **FREDERICK B. WHITE, SWORN**

15 **DIRECT EXAMINATION**

16 BY MR. FOSSUM:

17 Q. With that said, Mr. Chung, could you state your name
18 and place of employment and responsibilities for the
19 record please.

20 A. (Chung) Sure. My name is Eric Chung. I am the
21 Director of Revenue Requirements for New Hampshire and
22 Massachusetts at Northeast Utilities. I'm based
23 primarily in Westwood, Massachusetts.

24 Q. And, do you have certain responsibilities relative to

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[WITNESS PANEL: Chung~White]

1 Public Service Company of New Hampshire?

2 A. (Chung) Yes. I oversee all regulatory activity related
3 to updating our financial requirements in New Hampshire
4 and Massachusetts.

5 Q. Thank you. And, have you previously testified before
6 this Commission?

7 A. (Chung) Yes. This morning, during Docket DE 13-274.

8 Q. It's a standard question I have. I'm sorry. And,
9 Mr. White, could you state your name and place of
10 employment and your responsibilities for the record
11 please.

12 A. (White) My name is Frederick White. And, I'm a
13 Supervisor in the Electric Supply Department at
14 Northeast Utilities Service Company. My
15 responsibilities include analysis of the power supply
16 portfolio for PSNH's service of energy service and
17 reconciliation of costs.

18 Q. And, have you previously testified before this
19 Commission?

20 A. (White) Yes, I have.

21 Q. Now, Mr. Chung, did you file testimony in this docket
22 back on September 27th?

23 A. (Chung) Yes, I did.

24 Q. And, was that testimony prepared by you or under your

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[WITNESS PANEL: Chung~White]

1 direction?

2 A. (Chung) Yes, it was.

3 Q. And, do you, at present, have any changes or
4 corrections or updates to that testimony?

5 A. (Chung) No. I don't have any updates.

6 Q. And, that testimony is true and accurate to the best of
7 your knowledge and belief today?

8 A. (Chung) Yes.

9 MR. FOSSUM: With that, I would mark the
10 September 27th filing as the first exhibit for
11 identification in this docket.

12 CHAIRMAN IGNATIUS: So marked.

13 (The document, as described, was
14 herewith marked as **Exhibit 1** for
15 identification.)

16 BY MR. FOSSUM:

17 Q. And, Mr. Chung, did you file supplemental testimony in
18 this docket on October 11th?

19 A. (Chung) Yes, I did.

20 Q. And, was that testimony also prepared by you or under
21 your direction?

22 A. (Chung) Yes, it was.

23 Q. And, do you have any changes or updates to that
24 testimony today?

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[WITNESS PANEL: Chung~White]

1 A. (Chung) No. That testimony on October 11th is accurate
2 to the best of my knowledge.

3 MR. FOSSUM: Thank you. With that, I
4 would offer Mr. Chung's supplemental testimony of October
5 11th as "Exhibit 2" for identification in this docket.

6 CHAIRMAN IGNATIUS: So marked.

7 (The document, as described, was
8 herewith marked as **Exhibit 2** for
9 identification.)

10 MR. FOSSUM: And, as we had discussed
11 with the Commissioners, the next item that I would offer
12 for identification, as what would become "Exhibit 3",
13 would be the December 12th update. Unless the
14 Commissioners wish to have Mr. Chung specifically identify
15 the document, then I will just submit that it's the same
16 document that was presented in 13-274 as "Exhibit 2". It
17 would be "Exhibit 3" in this docket.

18 CHAIRMAN IGNATIUS: Thank you. That's
19 sufficient. So marked.

20 (The document, as described, was
21 herewith marked as **Exhibit 3** for
22 identification.)

23 BY MR. FOSSUM:

24 Q. Now, Mr. Chung, could you very briefly describe the

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[WITNESS PANEL: Chung~White]

1 Company's proposals as they have been made through the
2 -- up through the technical statement that was
3 submitted on December 12th that has been identified as
4 "Exhibit 3" in this docket.

5 A. (Chung) I'm sorry. Would you like me to focus on the
6 December 12th submission?

7 Q. Yes. I think that would be -- that would be most
8 helpful. Certainly, if other parties have other
9 questions, or if the Commissioners would prefer a
10 different method, we could do that. But, for now, I
11 would say to focus on the submission, the technical
12 statement submission, because that is the most recent
13 request of the Company.

14 A. (Chung) Sure. I will keep this summary brief and speak
15 to the technical statement. So, to back up briefly, on
16 October 11th, PSNH filed a preliminary 2014 ES rate of
17 8.99 cents per kilowatt-hour, to be -- to take effect
18 January 1st, 2014. In our update submitted December
19 12th, 2013, we calculated an updated rate of 9.23 cents
20 per kilowatt-hour. And, that's an increase of 0.24
21 cents per kilowatt-hour. The increase of 0.24 cents
22 per kilowatt-hour is generally related to changes in
23 O&M. It's also changes in sales based on an updated
24 actual migration number as of the end of October 2013.

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[WITNESS PANEL: Chung~White]

1 And, we can go into further details on some of the
2 other components, but, at the high level, those are the
3 main drivers.

4 I'll add one other thing. As we --
5 based on the testimony of Staff in this proceeding, we
6 made an update to the RGGI Auction refund and followed
7 their guidance in terms of removing a refund amount of
8 \$3.05 million, and that was pursuant to the guidance
9 from Staff.

10 Q. Thank you. Now, Mr. Chung, has the Company prepared a
11 document outlining the various changes to the rates
12 that would -- oh, I'm sorry. I shouldn't testify to
13 it, I'll ask about it. Mr. Chung, I'd like to show you
14 a document please. Would you identify that document
15 very briefly.

16 A. (Chung) Yes. This is a document that the Company has
17 prepared documenting the proposed rate changes to take
18 effect January 1st, 2014.

19 Q. And, this document covers more than just the Energy
20 Service rate that's proposed in this proceeding, is
21 that correct?

22 A. (Chung) Yes. This document covers changes across the
23 different rate classes due to contributions from Energy
24 Service, as well as SCRC.

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[WITNESS PANEL: Chung~White]

1 MR. FOSSUM: Thank you. With that, I
2 would offer this document as the next exhibit, "Exhibit 4"
3 in this proceeding for identification.

4 CHAIRMAN IGNATIUS: And, this has been
5 made available to all of the parties?

6 MR. FOSSUM: Yes. It was just now
7 distributed.

8 CHAIRMAN IGNATIUS: Thank you. We'll
9 mark that then for identification as "Exhibit 4".

10 (The document, as described, was
11 herewith marked as **Exhibit 4** for
12 identification.)

13 BY MR. FOSSUM:

14 Q. And, Mr. Chung, could you just very briefly describe
15 the various changes that are proposed and shown on this
16 document.

17 A. (Chung) Sure. And, I believe this is a format that
18 folks in the room have seen before. We have the total
19 retail revenue percentage change on Page 1, broken out
20 by class. For example, "Residential Rates", "General
21 Service Rates", and so forth. Going across, we have
22 those classes, with their rate and revenue
23 contributions according to categories, such as
24 "Distribution", "Transmission", "SCRC", "Energy

[WITNESS PANEL: Chung~White]

1 Service", and so forth. What I'd highlight on this
2 Page 1 is the "Total Delivery Service" change, in the
3 bottom total row, where it says "Total Retail" is "3.4
4 percent", the "Energy Service" increase is
5 "7.08 percent", and the "Total Revenue" increase is
6 "5.49 percent".

7 And, I will briefly walk you through the
8 next couple of pages. Page 2 is the rate change
9 expressed as a share of the total revenue for each
10 class. And, what this is meant to do is break down the
11 "Total Revenue" column, in the far right, according to
12 the contribution from the SCRC versus the Energy
13 Service rate. For example, on the first row,
14 "Residential Rate R", you can see the "SCRC" column has
15 "1.39 percent", the "Energy Service" rate has
16 "3.57 percent", and that sums to the "Total Revenue" of
17 "4.96 percent". And, it goes on through the rest of
18 the exhibit. And, then, the final page is a typical
19 bill comparison. And, we've highlighted the monthly
20 kilowatt-hours of "625" as the average customer --
21 customer usage. And, you can see the increase in
22 dollars and general percentage for that monthly
23 kilowatt-hour throughout that table. So, those are the
24 exhibits on this -- oh, excuse me, those are the pages

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1 of this exhibit.

2 Q. And, just for clarification, the calculations that were
3 done here were done using the rates as proposed for the
4 stranded cost in Docket 13-274, as well as the Energy
5 Service cost as proposed by the Company in this docket,
6 is that correct?

7 A. (Chung) That's correct.

8 MR. FOSSUM: Thank you. And, with that,
9 I would make them -- oh, no. Not quite yet. I apologize.

10 BY MR. FOSSUM:

11 Q. Now, Mr. Chung, you had stated that there was a change
12 in the -- or, that the Company's filing responded to
13 items raised in the Staff's testimony. Have you
14 reviewed the testimony of both -- of the other parties
15 to this docket?

16 A. (Chung) Yes, I have.

17 Q. Including both Staff and North American Power & Gas, is
18 that correct?

19 A. (Chung) That's correct.

20 Q. Does the Company have any response to the issues --
21 you've already described the response of the Company to
22 the issues raised in Staff's testimony. Does the
23 Company have any initial response to the issues raised
24 in the testimony of North American Power?

[WITNESS PANEL: Chung~White]

1 A. (White) One of the issues that was raised was to
2 discuss the PSNH's participation in the Winter
3 Reliability Program that's been implemented by ISO-New
4 England for the December 2013 through February 2014
5 period. That total cost, on a region-wide basis at the
6 ISO level, is 75 million, estimated in our filing is
7 the ES share of that cost of 2.2 million. The ISO had
8 targeted 2.4 million megawatt-hours through this
9 program. They didn't acquire quite that much. But,
10 again, what's in our filing is 2.2 million of cost to
11 ES customers.

12 Through discussion of the program
13 internally, a decision was made to offer the Newington
14 unit into this program on behalf of PSNH customers.
15 PSNH did so, and was awarded, through the bidding
16 process, a contract, which would provide 4.8 million in
17 revenues to PSNH for Newington's participation, which
18 was as a dual fuel unit, and an agreement to have
19 available 215,000 barrels of oil for use during the
20 three-month period of the program.

21 In deliberating our participation, some
22 risks were identified associated with participation.
23 And, in recognition of those risks, the full
24 4.8 million of revenue has not been included in our

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[WITNESS PANEL: Chung~White]

1 rate update. We've included 3.4 million, as, to say
2 again, as recognition -- a reduction due to recognition
3 of those risks. So, there's 3.4 million of benefit
4 included in our rate filing associated with
5 participation with our Newington unit.

6 Q. Mr. White, if I may interrupt for a moment. Is that,
7 the discussion that you've just given regarding the
8 Winter Reliability Program, that is in response to an
9 issue raised in Staff's testimony, is that correct?

10 A. (White) Staff raised an issue and asked us to address
11 some more details associated with our participation in
12 the program.

13 Q. Thank you.

14 A. (White) And, there is a discussion of that in the tech
15 statement, which I've basically just summarized.

16 Q. Thank you. I just wanted to clarify the source of that
17 discussion.

18 A. (White) All right.

19 Q. And, with that, for Mr. Chung or Mr. White, who may be
20 appropriate, does the Company have a response to the
21 issues raised in the other testimony submitted in this
22 docket?

23 A. (White) In the NAPG testimony, the issue was raised
24 about an assumed migration rate going forward, and the

[WITNESS PANEL: Chung~White]

1 idea of trending experienced migration levels forward
2 into the forecast period to establish the rate. We
3 have not done that over the past several years. The
4 main reason being that we believe it's problematic to
5 make an assumption about where migration may go beyond
6 which what we already know. It could lead to a
7 self-fulfilling prophesy, where, if you assume more
8 migration, it will drive the rate up, which will
9 further incent additional migration. Likewise, if you
10 were to assume a lower rate of migration than what we
11 know has occurred, you would lower the rate and incent
12 a return to ES service and make the forecast of lower
13 migration, sort of incent that to occur in actuality.
14 So, you've got this -- you can drive a self-fulfilling
15 prophesy.

16 We don't believe it's a good idea to do
17 that in setting a rate. It unduly influences customer
18 behavior. And, it's certainly a rate that energy
19 marketers sell against. Also, given the fact that we
20 update the rate every six months, it's not a long
21 period of time between updates. That's an update, and
22 the rate update, along with many other factors that get
23 updated. And, it's also -- experience has shown that
24 it's often weather deviations from normal actually lead

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[WITNESS PANEL: Chung~White]

1 to greater differences in sales levels than any error
2 in the assumed migration rate in the rate.

3 Given all that, and the fact that the
4 rate is reconciled at the end of the year to actual
5 costs, again, we feel it's problematic, if you were to
6 assume something other than what is already known at
7 the time of rate setting, to avoid any self-fulfilling
8 prophesy and influence customer behavior.

9 There was also a notion mentioned about
10 our ability to forecast migration. Some of our other
11 forecasts, our sales forecast, for instance, rely on
12 information provided from external sources. Such as
13 projections of economic activity in the state and on a
14 national level, things such as projected employment
15 levels, general information available, again, through
16 external sources, on economic -- anticipated economic
17 activity in the state. That's what drives, for
18 example, our sales forecast. We don't have that type
19 of information available to us, on customer behavior,
20 nor on energy suppliers' marketing plans that have been
21 used in the past or what they're going to utilize going
22 forward.

23 So, it would be kind of taking a shot at
24 where migration might be headed. We're not aware of

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[WITNESS PANEL: Chung~White]

1 pertinent data available to really do a rigorous
2 forecast in this regard. So, those are some of the
3 viewpoints with regard to that testimony.

4 Q. Thank you. And, in light of all that, has the Company
5 maintained its use of the most recent actual known
6 migration rate in setting the proposed rate for this
7 morning?

8 A. (White) We have. At the time of the filing, the most
9 recent available information was through the end of
10 October of 2013. And, what's been used in the filing
11 is 53.7 percent migration. As a point of information,
12 we're a few weeks down the road now, we do have the
13 data through November of 2013. And, statistic, through
14 November, is 52.7 percent migration. It dropped
15 1 percent.

16 Q. But, for clarification, the Company is not proposing to
17 use that more recent number in this filing?

18 A. (White) No. As I said, at the time of the filing, we
19 used the most recent available factual data, and we're
20 not proposing any change from what's in the filing.

21 MR. FOSSUM: Thank you. And, with that,
22 the witnesses are available for cross.

23 CHAIRMAN IGNATIUS: Thank you.

24 Mr. Munnelly.

1 MR. MUNNELLY: Sure. Thank you.

2 **CROSS-EXAMINATION**

3 BY MR. MUNNELLY:

4 Q. I'm going to start on the migration point, if I could.
5 Can you just, I don't know if this is probably
6 directed, you know, to Mr. White, given that he just
7 gave the update, and certainly Mr. Chung can chime in,
8 if he so chooses, on that.

9 Can you just again explain briefly why
10 migration is separately tracked in the Company's
11 filing, including that they put in a separate paragraph
12 breaking out migration in the testimony you filed at
13 the outset of the case?

14 A. (White) I'm not sure I understand the question. Could
15 you restate it?

16 Q. Sure. Just try to explain why is migration relevant to
17 the Default Service rate, just speaking generally.

18 A. (White) In determination of the rate, it is essentially
19 the denominator by which the revenue requirement is
20 divided to arrive at the rate.

21 Q. Okay. So, in other words, if migration increases, is
22 it true that there are then fewer customers to pay the
23 fixed costs of PSNH's generation costs?

24 A. (White) Yes. That's correct. The fixed costs are

[WITNESS PANEL: Chung~White]

1 spread over the sales projection.

2 Q. Okay. And, with fewer costs on the -- fewer customers,
3 fixed costs, that tends to increase the rate, all other
4 things being equal?

5 A. (White) That's correct.

6 Q. Okay. And, migration can certainly have an impact on
7 the rate. I note that in the -- I draw your attention
8 to the update in Paragraph E.

9 CHAIRMAN IGNATIUS: So, are you --
10 there's two different updates. Which document are you
11 referring to?

12 MR. MUNNELLY: This is the one that was
13 "Exhibit 3". The one that was filed last week.

14 BY MR. MUNNELLY:

15 Q. And, in Paragraph E, I think that notes that there was
16 an 8.3 million decrease in revenue as a result of the
17 increased migration that Mr. White just mentioned in
18 his update. Is that correct?

19 A. (White) Yes. That's correct.

20 Q. So, I think you went through this, but let me just see
21 if I can summarize on that. So, the way the Company
22 has perceived it is that it gets the latest available
23 data at the end of a year, and then uses that for the
24 next six months in the rate calculation?

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[WITNESS PANEL: Chung~White]

1 A. (White) Yes. At the end of a -- it's typically
2 summarized at the end of a month. So, whatever the
3 latest data is available, that's what we've used in the
4 rate forecast.

5 Q. Okay. And, that remains in place until the mid year
6 adjustment?

7 A. (White) Yes.

8 Q. Okay. And, then, at that point, you, again, take the
9 latest available data and work it into the -- and use
10 that migration figure in setting the rate for the next
11 six months after that?

12 A. (White) That's correct. And, that's been the practice.
13 We update it for preliminary filings, and update it
14 again for the final rate setting.

15 Q. If you look at Mr. -- do you have Mr. Traum's
16 testimony?

17 A. (White) Yes. I believe so.

18 Q. I'm going to direct your attention to what's been
19 marked as "Attachment 2".

20 MR. MUNNELLY: And, I should note to the
21 Commission and for the record, actually, there's an error
22 here that Mr. Traum will cover when he gets up on the
23 stand. But what's been marked as "Attachment 2" is
24 actually what should have been "Attachment 3". Attachment

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[WITNESS PANEL: Chung~White]

1 2 is the -- is Mr. Traum's trendline for the ES filing
2 percentages. And, what the cover note says that it's the
3 one for the migration percentage used in Docket DE 06-125.

4 CHAIRMAN IGNATIUS: So, which of the
5 attachments are you asking us to take a look at right now?

6 MR. MUNNELLY: Looking right now what's
7 been -- what's in his testimony as "Attachment" --
8 Mr. Traum's testimony as "Attachment 2".

9 CHAIRMAN IGNATIUS: All right. Which is
10 entitled "PSNH monthly migration trendline per ES
11 filings"?

12 MR. MUNNELLY: That's correct.

13 CHAIRMAN IGNATIUS: Thank you.

14 MR. MUNNELLY: Thank you. And, again,
15 Mr. Traum will correct that, and I apologize for the error
16 on that.

17 BY MR. MUNNELLY:

18 Q. Okay. Looking at that, I just want to just put this --
19 just not real numbers on this for a second. So, if
20 we're going to try to do the 2012 rate year, am I
21 correct that the Company would have used the
22 November 2011 figure of 34 percent, and that would have
23 been in effect the first half of the year for 2012?

24 A. (White) I don't remember the exact timing, but

[WITNESS PANEL: Chung~White]

1 something along those lines, yes.

2 Q. Okay. And, then, the -- and, then, there's the -- you
3 would have used the May 2012 figure of 38 percent for
4 the second half of the year?

5 A. (White) I see what you're looking at, yes. Yes.

6 Q. Okay. Okay. Now, -- yes. So, you note that the
7 migration did, in that particular instance, increase
8 4 percent, from the rate used at the beginning of the
9 year to the midterm adjustment, correct?

10 A. (White) Yes. It has been increasing through time.

11 Q. And, was the result of that, by the time you got to the
12 end of the year, did that result in an undercollection?

13 A. (White) If --

14 Q. All other things being equal, I should add.

15 A. (White) Yes. All other things being equal, if you were
16 to isolate that factor, I believe that would be the
17 outcome. As I said, there are many updates that occur
18 every six months, this is among them. But, if you
19 isolate it, that would be the expected effect.

20 Q. Okay. And, you had a -- looking, keep running down the
21 numbers in the chart. So, if you look at, again, the
22 difference from the 38 percent to the -- was the next
23 update to that be "42.5" on that chart, the one for
24 November 2012?

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[WITNESS PANEL: Chung~White]

1 A. (White) Yes. I see that.

2 Q. Okay. And, so that, when you got to the end of 2012,
3 would there again be an undercollection, because of
4 the --

5 A. (White) It would just --

6 Q. Sorry. Because of the migration, all other things
7 being equal?

8 A. (White) All other things being equal, yes, that's
9 correct. I guess the only point I'd like to make is,
10 this is not necessarily the greatest driver of rate
11 changes.

12 Q. Yes. Understood.

13 A. (White) But, isolating all other factors, what you're
14 stating I would agree with.

15 Q. Okay. And, it's not just the way that the rates,
16 again, I'm not going to go into future years, I'm sure
17 we don't want to go down that way. But is it fair to
18 say that it's not like when you have this type of
19 situation where you have an undercollection, it's not
20 like PSNH is then going to have some type of catch-up
21 on the rate? In other words, it wouldn't go, instead
22 of using the 38 percent at midyear, it wouldn't jump up
23 to 40, to be able to make up for the undercollection
24 going forward?

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[WITNESS PANEL: Chung~White]

1 A. (Chung) I'm not following the question. Could you
2 repeat it please?

3 Q. Sure. It's a -- well, put it this way, I mean, right
4 now, it seems to be a bit of a lag. You have, by the
5 end of the -- you get to 38 percent, you have an
6 undercollection, you catch up, correct?

7 A. (White) Well, any under or overcollection of the rate,
8 whether it's due to a change in migration or a change
9 in market costs or a change in unit operations or a
10 regulatory change, and things other than power markets,
11 all those over/under recoveries are factored into the
12 calculation of the rate for the following period,
13 typically, the following six-month period. So, in this
14 rate, there is an assumption of where over/under
15 recoveries will be at the end of 2013, and that amount
16 is included in the 2014 rate. Does that get to your
17 question or --

18 A. (Chung) And, just to emphasize what he's saying, for
19 example, if referring to the over/under recovery in
20 2013 that we put in this filing, on Page 7 of 36, Line
21 -- excuse me -- Line 28, it is a net under recovery of
22 "103,000". And, so, it's, from a rate perspective,
23 it's a very, very small amount. So, in this particular
24 case, all of the factors, whether it's migration or

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[WITNESS PANEL: Chung~White]

1 other changes, have resulted in something that's a very
2 minimal over/under recovery. So, I'm not sure I could
3 say, any given year, the all else equal is something we
4 can really evaluate. In this case, it didn't result in
5 the trend you're discussing.

6 Q. Well, I guess, let me just -- are you saying that
7 the -- that was a net number, you're talking migration,
8 plus all of the factors --

9 (Court reporter interruption.)

10 MR. MUNNELLY: Sorry. It is on. I
11 wasn't close enough.

12 BY MR. MUNNELLY:

13 Q. Let me try that one again, see if that works better.
14 You're just talking then as a net matter, that there
15 was a small adjustment, is that what you're saying?

16 A. (Chung) Not an adjustment. It's the -- I'm citing the
17 line in the exhibit, which is the net, the small under
18 recovery amount.

19 Q. Okay. But it's a net figure. You're talking
20 migration, plus other factors?

21 A. (Chung) Yes.

22 Q. Okay. But, if you isolated migration, it would not be
23 such a small amount?

24 A. (Chung) I don't think it's possible to suggest that

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[WITNESS PANEL: Chung~White]

1 that would be the case.

2 Q. Have we had a period over the past three years in which
3 there's not been an undercollection with respect to
4 migration?

5 A. (White) I'm not sure I can answer that. That's a
6 figure that's not analyzed.

7 Q. Okay. Well, I think we just walked through, in terms
8 of the 2012 year, that when you went from 34 to 38, you
9 thought that there was likely an undercollection there?

10 A. (Witness White nodding affirmatively).

11 Q. Okay. And, you had -- and, we talked --

12 CHAIRMAN IGNATIUS: Excuse me. That's
13 not what I recall his answer being. You said, "if all
14 other things being equal, a greater migration would result
15 in an under recovery." But I thought Mr. White continued
16 to say "that's true, as a matter of principle", but that
17 there are so many factors, he was only agreeing that,
18 theoretically, that's the case. And, you just tried to
19 turn that into a statement that "migration caused an under
20 recovery." So, let's just be clear about what exactly it
21 is that you're asking and what the answers are.

22 BY MR. MUNNELLY:

23 Q. I think my focus was, and he can correct me if I'm
24 wrong, I think the focus is, you know, if you do

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1 isolate migration, that factor alone, then that would
2 -- the change from 34 to 38 would result in an under
3 recovery. Is that true?

4 A. (Chung) Well, only -- I guess to reiterate what I was
5 suggesting before, is that, if you're changing the
6 amount of load, you necessarily have to change some of
7 the other factors that go into the revenue requirement,
8 in which case I don't -- I'm not sure it's fair to
9 suggest that, the all else equal, we could -- we would
10 have a vast undercollection.

11 Q. Okay. Well, it certainly was -- and, I believe, based
12 on your filing, the updated filing, we mentioned, in
13 Paragraph E, I think you mentioned in that that there
14 was a net impact of the migration change, correct?

15 A. (Chung) Yes. We mentioned that there's -- that the
16 migration, offset by other costs, which are related to
17 migration, are -- had resulted in the change in the
18 over/under recovery amount. And, that's due to the
19 103,000 that I mentioned before.

20 Q. Yes. So, this one in particular, focusing on Paragraph
21 E, based on the migration, I believe you're -- what
22 you're saying here is that the revenues decreased
23 8.3 million, and then there was some offsetting cost
24 savings of 3.1 million, is that correct?

[WITNESS PANEL: Chung~White]

1 A. (White) Yes. It's a fairly generalized statement.
2 Again, things, in addition to migration, impact sales
3 levels; customer behavior, just within internal
4 operations at their facilities or homes, and weather
5 events. But, included in this general statement, you
6 are correct, is a change in migration.

7 Q. Okay. And, it's a -- and, it's a potentially
8 significant change, correct?

9 A. (White) Perhaps. It's in the eye of the beholder, I
10 guess. There can be many "significant" changes that
11 impact the rate change.

12 MR. MUNNELLY: One moment.

13 (Atty. Munnelly conferring with Mr.
14 Traum.)

15 BY MR. MUNNELLY:

16 Q. Just focusing, Mr. White, in on the update you just
17 gave in terms of your recommendations and comments on
18 the testimony, where you noted that you didn't think it
19 was a good idea to include an increase of the migration
20 factor for purposes of these rates. Is there anything,
21 I mean, from a ratemaking standpoint, is there anything
22 wrong with doing some type of conservative forecast for
23 migration that's above what you estimate?

24 A. (White) Well, again, it unduly influences customer

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[WITNESS PANEL: Chung~White]

1 behavior. I mean, certainly, energy marketers look at
2 the ES rate and sell against it. And, if you make an
3 assumption that drives the rate either higher or lower,
4 an assumption not based on facts or accurate knowledge
5 of what may or may not happen in the future, you are
6 influencing -- you are sending a price signal to the
7 market that will have an impact. We feel it's
8 problematic to influence behaviors with a price signal,
9 based on assumptions that we don't feel can be robustly
10 forecast.

11 Q. Okay. And, you're not -- and, the fact that we've had
12 -- I'm correct that we've had, and Mr. Traum has done
13 it in his testimony, but there's a pretty strong
14 trendline that migration has been increasing over the
15 past several years, is that correct?

16 A. (White) I would agree that the trend in migration has
17 had an upward slope, with monthly variation, over a few
18 years, yes. Yes.

19 Q. Okay. So, a -- and, if you did increase the rate,
20 again, an increase with some level of conservatism in
21 it, what would end up happening perhaps is that it
22 would reduce the amount of undercollection that you've
23 seen, if you isolated that for migration?

24 A. (White) You may increase under recoveries by

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[WITNESS PANEL: Chung~White]

1 influencing customers to migrate beyond a level which
2 they would have otherwise done.

3 Q. But isn't it also true that, by taking the Company's
4 approach, it has depressed the price of the Energy
5 Service rate somewhat, which also would have customer
6 impacts?

7 A. (Chung) Let me suggest that it's not -- we're not
8 talking about a Company approach. This is an approach
9 that has been blessed in a proceeding that has been
10 worked in progress over many, many years. So, I
11 wouldn't say it's strictly a Company approach. This
12 is, you know, a PUC-blessed approach.

13 I'd also say, I'm not sure I would agree
14 with your answer. For example, as Mr. White testified,
15 at the end of November migration was 52.7 percent,
16 which has decreased from the current -- excuse me --
17 the rate used in the current filing. Following Mr.
18 Traum's trendline, we wouldn't have missed that change
19 that does occur -- in other words, we would have
20 increased it going up, versus capturing it going down.
21 So, I'm not sure, you know, I'm not sure that would
22 have been accurate -- more accurate for the market than
23 what the PUC has blessed in this proceeding.

24 MR. MUNNELLY: Well, certainly, the -- I

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[WITNESS PANEL: Chung~White]

1 don't mean to suggest that this is not -- this is not
2 something that has been approved by the PUC before.
3 Certainly, we're making the argument to the Commission for
4 a change in this case. We appreciate that.

5 Okay. Just to move -- I think that's
6 all I had. Thank you.

7 CHAIRMAN IGNATIUS: Thank you.

8 Mr. Courchesne.

9 MR. COURCHESNE: Thank you very much. I
10 have a couple of brief questions.

11 BY MR. COURCHESNE:

12 Q. And, I would refer to Exhibit 3, the update. And, I
13 would refer to Page 10 of 36. This is the attachment
14 -- this is Page 10 of 36 of Exhibit 3, showing "PSNH
15 generation and expense".

16 A. (White) EHC-2, Page 3, correct?

17 Q. Correct.

18 A. (White) All right.

19 Q. Could you, either of you, explain how the projections
20 of utilization of PSNH's own generation are developed?

21 A. (White) We develop a dispatch price for each unit,
22 based on what we know or forecast to be our fuel costs.
23 And, we develop a forward price curve, based on reports
24 through -- reports which provide market transactions

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[WITNESS PANEL: Chung~White]

1 that have occurred in forward months. And, we base a
2 forward -- hourly forward price curve on those monthly
3 broker quotations of actual transactions. Again, we're
4 using recently available information at the time of the
5 filing. And, we, through an Excel-based model,
6 economically dispatch our generation against that
7 forward price curve. And, for some units it's daily,
8 for some units it's weekly. Hydro units, we're using
9 20-year averages of generation through our fleet. But
10 I think you're focused on the fossil units. And, we do
11 an economic dispatch against a forward price curve
12 based on fuel price, dispatch price.

13 Q. Thank you. Calling your attention to Lines 29 and 30,
14 could you -- this is regarding "Energy Purchases",
15 could you explain how those projections are developed?

16 A. (White) Within the portfolio of loads and resources, to
17 the extent our resources, our own generation,
18 contracts, *etcetera*, to the extent in any hour those
19 resources fall short of the energy required to meet the
20 load in that hour, that amount is covered with a
21 purchase from the spot market, at the same price that
22 the units are dispatched against. And, those volumes
23 and costs are what are shown on Lines 29 and 30.

24 Q. For those months for which energy purchases are the

[WITNESS PANEL: Chung~White]

1 majority or the vast majority of PSNH supplies, has the
2 Company considered an approach that would rely not on
3 the spot market, but on other types of transactions?

4 A. (White) Yes. The Company has considered other types of
5 transactions other than spot purchases, and has entered
6 into other types in the past. Those discussions are
7 continually ongoing. And, to the extent they're
8 entered into, they are included in the reconciliation
9 of costs for actual periods. Does that answer the
10 question?

11 Q. But the -- it does.

12 A. (White) Had we entered into any forward monthly
13 purchases, they would have been included in this
14 update. At this point in time, for 2014, we have not
15 done so. There are such transactions in 2013, which
16 have been shown in exhibits throughout the course of
17 the rate development and so forth.

18 Q. Calling your attention to Line 32 on this page, "Energy
19 Sales", and following the line over to total
20 gigawatt-hours of energy under the "Energy Sales"
21 category.

22 A. (White) Yes.

23 Q. For that category of credit, that would tend -- that
24 would reduce -- that would offset the amount of

[WITNESS PANEL: Chung~White]

1 generation reflected in the above lines, so that, to
2 reach a net amount that generation was providing to
3 PSNH Default Service customers, you have to subtract
4 that amount from the PSNH-owned generation lines?

5 A. (White) I'm going to say "yes". It is sort of the
6 flip-side of my explanation of where purchases come
7 from. To the extent resources exceed loads in an hour,
8 it contributes to those line items 32 and 33. So, it's
9 the amount of energy above load results in a sale. So,
10 you're correct, all the positive resource amounts and
11 negative resource amounts equal load amounts.

12 Q. So, am I correct to read this chart to suggest that the
13 energy purchases for 2014 are projected by the Company
14 to comprise the largest category of resources?

15 A. (White) I don't believe that's correct. The Line 4
16 totals 1.5 million megawatt-hours, the "Energy
17 Purchase" line is 1.2 million, you know, grouped as
18 "all resources", I'm not sure what comparison you're
19 making. It --

20 Q. If I may, the -- let's make it a little simpler. If we
21 take the net of Line 32, the "Energy Sales", and PSNH's
22 own generation, are purchases exceeding the amount of
23 supply that are provided by those PSNH-owned resources?

24 A. (White) Well, I'm not sure I'm going to get through

[WITNESS PANEL: Chung~White]

1 that math in my head as I sit here.

2 Q. Is it fair to say that it's a very substantial portion
3 of PSNH's supply portfolio for 2014?

4 A. (White) The purchase amounts? It's 1.2 million, out of
5 a load requirement of 3.9 million.

6 MR. COURCHESNE: Fair enough. I think
7 that's all I have, Commissioner. Thank you.

8 CHAIRMAN IGNATIUS: Thank you.
9 Ms. Chamberlin.

10 MS. CHAMBERLIN: Thank you. I have a
11 few questions.

12 BY MS. CHAMBERLIN:

13 Q. Staying with Page 10 of 36, information is provided on
14 Lines 21 and 22 about the Berlin Station?

15 A. (White) Yes.

16 Q. It says "Berlin Station" there, "energy" and "expense"?

17 A. (White) Yes.

18 Q. Okay. Is the Berlin Station in full operation now?

19 A. (White) It is, as far as I know, yes. Everyone has
20 their own criteria for what -- for a definition of
21 "full operation". It has met our criteria in the
22 contract for being in service. So, they are operating
23 under the terms of our power supply agreement. I
24 believe ISO-New England has declared them commercially

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[WITNESS PANEL: Chung~White]

1 in service, subject to check. And, I know that ISO-New
2 England's full approval, if you will, requires several
3 weeks of testing. And, I believe they're in that
4 phase.

5 Q. Okay. And, all of the costs of energy from the Berlin
6 Station go into the Energy Service rate, is that
7 correct?

8 A. (White) Yes. That's correct.

9 Q. Unlike other IPPs, there's no over-market stranded
10 costs. That doesn't apply to Berlin?

11 A. (White) That's correct. There's no adjustment through
12 SCRC or other rates.

13 Q. You also discussed the Winter Reliability Program.
14 That's for December, January, and February, is that
15 correct?

16 A. (White) Yes.

17 Q. And, the 1.4 million for risks, if those risks do not
18 materialize, will that be allocated back to customers?

19 A. (White) Yes, it will.

20 Q. And, that would show up when?

21 A. (White) Well, I'm going to say it will primarily show
22 up by the end of February, when February actuals are
23 reconciled. There are some of the risks that are
24 discussed, which are already behind us, and behind us

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[WITNESS PANEL: Chung~White]

1 with no financial impact. However, there are some
2 risks identified, which could carry forward beyond
3 February. So, final determination I think is going to
4 be, it's kind of a guess, I would think that, by the
5 end of next year, certainly, we should have a very good
6 feel for all the costs involved.

7 Q. All right. Now, the Winter Reliability Program, it's a
8 form of insurance for customers against scarcity
9 conditions. Is that a fair characterization?

10 A. It's really, I would say, directed at gas delivery
11 constraints. So, "scarcity of gas supply" I would say
12 would be a more accurate description.

13 Q. And, this was to protect customers from either no gas
14 or very high priced gas over the winter months?

15 A. (White) From the ISO's perspective, --

16 Q. From the ISO.

17 A. (White) -- whose primary goal is to keep the lights on,
18 and not necessarily so price-sensitive, I would say
19 it's really to make sure there is fuel available for
20 generating units to provide energy for customers.

21 Q. Why do we have to make sure that there's fuel
22 available?

23 A. (White) To keep the lights on.

24 Q. Okay. And, you said the overall cost was 75 million,

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[WITNESS PANEL: Chung~White]

1 and New Hampshire's section of that or PSNH's section
2 of that is a fairly modest 2.2 million, isn't that
3 correct?

4 A. (White) That's the ES share.

5 Q. The ES share.

6 A. (White) Correct.

7 Q. All right. Now, in terms of how often the plants run,
8 your whole calculation of the rate is a hypothetical
9 calculation. It doesn't actually -- for the forward
10 costs, you don't know if the plants are going to run or
11 not, is that correct?

12 A. (White) It's our best projection at a given point in
13 time. It's not a -- and, it provides a rough road map
14 of where we believe we're headed, so that we can do
15 some planning around it. But it is not set in stone,
16 that's correct.

17 Q. Because, ultimately, the economic dispatch is performed
18 by the ISO-New England, correct?

19 A. (White) And, we perform our own evaluation of the
20 market from day to day, and our own needs to serve the
21 ES load. But, generally speaking, what you've stated
22 is correct.

23 Q. And, the amount of shareholder return does not vary
24 based on the amount the plant runs, is that correct?

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[WITNESS PANEL: Chung~White]

1 A. (White) That's correct.

2 Q. In your filing, you talk about the rate -- the ADE
3 rate, which is a new pilot, fairly new pilot program.
4 Could you go over how that rate is performing so far?
5 How it's been implemented and what the results have
6 been?

7 MR. FOSSUM: I guess, Commissioners, I'm
8 not sure that that's really relevant to this docket. I
9 mean, I'll grant that the costs or benefits of ADE are
10 reconciled through ES. But how it's being implemented,
11 that's pursuant to a settlement agreement in a separate
12 docket. So, I guess, to the extent that it's an economic
13 question, that makes sense here. To the extent it's a
14 "what's the Company doing?", I don't know that that's
15 really relevant to this proceeding.

16 CHAIRMAN IGNATIUS: Well, the Company
17 identified "ADE" in general terms in its filing. And, I
18 think some limited exploration of what you brought forth
19 in the technical statement is appropriate. I agree, if it
20 gets into anything, you know, far more detailed, that may
21 not be appropriate. But I'll allow the question.

22 MS. CHAMBERLIN: Thank you.

23 BY MS. CHAMBERLIN:

24 Q. I'm looking at Page 5 of 36. And, you state in the

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[WITNESS PANEL: Chung~White]

1 filing -- or, the filing states "PSNH expects to under
2 recover approximately \$100,000", and that's the number
3 I wanted you to explain, how you arrived at that
4 number?

5 A. (White) In the ADE docket, we submit monthly reports of
6 the performance of that rate year-to-date. And, based
7 on actual results that have been filed through October,
8 we've estimated that, at year-end, we believe we'll be
9 around these figures that you've identified in Section
10 G of the technical statement. That there would be a
11 \$100,000 under recovery in Rate ADE.

12 There's a few thoughts that go along
13 with that. The reason for that is there are very few
14 customers on the rate, and one of the largest, in
15 particular, has a capacity responsibility at ISO-New
16 England that far exceeds its energy usage. In other
17 words, it's got a very low load factor due to how --
18 what happened in settlement of capacity markets. So,
19 they've got a very low load factor, and the rate was
20 not designed to that load factor. So, there are, and
21 since we recover based on megawatt-hours, there is not
22 enough revenue to cover their costs in the capacity
23 markets.

24 Q. Okay. And, right now, do you have a position as to

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[WITNESS PANEL: Chung~White]

1 whether or not this is an unusual circumstance or is
2 this the way the rate was designed to work?

3 A. (White) It is not the way the rate was -- excuse me --
4 designed to work. The expectation was that there would
5 be a positive contribution to fixed costs. Because of
6 this circumstance, which, yes, I would say it's rather
7 unusual, the rate is actually performing at a negative
8 contribution to fixed costs. What I would caution on
9 is that it's probably a reasonable assumption to
10 believe that this customer, because of the situation
11 they're in, would have returned to Default Service,
12 whether it be ES or Rate ADE. And, if you agree with
13 that logical assumption, the real impact on the ES rate
14 is the difference in revenue rates between ES and ADE,
15 rather than the strict computation or estimate of a
16 \$100,000 under recovery. And, that rate delta is more
17 on the order of 35,000 than 100,000, rough numbers.

18 Q. And, as we continue gathering data on this rate, is
19 this something that we can look at in the future to see
20 if this has been balanced out over time?

21 A. (White) Yes. I believe that the Company would like to
22 do that. I think that's what was anticipated in
23 establishing the pilot. The notion of an annual review
24 was posited in the settlement in Rate ADE. Given that

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[WITNESS PANEL: Chung~White]

1 we're only four months in, the rate is not yet
2 available to residential customers, we didn't recommend
3 any changes at this point in time.

4 MS. CHAMBERLIN: Thank you. That's all
5 I have.

6 CHAIRMAN IGNATIUS: Thank you. Ms.
7 Amidon?

8 MS. AMIDON: With your permission, I'd
9 like to ask Mr. Mullen to conduct the cross?

10 CHAIRMAN IGNATIUS: That's fine.

11 MR. MULLEN: Good afternoon.

12 BY MR. MULLEN:

13 Q. Mr. Chung, could we refer to Exhibit 2, your October 11
14 supplemental testimony.

15 A. (Chung) Yes. I have it.

16 Q. Could you just provide a brief summary of the purpose
17 of that testimony.

18 A. (Chung) Sure. So, we found -- we received a
19 communication in August of 2013 from a competitive
20 supplier in New Hampshire, where we -- where they
21 raised to us a discrepancy in load obligations that
22 they had estimated versus what we had estimated and
23 billed them for. The crux of the issue is that the
24 supplier's loads were overestimated in the wholesale

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[WITNESS PANEL: Chung~White]

1 market, and due to the way the ISO-New England rules
2 work, and the way the balancing mechanisms work out,
3 other suppliers, including PSNH, received an
4 underestimate. And, as a result, PSNH refunded the
5 difference in those estimates back to ES customers.
6 The amount of the estimate -- excuse me, the
7 over-/underestimate is approximately 1.1 million. And,
8 we discovered that immediately following our September
9 -- excuse me, we worked out a resolution where we
10 thought it appropriate to update our ES filing right
11 after we submitted our filing on September 27th.
12 That's been the purpose of submitting the October 11th
13 filing, where we updated the over -- excuse me, the
14 over-/undercollection amounts for 2013, and made some
15 adjustments in the 2013 numbers as well to come up with
16 the right true-up.

17 Q. Now, the \$1.1 million amount you just mentioned, that
18 was -- if I'm correct, was that only for the period of
19 August 2012 to January 2013?

20 A. (Chung) Yes. That is correct.

21 Q. So, for the remaining period of February 2013 through
22 August 2013, how was that reflected?

23 A. (Chung) Those amounts are within the ISO-New England
24 resettlement window. And, so, we were able to suggest

[WITNESS PANEL: Chung~White]

1 to the supplier that they -- we resolve those
2 settlements through the ISO-New England mechanisms
3 directly. Whereas, from January 2013 and preceding,
4 that was not possible, due to the -- I think it's a --
5 it's a period of time, I believe it's 240 days that
6 they were allowed.

7 Q. So, since that period of time falls within the
8 resettlement process, any adjustments during that
9 period would, through their own accord, be already
10 factored into the ES rate calculation, is that correct?

11 A. (Chung) Yes.

12 Q. Now, if you turn to Page 3 of that testimony, starting
13 on Line 4, you discuss what the root cause of the
14 overstatement was. And, it says it has to do with
15 "load estimation algorithms". Could you provide a
16 little more detail about that, in terms of, was it a
17 problem with the algorithm or was it a problem -- was
18 it a human error?

19 A. (Chung) There's a discovery question response I'm just
20 going to flip to, please give me a moment. So, this is
21 an algorithm that PSNH has been using for quite some
22 time, and we consider it fairly accurate. In this
23 situation, which was an isolated incidence, for a set
24 of customers on Rate B, there was a disconnect between

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[WITNESS PANEL: Chung~White]

1 what we reported and the verification on the supplier
2 side that that was the correct amount. And, so, the
3 way this process works is, if we have -- if we were to
4 report an estimated load, and there is some
5 responsibility on the supplier side to verify that in
6 some timely fashion. They, unfortunately, did not
7 verify that the load that we estimated was correct,
8 which is typically what happens in this situation, and
9 they did not. And, unfortunately, we weren't able to
10 identify it early enough to resettle all of the amounts
11 through the ISO-New England process.

12 Q. Now, you say this was an "isolated incident". How can
13 you be sure of that?

14 A. (Chung) Well, I think there are a couple ways I think
15 about that. One is, I think mistakes do happen. And,
16 this is one where we jointly worked with the supplier
17 to identify this as a mistake. In terms of the
18 isolation, this is specific -- this was a specific
19 issue to four suppliers on Rate B, and this is the
20 largest of them where this happened. And, you know,
21 we, like with all the processes, we do our best to make
22 sure such errors don't happen again. This algorithm
23 has been used for quite some time, and we believe it is
24 accurate.

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[WITNESS PANEL: Chung~White]

1 Q. Okay. Thank you. I'd like to turn to the earlier
2 discussion about migration. If at any time you include
3 in your rate calculations a certain level of migration,
4 and the actual level of migration during that period
5 certainly can be higher or lower, that's correct?

6 A. (White) Yes.

7 Q. There's no hard-and-fast rule, is there, that, if
8 migration is higher or if it's lower, that you're going
9 to overcollect or undercollect?

10 A. (White) That's true. An over- or undercollection is a
11 result of many changing factors.

12 Q. Because am I correct that, as migration changes, so do
13 your variable costs?

14 A. (White) Yes. There's a number of costs that are
15 variable, based on load.

16 Q. And, for instance, if you had contracted for some
17 purchases, and, as it turns out, for that particular
18 period, you had higher migration and less load to
19 serve, you would have to resell that power, correct?

20 A. (White) Yes. That would be, yes.

21 Q. And, depending on what happens with market prices, you
22 might make money or lose money on those contracts, is
23 that correct?

24 A. (White) That's correct.

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[WITNESS PANEL: Chung~White]

1 Q. Okay. If we turn to Exhibit 3, and, of course, I'm
2 looking at the version that was unnumbered, but it's
3 the second page of the technical statement, Item D.2.

4 A. (White) Yes.

5 Q. In there it describes a "5 week planned maintenance
6 outage". And, where it talks about "wood generation",
7 I'm assuming that means Schiller Unit 5?

8 A. (White) Correct.

9 Q. And, this was a change from Exhibit 1. Was this a new
10 planned maintenance outage or was this something that
11 just wasn't picked up the first time around?

12 A. (White) It is not a new planned outage. It's, as you
13 stated, the later case, where it was overlooked in the
14 initial filing, and was discovered upon preparing the
15 update.

16 Q. Because these planned outages are actually planned a
17 while in advance, is that correct?

18 A. (White) Generally planned well in advance, submitted to
19 ISO-New England for schedule approval. All of which
20 was accomplished earlier than our preliminary filing.
21 Again, it was overlooked in that filing.

22 Q. Now, if you could turn to Page 10 of 36, which again is
23 EHC-2, Page 3.

24 CHAIRMAN IGNATIUS: Mr. Mullen, before

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[WITNESS PANEL: Chung~White]

1 you ask that question, is the identification of the unit
2 with the planned outage a confidential matter?

3 MR. MULLEN: I didn't believe so,
4 especially where it talked about "wood fuel".

5 WITNESS WHITE: On its surface, I'd say
6 "yes". But -- and, we haven't provided the dates of that
7 schedule. Although, with all the information provided, it
8 wouldn't be that hard to identify. I'll leave it at that.

9 CHAIRMAN IGNATIUS: Mr. Fossum, any
10 comment on that?

11 MR. FOSSUM: I suppose, at this point, I
12 mean, it's in the filing, and, as Mr. White noted, there's
13 no specific dates to it. I guess, if somebody is feeling
14 industrious enough to go and try and figure them out, then
15 they may do so. But, at this point, I mean, it's in the
16 filing, it is what it is.

17 CHAIRMAN IGNATIUS: All right.

18 WITNESS WHITE: I appreciate the
19 question. And, I'll be careful from here, should any
20 additional info be asked.

21 MR. FOSSUM: To that end, however, to
22 the extent that it does specifically relate to a planned
23 generation schedule, it's my understanding, I believe it's
24 the Commission's 200 rules would grant it confidential

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[WITNESS PANEL: Chung~White]

1 treatment automatically. So, I guess I would, in that
2 Mr. White has said, on the surface, he believes it would
3 be confidential, and my understanding of the Commission's
4 rules would be that it was entitled to confidential
5 treatment in the first instance, I suppose that, to the
6 extent it's even possible, and would make sense to do so,
7 perhaps treating this as confidential would be worthwhile.
8 I don't know if the Commission would prefer that we submit
9 a revised filing to accomplish that.

10 But, if that seems more work than it's
11 worth, then I guess I would look to Mr. White as to
12 whether that's the case, then we could just leave it as it
13 is.

14 WITNESS WHITE: Yes. I would agree, at
15 this point, that's the case. And, we'll see where it
16 leads from here.

17 CHAIRMAN IGNATIUS: All right. That's
18 fine. Why don't we leave it at that. Just everyone keep
19 in mind, we do have mechanisms for making things
20 confidential in the record after-the-fact. It's more
21 cumbersome. The less we get into that the better. And,
22 because we have one market participant as a party to this
23 case, I think we have to be very clear in what's protected
24 and what is not, so that there's no miss -- no assumptions

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[WITNESS PANEL: Chung~White]

1 that are made by anyone going forward out of this hearing
2 on what's available to be used.

3 MR. FOSSUM: Thank you. And, I guess
4 I'll represent that the Company will discuss the matter
5 immediately following this hearing and provide a
6 definitive response to that question as soon as we can.
7 And, if necessary, to make it confidential after-the-fact,
8 we'll request that that happen at that time.

9 CHAIRMAN IGNATIUS: All right. Thank
10 you.

11 MR. MULLEN: I will proceed carefully.

12 CHAIRMAN IGNATIUS: Thank you.

13 BY MR. MULLEN:

14 Q. I believe now we're on EHC-2, Page 3.

15 A. (White) Okay. I have it.

16 Q. If you look at Line 11, for "Newington". And, I'm
17 looking at the months of "January" and "February 2014".
18 Those are the last two months of the Winter Reliability
19 period, is that correct?

20 A. (White) Yes.

21 Q. And, you show some generation expected for Newington in
22 January, but nothing in February. Could you explain
23 that?

24 A. (White) Again, it's the combined look between the fuel

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1 cost of the unit and the assumed market prices. And,
2 there is simply sufficient differentiation in those
3 factors between January and February that the outcome
4 of the dispatch shows some economic operation in
5 January, but not in February.

6 Q. Okay.

7 A. (White) I guess that's it.

8 Q. So, what this shows, "this" being this entire page for
9 your units, this shows the Company's projection of
10 economic generation for each of those units, is that
11 correct?

12 A. (White) Yes.

13 Q. So, are there times when the units may run that aren't
14 reflected on here?

15 A. (White) Yes. I could add that comment regarding
16 Newington. Much of its generation, a portion of its
17 generation, over the past year or two, has been, when
18 it's dispatched by ISO-New England for reliability
19 purposes, and it's dispatched out-of-rate, meaning that
20 the market prices would not support its fuel cost.
21 And, we're kept whole for that generation in that we
22 get a subsidy payment through what they call "NCPC",
23 that keeps us whole during those periods when they run
24 us out-of-rate. We don't forecast that type of

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[WITNESS PANEL: Chung~White]

1 operation in our projections of rate-setting.

2 We do anticipate that those events can
3 occur at any time. This winter is a likely period when
4 some of that might occur. And, again, those are not in
5 the forecast. What's in the forecast is projected
6 economic generation.

7 Q. Just turning again to the Winter Reliability Program,
8 when you first talked about this, you had talked about
9 a \$2.2 million cost, and 4.8 million of revenues. And,
10 if I recall correctly, you said that it could be offset
11 by some potential risks?

12 A. (White) Correct.

13 Q. And, so, that -- taking into account those potential
14 risks, that 4.8 million of revenue was essentially
15 brought down to about 3.4 million, and that's what's
16 reflected in the filing?

17 A. (White) That's correct.

18 Q. So, the net impact of the Winter Reliability Program,
19 as projected in this filing, if I did my math right, is
20 about 1.2 million excess of revenues over costs?

21 A. (White) Correct. A \$1.2 million credit against costs,
22 net.

23 MR. MULLEN: Thank you. I have nothing
24 further.

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[WITNESS PANEL: Chung~White]

1 CHAIRMAN IGNATIUS: Anything else from
2 Staff?

3 MS. AMIDON: No thank you.

4 CHAIRMAN IGNATIUS: Commissioner Scott.

5 CMSR. SCOTT: Thank you. Good
6 afternoon.

7 WITNESS WHITE: Good afternoon.

8 WITNESS CHUNG: Good afternoon.

9 CMSR. SCOTT: And, again, the usual
10 caveat, whoever feels best to answer, please feel free,
11 and it could be both of you.

12 WITNESS WHITE: Okay.

13 BY CMSR. SCOTT:

14 Q. Back to the migration issue, on Exhibit 3, Page 3, just
15 for clarity, under the -- middle of the page, labeled
16 "8", near towards the bottom, it says "The amount of
17 migration modeled in this update is as of October." I
18 was curious. So, I should not take from that comment
19 that you "model migration", it's just an input, is that
20 correct?

21 A. (White) Yes. And, it refers to where the migration
22 level that occurred through the end of October 2013,
23 and we use that figure going forward in the forecast.

24 Q. Again, just to clarify, so, the number you actually use

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[WITNESS PANEL: Chung~White]

1 is not a modeled number, it's the actual number,
2 correct?

3 A. (White) Yes. Yes. It's an actual number.

4 Q. Okay. And, going back to the discussion regarding
5 "trends in migration", obviously, trying to guess what
6 a market will do is, of course, difficult. But I guess
7 my question is, certainly, I assume what drives
8 migration, and correct me where I go wrong, is that if
9 the customers appear to perceive that going to a
10 competitive supplier will cost them less money. Is
11 that, perhaps oversimplification, but is that a fair
12 statement?

13 A. (White) I think that's a reasonable assumption.

14 Q. Okay. So, in trying to project migration, I can see,
15 if you were to go down that route, you would obviously
16 be looking at your best guess of what your Default
17 Service rate would be and your best guess of what the
18 competitive suppliers would provide. Is that --

19 A. (White) We haven't attempted to do it. I believe those
20 would probably be two components we'd consider. And,
21 again, we just really don't have any intelligence on
22 what the third parties do or don't offer, their
23 appetite for more load or what they may be offering to
24 different customers over what periods of time. But

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[WITNESS PANEL: Chung~White]

1 those would be some of the factors that you'd have to
2 consider.

3 Q. So, your answer anticipated where I was going with
4 this. So, what I was pondering, I suppose, was I can
5 see not being able to project what competitive electric
6 suppliers will offer in the future. But I was just
7 wondering if (a) if you were to go down that route, a
8 mechanism for that six-month period you're talking
9 about could be to look at if any CEPS, the competitive
10 electric suppliers have been offering that locks a
11 customer in for that timeframe, so now that's a known
12 amount, rather than some variable thing going forward.
13 Would that be a good proxy, to look at at least the
14 trend, whether your Default Service rate would be more
15 competitive or less competitive?

16 A. (White) Well, I guess you could make judgments of where
17 you believe your -- the ES rate compares to third party
18 supply. We're not aware of when customers are coming
19 off supply from third parties or when customers'
20 agreements with third parties are going to expire.
21 And, I'd say that, at any given point in time, a
22 supplier's offering to a customer would change from day
23 to day, and be dependent on the term of the offering
24 that they make, and probably, in a lot of instances,

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1 tailored to particular customers. If you had all that
2 knowledge, I suppose you could make reasonable
3 approximations. That type of information is not
4 readily available, both the market side and, really, I
5 don't know how easy it is for us to track customer by
6 customer, who's coming off and on. I mean, we must
7 have it somewhere, but I don't know how to get to it,
8 but perhaps we have some of that. It doesn't
9 necessarily predict the future, but --

10 Q. And, on the same topic, you had mentioned earlier that,
11 if you project a migration rate different than what
12 currently is at the time of your final filing, what did
13 you call it, a "self-fulfilling prophesy", is that the
14 words you used?

15 A. (White) Yes.

16 Q. Yeah, I didn't want to put words in your mouth. Thank
17 you. Is the projection itself, do you feel, what
18 causes that or is it the price signal that derives from
19 that?

20 A. (White) Well, it would be the change in the price
21 signal that derives from that assumption. So that,
22 presumably, the rate would be a little bit higher or
23 lower than otherwise. And, so, it's that change in the
24 price signal that's sent to the market would influence

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[WITNESS PANEL: Chung~White]

1 customer behavior.

2 Q. Okay. Thank you.

3 A. (Chung) Commissioner, going back to your original
4 question, one thing I wanted to add was, I think you're
5 alluding to some of the forecasting complexities. And,
6 one I just want to highlight is, there's a bit of an
7 iterative process, where, as alluded to, we'd have to
8 start with the migration rate, and then compare that to
9 the rates outstanding, assume some economic decision
10 was being made, that would then go back and influence
11 our calculation of the rate again, and, therefore, the
12 calculation of the competitive rates again, and so
13 forth. So, this is one of those general equilibrium or
14 linear programming models, that could be done, but
15 there's some complexities that I think would have to be
16 thought through in order to go forward with something
17 like that.

18 Q. Thank you. A different topic. You discussed with the
19 Consumer Advocate a little bit the Burgess Biopower --
20 yes, Burgess Biopower plant?

21 A. (White) Yes.

22 Q. The plant in Berlin.

23 A. (White) Yes.

24 Q. I was just curious. So, it sounds like so far the

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[WITNESS PANEL: Chung~White]

1 plant start-up is going well. The reason why I
2 mentioned that, obviously, for any new entity like
3 that, it's not unusual to have hiccups and that type of
4 thing. Are you aware of anything like that?

5 A. (White) Again, with competitive information concerns in
6 mind, I'd say that there have been some of the normal
7 issues with regard to start-up. And, not being totally
8 up to speed of the status currently, our contract we
9 feel is fully functioning at this point.

10 Q. Okay. And, probably more globally, but you're not
11 aware of any showstoppers that are going on?

12 A. (White) No, I'm not.

13 Q. Thank you. That's really what -- I didn't need the
14 details, as far as market information. But, thank you.
15 Okay. Your filing also talks about the "RGGI refund",
16 and, obviously, there's been some back-and-forth with
17 Staff. And, to the extent that, obviously, moving
18 forward, after January, the RGGI refund doesn't go all
19 just to Default Service customers, it goes to all
20 customers. So, that left me a little bit, I'll show my
21 ignorance, of where we are. I want to make -- what are
22 the next steps in order to get that money distributed,
23 from your point of view?

24 A. (Chung) I'm not aware we've discussed that too much

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[WITNESS PANEL: Chung~White]

1 further, unless Staff has any thoughts on that.

2 Q. And, more explicitly, is the utility waiting on the
3 Commission or is the Committee -- the Commission
4 waiting on the utility?

5 A. (White) It's probably the Company waiting on the
6 Commission.

7 Q. That's what I was afraid of.

8 A. (White) And, rather than presume an outcome, the
9 discussion with Staff resulted in it being prudent to
10 remove it from this rate forecast.

11 Q. Okay.

12 A. (White) Until that determination is made.

13 Q. Thank you. We'll talk about that with Mr. Mullen.
14 And, I think, finally, going back to Exhibit 2, you
15 went back and forth with Mr. Mullen on the error that
16 was corrected, I just want to get a little bit more
17 from you on. So, if I understood right, and I want to
18 hear it from you, though, is there a -- so you feel
19 there's a fix to prevent that type of miscalculation in
20 the future, is that correct?

21 A. (Chung) Yes. This is really the shoring up of things
22 that you trust and verify on the supplier, as well as
23 the PSNH side. So, you know, we feel pretty -- we feel
24 very confident that we don't have that error again, and

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[WITNESS PANEL: Chung~White]

1 this was an isolated incident related to this specific
2 rate class of four customers.

3 Q. Okay. Thank you. And, finally, obviously, there's a
4 requirement that the filing be in accordance with the
5 latest LCIRP. Is that true?

6 A. (White) Yes. This filing would be in compliance with
7 the latest Least Cost Integrated Resource Plan as
8 amended.

9 CMSR. SCOTT: Thank you. That's all I
10 had.

11 CHAIRMAN IGNATIUS: Thank you. A few
12 more questions, though many have already been addressed.

13 BY CHAIRMAN IGNATIUS:

14 Q. Can you take a look at Page 10 of Exhibit 3, that's the
15 generation chart that we've been looking at already.
16 And, just for my understanding, the distinction between
17 "IPPs" and "Wood IPPs" as categories being tracked is
18 what?

19 A. (White) The "Wood IPPs" are the five, I believe they
20 were approximately 18 to 24-month contracts that were
21 entered into in 2012 perhaps. So, those have been
22 tracked separately. There's only one remaining
23 contract that will be providing energy in 2014.

24 Q. And, that's why, starting in March of 2014, that line

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[WITNESS PANEL: Chung~White]

1 goes to zero?

2 A. (White) That's correct.

3 Q. There's some litigation now that's been filed regarding
4 those contracts, correct?

5 A. (White) I'm not aware of that.

6 Q. Okay. So, there's nothing in here that has been
7 calculated to anticipate any particular result, it's as
8 you were coming out of those contracts being approved
9 by the Commission?

10 A. (White) That's correct.

11 Q. Then, the category of "IPPs" would be everything except
12 for those five short-term agreements?

13 A. (White) Yes. That would be all the other independent
14 power producers that sell to us, either on a short-term
15 rate order or long-term rate orders.

16 Q. The category of "Wood" is wood-fueled units that you
17 own?

18 A. (White) Yes.

19 Q. And, under "Coal", that's -- what units are included
20 there?

21 A. (White) That would be four coal units; two at Merrimack
22 Station and two at Schiller Station.

23 Q. And, according to this, am I right that, during the --
24 during the winter months of January and February, under

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[WITNESS PANEL: Chung~White]

1 "Energy Purchases", Line 29, you have no purchases
2 identified, that your expectation is that, between your
3 owned generation and some contract purchases, and input
4 from those IPPs of various categories, you will meet
5 your load obligations? You'll have no need for any
6 additional purchases?

7 A. (White) That's correct.

8 Q. And, then, the requirement for energy purchases goes up
9 starting in March, ramps up, and that's because of
10 economic dispatch forecasting on your part that some of
11 your own generation would not be economic to dispatch
12 from that point on, and you'd need then to purchase
13 from the market instead?

14 A. (White) Correct. For example, if you looked at the
15 "Coal" line in "April" and "May", you'll see that there
16 is no generation forecast. Therefore, to meet load,
17 it's being met through purchases.

18 Q. Thank you. One other clarification, on Page 22 of
19 Exhibit 3, this is on wood IPP purchases. Three of the
20 units go to zero purchases as of June of 2013. Those
21 were ones that -- I guess these are sort of tailing
22 off, aren't they, so that those three were completed by
23 the end of May, one more completed by the end of
24 October, and then one remaining going forward into '14?

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[WITNESS PANEL: Chung~White]

1 A. (White) Right. That shows the expiration of those
2 contracts through time.

3 Q. Thank you. On the Winter Reliability Program, you've
4 both said that there are risks that need to be
5 incorporated and required some adjustment of the net
6 benefit. Can you give me an example of what sort of
7 risk you're talking about?

8 A. (White) Well, I guess, initially, I would direct your
9 attention to, I don't have the page number, but it's
10 Section -- the end of Section D of the technical
11 statement.

12 A. (Chung) This is Page 4.

13 A. (White) Sorry. Page 4.

14 Q. And, which version are we in?

15 A. (White) This is in the December filing.

16 Q. Thank you.

17 A. (White) And, included under Item 10 on Page 4 is a
18 discussion of the Winter Reliability Program. And, in
19 the middle section, there are a couple of -- well,
20 there are five bulleted items marked with a dash. The
21 first of which is "Price risk". And, that has to do
22 with the price at which we acquire the oil for the
23 program. And, as we know, the value of commodities
24 changes through time. And, so, it could be a positive

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[WITNESS PANEL: Chung~White]

1 change or a negative change. So, that was a type of
2 risk that we identified. And, it goes on to talk about
3 four additional ones. "Delivery risk", one of the
4 issues in the program was, would the amount of oil the
5 ISO-New England was looking for, would the
6 infrastructure be able to get all that oil to New
7 England in time for a December 1st program start?
8 There was a risk of that, because oil doesn't move
9 around the East Coast as it once did, and a lot of that
10 infrastructure has gone away. So, that was a risk. We
11 didn't run into any problems and did receive delivery
12 on time. But that was another identified risk.

13 Q. And, you had said that some of the risks have now --
14 you're now past. So, obviously, delivery risk, you
15 state here in the update that you've taken delivery of
16 the amount needed. Are there others that have come and
17 gone and there's no longer a risk present?

18 A. (White) Yes. The final one shown there, "Performance
19 test risk". As a dual fuel unit, the program required
20 that we exhibit our ability to switch from gas to oil
21 and get to full load on oil. And, if we perform that
22 test successfully, we would be made whole financially
23 for performance of that test, because it was likely to
24 be performed during an uneconomic period. So, if you

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1 failed a test, that was on the participant; a
2 successful test, your costs were recovered. And, we
3 successfully completed that test on the first attempt.
4 So, that risk is behind us.

5 Q. The others, it remains to be seen as the winter plays
6 out where you come out on some of those?

7 A. (White) Correct.

8 Q. I had a couple more questions on migration, though much
9 of it's been covered. And, I guess, Mr. Chung, you've
10 stated that you can't really isolate the impact of a
11 change in migration?

12 A. (Chung) Yes.

13 Q. And, you also said, I think it was you, or maybe it was
14 Mr. White, said that, whether the impact would be
15 significant, one of you said "well, that's in the eye
16 of the beholder", and that it's, you know, sort of hard
17 to really make -- project any conclusions about it.
18 But, at the same time, you said that the major drivers
19 of the increase in the Energy Service rate, one of the
20 drivers you mentioned was "migration". So, I guess it
21 seems to me you're sort of saying two things. One is,
22 it may not be significant, it's hard to know whether it
23 will be or not, and then yet describe it as a
24 "significant driver". So, why don't you explain a

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[WITNESS PANEL: Chung~White]

1 little bit more how you evaluate migration as a driver
2 of your forecasted rate?

3 A. (Chung) Well, I'll say a few things, and allow
4 Mr. White to augment what I say. But I would say, you
5 know, we conceptually think of our load, and therefore
6 our denominator, as a significant driver of the rate.
7 And, so, we're certainly paying attention to how many
8 customers have migrated from default energy service.
9 That said, we don't look at specifically what is the
10 rate impact from migration, because it is not something
11 you can isolate more than conceptually, since a lot, as
12 has been discussed, a lot of the variable costs do
13 change based on the amount of load that you're serving.

14 And, so, we don't think it's appropriate
15 to isolate what is the rate impact strictly from
16 migration. We don't -- that's not something we
17 calculate or think appropriate to capture. That said,
18 it feels like a big deal because we look at our load
19 and that drives the rate.

20 A. (White) And, I guess all I would add would be that
21 trying to make the point in the discussion that there
22 are many factors that influence the rate, and
23 over/under recoveries at any point in time, market
24 prices, unit generation, regulatory changes, for

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[WITNESS PANEL: Chung~White]

1 example, this RGGI refund and its treatment, changes in
2 RPS regulations, those can be equal to or much bigger
3 than the impacts of migration. And, so, you know, the
4 task of isolating migration may not be necessary, that
5 there are many drivers. It was not intended to say
6 that it couldn't be a major driver of a rate change.

7 Q. Your concern that, by increasing the -- or, and maybe
8 just changing the migration rate from what the most
9 recent data shows you could influence market behavior,
10 is something that you've stated a couple of times. By
11 setting it at a level that historically seems not to
12 hold, given that year over year it continues to
13 increase, isn't that also affecting market behavior?

14 A. (White) Well, it sends a price signal. There's a price
15 signal in the market. I guess the point would be, at
16 least it's based on actual known data. And, we're not
17 -- there's no presumption in what may happen.

18 Q. I guess what I struggle with, though, is that we've
19 been doing this for a number of years now, and,
20 although it may change from month to month, it steadily
21 increases. And, it would be unusual -- do you have any
22 expectation that it won't increase over the course of
23 the year?

24 A. (White) Well, I can't disagree with what you said. It

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[WITNESS PANEL: Chung~White]

1 has been steadily increasing. I think at some point
2 you may reach a "saturation point", where there are
3 just going to be some customers that don't leave, they
4 can't be bothered.

5 And, I guess the other caution that I
6 would state would be that, with all that's going on
7 with gas delivery constraints in New England, it may be
8 surprising if migration changes much through the
9 upcoming months across this winter, because I think
10 third party suppliers and people are pretty nervous
11 about what could happen to prices into the springtime.
12 Now, that's a short-term impact, but it may have an
13 influence. And, again, we're just trying not to throw
14 additional unnecessarily -- unnecessary influences into
15 customer behavior.

16 Q. But, in doing -- by maintaining the migration rate that
17 you have last seen, through October, and not building
18 in what has turned out to be a steady increase year
19 after year, aren't you artificially setting the rate in
20 a way that has some impact on customer behavior?

21 A. (White) Wherever the rate is set, it will have an
22 impact on customer behavior. I would agree with that.

23 CHAIRMAN IGNATIUS: All right. Well,
24 that's fair. Check all the stickies. I have no other

[WITNESS PANEL: Chung~White]

1 questions. Any redirect, Mr. Fossum?

2 MR. FOSSUM: No. Thank you. My
3 questions have been covered.

4 CHAIRMAN IGNATIUS: Thank you. Then,
5 the witnesses are excused. Thank you very much for your
6 help this morning. Why don't you stay seated for just a
7 moment. We're going to take a break, and let's go off the
8 record for a moment.

9 (Brief off-the-record discussion
10 ensued.)

11 CHAIRMAN IGNATIUS: Then, we're back on
12 the record. We're going to take a break for lunch. We're
13 going to keep it to 45 minutes. If people are back
14 earlier, we can begin sooner than that. And, we will
15 resume with Mr. Traum. Thank you.

16 (Whereupon a lunch recess was taken at
17 12:59 p.m. and the hearing resumed at
18 1:53 p.m.)

19 CHAIRMAN IGNATIUS: All right. We're
20 back. And, I see Mr. Traum is ready to testify. That's
21 good. Is there anything to take up before he begins?

22 (No verbal response)

23 CHAIRMAN IGNATIUS: Seeing nothing,
24 then, Mr. Patnaude, please swear in the witness.

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[WITNESS: Traum]

1 (Whereupon **Kenneth E. Traum** was duly
2 sworn by the Court Reporter.)

3 MR. MUNNELLY: May I proceed?

4 CHAIRMAN IGNATIUS: Please do.

5 MR. MUNNELLY: Sure.

6 **KENNETH E. TRAUM, SWORN**

7 **DIRECT EXAMINATION**

8 BY MR. MUNNELLY:

9 Q. Good afternoon, Mr. Traum. Would you just state your
10 name and business address for the record please.

11 A. Kenneth E. Traum, 402 Maple Street, Hopkinton, New
12 Hampshire.

13 Q. Okay. And, are you the same Ken Traum who sponsored
14 prefiled direct testimony for North American Power &
15 Gas, LLC, in this case on or about November 27th?

16 A. Yes, I am.

17 MR. MUNNELLY: Okay. I guess I should
18 mark this as an exhibit.

19 CHAIRMAN IGNATIUS: Please.

20 MR. MUNNELLY: Is this Exhibit 5?

21 CHAIRMAN IGNATIUS: Yes. I think we're
22 up to Exhibit 5 for identification. This is the November
23 27, 2013 testimony?

24 (Atty. Munnelly distributing documents.)

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[WITNESS: Traum]

1 (The document, as described, was
2 herewith marked as **Exhibit 5** for
3 identification.)

4 MR. MUNNELLY: Do you need copies at the
5 Bench? Okay. You're all set. Anyone else need any?

6 BY MR. MUNNELLY:

7 Q. Is this the direct testimony to which you were
8 referring?

9 A. Yes, it is.

10 Q. Now, you're also the responsible witness on several
11 discovery requests that were issued to NAPG by PSNH?

12 A. That is correct.

13 Q. Okay. Now, were the testimony and discovery responses
14 prepared by you or at your direction and control?

15 A. Yes, they were.

16 Q. And, do you have any corrections or clarifications you
17 want to make at this time?

18 A. One correction, and actually it was raised earlier this
19 morning. That the labeling for Attachments 2 and 3 in
20 my testimony, Exhibit 5, were reversed. It does not
21 have any impact on the calculations, the recommendation
22 or anything like that. It's just that the numbering of
23 the two attachments were reversed.

24 Q. Okay. Thank you. Can you give a short summary of your

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[WITNESS: Traum]

1 testimony at this time?

2 A. Certainly. By way of a brief summary of my testimony,
3 I'm suggesting just one change how the Energy Service
4 rate for 2014 should be calculated. Currently, PSNH
5 forecasts or models all of the costs and sales for
6 2014. As part of that forecast, the migration rate for
7 2014 is assumed to remain unchanged from where it stood
8 as of November 1 or October 31, 2013. I'm proposing a
9 different forecast methodology in order to determine
10 the migration rate for 2014. It's based on a
11 statistical trendline which recognizes the steady
12 increase in the migration rate over the past few years.
13 This approach yields a higher migration rate forecast
14 than PSNH has forecasted for this energy service
15 period, which means the fixed costs related to PSNH's
16 owned generation will be recovered from a smaller
17 energy service sales base. Because of this, I'm
18 conservatively proposing the Energy Service rate should
19 be increased by three-tenths of a cent per
20 kilowatt-hour to better match costs with users in a
21 more timely manner. All other things being equal, this
22 recommendation would increase PSNH's Energy Service
23 rate from 9.23 percent [cents?] as proposed to 9.53
24 cents per kilowatt-hour.

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[WITNESS: Traum]

1 Q. Thank you. And, did you -- I guess, one second. Did
2 you also take a look at the updated filing that PSNH
3 submitted on or about December 12?

4 A. Yes, I have. And, since PSNH updated its testimony,
5 including the migration rate, on December 12th, I
6 updated or amended my trendline calculation to
7 incorporate the latest information included in that
8 filing. While I'm not proposing a change to my initial
9 proposal, the new data actually supports a larger
10 adjustment than I had proposed.

11 MR. MUNNELLY: Okay. I was going to
12 mark that as an exhibit as well. This is the -- it's the
13 updated ES Trendline to show the last November '13
14 adjustment.

15 MS. AMIDON: Mr. Munnelly, that wasn't
16 filed, was it?

17 MR. MUNNELLY: No. This was not filed
18 yet.

19 MS. AMIDON: Thank you.

20 CHAIRMAN IGNATIUS: Is there any
21 objection from other parties to that exhibit?

22 (No verbal response)

23 CHAIRMAN IGNATIUS: All right. It
24 doesn't appear that there is. So, this would be a single

[WITNESS: Traum]

1 page exhibit, "PSNH Monthly Migration Trendline per ES
2 filings", including now November 2013 data. We'll mark
3 that as "Exhibit --

4 MS. DENO: Six.

5 CHAIRMAN IGNATIUS: -- 6". Thank you.

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

9 BY MR. MUNNELLY:

10 Q. Mr. Traum, I think you answered this already, but did
11 the change in data amend your recommendations in any
12 respect?

13 A. No, it did not.

14 Q. Okay. Just based generally on that data or anything
15 else that's happened in the course of this hearing
16 today, do you have any other matters that you wanted to
17 speak about today?

18 A. Well, I think the issue of how to deal with the steady
19 increase in the migration rate has been teed up and
20 addressed considerably. And, I'll just leave it at
21 that for now.

22 Q. Thank you. Okay. Subject to the changes, corrections
23 we've discussed in your summary, do you adopt your
24 testimony and your discovery responses as if you've

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[WITNESS: Traum]

1 them here today?

2 A. Yes, I do.

3 MR. MUNNELLY: Okay. Unless the
4 Commission has anything else, the witness is available for
5 cross.

6 CHAIRMAN IGNATIUS: Thank you.
7 Mr. Fossum?

8 MR. FOSSUM: Thank you.

9 **CROSS-EXAMINATION**

10 BY MR. FOSSUM:

11 Q. Just one question very quickly. I just wanted to turn
12 to what is -- to what is, I believe, marked as "Exhibit
13 6", the new trendline that you produced. I just wanted
14 to ask very quickly, it looks like it says "Series1".
15 Could you explain what "Series1" means?

16 A. That would be the -- that would be the actual
17 percentages provided by PSNH in energy service dockets,
18 and the "Linear" would be the trendline that's
19 developed from that.

20 Q. Okay. Thank you for that clarification. Since you're
21 proposing that there be -- that the ES rate be based
22 upon some sort of a trendline, is there some end point
23 to where that trendline goes?

24 A. I think that I have looked at recent history and have

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1 said "okay, based on that, I'm going to make a
2 conservative adjustment." I think that if the
3 Commission were to determine that this "trendline"
4 concept was appropriate, I think it would only be
5 reasonable for, each time PSNH or whomever was filing a
6 trendline, they looked at what's -- if it's reasonable
7 to expect the rate to continue as is or if a
8 conservative adjustment should be made.

9 Q. And, -- excuse me. And, in your experience, have you
10 seen or are you aware of trends in migration that, I
11 guess, is there some point at which migration either
12 flattens or ceases to increase?

13 A. I think that, if we were to look at PSNH files on a
14 monthly basis -- I mean, a quarterly basis their
15 monthly migration reports in docket DE 06-125, and say
16 if I look at, in that filing, the most recent for
17 September of 2013, the Large C&I class was showing
18 migration of 96 percent, I wouldn't expect there to be
19 another 5 percent migration there. But, on the other
20 hand, I'm seeing from those monthly reports residential
21 migration growing. And, that's what's pushing the
22 trend up or it's causing the increasing trend in
23 migration over the last couple years.

24 Q. I guess I understand that. What I'm asking is, is do

[WITNESS: Traum]

1 you, in your -- in whatever research you've done, have
2 you seen there to be a point where migration tends to
3 flatten or to, in fact, go flat or perhaps even
4 decrease?

5 A. And, what I was trying to respond was that for, say,
6 Large C&I, yes, I'm seeing it flatten, it's flattening
7 out at a 96 or so percent rate.

8 Q. Would you expect that to be the same across all
9 customer classes?

10 A. It all depends on the spread between whatever a
11 competitive supplier would be offering versus the
12 Energy Service rate, the price elasticity of the
13 customer, the knowledge of the customer. There are a
14 number of variables. Certainly, I would have assumed,
15 the Large C&I class being the most knowledgable, would
16 have been the first one to move, to migrate.

17 Q. So, just picking up on that very quickly. So, you'd
18 agree there are a large number of variables that
19 actually impact migration. Is that the case?

20 A. From a financial perspective and a knowledge
21 perspective, and if there is customer choice for that
22 particular customer class, which there's only been in
23 the last year or two, as far as residential is
24 concerned, to any significant degree.

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[WITNESS: Traum]

1 MR. FOSSUM: Thank you. I have nothing
2 further.

3 CHAIRMAN IGNATIUS: Thank you.
4 Mr. Courchesne?

5 MR. COURCHESNE: Good afternoon, Mr.
6 Traum. I just have one question.

7 BY MR. COURCHESNE:

8 Q. In your testimony, you say that "PSNH ES prices remain
9 substantially above market prices and the sales and
10 marketing efforts of existing and new competitive
11 suppliers...remain very active." I was just wondering
12 if you could elaborate on that just a little bit.
13 Thank you.

14 A. In terms of market prices, I think what's the best
15 example is what PSNH just provided in their proposed
16 Rate ADE for 2014, where they developed a marginal cost
17 to serve for the year 2014, and they came out to 7.78
18 cents per kilowatt-hour, as opposed to the proposed
19 Energy Service rate here of 9.23.

20 Q. Are you aware of any other suppliers in that range that
21 are offering those types of prices to different
22 customer classes?

23 A. I can't address anything specifically, whether it's --

24 (Court reporter interruption.)

[WITNESS: Traum]

1 **BY THE WITNESS:**

2 A. I cannot address any specific competitive supplier
3 offerings, I don't know.

4 CHAIRMAN IGNATIUS: Nothing further?

5 MR. COURCHESNE: Nothing further. Thank
6 you.

7 CHAIRMAN IGNATIUS: Ms. Amidon.

8 MS. AMIDON: Pardon me, I think you
9 meant Ms. Chamberlin?

10 MS. CHAMBERLIN: I have a couple.

11 CHAIRMAN IGNATIUS: You know, I
12 apologize. I'm thinking that he's your witness, and you
13 must have already gone.

14 (Laughter.)

15 CHAIRMAN IGNATIUS: That's how spaced
16 out I am up here.

17 WITNESS TRAUM: Just remember that when
18 you're asking questions.

19 CHAIRMAN IGNATIUS: Ms. Chamberlin.

20 BY MS. CHAMBERLIN:

21 Q. The methodology for calculating the Energy Service rate
22 was developed many years ago as an outcome of the 1999
23 Settlement Agreement, is that correct?

24 A. I'll accept that subject to check. I don't remember

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[WITNESS: Traum]

1 exactly when. I would agree that the concept has been
2 around for a number of years.

3 Q. And, with various orders coming out over the years, it
4 may have been modified, but that was how it got
5 started, is that fair enough?

6 A. Yes.

7 Q. And, then, this migration for residential customers, I
8 believe you testified, has picked up in the last couple
9 of years?

10 A. Yes.

11 Q. And, that's because, for the first time, competitive
12 suppliers have actually been marketing to residential
13 customers, is that correct?

14 A. Yes.

15 Q. And, is it your understanding that one of the drivers
16 of that change in offers is due to the drastic change
17 in the gas markets, the gas prices becoming
18 significantly lower?

19 A. Yes, which would have driven the price differential
20 between PSNH's owned generation versus what competitive
21 suppliers could acquire power for on the market is
22 lower because of the natural gas pricing option.

23 And, I'd say another issue would be
24 that, to the extent that competitive suppliers have

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[WITNESS: Traum]

1 been providing information, advertising, informing
2 residential customers is more -- they're more
3 comfortable potentially moving.

4 Q. And, for C&I customers, do you have a reconciliation of
5 when they actually started having the option to
6 migrate? Was it like the year 2000 or --

7 A. I don't recollect the year. I mean, it certainly was
8 quite a few years ago. And, whereas residential
9 customers had the theoretical option of choosing, they
10 didn't have somebody they could choose.

11 Q. Right.

12 A. Whereas, it first came to the -- competition came to
13 the largest customer classes, and then has been working
14 its way down slowly.

15 Q. So, the C&I customers have had an option for some time,
16 they have had time to get educated, familiar with the
17 market, and whereas residential customers are somewhat
18 newcomers to competition. Is that fair to say?

19 A. That's correct.

20 MS. CHAMBERLIN: Thank you. I have no
21 further questions.

22 CHAIRMAN IGNATIUS: Thank you. Now, Ms.
23 Amidon.

24 MS. AMIDON: Thank you. With your

[WITNESS: Traum]

1 permission, I'm going to defer to Mr. Mullen.

2 CHAIRMAN IGNATIUS: That's fine.

3 MR. MULLEN: Good afternoon, Mr. Traum.

4 WITNESS TRAUM: Good afternoon.

5 BY MR. MULLEN:

6 Q. I noticed, in looking at your -- I'll just take a look
7 at Exhibit 6, it starts in August of 2011. How did you
8 choose that date?

9 A. Well, I'll start by saying, whatever date I chose, it
10 could have been questioned. It was -- any starting
11 date is an arbitrary one. I wanted to get enough time,
12 enough numbers of migration figures to develop some
13 kind of a reasonably statistical trendline. 2011 --
14 August of 2011, there was minimal residential choice.
15 So, I wanted to capture the growth in residential
16 choice from migration.

17 Q. Well, prior to that, and I believe your discussion with
18 Ms. Chamberlin just talked about the large customers
19 have been -- had more opportunity to migrate and, in
20 fact, had been migrating prior to that date, correct?

21 A. Yes. And, I referenced before, the large C&I
22 customers, Rate LG, as being around 96 percent. Back
23 in August 2011, that customer class was at 90 -- almost
24 93 percent.

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[WITNESS: Traum]

1 Q. Okay.

2 A. At that point, that was more or less -- that migration
3 was captured, and it's moving onto recognize growth in
4 other customer classes.

5 Q. But what's portrayed on your graphs are total load,
6 meaning all customer classes, correct?

7 A. Correct.

8 Q. So, this trendline analysis could have started at an
9 earlier date?

10 A. Certainly. You can pick any date you want to start it
11 at.

12 Q. Okay. I guess my point is that, depending on where you
13 start, that can change the slope of the line?

14 A. Correct. And, that's, again, one of the reasons I
15 tried to make a conservative proposed adjustment.

16 Q. Okay. Let me pose a hypothetical. Say we're looking
17 at an 18-month period, and, for the first ten months of
18 the period, migration increases at a steady rate. For
19 the last eight months of the period, migration
20 decreases at that same rate. But, overall, the
21 trendline is still positive. When you look at that
22 pattern of ten months going up and eight months going
23 down, what would you propose using your analysis?
24 Would it be an increase? Would you look at the eight

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[WITNESS: Traum]

1 months at the end, the tail end, and say "well, it's on
2 its way down"? I just want to make sure I have a firm
3 grip on what it is you're proposing?

4 A. Well, the actual is a steady increase. So, your
5 hypothetical is something different. But, at the --
6 each six months, when PSNH makes its update, I think
7 that the trendline should be revisited, to see if it
8 has started to flatten out or whatever, and that should
9 be taken into account.

10 Q. I don't think I heard an answer to my question, though.
11 Would you, considering my hypothetical, would you
12 propose an increase or would you propose a decrease?

13 A. Well, after-the-fact or before? If you're telling me
14 that, with foreknowledge, that for the next ten months
15 or twelve months migration was going to be increasing,
16 and then the following eight months it's going to be
17 decreasing, what I'm saying is, okay, today -- I
18 suppose, if you have that knowledge, today you could
19 develop a trendline putting in those known numbers, and
20 whatever --

21 Q. Excuse me. That's what my hypothetical is. Assuming
22 you have that knowledge, just like you do right now for
23 your analysis, and those were the facts, I'm just
24 trying to understand what your proposal would be for

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[WITNESS: Traum]

1 the -- for an energy service proceeding. Would it be
2 based on the trendline that still shows a positive -- a
3 slight positive slope or would it be based on the tail
4 eight months that showed a steady decline?

5 A. Well, if you're putting 18 months of new data in, it's
6 going to adjust the trendline somehow. And, I'd say,
7 based upon however it changes the trendline, that
8 should be taken into account.

9 Q. Okay. So, what you're saying is, based on -- it would
10 still be based on the trendline. So, if it still
11 showed a slight positive slope, that's what you would
12 propose?

13 A. Whatever the trendline showed. Again, taking into
14 account being conservative.

15 Q. With my hypothetical for the ten months and eight
16 months, would you use all 18 points?

17 A. If you're saying that you know with certainty that, for
18 the next three years, this is what the migration rate
19 is going to be every month, of course, you would use
20 it.

21 Q. I'm not proposing looking forward and predicting
22 migration. I'm taking historic information as you did
23 and using that to create a trendline. So, I'm just
24 trying to understand, given my hypothetical

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[WITNESS: Traum]

1 circumstances, how that would -- how that would play
2 out.

3 A. Okay. If you -- okay, if we're now in past history,
4 when we -- we're just developing a trendline based upon
5 the last eighteen months, you develop a trendline based
6 on that and that's the starting point. And, then, you
7 just look at, you know, "should I make some kind of
8 conservative adjustment to the result that it's coming
9 out with?"

10 MR. MULLEN: Okay. Thank you. I have
11 nothing further.

12 CHAIRMAN IGNATIUS: Commissioner Scott.

13 CMSR. SCOTT: Good afternoon.

14 WITNESS TRAUM: Good afternoon

15 Commissioner.

16 CMSR. SCOTT: Good to see you.

17 BY CMSR. SCOTT:

18 Q. So, from the discussion, it appears, and there's a
19 couple questions here, the seminal question would
20 appear to be that "should migration" -- "a migration
21 forecast be used in setting the rate?" Is that
22 correct?

23 A. Yes.

24 Q. And, sounds like your answer is "yes"?

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[WITNESS: Traum]

1 A. Well, I'm saying that it is being used in the rate
2 today. What PSNH is forecasting or modeling is no
3 change in the rate. I'm saying recognize the trend,
4 that's the historical trend, for forecasting purposes.

5 Q. Okay. Thank you for that. So, then, the second
6 question would be, presuming you do that, it sounds
7 like, in your discussion with Mr. Mullen, really, the
8 methodology of exactly how do you develop that future
9 look and what the migration should be is -- is at
10 issue. Is that a fair statement?

11 A. No, I don't believe so. I think you would plug in the
12 actual history, and that will -- and, from that, the
13 trendline is developed.

14 Q. So, are you talking like a regression analysis or how
15 do you get the trendline?

16 A. You use Excel, and you plug the numbers into the
17 trendline calculation there.

18 Q. And, if I remember in your testimony, I think you
19 suggested using some kind of a -- your words, "to be
20 conservative", some kind of discount. Is that a fair
21 statement?

22 A. Yes. In my preliminary -- in my filed testimony, I
23 developed an adjustment that would be 0.35 cents per
24 kilowatt-hour as an adder to Energy Service rate for

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[WITNESS: Traum]

1 2014, and I conservatively reduced that to 0.3 cents.
2 When I did the update, Exhibit 6, the trendline
3 increased, and the 0.35 would become closer to 0.6
4 cents, but I'm still only recommending 0.3 cents as an
5 adder.

6 Q. Okay. And, that -- you've kind of answered it, but --
7 so, how do you arrive at that 0.3 cents?

8 A. Taking it from zero -- taking it from 0.35 down to 0.3?
9 That is just an arbitrary adjustment for conservation
10 purposes. I recognize that there are probably other
11 costs going one or another besides the ones that I have
12 recognized that are impacted when migration occurs.

13 Q. Okay. And, assuming this were to happen, what's your
14 understanding of the order of magnitude of the change
15 this would cause in the rate?

16 A. It would increase it from 9.23 cents per kilowatt-hour
17 to 9.53 cents per kilowatt-hour.

18 Q. Okay. I guess I see that. Earlier, we discussed the
19 fact that the revised submittal did not include a RGGI
20 rebate, which is required by law, but it did not
21 include the RGGI rebate for the Default Service
22 customers, as I discovered, until the Commission
23 decides how to direct the utilities and how to
24 apportion that. So, would you agree that that, at

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1 least in the next six months, results in a -- the lack
2 of that rebate being -- that credit being put into the
3 Default Service rate, if you will, that will result in
4 an artificially higher rate than it would have had if
5 that credit was put in?

6 A. If you're adding more costs or reducing more costs,
7 it's going to have an impact on the Energy Service
8 rate.

9 Q. Okay. So, I guess what I'm suggesting is I'm
10 wondering, at least for the six-month period, is that a
11 suitable surrogate for, as a rough justice, if you
12 will, I mean, for the rate being suggested right now,
13 until that RGGI rebate is taken care of is artificially
14 higher, I think you're -- and what you're saying is, if
15 you did a migration estimate the way you'd like it, you
16 would have a higher rate also, correct?

17 MR. MUNNELLY: Before you do that, could
18 I just note for the record, I'm not sure the witness had
19 said that the testimony would be "artificially higher" as
20 opposed to "higher". But Mr. Traum, I think, can speak
21 for himself on that.

22 CMSR. SCOTT: And, where I meant
23 "artificially higher", I meant the lack of a RGGI credit
24 being into the rates. That was my words, not your

[WITNESS: Traum]

1 client's.

2 **BY THE WITNESS:**

3 A. I did not address in my testimony the RGGI credit.

4 And, it's my understanding from Staff's testimony, and
5 what I heard from the Company today, that it's still
6 undecided how that credit would be disbursed to all
7 customers, meaning those who have migrated and not
8 migrated. And, for level playing field purposes, I
9 think you want to treat all customers -- all retail
10 customers of PSNH comparably.

11 CMSR. SCOTT: Okay. Thank you. That's
12 all I had.

13 BY CHAIRMAN IGNATIUS:

14 Q. Mr. Traum, a moment ago you had said that PSNH wasn't
15 recommending any -- wasn't increasing the migration
16 rate at all. And, I just want to make sure I
17 understand, you may not have meant the way it came out
18 or I may have not heard it right or I'm not following
19 things accurately in the testimony. The filing the
20 Company made at the beginning of this docket in
21 September was a 52 percent assumed migration rate, and
22 then this morning there was testimony from the Company
23 that the number is now being proposed to 53.7 percent,
24 correct?

{DE 13-275} {12-16-13}

[WITNESS: Traum]

1 A. Yes.

2 Q. And, so, your concern is that it should be not just
3 take the current number, but forecast it going forward
4 for the year?

5 A. Right. What PSNH, in effect, is forecasting is that,
6 on average, for year 2014, the migration rate will stay
7 at 53.7 percent. And, what I'm saying is, on average,
8 for 2014, I expect the migration rate to be
9 considerably above 53.7 percent.

10 Q. You heard Mr. White agree that any -- whichever way you
11 go on migration, if you forecast it to increase over
12 the course of the year or you do not forecast it as
13 increasing, that will have an impact on market
14 behavior. Did you hear that?

15 A. I believe I heard that. I didn't hear any kind of a
16 quantification of that kind of an issue.

17 Q. All right. So, what do you think of that? Tell me
18 your responses to his statement and that whole notion
19 of market impacts from keeping or changing the
20 migration rate going forward.

21 A. Well, to start with, why do we -- why is it appropriate
22 to recognize potential growth in migration? And, it's
23 because you want to match sales with costs. If
24 migration increases in a particular month, you've got

{DE 13-275} {12-16-13}

[WITNESS: Traum]

1 fewer customers or fewer sales to recover the fixed
2 costs. "Fixed costs" meaning PSNH's owned generation,
3 non-fuel O&M, depreciation, rate of return on
4 investment, property taxes. So, as the non-migrated
5 sales decrease, there's a smaller group of sales to
6 recover that. If you've overestimated what those sales
7 will be, there's going to be a shortfall, and a future
8 group of customers are going to have to pick up that
9 shortfall. So, I'm saying, try to match in as timely a
10 manner as possible the costs with the customers
11 receiving energy service during a particular month.

12 Q. Well, you heard the description of semiannual
13 adjustments to the ES rate as needed, and then the
14 annual reconciliation beyond that. Are those not
15 timely enough, in your view?

16 A. They're not timely enough. They do start to address
17 the issue. But, over that each six-month period, then
18 there becomes a lag, and with costs being, in effect,
19 deferred if migration trends the way it has been.

20 Q. I think it was Mr. White also who testified that, if
21 you were to forecast an increase in the migration rate
22 beyond the most recent actual data, you may affect more
23 migration, which will increase the shortfall that
24 results. You actually exacerbate the problem. Do you

{DE 13-275} {12-16-13}

[WITNESS: Traum]

1 have a view on that?

2 A. I guess I'd say, if you overestimate migration, that's
3 a possibility. If you underestimate migration, which I
4 think PSNH is doing here, you're coming out with a
5 arbitrarily low Energy Service rate, and with the
6 potential to slow down migration.

7 Q. You're testifying on behalf of North American Power &
8 Gas, I remember it after forgetting, not for the OCA
9 anymore.

10 A. The third table, not the second table.

11 Q. Your company, the company you're testifying on behalf
12 of, obviously benefits from a higher ES rate to be able
13 to market against, isn't that correct?

14 A. It certainly has that potential.

15 Q. One other comment. In your testimony, you referred to
16 the two different ways that PSNH calculates migration,
17 and that PSNH had its preferred methodology. Do you
18 have a view of which is the sounder way to calculate
19 migration?

20 A. Really, I do not. The information filed in 06-125
21 provides information on a monthly basis, which, you
22 know, actually does provide more points, let's say, for
23 developing a trendline. But PSNH had given reasons why
24 it had its preferred methodology, and I didn't see

{DE 13-275} {12-16-13}

[WITNESS: Traum]

1 enough reason to dispute that. So, I was sticking to
2 their preferred methodology.

3 CHAIRMAN IGNATIUS: Okay. Thank you.
4 All right no other questions. Thank you. The witness --
5 oh, I'm sorry. Mr. Munnelly, any redirect?

6 MR. MUNNELLY: I think we're all set.
7 Thank you.

8 CHAIRMAN IGNATIUS: All right. Then,
9 you're excused. Thank you, Mr. Traum.

10 Is there any party that had hoped to be
11 able to question Mr. Mullen? It sounds as though, heading
12 into the lunch break, people didn't expect there to be,
13 but I just want to double check again. Looks like CLF,
14 no.

15 MR. MUNNELLY: I have nothing for
16 Mr. Mullen.

17 CHAIRMAN IGNATIUS: All right. And,
18 PSNH?

19 MR. FOSSUM: The Company has nothing for
20 Mr. Mullen.

21 CHAIRMAN IGNATIUS: All right. Unless
22 the Staff has any reason to put you back on the stand, it
23 looks like OCA, PSNH, CLF, and North American Power are
24 all okay with him not testifying. Ms. Amidon, are you

{DE 13-275} {12-16-13}

1 still planning on --

2 MS. AMIDON: I am still planning on him
3 not testifying. But I would, for, you know, to make sure
4 that the record here at the hearing is complete, at least
5 mark for identification his testimony as "Exhibit 7".

6 CHAIRMAN IGNATIUS: Is there any
7 objection to that?

8 MR. FOSSUM: No.

9 CHAIRMAN IGNATIUS: All right. That's
10 fine. So, this is the November 27, 2013 testimony of Mr.
11 Mullen?

12 MS. AMIDON: Yes, it is.

13 CHAIRMAN IGNATIUS: And, that's with one
14 attachment.

15 MS. AMIDON: Correct.

16 CHAIRMAN IGNATIUS: That would be then
17 marked as "Exhibit 7" for identification.

18 (The document, as described, was
19 herewith marked as **Exhibit 7** for
20 identification.)

21 MS. AMIDON: If the Commission would
22 like to ask him questions, I can make him available as
23 well.

24 CHAIRMAN IGNATIUS: No, I think we're

1 good. Thank you. All right. Anything further, before
2 final wrap-up materials?

3 MR. FOSSUM: The Company has one item.
4 There was a discussion earlier about potential
5 confidential treatment of certain portions of the December
6 12th filing. We discussed the matter over the lunch
7 break, and we would allow the filing to stand as made.
8 There's no specific details that are given in the filing
9 that are of a particular concern. So, we'll just -- it's
10 acceptable to us to leave the filing as it stands.

11 CHAIRMAN IGNATIUS: All right. Thank
12 you very much for checking. All right. Is there any
13 objection to striking the identification of the exhibits
14 and making them all full exhibits to the file?

15 (No verbal response)

16 CHAIRMAN IGNATIUS: Seeing none, we'll
17 do that. And, the final item would be closing comments
18 from all of the parties. Let's begin with Mr. Munnelly.

19 MR. MUNNELLY: Sure. Thank you. First
20 of all, thanks to the Commission for letting North
21 American Power and our expert participate in this docket.
22 Appreciate that very much. You know, PSNH is unlike most
23 other utilities, because it has chosen to retain ownership
24 of its generation plants. And, under applicable law, I

1 think wisely so, it's held accountable by having its
2 Default Service rate be tied to the generation costs, so
3 that they are fully considered in the rate. So, we think
4 that's why we're here today, is to make sure that the --
5 you know, that that gets calculated appropriately.

6 And, it just, again, unlike in many
7 other jurisdictions, PSNH has a very strong incentive to
8 keep its Default Service rates as low as possible, because
9 it does -- they do have a competing business on that, and
10 it does matter from a marketplace standpoint. So, again,
11 it's something that merits close treatment by the
12 Commission as we look at this.

13 With that general perspective in mind, I
14 would like to focus on the one -- the key issue, which is
15 migration. And, I'll make a couple of additional comments
16 on some side issues that aren't really directly relevant
17 here, but may be something the Commission may need to pay
18 attention to in other circumstances.

19 On the migration side, again, I don't
20 need to belabor the point here. We've seen a very strong
21 trendline for a number of years, that have been shown in
22 Mr. Traum's charts, that migration is a reality, and it's
23 moved upward at a very rapid pace. And, it is -- it is a
24 significant issue. I think you saw that from the filing,

1 the December 12 update filing, that the 1.7 percent
2 increase in migration had a, you know, a net impact of
3 \$5 million on the costs shown there. It was up eight,
4 down three. And, I would bet that that's going to be the
5 case in many circumstances. It is going to be a driver
6 for the rate, and, again, it deserves attention on that.

7 But, notwithstanding the very strong
8 trend that we've seen consistently for a number years,
9 PSNH proposes to assume no increase to migration in the
10 upcoming year, and, again, it proposes through the
11 after-the-fact adjustment at midyear. And, from North
12 American Power's standpoint, what that approach does is it
13 allows PSNH to keep its rate -- the Default Service rate
14 artificially low for six months, then have an adjustment,
15 and then have another below the -- artificially low rate
16 for the rest of the year. And, we don't see that as
17 appropriate.

18 We understand that this has been -- the
19 Company's treatment has been based on Commission
20 precedents, dating back to the start of active -- of
21 active vast market migration, it might even date before
22 then. But we've had a number of years' experiences. We
23 had the thought, the concern was going to be that, if you
24 include some factor for migration, that it's going to be a

1 self-fulfilling prophesy, as the PSNH witness has said. I
2 think we've seen enough that it's a real trend. It's not
3 going to be, you know, necessarily artificially bumped by
4 actually making a projection in the course of this. And,
5 it's the type of thing which really needs to be reflected
6 in the rate. It's a -- Mr. Traum, I think, takes a very
7 appropriate approach. He takes the trendline moving
8 forward to the midpoint in 2014, and then makes an
9 adjustment, a conservatism adjustment on that, which has
10 the impact, as noted in his testimony, of adding the -- I
11 won't get the digits right, but the 0.30 or 0.03 onto the
12 rate for that.

13 And, he notes also that, if you look at
14 the -- if you take into account the December 12 update we
15 just saw, it conceivably could have justified a much more
16 higher adjustment, up to 0.06. Again, he decided, for
17 conservatism purposes, to keep it where it is. Because
18 that at least allows some recognition that migration is a
19 reality. It minimizes the -- kind of the artificially low
20 rate. It should limit the amount of reconciliation that
21 would happen at midpoint. And, it's something that
22 probably -- that we believe is appropriate, based on the
23 matching principles he talked about in his testimony.
24 Right now, migration is there, and it should be accounted

1 for.

2 And, again, I think this is something
3 that the -- again, I'm glad the Bench has paid very close
4 attention to these issues and asked some excellent
5 questions on this. This does affect consumer behavior.
6 And, right now, it's at a point where PSNH is treating it
7 as if it's not increasing at all, and that is having an
8 impact on consumer behavior. Having some increase makes
9 it -- brings it more in line with what we're seeing in the
10 marketplace or what we're seeing from a cost standpoint,
11 and that also appeals to the extent it's going to be hard
12 to do this type of forecasting going forward. Again, we
13 have the issue here, first of all, of "what are we doing
14 in this case?" And, again, Mr. Traum gave some specific
15 recommendations that he's presented to the Commission.

16 I guess there is the question of how
17 this affects you on a present net basis, what happens next
18 filing. I think, again, Mr. Traum has a pretty reasonable
19 suggestion, which is take the trendline, and add some
20 conservatism to it, and have that be used going forward.
21 I think that's perfectly fine. I don't think that's very
22 hard to calculate, and it's something that appropriately
23 reflects what's going on.

24 And, again, if there's some type of

1 cataclysm -- cataclysmic impact, or even if you get the
2 case of the hypothetical that Mr. Mullen offered, of
3 having a long period of decline, but you're still getting
4 a positive trendline, and maybe that's the type of thing
5 that PSNH can make an argument to the Commission they
6 should depart from precedent in that circumstance. I
7 don't think we're arguing this is iron-clad. I think we
8 are arguing that there needs to be something reasonable to
9 take into account the fact that migration is here, the
10 trend is there. And, as far as we can see, there's no
11 reason it's not going to continue going forward.

12 I think that's all I really want to
13 address on the migration point. I think the point is
14 clear. And, we'd like to urge the Department -- or, the
15 Commission to incorporate Mr. Traum's recommendations in
16 its final decision.

17 I do want to address the other two
18 issues. One of them is the issue of supplier charges. I
19 know that that's a separate docket that, as the Commission
20 knows, that North American Power is a party in that case.
21 We know that a decision came out on Friday on that, to
22 move towards an incremental cost approach on the
23 ratemaking for that. Again, we appreciate the
24 Commission's decision on that. We just note that the

1 dockets are, to some extent, interrelated, in the sense
2 that we made the argument, North American Power did, and I
3 think some of the other suppliers did in that docket.

4 MR. FOSSUM: Commissioners, I'm sorry, I
5 don't mean to interrupt a closing argument. But what
6 arguments that were made in another docket that now has an
7 order from the Commission, that's another docket, it's
8 another order from the Commission. I don't know where
9 Mr. Munnelly is going with it. I'm a little concerned
10 about the path that he's heading down, though.

11 CHAIRMAN IGNATIUS: I agree.
12 Mr. Munnelly, is there any, without going into your
13 argument, what relevance does that docket have to do with
14 setting an ES rate?

15 MR. MUNNELLY: The relevance is that the
16 argument that was made in that case was that the
17 Commission should, to the extent it retains supplier fees
18 in any form, that those should either be applied to
19 default service customers or worked into the default
20 service ratemaking process. Now, at this point, again,
21 we're not proposing it now, it's more just thinking that
22 that's something that North American Power is considering,
23 it's something that perhaps in the next going forward case
24 it may be something that is appropriate to be raised.

1 We're not doing it now.

2 CHAIRMAN IGNATIUS: Well, let's raise it
3 when it's the appropriate time.

4 MR. MUNNELLY: Okay.

5 CHAIRMAN IGNATIUS: We're at the end of
6 the case, the end of discovery, witnesses are done,
7 evidence is closed. So, let's have a closing on what's
8 been presented here.

9 MR. MUNNELLY: Okay. And, the only
10 other thing I was going to say, on the Rate ADE, again,
11 it's something that we did not offer evidence on that at
12 this point, and we've heard very clearly the Commission's
13 directive that, you know, unless it really has a rate
14 impact, we should not be dealing with it in this case. I
15 just would note that the -- that is something that we are
16 concerned about as it rolls into the residential ADE, but
17 we'll deal with that in other dockets.

18 CHAIRMAN IGNATIUS: Thank you.

19 MR. MUNNELLY: Thank you very much.

20 CHAIRMAN IGNATIUS: Mr. Courchesne.

21 MR. COURCHESNE: Thank you,
22 Commissioners. Like North American Power, CLF is grateful
23 for the opportunity to participate in this docket. And,
24 we were mindful throughout of the admonitions in the

1 Commission's order granting us intervenor status. So, we
2 participated on that basis.

3 Based on the evidence we've reviewed,
4 and other considerations, CLF does not support the
5 proposed rate for PSNH. We do wish to offer at this time,
6 however, three overarching observations based on our
7 participation.

8 First, the two-part process that the
9 Commission is currently following for setting PSNH's
10 Energy Service rate is grounded in the old paradigm of
11 PSNH generation acting as the first resource, a baseload
12 resource for PSNH's default service load. We don't
13 believe that it is suited for the current paradigm. Now,
14 a substantial portion of default service needs are being
15 met by PSNH market purchases. And, the other substantial
16 portion is provided by PSNH generation resources, which
17 run when ISO dispatches them or when PSNH chooses to
18 operate them on the expectation that they will be
19 economic. However, to date, no party to these energy
20 service dockets has developed a reliable, transparent
21 mechanism to analyze the prudence or reasonableness of
22 PSNH's decisions about either of those issues; either its
23 market purchases or its use of owned generation.

24 While the Commission has indicated that

1 these questions are best handled in the reconciliation
2 dockets, and we hope that they will be in full, for
3 customers who are paying bills over the next year, there
4 is no way, in this docket or in the similar docket, to
5 identify in advance or to remedy any mistaken assumptions
6 or poor decisions on the part of PSNH in putting together
7 its rate.

8 In this dynamic market environment,
9 where things are changing, the two-part process we don't
10 believe serves customers well, and does not necessarily
11 produce the required statutory outcome of just and
12 reasonable rates.

13 A second observation that I would
14 make --

15 CHAIRMAN IGNATIUS: Before you go on,
16 can you elaborate on that? If you have a reconciliation
17 to follow, then why -- then why do you conclude that the
18 process doesn't serve customers?

19 MR. COURCHESNE: The lag time is the
20 issue that we've identified, and that it is a substantial
21 -- and we're discussing the 2012 decisions that PSNH made
22 in the reconciliation docket right now. So, there's a
23 substantial delay. And, we believe that process may have
24 worked better when the assumption was that PSNH's

1 generation would be the first resource. In this
2 environment, where there are lots of these market
3 decisions that take place over a course of a year, it does
4 not necessarily have that same -- same benefit.

5 That, if I may, Commissioner, I'll move
6 onto the second observation?

7 CHAIRMAN IGNATIUS: Please. Thank you.

8 MR. COURCHESNE: We've suffered from a
9 decidedly closed book approach on the part of PSNH for
10 information exchange. And, we were mindful of the
11 Commission's admonitions in the order granting us
12 participation. But, for example, PSNH objected to provide
13 any information about its out-of-merit operation of its
14 generation resources. And, it's expected continuation of
15 those practices in 2014. And, we heard earlier today, in
16 response to questions from Ms. Chamberlin, that PSNH does
17 make its own economic dispatch decisions, that don't
18 necessarily correlate with ISO-New England's dispatch
19 decisions. So, the extent to which their model on which
20 the 2014 rates are based utilizes out-of-merit assumptions
21 would seem to be important to understanding whether the
22 2014 rate is, in fact, reflective, reasonable, and prudent
23 projected costs.

24 Likewise, PSNH refused to offer detailed

1 projections of its rate with different migration
2 scenarios, that was actually alluded to in Mr. Traum's
3 written testimony, that there was an objection to a data
4 request on that issue. This made it very challenging to
5 see under the hood about the effect of migration on the
6 rate and have a solid basis for understanding and
7 scrutinizing PSNH's assumptions and approaches.

8 Third, I wanted to just briefly discuss
9 the North American Power approach to customer migration,
10 and CLF's position on that. We support incorporating some
11 measure of projected migration into the rates. And, the
12 reason we do that is that -- the reasonable we say that is
13 that to do otherwise really denies the reality of
14 increasing migration. And, in the context of the
15 statutory commands of reasonableness and of the
16 Legislature's endorsement of retail choice and an
17 undistorted retail marketplace, we believe that, you know,
18 the migration rate is, like other elements of the rate
19 that are based on projections, something that should be
20 incorporated on a going-forward basis.

21 So, in closing, CLF reiterates that we
22 do not support the proposed rate, but mindful of the
23 Commission's limits on this docket, we look forward to
24 addressing some of the considerations that I've discussed

1 in the course of my comments in future dockets and
2 proceedings. And, thank you very much.

3 CHAIRMAN IGNATIUS: Thank you.

4 Ms. Chamberlin.

5 MS. CHAMBERLIN: Thank you. The OCA
6 agrees with some of the comments of the CLF regarding the
7 change in the market economics since this rate was
8 developed. There's been drastic economic changes. The
9 rates have, for the gas markets, have changed
10 substantially, the dispatch of PSNH's plants in the real
11 markets have changed, and the opportunities for
12 residential customers to migrate has changed. All of
13 these have brought together to have all of the risks of
14 PSNH's generation falling on primarily the residential
15 customers, those customers least able to or motivated to
16 make a change. And, I don't think that's what was
17 intended, and I don't think that that is the best way to
18 develop the Energy Service rate. I, too, am aware of the
19 Commission's desire not to litigate those issues in this
20 particular docket.

21 So, I would suggest that they be
22 addressed either in another docket or in a new docket, and
23 I would include in that the migration rate. I see no
24 purpose in changing one element of the computation without

1 looking at all the elements. This would increase the
2 burden on the residential default customers at a time
3 during the winter when, arguably, they are most
4 vulnerable, and I simply do not know if that is -- if that
5 rate in isolation, just making that single change, is the
6 best way to go forward. I would submit that, if we're
7 going to make changes to the calculation, that we look at
8 all of the elements of the calculation.

9 I think that PSNH's economic dispatch is
10 becoming so hypothetical as to be not -- arguably not
11 worth doing in that methodology any longer. And, we won't
12 know that until we really take a look at it. But why not
13 use the ISO-New England's dispatch that actually occurred
14 and use that going forward, rather than taking a
15 hypothetical and then making changes from that. That's
16 simply a possibility.

17 But I don't believe that having all of
18 these costs on the default customers, primarily the
19 residential rate customers, is a proper allocation of
20 risk. As the testimony showed, the shareholders of PSNH
21 get paid the same whether the plant runs one day or 365
22 days. It just doesn't seem to make sense that the
23 individual residential ratepayers should then have to bear
24 these costs, when the shareholders are not.

1 So, in terms of how PSNH has calculated
2 this particular rate, as far as I know, they have
3 calculated it in accordance to the rules as they have --
4 as they have been developed over time. So, we don't have
5 a specific change in this particular rate, but would
6 submit to the Commission that it's time to -- it's time to
7 look at it again.

8 CHAIRMAN IGNATIUS: Thank you. Ms.
9 Amidon.

10 MS. AMIDON: Thank you. While Staff
11 doesn't necessarily agree with PSNH's rationale of
12 self-fulfilling prophesy, when they talk about their
13 inability to forecast customer migration, and we do
14 understand Mr. Traum's proposal, we find, you know, after
15 our evaluation, Mr. Traum's proposal, proposed
16 methodology, does not take into account things like
17 economic factors, market analysis, or other things that
18 could impact the rate of migration, and the differential
19 between PSNH's Default Service rate and prevailing market
20 rates. In addition, the trendline that Mr. Traum
21 developed is somewhat arbitrary. It can be altered by,
22 you know, changing the start date, the number of data
23 points used, *etcetera*. And, while we understand, again,
24 we said we understand the reasons for Mr. Traum's

1 proposal, we do not support any adjustment as he has
2 proposed to PSNH's rate in this proceeding. You know, we
3 are mindful of the fact that this proceeding is moving
4 forward, that the Company has asked for a rate effective
5 January 1. And, similar to the OCA, the Staff has not --
6 has found that, in evaluating the docket, the way that the
7 Company has developed the rate is consistent with the
8 development of the rates that have been approved by the
9 Commission in the past. And, as such, we don't have any
10 objection to the Energy Service rate for effect January 1
11 going forward, as modified by PSNH's December 12th filing.

12 CHAIRMAN IGNATIUS: Thank you.

13 Mr. Fossum.

14 MR. FOSSUM: Thank you. I'll start with
15 by just generally saying that, consistent with some of the
16 comments so far, PSNH has calculated the proposed Energy
17 Service rate in this docket consistent with its past
18 practice, as it has done for this Commission for many
19 years, and believes that the resulting rate is just and
20 reasonable.

21 That said, I did want to address a
22 couple of specifics. One is in response to some of the
23 concerns that Commissioner Scott had asked about,
24 regarding the RGGI refund. PSNH did initially include

1 what it estimated would have been its share or its
2 customers' share of that refund in the initial filing for
3 the ES rate. But it has extracted that amount from this
4 filing as proposed on December 12th, and will address it
5 by whatever means the Commission deems most appropriate at
6 the time.

7 Also, I'd point out, regarding the
8 Winter Reliability Program, which PSNH is a participant,
9 is, as Mr. White had testified, one way or another, PSNH
10 was going to be assigned some portion of the cost of that
11 program. Approximately \$2.2 million of that cost would
12 have been borne by PSNH, regardless of its participation.
13 But, by opting to participate, and by engaging in that
14 process, PSNH has turned that cost into a benefit for its
15 customers. Now, the fullness of that benefit may not be
16 fully known for some time, until all of the risks have
17 subsided, but there is nonetheless a clear benefit to
18 PSNH's customers for its participation in that program.

19 As to the issue that has been discussed
20 at some length today, regarding migration, I'd simply
21 point out, as Mr. White did earlier, that wherever PSNH's
22 rate is set, there will be some impact on the market.
23 It's not clear what that impact might be. And, it would
24 certainly depend on wherever the rate is set. But,

1 regardless of where it is set, there will be some impact.

2 In recognition of that, PSNH takes, and
3 has taken for a number of years, an approach where it
4 doesn't attempt to forecast changes in customer behavior,
5 guess what might drive customers one way or another, or
6 embed certain expectations in its rate. It assumes only
7 that the rate that it knows to be the case will continue
8 until it is later changed or reconciled. And, I would
9 note that, regardless of whether an assumption is used, a
10 forecast is used, or PSNH's present method is used, there
11 will be a lag between whatever that produces and --
12 between whatever that rate is and whatever the actual rate
13 turns out to be, and whatever reconciliation or changes
14 may need to be made on a going-forward basis.

15 PSNH doesn't view any particular benefit
16 in attempting to isolate migration and the impact of
17 migration on the rate from any other significant factors.
18 As Mr. White had testified, there are a number of factors,
19 potential regulatory changes, and certainly swings in
20 weather can have a much larger impact than migration rate.

21 As to the specific proposals, or
22 proposal at least from North American Power, that proposal
23 recommends that a trendline be applied to the rate, on the
24 assumption that whatever trend exists will continue to do

1 so. Although, there doesn't appear to be any particular
2 reason why any particular trend at any point in time would
3 continue to persist. And, in addition, Mr. Traum, in
4 fact, noted that, despite what his own trendline shows, he
5 made an arbitrary adjustment to that trendline, to account
6 for what we called "conservatism". So, in the end, I know
7 there was testimony and statements from various people
8 about whether it's an artificially high or low rate or the
9 impact is artificial, to the extent that there's an
10 arbitrary adjustment, that, too, indicates that there is
11 some artificiality to the rate, or the impact of migration
12 on the rate.

13 I would also note that, as far as the
14 matching principle is concerned, in this case, as
15 Mr. Chung testified, the ultimate over -- I believe it's
16 actually an undercollection for the end of 2013 is
17 approximately \$103,000. In the grand scheme of PSNH's
18 rates, a very small number, and an indication that, taken
19 as a whole, PSNH's costs and revenues line up.

20 I would also note just very briefly that
21 the proposed rate in PSNH's December 12th filing is within
22 the range of other known rates being offered by other
23 utilities in New Hampshire, who base their rates on
24 market-obtained supply. PSNH says this is an indication

1 that the rate that we are proposing is, in fact, just and
2 reasonable and consistent with the marketplace.

3 So, with that, I would ask that the
4 Commission approve the rate as filed and as amended
5 through December 12th, and that it do so in sufficient to
6 allow implementation of the proposed rate by January 1st.
7 Thank you.

8 CHAIRMAN IGNATIUS: Thank you. All
9 right. Thank you, everyone. We will take all of this
10 under advisement. We understand the January 1 effective
11 date request on this, and some other rate adjustments that
12 have been proposed, and we will meet that deadline. Thank
13 you. We're adjourned.

14 **(Whereupon the hearing was adjourned at**
15 **2:56 p.m.)**

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