

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

June 24, 2014 - 10:49 a.m.  
Concord, New Hampshire

NHPUC JUL02'14 PM 3:52

RE: DE 13-275  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:  
Proposed Default Energy Service Rate  
for 2014.  
*(Hearing regarding a midyear adjustment)*

**PRESENT:** Chairman Amy L. Ignatius, Presiding  
Commissioner Martin P. Honigberg

Sandy Deno, Clerk

**APPEARANCES:** Reptg. Public Service Co. of New Hampshire:  
Matthew J. Fossum, Esq.

Reptg. Conservation Law Foundation:  
Christophe G. Courchesne, Esq.

Reptg. Residential Ratepayers:  
Susan Chamberlin, Esq., Consumer Advocate  
Stephen Eckberg  
Jim Brennan  
Office of Consumer Advocate

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Thomas C. Frantz, Director/Electric Division  
Grant Siwinski, Electric Division

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

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

| <b>EXHIBIT NO.</b> | <b>D E S C R I P T I O N</b>   | <b>PAGE NO.</b> |
|--------------------|--|-----------------|
| 8                  | PSNH filing re: Default Energy Service Rate for 2014 - Preliminary Mid-Year Adjustment, including the Testimony of Christopher J. Goulding, with attachments, and the Joint Technical Statement of Christopher J. Goulding and Frederick B. White (05-02-14)   | 8               |
| 9                  | PSNH updated filing, including the Joint Technical Statement of Christopher J. Goulding and Frederick B. White, with attachments (06-13-14)  | 10              |
| 10                 | 3-Page chart entitled "PSNH July 1, 2014 Rate and Bill Comparison", consisting of three pages entitled "Percentage Change in each Rate Component", "Rate Changes Expressed as a Percentage of Total Revenue for Each Class", and "Residential Service Rate R Typical Bill Comparisons" ( <i>referred to as the "bingo sheet"</i> ) | 18              |

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

1  
2 CHAIRMAN IGNATIUS: Good morning. I'd  
3 like to open the hearing in Docket DE 13-275. This is  
4 Public Service Company of New Hampshire's request to  
5 adjust its Default Energy Service rate for effect  
6 July 1st, 2014. PSNH made its filing on May 2nd. And, on  
7 May 19th, we issued an order of notice calling for a  
8 hearing this morning on the merits, and also asked for any  
9 new requests to intervene.

10 So, let's begin first with appearances,  
11 then take up the intervention issue, if there are any  
12 requests, and then talk about the order of business.  
13 Mr. Fossum.

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

17 MR. COURCHESNE: Good morning,  
18 Commissioners. Christophe Courchesne, on behalf of the  
19 Conservation Law Foundation, already an intervenor in this  
20 docket.

21 CHAIRMAN IGNATIUS: Thank you.

22 MS. CHAMBERLIN: Susan Chamberlin,  
23 Consumer Advocate. And, with me today is Jim Brennan and  
24 Stephen Eckberg.

[WITNESS PANEL: Goulding~White]

1 MS. AMIDON: Good morning. Suzanne  
2 Amidon, Commission Staff. To my left is Tom Frantz, the  
3 Director of the Electric Division, and to his left is  
4 Grant Siwinski, an Analyst in the Electric Division.

5 CHAIRMAN IGNATIUS: Welcome, everyone.  
6 I don't see any other -- any requests to intervene in the  
7 file. Is there anyone here who is seeking intervention?

8 (No verbal response)

9 CHAIRMAN IGNATIUS: Doesn't appear that  
10 way. Then, let's proceed with a plan of action. We have  
11 both Mr. Goulding and Mr. White submitting testimony. Is  
12 your intention to have a panel of the two of them?

13 MR. FOSSUM: Yes.

14 CHAIRMAN IGNATIUS: All right. Then,  
15 unless there's anything to take up before they do that,  
16 the witnesses can take the stand.

17 (Whereupon *Christopher J. Goulding* and  
18 *Frederick B. White* were duly sworn by  
19 the Court Reporter.)

20 **CHRISTOPHER J. GOULDING, SWORN**

21 **FREDERICK B. WHITE, SWORN**

22 **DIRECT EXAMINATION**

23 BY MR. FOSSUM:

24 Q. So, with that, I guess I'll start with Mr. White then.

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 Mr. White, could you state your name and place of  
2 employment and your responsibilities for the record  
3 please.

4 A. (White) My name is Frederick White. I'm a Supervisor  
5 in the Energy Supply Group for Northeast Utilities  
6 Service Company. My primary responsibilities involve  
7 the analysis and coordination of the portfolio of load  
8 and supply resources used to serve Default Energy  
9 Service customers in New Hampshire, and for purposes of  
10 rate setting and annual reconciliation.

11 Q. Thank you. And, Mr. Goulding, could you state your  
12 name and place of employment and responsibilities for  
13 the record also please.

14 A. (Goulding) My name is Christopher John Goulding. My  
15 address is 780 North Commercial Street, Manchester, New  
16 Hampshire. I'm employed by Northeast Utilities Service  
17 Company as the Manager of Revenue Requirements for  
18 PSNH. My responsibilities include the coordination and  
19 implementation of revenue requirement calculations, as  
20 well as filings associated with PSNH's Energy Service  
21 rate, Stranded Cost Recovery rate, Transmission Cost  
22 Adjustment Mechanism, and Alternate Default Energy  
23 Service rate.

24 Q. Thank you. Now, back on, and Mr. White or

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 Mr. Goulding, as may be more appropriate, back on May  
2 2nd, 2014, did you -- well, Mr. Goulding, did you  
3 submit testimony in this docket?

4 A. (Goulding) Yes.

5 Q. And, at the same time, did you and Mr. White submit a  
6 Joint Technical Statement in this docket?

7 A. (Goulding) Yes, we did.

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

10 A. (Goulding) Yes, I do.

11 Q. Could you explain what that is please.

12 A. (Goulding) On Page 4 of my testimony, the July 2013 to  
13 December 2013 rate says "8.99 cents", and I believe it  
14 was "9." -- or "8.62 cents".

15 CHAIRMAN IGNATIUS: I'm sorry. Did you  
16 say "8.62"?

17 MR. FOSSUM: Correct.

18 CHAIRMAN IGNATIUS: Thank you.

19 MS. CHAMBERLIN: Could you say that  
20 again? I didn't see where you were talking about.

21 WITNESS GOULDING: Page 4 of 9 of my  
22 testimony, the "July 2013 to December 2013" rate, it says  
23 "8.99 percent" -- or, "8.99 cents", and it's supposed to  
24 be "8.62 cents".

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 MS. CHAMBERLIN: Thank you.

2 BY MR. FOSSUM:

3 Q. And, do you have any other changes or updates at this  
4 time?

5 A. (Goulding) I do not.

6 Q. Now, with that change, this testimony -- or, I'm sorry,  
7 I should have asked before. Was this prepared by you  
8 or under your direction?

9 A. (Goulding) Yes, it was.

10 Q. Now, subject to the change that you've already  
11 described, is the information contained in this filing  
12 true and accurate to the best of your knowledge and  
13 belief today?

14 A. (Goulding) Yes.

15 Q. And, if you were asked these questions, would your  
16 testimony be the same today as it was at the time that  
17 you submitted this?

18 A. (Goulding) Yes.

19 MR. FOSSUM: With that, I would ask that  
20 this be marked as "Exhibit", I believe, "8" for  
21 identification?

22 CHAIRMAN IGNATIUS: So marked.

23 (The document, as described, was  
24 herewith marked as **Exhibit 8** for

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 identification.)

2 BY MR. FOSSUM:

3 Q. And, just for completeness, because there is a joint  
4 statement in here as well. Mr. White, the statements  
5 that you had made, are they true and accurate to the  
6 best of your knowledge and belief today?

7 A. (White) Yes, they are.

8 Q. And, if you were to provide the same information today,  
9 would your information be the same today?

10 A. (White) Yes.

11 MR. FOSSUM: Thank you.

12 CHAIRMAN IGNATIUS: And, Mr. Fossum, the  
13 Technical Statement from May 2nd is attached, it will all  
14 be part of the May -- excuse me, of Exhibit 8?

15 MR. FOSSUM: Correct. As all one  
16 package, yes, as Exhibit 8. It's both the testimony and  
17 the schedules, as well as that May 2nd Joint Technical  
18 Statement.

19 CHAIRMAN IGNATIUS: Thank you.

20 BY MR. FOSSUM:

21 Q. And, Mr. Goulding and Mr. White, on June 13th, 2014,  
22 did you submit an updated Technical Statement and  
23 attachments and schedules in this docket?

24 A. (White) Yes.

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 A. (Goulding) Yes.

2 Q. And, is the information -- and was that information  
3 prepared by you or under your direction?

4 A. (Goulding) Yes.

5 A. (White) Yes.

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

8 A. (Goulding) Yes.

9 A. (White) Yes.

10 MR. FOSSUM: And, with that, I would  
11 offer the June 13th Technical Statement of Mr. Goulding  
12 and Mr. White and attachments as "Exhibit 9" for  
13 identification.

14 CHAIRMAN IGNATIUS: So marked as  
15 "Exhibit 9". Thank you.

16 (The document, as described, was  
17 herewith marked as **Exhibit 9** for  
18 identification.)

19 MR. FOSSUM: And, as with the prior  
20 docket, I would offer that the witnesses provide a brief  
21 summary of the proposal that PSNH is making today.

22 CHAIRMAN IGNATIUS: That will be fine.

23 MR. FOSSUM: As updated.

24 CHAIRMAN IGNATIUS: Thank you.

{DE 13-275} {06-24-14}

1 BY MR. FOSSUM:

2 Q. So, with that, Mr. Goulding and Mr. White, as may be  
3 more appropriate, would you very briefly summarize the  
4 proposal that PSNH is making today for its Default  
5 Energy Service rates.

6 A. (Goulding) Yes. The proposal we have today is to  
7 adjust the rate that we currently have in effect from  
8 9.23 cents to 9.87 cents. The main drivers of the rate  
9 increase are increased migration -- or, decreased  
10 migration, coupled with increased forecasted market  
11 prices from the prices that we had forecast in our  
12 December filing.

13 Q. Thank you. Now, --

14 MR. FOSSUM: Yes?

15 CHAIRMAN IGNATIUS: No, go ahead.

16 MR. FOSSUM: Oh.

17 CHAIRMAN IGNATIUS: I was wondering if  
18 you had the bingo sheet again for all of these various  
19 changes, or whether we should refer back to the one in the  
20 prior docket?

21 MR. FOSSUM: It was my intention to  
22 refer back to the one in the prior docket that would go  
23 throughout.

24 CHAIRMAN IGNATIUS: That's fine.

[WITNESS PANEL: Goulding~White]

1 BY MR. FOSSUM:

2 Q. So, then, just for completeness then, could you  
3 describe briefly where the information regarding the  
4 Default Energy Service rate may be seen on Exhibit 6,  
5 from Docket 13-274.

6 A. (Goulding) Okay.

7 CHAIRMAN IGNATIUS: And, before you go  
8 into that, does Mr. Courchesne have a copy? All right.  
9 Thank you.

10 **BY THE WITNESS:**

11 A. On Page 1 of the document, in the second column from  
12 the right is the "Energy Service" rate. And, the rate  
13 proposed is a 6.93 percent increase over the current  
14 rate. And, on Page 2, the total revenue change, as a  
15 percent of the total bill, is 3.57 percent.

16 BY MR. FOSSUM:

17 Q. Thank you. I have a couple of questions for this  
18 morning for you. Mr. Goulding, in the Technical  
19 Statement from June 13th, there is an update to PSNH's  
20 migration rate through April, is that correct?

21 A. (Goulding) That is correct.

22 Q. Is there a more current migration rate that's  
23 available?

24 A. (Goulding) The migration rate from May was

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 51.1 percent.

2 Q. And, is that -- is that migration rate through May been  
3 reflected in this filing?

4 A. (Goulding) No. Consistent with the prior past filings,  
5 we use the most available data that we have or the data  
6 that we have available, which was the April 2014  
7 migration data of 50.2 percent.

8 Q. Thank you. Now, one other issue, just to update very  
9 briefly, is, Mr. White, could you provide a very brief  
10 update on the status for the Burgess biomass facility  
11 and its operation?

12 A. (White) The Burgess facility has been in service since  
13 late in 2013. Throughout the first half of this year,  
14 they have been performing various operational testing  
15 and operating it at varying output levels. They  
16 identified an issue with ash handling equipment and  
17 took an outage to correct those problems, and returned  
18 to service in late May, and operated through the first  
19 part of June. During that period of operation, they  
20 successfully completed RATA testing for Class I REC  
21 certification. And, they're awaiting written  
22 acceptance of that testing from the New Hampshire DES.

23 Also, during that period of operation,  
24 ISO established their Commercial Operation Date on

[WITNESS PANEL: Goulding~White]

1 June 17th, 2014. Just prior to that date, and not  
2 interrupting the ISO process, but just prior to,  
3 literally hours before the unit was commercial, there  
4 was another trip. And, the unit remains out of service  
5 today. It's -- the current schedule they provided is  
6 to be back on line the second week of July.

7 Q. Thank you for that update. Now, Mr. White -- or, I'm  
8 sorry, Mr. Goulding, turning to the filing, I wanted to  
9 explore one issue that's addressed in the filing. In  
10 the May 2nd, 2014 submission, there's a proposal by  
11 PSNH to include Black Start and VAR revenues in  
12 calculation of the ES rate, is that correct?

13 A. (Goulding) That's correct.

14 Q. Could you explain quickly what the Black Start and VAR  
15 revenues are?

16 A. (Goulding) Okay. The Black Start and VAR revenues are  
17 revenues that generators receive for providing Black  
18 Start and VAR services. As currently constructed now,  
19 the -- and those are provided for reliability purposes.  
20 As currently constructed now, the Black Start and VAR  
21 cost for those services is provided -- is included in  
22 the TCAM rate, and the revenues are included in the  
23 TCAM rate. So, transmission customers are paying, are  
24 basically made whole. The ones who are paying the

[WITNESS PANEL: Goulding~White]

1 costs are generators, or ES customers. So, there's a  
2 disproportion -- there's ES customers paying for --  
3 paying to provide services for reliability. So, we  
4 felt it was appropriate to move the Black Start and VAR  
5 revenues to the ES, out of TCAM.

6 Q. Okay. So, just for clarity purposes then, the revenues  
7 that we're speaking about, those revenues are paid to  
8 PSNH's generating facilities?

9 A. (Goulding) Yes. PSNH receives the revenues for Black  
10 Start and VAR for the generating facilities.

11 Q. And, just for clarity, you stated that currently those  
12 revenues are included in the TCAM rate, is that  
13 accurate?

14 A. (Goulding) Yes.

15 Q. Or, I guess, more appropriately, historically, have  
16 they been included in the TCAM rate?

17 A. (Goulding) Historically, they have been included in the  
18 TCAM rate. Effective July 1st, they have been moved  
19 from the TCAM to the Energy Service rate.

20 Q. And, so that PSNH's proposal has that from July 1st --  
21 or, is that, from July 1st going forward, those  
22 revenues would be -- would remain in the ES rate, is  
23 that accurate?

24 A. (Goulding) Yes.

[WITNESS PANEL: Goulding~White]

1 Q. Now, approximately how much money are we -- is at issue  
2 with the Black Start and the VAR revenue?

3 A. (Goulding) For the six months July to December, it's  
4 approximately a million dollars. And, on an annual  
5 basis, it's approximately \$2 million.

6 Q. And, is it the Company's position that putting the  
7 Black Start and VAR costs, removing them from the  
8 Transmission recovery rate and putting them in the ES  
9 is an appropriate treatment of those revenues?

10 A. (Goulding) Yes. Because if there was -- if PSNH did  
11 not own generation, there would be no Black Start and  
12 VAR revenue received by the Company.

13 Q. Thank you. And, just one other item for clarification  
14 purposes this morning. Are you aware that currently  
15 there is a bill working its way through the Legislature  
16 relative to assessments of public utilities?

17 A. (Goulding) Yes.

18 Q. And, you're familiar with that legislation?

19 A. (Goulding) Yes.

20 Q. And, that legislation has not been signed into law yet,  
21 is that accurate?

22 A. (Goulding) Not to my knowledge.

23 Q. Presuming that it is or that it will be, could you  
24 explain what your understanding would be of the changes

[WITNESS PANEL: Goulding~White]

1 that would be brought about by that legislation?

2 A. (Goulding) Okay. My understanding of the changes would  
3 be that there's a directive -- or, the PUC would order  
4 a directive on how to -- or, to how to recover the  
5 assessment through distribution rates. And, at the  
6 same time, we would remove the assessment from our  
7 Transmission and Energy Service rates.

8 Q. And, when do you understand would be the effective date  
9 of that legislation?

10 A. (Goulding) The effective date is July 1st of this year.

11 Q. So, in that we're talking about rates that would be  
12 effective for July 1st, has PSNH incorporated the  
13 changes from that, that not-yet-signed legislation into  
14 this filing?

15 A. (Goulding) We have not.

16 Q. So, there is a portion of the assessment that remains  
17 in the Energy Service rate today, is that accurate?

18 A. (Goulding) Yes. That's accurate. There's a portion in  
19 there, an estimate of what we expect the bill to be  
20 that we would receive from the PUC for September.

21 Q. And, would PSNH propose to make appropriate changes to  
22 the Energy Service and Distribution and other rate  
23 elements as may be necessary, should that legislation  
24 go into effect?

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 A. (Goulding) Yes.

2 MR. FOSSUM: Thank you. I have nothing  
3 else for direct.

4 CMSR. HONIGBERG: Just before the cross  
5 starts, I think, when we go to a break, we should copy  
6 Exhibit 6 from the other docket and make it an exhibit in  
7 this docket. So, people who want to just come to this  
8 docket and find out what's going on can find this  
9 spreadsheet. And, presumably, it will relevant to the  
10 others as well.

11 MR. FOSSUM: Okay. We will see that  
12 that is done. And, I suppose that would be Exhibit --  
13 then become "Exhibit 10" in this docket.

14 CMSR. HONIGBERG: Thanks.

15 MR. FOSSUM: Thank you.

16 CHAIRMAN IGNATIUS: Thank you.

17 **(Exhibit 10 reserved)**

18 CHAIRMAN IGNATIUS: Mr. Courchesne,  
19 questions?

20 MR. COURCHESNE: Thank you,  
21 Commissioners. CLF has no questions for the witnesses.  
22 Thank you.

23 CHAIRMAN IGNATIUS: Ms. Chamberlin?

24 MS. CHAMBERLIN: Thank you.

{DE 13-275} {06-24-14}

**CROSS-EXAMINATION**1  
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BY MS. CHAMBERLIN:

Q. For the drivers of the increase in the Energy Service rate, I believe the testimony is that there's rising forward electricity prices is one of the drivers?

A. (White) That's correct.

Q. And, then, there's an increase in customer migration from the prior rate that you used, which I believe was about 48 percent, and this one is going to be 50.2 percent?

A. (White) The 48.1 percent was in May. And, in this filing, it's 50.2 percent. So, yes, there was an increase since May. My recollection is that the migration rate assumed in the December filing, which established the current rate, was at a higher level of migration.

Q. Oh, okay. All right. So, the --

A. (White) So, it's actually -- current migration level is below the rate used in establishing -- I can check that right here. It was 53.7 percent was used in the December filing.

Q. All right. And, higher O&M costs, would you agree that that's also a driver?

A. (Goulding) My recollection was that the O&M costs,

[WITNESS PANEL: Goulding~White]

1           there was about a -- I want to say \$700,000 increase in  
2           O&M costs. So, there was some higher O&M costs, yes.

3   Q.   All right. And, looking at the June 13th, which is  
4       Exhibit 9, and I'm on the Technical Statement, which I  
5       guess is about, my copy, one, two -- Page 3. And,  
6       then, it says lines -- number 1, "Lines 4 and 5 -  
7       Projected coal generation"?

8   A.   (White) Yes.

9   Q.   Okay. So, is it an appropriate interpretation that,  
10       with coal generation decreasing, and forward  
11       electricity prices rising, it means that those prices  
12       are not rising sufficiently to create an economic  
13       dispatch for the coal plants? Is that what --

14   A.   (White) Well, I think what's important to understand,  
15       and I'll admit it's somewhat confusing, what you've  
16       cited in the Technical Statement is referring to the  
17       changes from the May filing to the June filing. And,  
18       further down on that page, you can see month-to-month  
19       forward price changes, from May to June.

20   Q.   Yes.

21   A.   (White) And, in several months, prices have gone down.  
22       So, that is what's driving the 186 gigawatt-hours of  
23       lower generation cited in Item 1, for Lines 4 and 5.  
24       Nevertheless, since the December filing, market prices

[WITNESS PANEL: Goulding~White]

1 are up. And, we have to go make a comparison between  
2 the generation levels forecast back in December to the  
3 levels forecast for July to December, for the period  
4 addressed in the June filing. So, it's a bit  
5 confusing, but that is referring to the changes since  
6 the May filing.

7 Q. I will certainly agree with you that it is confusing.  
8 Can you tell me, generally speaking, for the July to  
9 December period, do you expect the coal plants to be  
10 economic and running?

11 A. (White) The forecasted capacity factors for July  
12 through December, for Merrimack units, is approximately  
13 40 percent. For the Schiller coal units, it's  
14 approximately -- it's in the -- I believe it's the low  
15 20 percent range. So, that's an indication of the  
16 economic periods for generation.

17 Q. Okay.

18 A. (White) Over that six months.

19 Q. Thank you. Going to number 4, "Lines 24 through  
20 36" [26?], the "Burgess Biopower" plant, you stated it  
21 has had some operational problems. Can you be more  
22 specific about -- I mean, you gave us some information  
23 on when it was down, but when did it actually start  
24 running regularly, and has it ever actually run

[WITNESS PANEL: Goulding~White]

1 regularly?

2 A. (White) I guess that's, to some degree, anyone might  
3 have a different interpretation. It's been -- so, it's  
4 run off and on at varying levels throughout the first  
5 half of this year. I believe they have had fairly good  
6 ability to inform us of when the unit would be running  
7 and at the approximate levels that it would be running  
8 at. It has not been consistent levels throughout that  
9 time period. And, schedules sometimes change on a  
10 short-term basis. But it has off and on, and at  
11 varying levels, been producing energy since it first  
12 came on line in October of 2013.

13 Q. Under the Purchase Agreement, they're required to file  
14 an estimated hourly schedule of deliverables. Have  
15 they been able to do that?

16 A. (White) I believe our Bidding and Scheduling Group  
17 receives a schedule from them on a daily basis.

18 Q. And, it is sometimes accurate and sometimes not  
19 accurate?

20 A. (White) That's probably fair to say.

21 Q. All right.

22 A. (White) And, I know there have been operational phone  
23 calls pretty much on a weekly basis. And, so,  
24 operating schedules are discussed during that, during

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 those phone calls as well.

2 Q. The Purchase Agreement does allow for penalties, if  
3 they're not -- if the plant is not operating by June 1,  
4 2014. Has PSNH attempted to levy any penalties or  
5 request that penalties be imposed?

6 A. (White) I'm not sure I'm familiar with the penalty  
7 clause you're referring to. I would say that both  
8 parties are acting in good faith under the agreed upon  
9 terms of the Contract. The June 1st date I would say  
10 is referring to capacity credits in the ISO-New England  
11 markets. It was anticipated, it was known that they  
12 wouldn't receive -- it was likely they would not  
13 receive capacity credits in the forward capacity  
14 markets until June 1st of this year. And, whether  
15 that's discussed somehow as "penalties", that doesn't  
16 ring a bell to me. I could tell you that that June 1st  
17 date has come and gone, and they have not passed  
18 their -- what's referred to as an "established capacity  
19 credit audit" at ISO-New England. And, PSNH ES  
20 customers have been insulated from the economic impacts  
21 of that delay.

22 And, so, while they continue to sort  
23 through operations and achieve that capability audit  
24 with ISO-New England, from thenceforth capacity

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 payments will begin under the Contract, and ES  
2 customers will receive the capacity revenues associated  
3 with that capability. But that's sort of in a delay  
4 mode at this point. And, I would hypothesize that they  
5 could complete that audit in July, when they come back  
6 on line. But it will likely be September before that  
7 portion of the Contract -- before money begins changing  
8 hands for the capacity portion. That's a lengthy  
9 answer to the part of the Contract you're referring to,  
10 and I'm not even sure I'm talking about the right  
11 thing.

12 Q. No, that's fine. It's a complicated issue. Can you  
13 just describe, you said "PSNH customers are shielded  
14 from the impact". Can you explain what you meant by  
15 that?

16 A. (White) Well, the unit has, in its interactions with  
17 ISO-New England, made some commitments, if you will.  
18 They have what's referred to as a "capacity supply  
19 obligation", which means that they have told ISO-New  
20 England they will be bringing X megawatts to the  
21 capacity market beginning July 1st. They do not have  
22 any megawatts credit in ISO-New England's eyes at this  
23 point. So, they owe 58.7 megawatts. And, they are  
24 handling coverage of that open position on their side.

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 And, until they receive the credit, and ISO  
2 recognizes -- until the ISO recognizes the megawatts  
3 that they bring to the market, it's at that point when  
4 the capacity portion of the Contract can begin in full.  
5 I think there's language in there about the possibility  
6 of this occurring.

7 Q. Okay.

8 A. (White) And, as I said, both parties acting in good  
9 faith, it's my understanding, I'm not at the table in  
10 these discussions, but it's been agreed to how that  
11 will be handled until credits received and so forth.

12 Q. All right. And, is that capacity credit different from  
13 the ISO Commercial Operation Date that you mentioned  
14 earlier?

15 A. (White) They are not -- ISO will not perform the  
16 established capacity capability audit until they've  
17 established a Commercial Operation Date.

18 Q. And, that has not yet happened?

19 A. (White) That has happened.

20 Q. Oh, that has happened.

21 A. (White) The Commercial Operation Date was set on  
22 June 17th.

23 Q. That is what that was.

24 A. (White) Despite the unit going out of service, that

[WITNESS PANEL: Goulding~White]

1 date did not change. And, what happens is, there's  
2 a -- after that designation, there's a window of  
3 opportunity where the ISO essentially performs a  
4 surprise audit. The unit has X number of days to  
5 provide proof that it met a certain megawatt level.  
6 That whole process has been delayed due to they're  
7 currently out of service. So, they have not been able  
8 to get to that audit stage. I misspoke. It's not a  
9 surprise audit. It's a window during which the unit  
10 has an opportunity to provide data, from that period  
11 of -- from that window of opportunity.

12 Q. So, I just -- I looked at the definition of "in-service  
13 date" from the Contract, and it reads: "The facility  
14 is capable of regular commercial operation with a  
15 predictable daily dispatch." And, it doesn't sound  
16 like that has actually occurred, even though the plant  
17 has self-designated itself as being in service?

18 A. (White) I think, at the time, when, as you stated, the  
19 unit makes that declaration that "we are now in  
20 service", and they did so in late November. And,  
21 leading up to that date, the unit had been running well  
22 and regularly. And, as I stated, they continue to have  
23 the ability to tell us what their operating parameters  
24 were going to be going forward. I suppose different

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 people could argue about the meaning of those words.

2 All I can say is, we've -- I would say both parties are  
3 in good faith attempting to operate under the terms of  
4 the Agreement, as approved. And, that's how we've been  
5 managing that Contract, in cooperation with them, to  
6 date.

7 Q. And, so, your projections for this period, the July  
8 through December, you project the plant to run  
9 somewhat, but not full, based on its past operations?

10 A. (White) Given the most recent period of operations, and  
11 the current outage is a fairly specific event, but that  
12 recent operations would indicate that they would be  
13 able to achieve more regular operations than we've  
14 experienced through the first part of this year.

15 Q. So, that's what you have included in your Energy  
16 Service?

17 A. (White) They have provided their projections. We, as  
18 it turns out, correctly delayed their forecast for June  
19 and July. But have essentially used their forecast for  
20 April through December, which is essentially full  
21 operation, except for an audit that they have already  
22 planned in October, at some time in October.

23 Q. Okay. And, if that doesn't happen, if they're not in  
24 full operation, the next filing there will be a true-up

1 and that will be reconciled?

2 A. (White) That's correct. We've tried, given our  
3 experience and what we know from discussions with them,  
4 we've put in here what we believe is our best  
5 reasonable expectation of their operations through the  
6 end of the rate term. If it turns -- it will certainly  
7 be wrong, but it will be a matter of degree. But there  
8 will be a true-up, that's correct, in the next ES rate.

9 Q. Okay. Thank you. On the Black Start and the VAR  
10 payments, your testimony is that, in the past, both the  
11 cost and the revenue of Black Start and VAR have been  
12 included in the TCAM, is that correct?

13 A. (Goulding) Well, there's two sets of costs. There's  
14 the costs that are incurred by ES customers that the  
15 generated -- that generators incur to provide the  
16 service. So, it's part of the revenue requirement that  
17 ES customers are paying as part of their rate. And,  
18 then, there's the cost of transmission customers to  
19 basically pay for that service that generators are  
20 providing. And, then, revenues come in to the Company,  
21 and those costs are being assigned to transmission  
22 customers, instead of Energy Service customers.

23 Q. And, the cost of the -- the second part of the costs,  
24 the cost of the transmission customers, where is that

[WITNESS PANEL: Goulding~White]

1 going to be placed going forward? Does that go into  
2 the Energy Service or does it stay in the TCAM?

3 A. (Goulding) Those are reliability costs that would stay  
4 with transmission customers.

5 Q. All right. So, you're splitting up the costs and  
6 saying that one of them belongs with generation and one  
7 of them belongs with transmission?

8 A. (Goulding) No. Right now, it's built into the revenue  
9 requirement is costs associated with providing Black  
10 Start and VAR services to -- for system reliability.  
11 So, customers are paying to have those -- to provide  
12 those -- ES customers are paying to provide those  
13 services. And, transmission customers should be paying  
14 for that service that ES customers -- or, that  
15 generators are providing. So, those costs would be --  
16 are in transmission, TCAM right now. But, then, the  
17 revenues come in to the Company to reimburse the  
18 generators for the services that they're providing to  
19 make the ES customers whole. And, those revenues are  
20 become assigned to the TCAM.

21 Q. So, you're just taking out -- the only thing you're  
22 proposing to switch are the revenues from the TCAM to  
23 the ES?

24 A. (Goulding) Right. I'm proposing -- yes, proposing to

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1           move the Black Start and VAR revenues from TCAM to ES  
2           to make the ES customers whole for providing the  
3           services.

4   Q.   And, the Energy Service rate itself is actually going  
5           up with this proposal, correct?

6   A.   (Goulding) No.  It would be going down slightly,  
7           because there will be a revenue credit in the Energy  
8           Service rate of approximately a million dollars.

9   Q.   Well, not for just this piece of it, but for the entire  
10          proposal the Energy Service is going up.  It's just  
11          actually the rate is going down for customers, because  
12          it's being offset by some of these decreases?

13  A.   (Goulding) I'm not sure I follow your question.

14  Q.   Okay.  The current Energy Service rate, with the  
15          Scrubber costs included, is 9.23 cents per  
16          kilowatt-hour, is that correct?

17  A.   (Goulding) Yes.

18  Q.   And, then, the proposed rate going forward would be  
19          9.87 cents per kilowatt-hour, correct?

20  A.   (Goulding) Yes.

21  Q.   So, that's an increase?

22  A.   (Goulding) Yes.

23  Q.   And, then, but the actual rate that customers will  
24          experience is going to be lower due to these various

[WITNESS PANEL: Goulding~White]

1 offsets that you're proposing?

2 A. (Goulding) Absent those VAR revenues being moved to  
3 Energy Service rate, the 9.87 cents would be higher.

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

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

8 MS. AMIDON: Thank you. Is it still  
9 morning? I can't see the clock. Good morning.

10 WITNESS WHITE: Yes, it is.

11 WITNESS GOULDING: Good morning.

12 BY MS. AMIDON:

13 Q. Okay. I wanted to turn your attention to the same page  
14 that Ms. Chamberlin was referring to, where it  
15 references Items 1, 2, 3, in the technical update for  
16 July 13th, Exhibit 9. And, in the middle of the page,  
17 you have depicted your updated forecasts for  
18 electricity prices by month for the year 2014. Is that  
19 correct?

20 A. (White) Yes.

21 Q. Okay. And, so, if we look at the "Total" at the bottom  
22 of that graph, it shows that overall there is an  
23 increase in the costs of energy from the original  
24 forecasts. But, if we look at month by month, we can

[WITNESS PANEL: Goulding~White]

1 see where you describe to the Commission, in responding  
2 to Ms. Chamberlin's questions, the adjustments that  
3 have been made on a month-by-month basis. Where, for  
4 example, say, in June, where you had a price of "59.2"  
5 in the May 2nd update, it now has a price of "50" for  
6 the June 13th update, is that right?

7 A. (White) Yes.

8 Q. Okay. So, as we go down that table, in the month of  
9 December, the May 2nd 2014 price forecast said "\$96.07"  
10 a megawatt-hour, and, for the June 13th update, that  
11 has considerably risen to "\$121.3" per megawatt-hour.  
12 Could you explain what's going on with the month of  
13 December there?

14 A. (White) It's a reflection of market participants'  
15 expectations of prices heading into the winter. And,  
16 so, it's, if you will, the collective knowledge of all  
17 people entering into energy transactions on a forward  
18 basis. And, the price level rose a material amount in  
19 December between the May and June filings.

20 Q. Did you look at forecasts, say, yesterday, to see if  
21 this price is still holding, the 121?

22 A. (White) I looked recently, not as recent as yesterday,  
23 and that price has decreased on the order of \$6.00 a  
24 megawatt-hour.

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 Q. Okay. So, it's still --

2 A. (White) It's a more current level.

3 Q. Okay. Sorry. I apologize for interrupting. But it's  
4 still from your May forecast?

5 A. (White) Yes. It is.

6 Q. Okay. Now, the Company participated last winter in the  
7 Winter Reliability Program that was operated through  
8 ISO, is that right?

9 A. (White) That's correct.

10 Q. Could you please explain what the outcome of that was.  
11 I know, at the time when you were looking at the Winter  
12 Reliability Program, the Company had calculated some  
13 risks, and had determined that the credits to customer  
14 would be at a certain level. And, do you have the  
15 final outcome of what the credits to customers ended up  
16 being as a result of Newington's participation in the  
17 Winter Reliability Program?

18 A. (White) Yes. Yes, we do. The actual outcome, as a  
19 result of our participation in the Program, and the  
20 cost of the Program supported by load, ES share of  
21 that, ES customers came out ahead 2.7 million. In the  
22 original forecast, we had assumed about a \$1.2 million  
23 of benefit, recognizing that there were risks of  
24 participation. Most of which we managed through, they

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 didn't cost the additional monies that could have  
2 occurred, and that explains the about one and a half  
3 million dollar of added benefit from originally  
4 expected benefit.

5 Q. And, this was due to Newington Station's participation  
6 in that Program?

7 A. (White) That's correct.

8 Q. And, if you recall in a technical session, I asked you  
9 to tell us what the status is of any plans for Winter  
10 Reliability Program for the 2014/2015 Winter. Would  
11 you -- could you tell us the status of that generally?

12 A. (White) ISO-New England, discussions are ongoing about  
13 a Winter Reliability Program for this upcoming winter.  
14 They are significantly changing the way the Program  
15 will be implemented. It will still be December,  
16 January, and February. And, they believe they have  
17 come up with an approach that will, on a total cost  
18 basis, be much less than last year's Program, and  
19 achieve the same reliability needs for the system.

20 We also anticipate again participating  
21 with our Newington unit. And, we believe that we can  
22 offset the cost to the ES load of the Program through  
23 Newington's participation. So, our best estimate at  
24 the moment, while the program is still under

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 discussion, is that we can hold ES customers neutral on  
2 an overall outcome. So, Newington's -- the benefit  
3 that Newington can -- the revenues that Newington will  
4 receive through the Program will offset the expected  
5 loads -- the expected costs that loads in New England  
6 will be required to pay.

7 Q. Have you locked in any oil purchases for Newington for  
8 the winter?

9 A. (White) We have not made any oil purchases, I believe,  
10 since February. So, no. We have not done that at this  
11 point.

12 Q. And, will you -- and, when do you think approximately  
13 that ISO will have its plan in place, so you can make  
14 some planning on that basis?

15 A. (White) Well, I'd be guessing, but I will tell you that  
16 I think ISO -- there were complaints last year that ISO  
17 waited too long to establish the Program. So, I would  
18 expect in the next, let's say, six weeks or so that the  
19 Program -- the definition of the Program will be  
20 established, at which time we can discuss our  
21 participation and necessary volumes, the appropriate  
22 volumes of oil to secure for our participation.

23 Q. Thank you. One of the other things that occurred last  
24 winter, obviously, was the spike in natural gas prices,

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 which led to higher electricity prices. And, I'm not  
2 sure if this is for Mr. Goulding or for -- I think it  
3 may be. As I understand, at that point, you had  
4 customers returning to PSNH Energy Service, is that  
5 correct?

6 A. (Goulding) Yes. That's correct.

7 Q. And, is that because, in part, that the rate --  
8 Alternative Default Energy Service rate had to close?

9 A. (Goulding) No. The Alternative Default Energy rate was  
10 open for most of those spikes. It didn't close, I  
11 believe, until April 1st. So, it would have been open  
12 for the months of January and February and March, where  
13 the phenomenon existed.

14 Q. Okay. And, so, did you have customers coming back,  
15 going into Rate ADE?

16 A. (Goulding) I am not sure. I believe there was, but I'm  
17 not sure of how many or how much, how -- what percent  
18 or what kilowatt-hours came back to us.

19 Q. But you did have people coming back directly to the  
20 Default Energy Service?

21 A. (Goulding) I would have to check that. I'm not  
22 positive.

23 A. (White) I would say customers came back onto both  
24 rates.

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 Q. Okay. And, in this filing, is there any reconciliation  
2 of any ADE over or under recovery? And, by "ADE", I'm  
3 referring to "Alternative Default Energy Service".

4 A. (Goulding) Yes. The over/under recovery is rolled into  
5 the Energy Service cost and revenues.

6 Q. And, what is it at this point?

7 A. (Goulding) The difference between the revenue and  
8 actual cost was \$3.8 million. But the revenue delta  
9 between the 9.23 cents and the ADE rate of 9.17 cents  
10 was roughly \$39,000.

11 Q. So, what do these numbers mean to me?

12 A. (Goulding) If there was no ADE, these customers would  
13 have come back and gone on the Energy Service rate.  
14 And, there would have been a \$39,000 additional in the  
15 Energy Service revenues. The difference between the --  
16 or, the \$3.7 million I was referring to earlier is more  
17 due to the way the rate is, I guess, designed now,  
18 where customers can come back during the high-price  
19 winter months and get an annual or lower, an average  
20 rate of 9.23 cents.

21 Q. So, is there an under recovery of \$3.7 million in this  
22 filing?

23 A. (Goulding) Yes, there is.

24 Q. Okay. That's what I wanted to get clear.

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 A. (Goulding) Right. But, if there was no ADE and the  
2 customers came back to Energy Service rate, it would be  
3 \$3.7 million, minus the \$40,000.

4 Q. Understood.

5 A. (Goulding) Okay.

6 Q. If I read the filing correctly, there was a \$13 million  
7 under recovery in Energy Service for the first six  
8 months of this year, is that correct? Let me see if I  
9 can find it.

10 A. (Goulding) Are you referring to Line 28 on CJG-1,  
11 Page 1?

12 Q. Are you looking at the -- yes.

13 A. (Goulding) Yes. That's a 2013 under recovery.

14 Q. Okay. So, an under recovery. And, so, that -- so, how  
15 did -- is it effective for the whole period 2013 or is  
16 it just for the latter months of the year?

17 A. (Goulding) Well, that's the annual under recovery.  
18 That's the annual under recovery.

19 Q. Okay. So, then, none of those amounts then would be  
20 attributable to like additional energy that you had to  
21 purchase over the winter months for the customers  
22 coming back to Default Service?

23 A. (Goulding) You're right. Correct. The \$3.8 million,  
24 \$3.7 million for ADE under recovery that I was talking

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 about was for January, February, March, April of 2014.

2 So, it would not be reflected in there.

3 Q. Okay. So, I just wanted to -- that's what I wanted to  
4 do, is I wanted to figure out how much money that was.

5 A. (Goulding) Okay.

6 A. (White) There may be a similar circumstance at the end  
7 of 2013, but it's not the 3.7 that was discussed.

8 Q. Understood. No, that was very helpful.

9 MS. AMIDON: Just one moment please.

10 (Atty. Amidon conferring with Staff  
11 representatives.)

12 MS. AMIDON: Thank you. We have no  
13 further questions.

14 BY CHAIRMAN IGNATIUS:

15 Q. Can I jump in on the ADE issues? Because, although I'm  
16 glad that Ms. Amidon followed it, I didn't follow it.  
17 So, help me understand again. The amount of under  
18 recovery for ES overall, the amount of under recovery  
19 for ADE, however you want to describe it, that's  
20 logical to you, if you can walk that through, I would  
21 appreciate it, because I got tangled up there.

22 A. (Goulding) Okay. Let me just -- I want to see if I can  
23 get some information.

24 Q. That's fine.

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 (Witness Goulding conferring with  
2 Witness White.)

3 **BY THE WITNESS:**

4 A. (White) The 3.7 million is the delta between the ADE  
5 rate and the marginal cost to serve, based on settled  
6 prices in New England. It does not reflect the PSNH  
7 portfolio of resources. So, there's no component of  
8 our generation output in the calculation of the  
9 3.7 million. It's strictly a open market service of  
10 ADE load.

11 BY CHAIRMAN IGNATIUS:

12 Q. And, is it fair to say that ADE was, in effect, under  
13 priced compared to market by 3.7 million?

14 A. (White) You could say that. I think it's fair to say  
15 ADE was under priced, and that's why it was eventually  
16 closed. ADE was also an annual rate. It was an annual  
17 average. So, it was designed, by its design, it was  
18 under priced in peak price months. So, it's probably  
19 both.

20 The discussion about the difference  
21 between the ES rate and the ADE rate, which leads to a  
22 \$40,000 less in revenue, like the ADE rate, the ES rate  
23 is also set on an average annual basis. And, so --  
24 and, it was set at during a certain price level. So,

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 the logic is that, had ADE not been available at 9.17  
2 cents, it still would have been an economic advantage  
3 for customers to return to ES. And, so, if you could  
4 take that, what I believe is a logical step, those  
5 customers would have come back to ES anyway. And, the  
6 marginal cost for us to serve them would have been at  
7 then current market prices.

8 So, that 3.7 million, we would have  
9 been -- the ES rate would have been exposed to those  
10 higher marginal costs regardless. What really was  
11 different was just the revenue difference. Where we  
12 got 9.17, because they came back on ADE, we would have  
13 gotten 9.23 cents per kilowatt-hour had they come back  
14 on ES.

15 So, that's sort of the -- hopefully,  
16 that helps.

17 Q. All right. Thank you. On the Burgess Biopower plant,  
18 we've been hearing, since it began start-up, that  
19 "there are always glitches as a plant comes back on  
20 line and significant changes. This is to be expected."  
21 And, that made sense for the first month or the first  
22 couple of months. We're now into looks like nine  
23 months of trying to get going and in a stop-and-start  
24 history now. Are we still in that shakedown phase or

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 is something else going on here?

2 A. (White) I guess my impression is we are likely beyond  
3 the shakedown stage, but we don't know for sure. When  
4 they first came in service, operations were pretty  
5 good. And, then, they ran into some issues, which  
6 impacted operations. And, then, for the period from  
7 late May through mid June, there were very strong  
8 operations. And, my impression is that this latest  
9 outage is just a motor failure. And, I think prior  
10 issues were more with plant processes and working  
11 through those.

12 Q. What do you mean by "plant processes"?

13 A. (White) Well, I think there was -- they had issues with  
14 ash handling. And, I don't -- I don't know a lot of  
15 the details. But I think of it more as a system issue,  
16 rather than a component issue. And, this latest outage  
17 is a component issue. And, the motor is being fixed,  
18 and it will come back. Now, could there be other  
19 component failures? There could. But it doesn't seem  
20 like they have system issues.

21 Q. And, so, is the wood handling system that was created  
22 anew currently working well, to your knowledge?

23 A. (White) I think that was more or less proven during  
24 that recent period, recent period of strong operations.

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 Q. And, the boiler got to the point that it was operating  
2 well?

3 A. (White) Yes. And, that's what allowed them to pass  
4 their RATA testing, their air emissions test.

5 Q. It's a complicated contract, and I don't begin to  
6 recall all of the details. But what are the  
7 consequences to PSNH and its customers, if the plant  
8 continues -- the Burgess plant continues to have a very  
9 spotty operational record?

10 A. (White) Well, in the current outlook, generally  
11 speaking, the energy component of the Contract is out  
12 of the money. So, it's over priced. The REC portion  
13 of the Contract, where we purchase Class I RECs, are --  
14 those purchases are made at a discounted price. And,  
15 so, those two components of the Contract, to a large  
16 degree, offset one another.

17 Currently, with the elevated prices,  
18 energy prices in New England, the advantages -- the  
19 advantages of the RECs outweigh the disadvantages in  
20 the energy market. With regard to the capacity market,  
21 the Contract rate for capacity is essentially set at  
22 the market value. So, there's very little -- it's more  
23 or less in a break-even range. So, that's sort of the  
24 current outlook, given current forward prices and the

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 Contract prices in effect as of now.

2 And, if you'll recall from the Contract,  
3 prices for -- there are price adjustments over the life  
4 of the Contract, where the REC price changes every  
5 couple years and the capacity price changes. So, in  
6 the out years, it's difficult to say. But that's sort  
7 of the current way the contract is operating.

8 Q. Are there any required payments PSNH has to make, looks  
9 like a take-or-pay, for a period when there is no  
10 operation, either for RECs or for energy?

11 A. (White) No. No. Once the capacity is established at  
12 the unit, capacity is a market that continues, it's not  
13 dependent on unit operations producing megawatt-hours.  
14 Energy and RECs are both dependent on megawatt-hours of  
15 production. Capacity credit will remain even if the  
16 unit is out-of-service, for a period of time.  
17 Eventually, that would be retracted as well.

18 Q. And, that's what hasn't yet been established, because  
19 it hasn't had its audit from the ISO?

20 A. (White) Correct. And, there are no -- there are no  
21 payments being made for that product under the  
22 Contract.

23 Q. You said, in questioning with Ms. Chamberlin, that the  
24 Burgess plant has been submitting its daily

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 projections, I forget how you phrased it, but that  
2 they -- she asked "but they're not accurate", and you  
3 agreed with that. Do you mean "not accurate" because  
4 it got more complicated on the operational side and  
5 they weren't able to actually live up to those  
6 expectations or that they just -- what they were  
7 submitting just made no sense?

8 A. (White) No, I think -- I think operational issues  
9 sometimes impacted expected generation, either for the  
10 following day or into the next week. And, I'll qualify  
11 a little bit to what I said. I don't have personal  
12 knowledge that they have been providing information  
13 daily. I do know that there is frequent periodic  
14 communication with our Bidding and Scheduling Group on  
15 expected operations, day-to-day and week-to-week. And,  
16 I was only referring to the fact that they have at  
17 times had operational issues, which -- where those  
18 operating expectations weren't exactly met.

19 Q. One just quick clarification. Mr. Goulding, I think  
20 you were the one who gave us a correction of just a  
21 mistake in a number in the May filing, I believe it  
22 was. Are there any other pages that need correction as  
23 a consequence of that, of that number change? Or, are  
24 the rest of the exhibits still accurate? Does that

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 July through December 2013 number carry through to  
2 other schedules?

3 A. (Goulding) I don't believe it does carry through to any  
4 other schedules.

5 Q. All right. Thank you. If you do discover that there's  
6 something that did feed through that needs to be  
7 corrected, we ought to get that on the record. And, if  
8 it's anything significant, obviously, we'd need to look  
9 at it.

10 A. (Goulding) Okay.

11 Q. Just so I'm certain I have this in the record, because  
12 we have so many numbers flying around here, the current  
13 ES rate is 8.25, plus the 0.98 cents as the temporary  
14 Scrubber cost, correct, for a total of 9.23?

15 A. (Goulding) Yes.

16 Q. And, the currently proposed rate, we'll leave the May  
17 filing out of it, so, what's being proposed today is an  
18 all-in cost of 9.87 cents?

19 A. (Goulding) Yes.

20 Q. So, for customers, they would see an increase from 9.23  
21 to 9.87?

22 A. (Goulding) That's correct.

23 Q. Thank you. And, I know we go through this every time,  
24 but let's take a look at your Exhibit 6, the bingo

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 sheet, that we'll also have marked in this docket, it  
2 will be called, the same docket, but it will be called  
3 "Exhibit 9, I believe, correct?

4 MS. DENO: Exhibit 10.

5 CHAIRMAN IGNATIUS: Ten. Thank you.

6 BY CHAIRMAN IGNATIUS:

7 Q. Just help me again. If you look at Energy Service, on  
8 the first page you have a "6.93 percent" increase in  
9 the Residential rate, but you have a negative  
10 "0.31 percent" response, you have a "0.31 percent"  
11 decrease in total revenue?

12 A. (Goulding) Yes.

13 Q. Tell me again how that works.

14 A. (Goulding) That takes into consideration all of the  
15 components, the Distribution change, the Transmission  
16 change, which is a decrease also, with the SCRC change,  
17 which is a decrease, and then which is offset by the  
18 increase in the Energy Service rate.

19 Q. So, the "Total Revenue" line means the Residential  
20 customers will bring in 0.31 percent less in total  
21 revenue than they had in the prior period?

22 A. (Goulding) Yes.

23 Q. But that customer class itself will see --

24 CHAIRMAN IGNATIUS: No, I'm sorry.

{DE 13-275} {06-24-14}

[WITNESS PANEL: Goulding~White]

1 That's the same number. No, forget that. I've got it.

2 All right. Any redirect, Mr. Fossum?

3 MR. FOSSUM: No. Thank you.

4 CHAIRMAN IGNATIUS: Then, you're  
5 excused. Thank you very much, gentlemen. Is there any  
6 objection to striking the identification on the exhibits?  
7 With the understanding that Exhibit 10 will be added to  
8 the file, it's just the same document as we have as  
9 Exhibit 6 in the 13-274 file, it will be recreated for  
10 this docket. And, I assume we can do that over a lunch  
11 break?

12 MR. FOSSUM: We certainly should be able  
13 to. And, since we're on that topic, we do have two more  
14 hearings this afternoon. If you like, we could have  
15 copies that we would produce as exhibits to be filed in  
16 each of those as well, just for completeness?

17 CHAIRMAN IGNATIUS: Why don't you do  
18 that. Thank you. Then, if there's no objection, we'll  
19 strike the identification and they will be full exhibits.

20 Is there anything else to take up before  
21 closing statements?

22 (No verbal response)

23 CHAIRMAN IGNATIUS: Seeing nothing, then  
24 let's begin first with Mr. Courchesne.

{DE 13-275} {06-24-14}

1 MR. COURCHESNE: Thank you,  
2 Commissioners. For the reasons I articulated on behalf of  
3 CLF at the first hearing in this docket, in December, on  
4 December 16th, 2013, CLF still does not support the  
5 proposed Energy Service rate that has been offered by the  
6 Company. The Company's current proposal reflects the same  
7 approach and assumptions with respect to the Company's  
8 utilization of its own generation that the Company used in  
9 its 2013 filings in this docket, which the Commission  
10 approved in its December order. So, I won't belabor or  
11 repeat those concerns this morning, especially in the  
12 interest of time.

13 I do, however, have one observation that  
14 we would offer the Commission that should not go  
15 unremarked this morning, and it's reflected in some of  
16 Attorney Chamberlin's questions and in some of the  
17 questioning from the Commission. That the current filing  
18 represents a nearly 7 percent increase in Energy Service  
19 rate for the first -- from the first half of 2014, and  
20 that almost a 15 percent increase over the rate that was  
21 in effect during the second half of 2013. By contrast,  
22 rates approved by the Commission by other New Hampshire  
23 utilities have declined in the most recent rate updates.

24 We, from CLF's perspective, this

1 divergent rate path is broadly illustrative of CLF's  
2 concerns with PSNH's approach to supply and procurement of  
3 energy.

4 CHAIRMAN IGNATIUS: Can you give me an  
5 example of what you're referring to or the specifics you  
6 refer to when you say that "other companies rates have  
7 declined"? What time period you're talking about?

8 MR. COURCHESNE: Sure.

9 CHAIRMAN IGNATIUS: What orders you're  
10 referring to?

11 MR. COURCHESNE: Sure. The most recent  
12 orders in both the Unitil and Liberty Utilities dockets  
13 reflect decreases over the first half of 2014 to the  
14 second half of 2014, to an average of about 8 cents per  
15 kilowatt-hour for Energy Service for customers. And,  
16 PSNH's equivalent Energy Service rate is 9.87 cents per  
17 kilowatt-hour.

18 CHAIRMAN IGNATIUS: Do you have -- are  
19 you citing to an order? Can you tell me what we can look  
20 to to --

21 MR. COURCHESNE: I can pull the order  
22 numbers, if you'd like, Commissioners. But those are the  
23 residential energy service rates that were approved by the  
24 Commission for Unitil and Liberty Utilities. And, I don't

1 want to introduce those rates in any evidentiary way.

2 CHAIRMAN IGNATIUS: Well, no. You're  
3 not a witness.

4 MR. COURCHESNE: Yes.

5 CHAIRMAN IGNATIUS: So, that's why I'd  
6 like to know what you're referring to, so we can take a  
7 look at those, and be sure that we're comparing the right  
8 time period and rate classifications.

9 MR. COURCHESNE: Absolutely,  
10 Commissioners. If you'll give me one moment.

11 (Short pause.)

12 MR. COURCHESNE: In Docket DE 14-061 is  
13 the Unitil 2014 rate schedule, the order number is 25,648.

14 CHAIRMAN IGNATIUS: Thank you.

15 MR. COURCHESNE: And, the order -- the  
16 docket for Liberty Utilities is DE 14-031. And, the order  
17 is 25,642.

18 CHAIRMAN IGNATIUS: Thank you.

19 MR. COURCHESNE: And, with that, I have  
20 no further comments. And, thanks, thank you for the  
21 Commission today.

22 CHAIRMAN IGNATIUS: Thank you.

23 Ms. Chamberlin.

24 MS. CHAMBERLIN: Thank you. I have two

1 major concerns with the Energy Service rate. As I  
2 explored on cross, the Burgess Biopower plant is not  
3 operating at full capacity. It has not yet been certified  
4 for RECs. And, it has not yet been certified for capacity  
5 payments. So, ratepayers are losing part of the benefit  
6 of the Agreement. I believe that the plant should be held  
7 to the specifics of the Contract, so that -- so that the  
8 opportunities for residential ratepayers or all ratepayers  
9 are not being lost. It's very frustrating to have what is  
10 an over-market contract, and yet not be able to get the  
11 benefits for the reduced REC prices. And, it's also a  
12 lost opportunity in this very high winter priced market.  
13 Perhaps this contract might have been economic, we don't  
14 know, because they weren't operating during that time.  
15 So, it just is not -- I would simply raise it as a concern  
16 that it needs to be closely watched.

17 The other point is the Black Start and  
18 the VAR payment. It just highlights the tension between  
19 having a vertically integrated utility in the midst of a  
20 competitive market. On the one hand, you have a  
21 Settlement Agreement for the vertically integrated utility  
22 with specific costs in distribution, and then they come  
23 with a proposal of moving some transmission-related  
24 revenue out of one place and into the Energy Service rate.

1 Even though it's a small amount of money comparatively, it  
2 shows that every single thing PSNH files and every  
3 proposal has an impact on the competitive market.

4 Now, where most of the approximately  
5 75 percent of residential customers are in the Energy  
6 Service rate, I cannot argue that the rate shouldn't be  
7 lowered, and that is the overall effect of all of these  
8 proposals. However, it is having a -- it is having a  
9 potentially distorting effect on the Energy Service rate,  
10 as compared to the competitive market, because these  
11 little changes from Energy Service into transmission  
12 effectively lowers that rate, and that will affect -- it  
13 will affect migration, it will affect the competitors.  
14 And, as a Consumer Advocate, who represents customers both  
15 in and out of the market, it becomes very difficult to  
16 know what's the right -- what's the right proposal.

17 I think there is some validity in their  
18 conclusion that the revenue is related to generation,  
19 Energy Service is paying for all of those costs. But it's  
20 a moving target, and it's difficult to have a -- it's  
21 difficult to do anything other than look at "Well, the  
22 numbers are going up, the numbers are going down. I guess  
23 going down is good."

24 And, so, that's where I come out on the

1 overall proposal.

2 CHAIRMAN IGNATIUS: All right. Thank  
3 you. Ms. Amidon.

4 MS. AMIDON: Thank you. First of all,  
5 you know, the Staff reviews this filing in light of the  
6 statutory mandate in RSA 369-B, which tells PSNH how they  
7 will set power and what the Commission shall do in  
8 approving rates. While we understand that there may be  
9 some differences in the procurement of Unitil and Liberty,  
10 who are under a different -- a different kind of paradigm,  
11 I would suggest, when you look at those orders, that you  
12 consider the timing of those RFPs.

13 What we have here, in this instance, is  
14 a June 13 update, with updated forecasts and projections  
15 about costs into the rest of the year. When Unitil and  
16 Grid go out and procure power, they purchase -- they  
17 secure these RFPs two or three months ahead of time, and  
18 before the power is actually served. So, there will be a  
19 difference in prices. And, I just want to caution, as you  
20 go looking at those orders, to keep that in mind. There  
21 is a -- you know, as you can see, even in the difference  
22 of PSNH's projections from May 2nd to June 13th on the  
23 December prices, a little bit of time can make a very big  
24 difference in terms of the market.

1                   In addition, as we all know, the  
2 Commission is investigating divestiture and undertaking  
3 that plan. And, as things move forward, if the Company is  
4 divested, then there will have to be a reexamination of  
5 the statutory framework by which the Commission sets their  
6 rates. But, until such time, they continue to own  
7 generation, and you have to use the reasonable -- just and  
8 reasonable and actual costs that the Company incurs in  
9 setting its rates.

10                   And, I don't have any issues -- or, I  
11 guess I don't see a big problem with CLF's argument that  
12 this is somehow an aberrant or a rate-setting process has  
13 been taking place for many years.

14                   Insofar as the particular issues of the  
15 Black Start and VAR, the Staff appreciates the fact that,  
16 but for the fact that the Company owned generation, they  
17 would not be receiving these revenues. And, generation is  
18 supported by Energy Service default customers, including  
19 the residential customers. And, we do not see a problem  
20 with aligning those revenues with the Energy Service  
21 customers.

22                   I know that, in the past, the Company  
23 has tweaked the TCAM rate allocation. And, I just see  
24 this as another opportunity where they probably didn't see

1 some of this revenue coming in and consider the  
2 implication for Energy Service customers. So, Staff  
3 basically supports that.

4 We do agree, however, there are concerns  
5 about the Burgess Biopower. There's nothing I think that  
6 the Commission can do in this docket, except just to have  
7 that heightened awareness about the concerns about the  
8 vacillating forecasts that they provide, and the fact that  
9 they're apparently not able to deliver on their own  
10 forecasts. That is a matter of concern.

11 However, overall, having evaluated the  
12 filing, Staff believes that the Company has conducted its  
13 evaluation and calculation of the rate in the manner that  
14 it has in the past. And, so, we have no objection to the  
15 filing. Thank you.

16 CHAIRMAN IGNATIUS: Thank you.

17 Mr. Fossum.

18 MR. FOSSUM: Thank you. And, I'll begin  
19 this one as I had the last by thanking the parties, given  
20 the time that was available for the review, for their  
21 diligence in looking over what PSNH has provided. And, I  
22 would also say that PSNH believes that this filing and  
23 this rate are consistent -- or, the change in this rate  
24 would be consistent with PSNH's most recently filed and

1 approved Least Cost Integrated Resource Plan.

2 Moving to the terms of the filing  
3 itself, we appreciate the comments of Staff in noting that  
4 there is a statutory requirement on how PSNH procures and  
5 supplies its power. And, there is substantial Commission  
6 precedent about how it is that PSNH would set its rates,  
7 and would encourage the Commission to remain consistent  
8 with those precedents in this case, which PSNH believes  
9 would result in a just and reasonable rate of 9.87 cents,  
10 as has been proposed.

11 Turning to a couple of the specific  
12 issues, PSNH is certainly very mindful of what is going on  
13 with the Burgess biomass plant, and is paying attention to  
14 what is going on there, and will continue to be mindful of  
15 what is going on there going forward. And, that said, as  
16 noted by some of the parties, that it doesn't present a  
17 particular issue standing in the way of approving the rate  
18 that has been proposed today, and would -- and PSNH would  
19 encourage the Commission to not allow that issue to stand  
20 in the way of approving this rate.

21 As to the Black Start and the VAR  
22 revenue proposal that PSNH has made, I would build upon  
23 what Staff has said. PSNH has previously refined what  
24 elements are involved in the Energy Service rate, as

1 compared to what is in the TCAM rate. And, in fact, back  
2 in Docket 09-180, some of the costs that were  
3 transmission-related, relating to VAR revenues, were moved  
4 over to the TCAM rate. So, this is a further refinement  
5 along those lines, and PSNH believes is an appropriate  
6 refinement.

7 As to the energy procurement issues that  
8 CLF has alluded to, PSNH would note, as Staff has, that  
9 the rates that are in effect for Unitil and for Liberty's  
10 electric company are effective, for Unitil at least  
11 through November, and Liberty through October. So,  
12 there's a mismatch in the periods that we're referring to  
13 here, where PSNH's rate would be set from July through  
14 December of this year. And, PSNH would ask the Commission  
15 to be mindful of that difference, and the effect that the  
16 inclusion of a winter period or a portion of a winter  
17 period could have, given the volatility that the  
18 Commission is certainly well aware of over the last few  
19 years.

20 And, with that, I would reiterate that  
21 PSNH requests that the Commission approve the rate as PSNH  
22 has filed it and updated it, and would request that any  
23 order approving the rate be issued in such a time that  
24 PSNH could implement a new rate for July 1st, 2014

1 service. Thank you.

2 CHAIRMAN IGNATIUS: Thank you. We are  
3 mindful of the date that this is all proposed to go into  
4 effect, and we'll act on it expeditiously. We will take  
5 this under advisement. We'll ask that the extra bingo  
6 sheet be inserted later, after you're able to make a copy.  
7 And, if the Staff can assist in photocopying here, to get  
8 that done over the lunch break, that would be good.

9 And, so, we will adjourn this hearing.

10 **(Whereupon the hearing was adjourned at**  
11 **12:14 p.m.)**

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