

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

September 24, 2014 - 9:07 a.m.
Concord, New Hampshire

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RE: DE 14-031
LIBERTY UTILITIES (GRANITE STATE ELECTRIC)
CORP. d/b/a LIBERTY UTILITIES:
Default Service Request for Proposals.
*(Hearing regarding Default Service for
the Large Customer Group and the Small
Customer Group for the period November 1, 2014
through April 30, 2015)*

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

Sandy Deno, Clerk

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

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

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Thomas C. Frantz, Director/Electric Division
Grant Siwinski, Electric Division
Boris Koropey, Electric Division
Amanda O. Noonan, Dir./Consumer Affairs Div.

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

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P R O C E E D I N G

CHAIRMAN IGNATIUS: Good morning.

Welcome, everyone. I'd like to open the hearing in Docket DE 14-031. This is Liberty Utilities' filing for Energy Service rates. The filing was made on September 22nd. Liberty proposed Energy Service rates for the period November 1, 2014 through April 30, 2015 for its different rate groups. And, by an order -- letter, actually, issued on September 22nd, 2014, the Commission scheduled this hearing for this morning at 9:00.

Let's begin first with appearances.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. I'm here today on behalf of Liberty Utilities (Granite State Electric) Corp. And, with me today from the Company are the Company's two witnesses, John Warshaw and David Simek, and at counsel's table is Steven Mullen, Stephen Hall, and Maureen Karpf.

CHAIRMAN IGNATIUS: Good morning.

MS. CHAMBERLIN: Good morning. Susan Chamberlin, Consumer Advocate for the residential ratepayers. And, with me today is Jim Brennan.

CHAIRMAN IGNATIUS: Good morning.

MS. AMIDON: Good morning, madam

1 Chairman. Suzanne Amidon, for Commission Staff. To my
2 left is Tom Frantz, the Director of the Electric Division;
3 to his left is Grant Siwinski, an analyst in the Electric
4 Division; and, finally, there's Boris Koropey, who is a
5 wholesale power analyst in the Electric Division. And, in
6 the back of the room, I believe we have Amanda Noonan, who
7 is the Director of Consumer Affairs. Thank you.

8 CHAIRMAN IGNATIUS: Thank you. Is there
9 anything we need to take up before we begin with the two
10 witnesses?

11 MS. KNOWLTON: Yes. Thank you. The
12 first issue is that the Company has marked for
13 identification or proposes to mark for identification as
14 "Exhibit 5" the September 22nd Confidential Version of its
15 filing. The second exhibit that we would propose to mark
16 for identification is the September 22nd filing in
17 Redacted Version. And, those are the only exhibits that
18 the Company has today.

19 CHAIRMAN IGNATIUS: Are there any
20 objection to marking those two as "5" and "6"?

21 MS. AMIDON: None. I would point out,
22 too, that the Company has its standard request for
23 confidential treatment of certain redacted information
24 that's in the confidential Exhibit Number 5, pursuant to

1 the rules of Puc 201.

2 CHAIRMAN IGNATIUS: And, I take it
3 there's no -- I haven't seen any opposition to that,
4 anyone with a concern over the confidentiality request?

5 MS. CHAMBERLIN: No objection.

6 CHAIRMAN IGNATIUS: Okay. It seems
7 appropriate and in conformance with our rules about these
8 sorts of confidential financial details. So, we will
9 grant the request for confidentiality.

10 So, the Confidential Version will be
11 "Exhibit 5", the Redacted Version will be "Exhibit 6".

12 (The documents, as described, were
13 herewith marked as **Exhibit 5** and **Exhibit**
14 **6**, respectively, for identification.)

15 CHAIRMAN IGNATIUS: And, remind
16 witnesses to, if you need to address the confidential
17 information, you should do so. But, if you can speak in
18 more general terms and avoid that, that's better. And, we
19 will mark the transcript for anything that does get into
20 confidential information, so that it's not publicly
21 disclosed.

22 Anything else?

23 MS. KNOWLTON: Yes. The Company has one
24 other issue. It is our understanding that the Consumer

1 Advocate intends to make a proposal regarding the
2 Company's filing through a closing statement. And, to the
3 extent -- the Company first appreciates the heads-up from
4 the Consumer Advocate that that is her plan. To the
5 extent that that occurs, the Company would like the
6 opportunity to recall its panel, as needed, to address any
7 issues, factual statements that may be made in that
8 closing statement that weren't the subject of
9 cross-examination in the hearing.

10 CHAIRMAN IGNATIUS: Thank you.

11 (Chairman and Commissioners conferring.)

12 CHAIRMAN IGNATIUS: We were just
13 discussing what you described Ms. Knowlton. And, it would
14 make more sense to us to hear at the outset what it is
15 that the OCA may be proposing, so that witnesses and other
16 people's cross-examination could understand that as we go
17 through, rather than getting to the end and beginning
18 again.

19 So, unless there's a reason that that
20 doesn't work, Ms. Chamberlin, could you give us, just at
21 the start, more of an opening statement, --

22 MS. CHAMBERLIN: Certainly.

23 CHAIRMAN IGNATIUS: -- explaining what
24 you're looking towards, so we understand as we go through

[WITNESS PANEL: Warshaw~Simek]

1 the evidence how your ideas may fit together?

2 MS. CHAMBERLIN: Certainly. From the
3 ratepayers' perspective, the proposed increase -- the
4 proposed increase is very large and very sudden. And, my
5 concern is that individual consumers will experience rate
6 shock.

7 I appreciate that the Company went
8 through the RFP process as is set out in the orders and
9 previous rules. However, it does not change the impact of
10 the sudden rate increase on consumers. My argument will
11 be, one, to have the Company go back and do an RFP for a
12 longer period of time. The competitive suppliers are
13 coming in with 12-month and 24-month rates of 11 cents and
14 12 cents, which is significantly different than 15 cents
15 from the consumer perspective.

16 In the alternative, I would ask the
17 Company to propose some way of moderating the impact, so
18 that perhaps it can be spread out over the year, rather
19 than the six months that coincide with the worst price
20 spikes from the winter period.

21 CHAIRMAN IGNATIUS: All right. Thank
22 you. That's very helpful.

23 Then, are there any other administrative
24 matters to pick up?

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[WITNESS PANEL: Warshaw~Simek]

1 (No verbal response)

2 CHAIRMAN IGNATIUS: If not, we'll swear
3 the witnesses. Ms. Knowlton.

4 MS. KNOWLTON: Thank you. The Company
5 calls John Warshaw and David Simek.

6 (Whereupon *John D. Warshaw* and
7 *David B. Simek* were duly sworn by the
8 Court Reporter.)

9 **JOHN D. WARSHAW, SWORN**

10 **DAVID B. SIMEK, SWORN**

11 **DIRECT EXAMINATION**

12 BY MS. KNOWLTON:

13 Q. Good morning, Mr. Warshaw. I'll start with you.

14 A. (Warshaw) Good morning.

15 Q. Please state your full name for the record.

16 A. (Warshaw) John D. Warshaw.

17 Q. By whom are you employed?

18 A. (Warshaw) Liberty -- excuse me, Liberty Utilities (New
19 Hampshire) Corp.

20 Q. What is your position with the Company?

21 A. (Warshaw) I am the Manager of Electric Supply.

22 Q. What are your responsibilities in that role?

23 A. (Warshaw) My responsibilities are to procure the Energy
24 Service requirements for our Energy Service customers,

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[WITNESS PANEL: Warshaw~Simek]

1 to procure the renewable resources to meet New
2 Hampshire's RPS obligations, and there are other
3 duties.

4 Q. How long have you held that position?

5 A. (Warshaw) I have held that position almost three years
6 now, since the Company was purchased from National
7 Grid.

8 Q. Do you have any prior experience procuring electric
9 supply?

10 A. (Warshaw) Yes. Prior to working for Liberty Utilities,
11 I worked for National Grid in their similar role.

12 Q. How many years did you do that?

13 A. (Warshaw) That was about ten years at National Grid.

14 Q. Are you familiar, Mr. Warshaw, with the Company's
15 Energy Service filings that have been marked as
16 "Exhibits 5" and "6" today?

17 A. (Warshaw) Yes, I am.

18 Q. Did you have any role in preparing those exhibits?

19 A. (Warshaw) Yes, I did.

20 Q. What was that role?

21 A. (Warshaw) I helped prepare my testimony. I worked
22 on -- I developed the summary of our solicitation, and
23 negotiated and signed suppliers to provide the service.

24 Q. Do you have any corrections or updates to your

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[WITNESS PANEL: Warshaw~Simek]

1 testimony that's contained, and we'll work from the
2 Confidential Version, which is Exhibit 5, to that
3 exhibit?

4 A. (Warshaw) No, I do not.

5 Q. If I were to ask you the questions that are contained
6 in Exhibit 5 today, would your answers be the same?

7 A. (Warshaw) Yes, they would.

8 Q. Thank you. Mr. Simek, would you please state your full
9 name for the record.

10 A. (Simek) David B. Simek.

11 Q. By whom are you employed?

12 A. (Simek) Liberty Energy Utilities (New Hampshire) Corp.

13 Q. What is your position with the Company?

14 A. (Simek) I am a Utility Analyst.

15 Q. And, in that role, what do you -- what are your job
16 responsibilities?

17 A. (Simek) I provide rate-related services for the
18 Company.

19 Q. How long have you held that position?

20 A. (Simek) A little over one year.

21 Q. What did you do prior to that?

22 A. (Simek) Prior to my position at Liberty, I had worked
23 at NSTAR Gas & Electric, working in energy procurement
24 for a little over four years, and then prior to that I

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[WITNESS PANEL: Warshaw~Simek]

1 was in a financial role with NSTAR.

2 Q. Are you familiar with the documents that have been
3 marked as "Exhibits 5" and "6" today?

4 A. (Simek) Yes.

5 Q. Did you have a role in preparing these?

6 A. (Simek) Yes. I prepared my testimony. I had prepared
7 the rate exhibits, and provided all the detail, and
8 provided the migration detail. And, that was my role.

9 Q. Do you have any updates or corrections to your
10 testimony and schedules?

11 A. (Simek) No.

12 Q. If I were to ask you the questions that are contained
13 in your testimony today, would your answers be the
14 same?

15 A. (Simek) Yes.

16 Q. Mr. Warshaw, I'll start with you. You were in the
17 hearing room when the Consumer Advocate set forth her
18 proposal with regard to the Company's procurement for
19 this Energy Service period. Are you -- you heard that
20 proposal?

21 A. (Warshaw) I heard that proposal, yes.

22 Q. Okay. And, the first element of the proposal is that
23 the Company should go back and reissue an RFP for a
24 longer period of time in order to potentially mitigate

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1 the rate impact on customers. Do you have any response
2 to that proposal?

3 A. (Warshaw) Yes, I do. If the Company -- if the
4 Commission so orders, the contracts that we have
5 with -- the contract that we have with our supplier for
6 the Small Customer Group would basically cease. And,
7 for us to issue an RFP, after an incident like that
8 happening, based on my experience in this market, we
9 would get no bids from suppliers. And, if we did get
10 bids from suppliers, I believe that they would be
11 substantially higher than what we received last week.

12 Q. Why would you expect that the Company would receive no
13 bids?

14 A. (Warshaw) I expect that, because suppliers, when they
15 bid and then are informed that they are the winning
16 bidder, have a -- as a result of past experience, are
17 very confident that they will be serving that load for
18 the period of time that they bid on. And, most -- and,
19 the bidders would begin hedging and other functions to
20 ensure that the price that they offered is the price
21 that -- the costs that they will incur when they are
22 serving that load. These are costs that they may, if
23 the contract is canceled, these are costs that they
24 could possibly bear without -- they would not be able

[WITNESS PANEL: Warshaw~Simek]

1 to get those reimbursement of those costs from Liberty.
2 And, as a result of that, I believe that other
3 suppliers would view that non-approval as a risk that
4 they probably would not want to take.

5 Q. Would that be a risk that would have implications for
6 other electric utilities in New Hampshire?

7 A. (Warshaw) Yes. I believe that would be a risk to other
8 utilities, not only in New Hampshire, but in New
9 England, for those utilities that have a similar basic
10 service/energy service/default service role.

11 Q. Is it your view that suppliers would be less interested
12 in bidding into any requirements in New Hampshire,
13 whether it was Liberty Utilities or another electric
14 utility?

15 A. (Warshaw) Yes. It would definitely chill the bidders'
16 interest in New Hampshire.

17 Q. Are you familiar with the circumstance, in your
18 professional experience over the years procuring
19 electric supply, where a commission has declined to
20 grant rates sufficient to support a contractual
21 obligation of an electric utility to procure supply for
22 its customers?

23 A. (Warshaw) Yes, I have.

24 Q. And, what was that circumstance?

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1 A. (Warshaw) I can't -- I don't remember the exact date,
2 but the Connecticut Commission did reject one contract
3 for their equivalent of default -- I believe it was
4 default service, they may have called it "standard
5 offer" at the time. I don't remember the exact
6 details. But it did put quite a shock through the LDCs
7 that were -- for the utilities that are serving load,
8 the risk that they could be -- they could have a
9 contract where they cannot recover the costs. And,
10 also, they, by not being able to recover costs, all of
11 the utilities put in language in their contracts that,
12 if either the contract or the rates that the underlying
13 contract are based on are denied, the competitive --
14 the suppliers would no longer be serving -- providing
15 that service.

16 Q. Mr. Warshaw, you testified this morning that you would
17 expect that an RFP that was issued to cover a longer
18 period of time would result in higher prices. Can you
19 explain why you believe that to be the case?

20 A. (Warshaw) Yes. The suppliers would still bid prices
21 that reflect the current state of the market and the
22 market's view of prices at this time for the longer
23 period that the RFP would be seeking supply for. And,
24 they would also be adding some level of risk for the

1 portion of the RFP that is further out, due to the
2 uncertainty of actual costs and market conditions, six,
3 nine, twelve months away from the bid process. So,
4 they would -- they would actually have to put in some
5 additional risk into their bid to ensure that they are
6 not harmed, and that they are able to continue to meet
7 the contractual prices that they agreed to.

8 Q. In the event that the Commission were to grant the
9 Consumer Advocate's request and order the Company to
10 issue an RFP for a longer period of time, and the
11 Company did that and it received no bidders, what would
12 happen under that circumstance?

13 A. (Warshaw) Under that circumstance, we would not have a
14 supplier for Energy Service. We would then have to buy
15 that service from the market, and without having a
16 fixed price or any other knowledge of what exactly the
17 costs will be during the future period. And, in fact,
18 we have filed, in a separate docket, what we call a
19 "Contingency Plan" to address just that situation.

20 Q. And, as of today, Mr. Warshaw, the Company doesn't have
21 authority from the Commission to execute on that
22 Contingency Plan, does it?

23 A. (Warshaw) That is correct.

24 Q. Ms. Chamberlin referred to rates that are available

[WITNESS PANEL: Warshaw~Simek]

1 through competitive suppliers to Liberty customers
2 today. In your opinion, would it be possible for those
3 customers who wanted to pursue those rates, instead of
4 taking default service from the Company, would they
5 have that opportunity, should the Commission approve
6 the Company's proposal?

7 A. (Warshaw) Yes. They would have that opportunity to
8 sign up with a competitive supplier on their programs.

9 Q. And, wouldn't that be one way that customers could
10 mitigate the risk associated with the proposed rates?

11 A. (Warshaw) Yes. That would allow customers to not pay
12 as high a price as we have -- as we are proposing to
13 pay in our Energy Service.

14 Q. Has there been any change in the level of migration of
15 residential customers over the course of the past year?

16 A. (Warshaw) Yes. The residential customers have started
17 to migrate over to competitive supply in our service
18 territory. Though, it is not a particularly large
19 percentage of all of our customers, but have seen a
20 good uptick in that migration.

21 Q. And, to what do you attribute that uptick?

22 A. (Warshaw) I attribute that to advertising that the
23 utilities are -- excuse me, the competitive suppliers
24 are doing, and other marketing efforts across New

[WITNESS PANEL: Warshaw~Simek]

1 Hampshire. And, while they, you know, they probably
2 are addressed to the vast majority of customers of a
3 larger utility, our customers are also being, you know,
4 as a result of the advertising and marketing programs,
5 they're also being able to take advantage of the
6 competitive supply program. Plus, I think there are
7 more suppliers that are willing to serve the
8 residential market as there were a couple years ago.

9 Q. Do you have an opinion about whether that is a positive
10 or a negative thing?

11 A. (Warshaw) I think that is a very positive thing.
12 Customers, not only are they able to mitigate their --
13 I don't like the word "mitigate" -- not only are they
14 able to get firm, known prices for a fixed period,
15 anywhere from three months to three -- two years, it
16 also allows customers to possibly buy supply from a
17 competitive supplier that is entirely renewable.

18 Q. Mr. Simek, I'm going to turn to you next and ask that
19 you address the second aspect of the Consumer
20 Advocate's proposal, which was seeking some way to
21 moderate the impact of the rate increase on customers
22 by spreading out that rate increase over some longer
23 period of time, such as a year. Do you have a response
24 to that part of her proposal?

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[WITNESS PANEL: Warshaw~Simek]

1 A. (Simek) Yes. I believe that that would harm customers.
2 What we would have to do is we would estimate what the
3 cost would be for the winter period, and then go ahead
4 and spread those costs out between the winter and
5 summer period. So, due to the nature of migration,
6 summer -- excuse me -- summer customers who may not
7 have been part of the Energy Service during the winter
8 could incur costs that were incurred during the winter
9 and be paying for them in the summer. And, overall, I
10 believe that that is just a harm to customers.

11 Q. Is it possible under that scenario that the customers
12 who incurred those costs in the winter could then
13 migrate in the summer to a competitive supplier in
14 order to avoid having to pay the rest of the costs from
15 the winter period?

16 A. (Simek) Absolutely.

17 Q. And, what would that -- what effect would that have on
18 those customers who remained on the Company's Energy
19 Service rate?

20 A. (Simek) Along with the estimated costs that they were
21 being charged, plus the true-up charge, they would then
22 have higher costs and be paying a higher rate.

23 MS. KNOWLTON: The Company has no
24 further questions for its witnesses.

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1 CHAIRMAN IGNATIUS: Thank you.

2 Ms. Chamberlin.

3 MS. CHAMBERLIN: Thank you.

4 **CROSS-EXAMINATION**

5 BY MS. CHAMBERLIN:

6 Q. In any RFP, the suppliers who bid appreciate the fact
7 that they might not be selected, correct?

8 A. (Warshaw) Yes.

9 Q. And, the effective date for this RFP is November 1, is
10 that correct?

11 A. (Warshaw) Yes.

12 Q. The purpose of this hearing is for the Commission to
13 look at whether the resulting rates are just and
14 reasonable. Would you agree with that?

15 A. (Warshaw) I would say that it's more than just looking
16 at "just and reasonable". It is also looking at the
17 performance of the Company in how it -- how the process
18 was performed for -- during that solicitation, and to
19 ensure that the Company followed the guidelines in the
20 Settlement that the Company has with the Commission and
21 other stakeholders that the process it followed was
22 correct and consistent.

23 Q. And, there is a clause in the contract with the winning
24 bidder that says "the Commission has to approve the

[WITNESS PANEL: Warshaw~Simek]

1 contract before it's effective", isn't that correct?

2 A. (Warshaw) Actually, the clause is that "the Commission
3 has to approve the rates that the underlying costs are
4 based upon."

5 Q. So, no supplier is expecting an automatic
6 implementation just because they are the highest
7 bidder -- or, the chosen bidder?

8 A. (Warshaw) I can't speak for what a supplier is
9 expecting. Other than the -- I can't speak to exactly
10 how much of a risk the suppliers are putting on the --
11 not having the rates approved. But, in my
12 understanding, virtually all of the bidders that I have
13 worked with assume that, once they are notified that
14 they are the winning bidder, they will be serving that
15 load for the period that they won, and that they would
16 be going out into the marketplace and locking in their
17 costs to meet those prices that they committed to.

18 Q. You don't communicate to the bidder that a Commission
19 approval is automatic, correct?

20 A. (Warshaw) I do absolutely not.

21 Q. Now, natural gas prices are the main driver of the
22 increase in power supply costs for this period, would
23 you agree?

24 A. (Warshaw) Yes. But it's not the -- but not the

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1 fundamental cost of the underlying commodity of natural
2 gas that is driving this. It's actually the
3 availability of natural gas to meet the peak loads
4 during the winter, for both heat, the heating load for
5 residential and other customers, and also to meet the
6 increasing generation demand for natural gas.

7 Q. And, last year, the natural gas prices spiked in the
8 months of January, February, and March, is that
9 correct?

10 A. (Warshaw) Yes. Not only did the natural gas prices
11 spike, but also the electric spot market prices spiked
12 at the same time.

13 Q. And, the weather during that period was extreme winter
14 weather, is that correct?

15 A. (Warshaw) It was definitely cold, but I can't say
16 that -- and, for a short period of time, it was colder
17 than it had been previously. But cold weather is
18 something that utilities also plan to meet. So, it's
19 not unheard of to have a period of extreme cold.

20 Q. And, if New England has a milder winter, it is likely
21 that natural gas prices will not spike as high, because
22 it was a function of how cold it was?

23 A. (Warshaw) Correct. If there is a significantly lower
24 demand for natural gas to meet the gas LDCs' need and

[WITNESS PANEL: Warshaw~Simek]

1 to meet the needs of generation, yes. Prices would not
2 be as high as predicted right now.

3 Q. And, turning to Bates 171, and I'm looking at the
4 nonconfidential version. This is a chart showing
5 residential rate impacts, is that correct?

6 A. (Simek) Yes.

7 Q. And, looking at the last column, in the gray-shaded
8 area, if an average user uses 665 monthly
9 kilowatt-hours, it's about a \$50 increase in a one
10 month's bill, is that correct?

11 A. (Simek) Yes.

12 Q. And, if they use less than that, 500, it's about --
13 it's close to a \$40 increase, correct?

14 A. (Simek) Yes. It's 38.78.

15 CHAIRMAN IGNATIUS: All right. Let me
16 slow everybody down. Those are confidential terms.

17 MS. CHAMBERLIN: Oh. They're in the
18 nonconfidential version.

19 CHAIRMAN IGNATIUS: Well, you just
20 referred to the "grayed area", --

21 MS. CHAMBERLIN: Oh. All right.

22 CHAIRMAN IGNATIUS: -- which means those
23 are confidential terms.

24 MS. CHAMBERLIN: I'm sorry. I thought,

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1 if it was in nonconfidential, it was nonconfidential.

2 MS. KNOWLTON: Yes. Actually, we may
3 have created some confusion in the way that we prepared
4 this. There was some shading that was done to highlight
5 those terms, but they're not actually confidential. So,
6 that's our fault.

7 CHAIRMAN IGNATIUS: That doesn't help.

8 MS. KNOWLTON: That definitely does not
9 help. And, I think we'll find a different method in the
10 future to highlight things. But they are, in fact,
11 public.

12 CHAIRMAN IGNATIUS: So, let me just be
13 sure I understand. In looking at the confidential
14 document, Exhibit 5, on Page 171, are the two lines that
15 are 500 kilowatt-hours and 665 kilowatt-hours, that are
16 marked with gray marks, are those highlighted in public?

17 MS. KNOWLTON: Yes.

18 CHAIRMAN IGNATIUS: And, can you show us
19 an example of something that's gray in nonpublic to
20 compare to?

21 MS. KNOWLTON: Yes. For example, Bates
22 Page 55. And, I think, I mean, I see the Chair's point.
23 I think the top of the page, on Bates Page 55, it
24 indicates that it's "CONFIDENTIAL". But the shading

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1 absolutely creates confusion. So, I think we'll find a
2 new method for the next filing.

3 CHAIRMAN IGNATIUS: It's a darker gray.

4 MS. KNOWLTON: It's a darker gray, but
5 that's not --

6 CMSR. HONIGBERG: That's really subtle.

7 MS. KNOWLTON: That's not the answer.

8 CMSR. SCOTT: You understand one of the
9 Commissioners are colorblind. So, perhaps --

10 MS. KNOWLTON: Right. Yes. We'll
11 find --

12 CMSR. HONIGBERG: It all looks gray to
13 him, I think.

14 MS. KNOWLTON: We'll find a new way.
15 Point well made.

16 CMSR. HONIGBERG: You're breaking the
17 flow there for Ms. Chamberlin.

18 MS. CHAMBERLIN: That's all right. I
19 just use the Nonconfidential Version, so that I don't
20 stray into confidential areas by accident.

21 CMSR. HONIGBERG: Just so you know, we
22 don't have the Nonconfidential Version up here.

23 MS. CHAMBERLIN: Oh. All right.

24 CMSR. HONIGBERG: So, all we have is the

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[WITNESS PANEL: Warshaw~Simek]

1 Confidential Version. So, we don't know, based upon what
2 just happened, what's gray-shaded for highlighting and
3 what's gray-shaded for confidential. So, if it comes up
4 again, I guess, Ms. Knowlton, if it has confidential
5 information on it, it says "CONFIDENTIAL" at the top?

6 MS. KNOWLTON: Correct.

7 MR. HALL: Yes.

8 CMSR. HONIGBERG: Ah. That would be a
9 clue.

10 MS. KNOWLTON: And, the other change I
11 think we'll make going forward, too, is we'll make the
12 words "CONFIDENTIAL" even bigger, so they jump right off
13 the page to the reader. Because in some places, you know,
14 they're small, in some places they're larger. So, I think
15 we'll try to use the biggest font that we can use on the
16 word "CONFIDENTIAL" as well.

17 CHAIRMAN IGNATIUS: All right. Thank
18 you.

19 MS. CHAMBERLIN: Are we ready?

20 CHAIRMAN IGNATIUS: Yes.

21 BY MS. CHAMBERLIN:

22 Q. So, starting in November 2014, an average residential
23 customer will see a \$50 per month increase?

24 A. (Simek) Correct.

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1 Q. And, that would go through April 2015?

2 A. (Simek) Correct.

3 Q. Six months. So, that's about a \$300 increase in an
4 average residential electric bill?

5 A. (Simek) Correct.

6 Q. And, that's not including electric hot water. These
7 are non -- this is a Rate D, without electric hot
8 water?

9 A. (Simek) Correct.

10 Q. So, if you have electric hot water, you can assume that
11 you will have a greater increase than that?

12 A. (Simek) Correct.

13 Q. And, Liberty recently implemented a distribution rate
14 increase, correct? As a result of the rate case that
15 was recently decided?

16 A. (Simek) Yes. April 1st of 2014 was the effective date
17 of our distribution rate case settlement.

18 Q. Okay. For distribution customers, residential
19 customers, that was about a 5 percent rate increase?

20 A. (Simek) I believe so, yes.

21 Q. In your testimony, you say that you propose to explain
22 to customers that this impact is on its way. Can you
23 go into more detail as to what you intend to do?

24 A. (Simek) Sure. The Company has issued a press release

[WITNESS PANEL: Warshaw~Simek]

1 this past Monday. We also have updated our webpage and
2 our Facebook webpage, explaining what happened, that
3 the rates went up due to the market. And, we also plan
4 on including bill inserts in our November billing.

5 Q. And, for customers on a fixed income, I didn't see any
6 proposal for mitigating the rate impact. Do you have
7 one?

8 A. (Simek) Yes. On our -- like I said, not only did we
9 explain on the webpage and social media that the rates
10 were going up, we also stressed the availability of
11 competitive suppliers. They are available both to
12 residential, small customers, and large customers.
13 And, we're trying our very best to communicate that out
14 to our customers.

15 Q. You have not quantified the likely impact on migration
16 rates for this rate increase?

17 A. (Simek) No.

18 Q. Are you aware of the prices that competitive electric
19 suppliers are offering residential customers?

20 A. (Simek) I don't. I'm sorry, go on.

21 A. (Warshaw) Actually, I have -- I did look at some of the
22 rate offers, the price offers by a couple of the
23 competitive suppliers that are doing business in New
24 Hampshire. And, they are offering fixed prices for as

[WITNESS PANEL: Warshaw~Simek]

1 short as -- for the next three months, and as long as,
2 what was that, two years. And, those fixed prices
3 range anywhere from 7.9 cents a kilowatt-hour, all the
4 way up to 11.79 cents a kilowatt-hour.

5 Q. So, you're aware that Northern American Power is
6 offering a 12-month fixed rate plan for 11.99 cents a
7 kilowatt-hour, essentially 12 cents?

8 A. (Warshaw) Not specific to that competitive supplier's
9 rates, but it doesn't surprise me.

10 Q. All right. And, would it surprise you to hear that ENH
11 Power is offering a 24-month fixed rate plan for 10.99
12 cents, essentially 11 cents a kilowatt-hour?

13 A. (Warshaw) No, I was aware of that. I had looked at
14 their website for pricing.

15 Q. Now, the State of Maine issued an order rejecting the
16 Standard Offer bids in November 2006. Are you familiar
17 with that order?

18 A. (Warshaw) No, I am not.

19 Q. So, while you were familiar with the order in
20 Connecticut, in Maine, where there was a
21 reconsideration, and the price was less than that
22 originally submitted as a result of the RFP, you're not
23 aware of that situation?

24 MS. KNOWLTON: I'm going to object to

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1 the form of the question. The witness has already
2 indicated that he was not familiar with what happened in
3 Maine. And, the Consumer Advocate's question is a form of
4 testifying.

5 CHAIRMAN IGNATIUS: Ms. Chamberlin.

6 MS. CHAMBERLIN: I'm simply asking if
7 he's aware. If he's not aware, he's not aware.

8 CHAIRMAN IGNATIUS: Well, he had already
9 said he was not.

10 MS. CHAMBERLIN: I was hoping to refresh
11 his recollection that there are other alternatives to
12 prices going up when bids are rejected.

13 CHAIRMAN IGNATIUS: Well, I think that
14 is a form of testimony from you. He says he's not aware
15 of it.

16 MS. CHAMBERLIN: Then, I mean, it's a
17 Commission order out of Maine. I could either ask him to
18 take a look at it, to see if his memory is recollect, or I
19 could simply include it in my closing argument.

20 CMSR. HONIGBERG: I don't think he has a
21 memory problem that you need refreshing. He didn't say he
22 thought he knew and doesn't remember anymore. He said
23 he's "not aware of".

24 MS. CHAMBERLIN: He's not aware.

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1 CMSR. HONIGBERG: That's a little
2 different. So, you're not looking to refresh. You can
3 ask him if he's aware of X, Y, and Z. And, if he is not
4 aware of that, you can ask him if he's aware of something
5 else, or if he's aware of a third thing, or if it would
6 surprise him to hear something or other. You might try
7 all of those. They all might work and might not be
8 objectionable.

9 MS. CHAMBERLIN: All right. I will try
10 to rephrase.

11 BY MS. CHAMBERLIN:

12 Q. Are you aware that there is an alternative outcome to a
13 commission rejecting the results of an RFP that may not
14 include higher bids?

15 A. (Warshaw) In my experience, I have not seen that.

16 Q. Is it a -- do you believe it's a possibility?

17 A. (Warshaw) Depending upon the market conditions and --
18 at the time of the rejection, there is the -- there is
19 a possibility of having lower prices. But, again, it
20 would be dependent upon the market conditions, both at
21 the time the bids were received, and then at the time
22 that the order rejecting the prices was issued.

23 MS. CHAMBERLIN: Thank you. That's all
24 I have.

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1 CHAIRMAN IGNATIUS: Thank you. Ms.
2 Amidon.

3 MS. AMIDON: Thank you. Good morning.

4 WITNESS WARSHAW: Good morning.

5 BY MS. AMIDON:

6 Q. I wanted to -- I'm looking at Exhibit 5, which is the
7 Confidential Version of the filing, at Bates 50 and 51.
8 And, let me know when you're there, Mr. Warshaw.

9 A. (Warshaw) Yes. I'm there.

10 Q. Okay. So, if we look at the word -- if we look at it
11 in Page 50, under Paragraph 4, "Indicative Bids", the
12 redacted word there indicates the number of indicative
13 bids that the Company received, is that correct?

14 A. (Warshaw) Yes, that is.

15 Q. And, if we look at Page Bates 51, we see that, under
16 Paragraph 6, the "Final Bids", we see the number of
17 bids that were received for the final bids that were
18 received by the Company, is that correct?

19 A. (Warshaw) Yes.

20 Q. And, how would you compare these bids with the
21 participation, let's say, for example, in the last
22 default service solicitation made by Liberty?

23 A. (Warshaw) We have more bidders participating in this
24 RFP than we had in the last RFP.

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1 Q. And, so, the market price did not dissuade suppliers
2 from responding to the RFP, is that fair to say?

3 A. (Warshaw) Yes.

4 Q. Now, one of the things that I didn't see addressed in
5 testimony was how the Company accounted for the ISO
6 Winter Reliability. Now, the Winter Reliability
7 Program, and correct me if I'm wrong, is for the months
8 of December 2014 and January and February 2015, is that
9 correct?

10 A. (Warshaw) That is correct.

11 Q. How did -- and I believe that FERC has already approved
12 the ISO Winter Reliability Program, is that right?

13 A. (Warshaw) Yes.

14 Q. How did the Company address that, the costs associated
15 with that, in its RFP or in the resulting bids?

16 A. (Warshaw) In the development of my -- of the forecast
17 price that we would expect from bidders, I did include
18 the historic average costs for New Hampshire for the
19 ancillary and costs that ISO-New England has published
20 on their website, and was comfortable with that, that
21 would capture most or if not all of the costs that
22 suppliers would be bearing. I did not specifically
23 include the Winter Reliability Program costs in my
24 analysis.

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[WITNESS PANEL: Warshaw~Simek]

1 Q. Is it your understanding that, when the bidders
2 responded to the RFP, that they included in their costs
3 for those months the costs associated with the Winter
4 Reliability Program?

5 A. (Warshaw) Yes, they did.

6 Q. Now, again talking about costs, I believe, on Bates
7 stamp 069, in Exhibit 5, so I am -- I am looking at the
8 Confidential Version, but I believe this is not a
9 confidential issue.

10 CHAIRMAN IGNATIUS: Ms. Amidon, I'm
11 sorry. Can you repeat the page again? We missed it.

12 MS. AMIDON: Sixty-nine.

13 CHAIRMAN IGNATIUS: Thank you.

14 BY MS. AMIDON:

15 Q. Is this -- so, let me know when you're there, Mr.
16 Warshaw.

17 A. (Warshaw) I'm there.

18 Q. Okay. So, basically, if I'm looking at this, this is
19 the "Comparison of the Change in Futures Prices to
20 Change in Procurement Prices", is that right?

21 A. (Warshaw) Yes.

22 Q. Does this exhibit reflect the futures forecast that the
23 Company developed or is that a different exhibit? Am I
24 on the wrong page?

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1 A. (Warshaw) No. This -- yes, you are on the wrong page.

2 Q. Would you direct me to the correct page then please.

3 A. (Warshaw) You should be on --

4 Q. But, just for the sake of that one, that does show the
5 percent of change from period to period, and from the
6 prior period to the current period in the power price?

7 A. (Warshaw) Yes. It does --

8 Q. That's basically what we see on Page 069?

9 A. (Warshaw) Yes. Sixty-nine (69) is representing the
10 public information that's out there to demonstrate that
11 the market's increase in its expected prices at the
12 time of -- that we received our bids in this RFP
13 against the times when we received bids in the two
14 previous RFPs, when compared, show a very similar rate
15 of increase. It is not exact, but it is consistent.

16 Q. And, so, would you direct me to the correct one.

17 A. (Warshaw) Yes.

18 MS. AMIDON: And, I apologize for this
19 confusion, Commissioners.

20 **BY THE WITNESS:**

21 A. (Warshaw) You should go to Bates stamp 059, which is
22 Exhibit 7, and that is marked "CONFIDENTIAL".

23 BY MS. AMIDON:

24 Q. Thank you. So, this represents your analysis of future

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1 prices?

2 A. (Warshaw) Yes. This is where I developed a forecast of
3 expected price -- future prices from suppliers.

4 Q. And, what are some of the services that you had used,
5 for example, SNL or other services you used to develop
6 the comparison prices?

7 A. (Warshaw) I take the NYMEX futures for on and off-peak
8 for ISO-New England hub as a -- as the cost of just the
9 energy portion of the price. I then adjust it based on
10 historic premium bid factors that are based on how
11 previous winning suppliers' bids compare with the
12 market condition at the time. And, I then add to that
13 capacity costs, and also additional ancillary costs
14 that are both available from the ISO. And, these are
15 all historic. These are not forward-looking costs,
16 except for the futures -- the electric futures for
17 energy.

18 Q. And, when I look at row, that number has the letter
19 "i", based on your analysis of the prices at the time
20 that the bids are received, or perhaps it's when the
21 bid is issued, but I think it's when it's received,
22 this is -- the prices at the far right column would
23 indicate what you expect the average price would be for
24 those customers?

[WITNESS PANEL: Warshaw~Simek]

1 A. (Warshaw) Not exactly that.

2 Q. Okay.

3 A. (Warshaw) That is the translation of going from a
4 wholesale price of dollars per megawatt-hour to what we
5 would need to recover from customers at a cents per
6 kilowatt-hour. And, that does not include any of the
7 additional adjustments that are applied to the strict
8 commodity costs to come up with the retail rates that
9 we are proposing.

10 Q. If we look at, however, the forecast for the months of
11 December, January, February, which are those months
12 designated by the ISO a need for winter reliability, we
13 see relatively high prices, is that fair to say?

14 A. (Warshaw) Yes.

15 Q. And, I'm going to ask Attorney Knowlton if she would
16 help me here. I have a recent SNL NYMEX Power Futures
17 - On Peak forecast that was issued as of Monday, which
18 also shows in graph form the power prices, and also
19 includes two pages which depict the actual forecast
20 price for the winter period. And, I'd like you to look
21 at it and see how that compares with the forecast that
22 you used. Is that possible?

23 A. (Warshaw) That's fine. I'm happy to look at that.

24 MS. AMIDON: If the Commission would

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1 permit that, I would mark this for identification as
2 "Exhibit 7".

3 CHAIRMAN IGNATIUS: Is there any
4 objection to marking it for identification and presenting
5 it to the witness?

6 MS. KNOWLTON: The Company has none.

7 MS. CHAMBERLIN: I'm not sure -- well,
8 no, I don't object, I guess.

9 CHAIRMAN IGNATIUS: All right. We'll
10 mark that for identification as "Exhibit 7". If you can
11 distribute copies, thank you.

12 (The document, as described, was
13 herewith marked as **Exhibit 7** for
14 identification.)

15 (Atty. Knowlton distributing documents.)

16 BY MS. AMIDON:

17 Q. So, does this type of forecast look familiar to you,
18 Mr. Warshaw?

19 A. (Warshaw) Yes.

20 Q. And, based on your review of this forecast, which was
21 as of September 22nd, do the prices for those winter
22 months still look to you as being forecast as being
23 high for December 2014 and January and February 2015?

24 A. (Warshaw) Yes. That is what the market is predicting.

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1 Q. And, if we turn to the second page, although I don't
2 know if the numbers are exactly lined up, we can see
3 that, on Page 2 of the Exhibit 7, for the month of
4 December, there's a price of -- is that 146.65 per
5 megawatt-hour?

6 A. (Warshaw) 146 -- yes, that is correct. That is for the
7 on-peak price.

8 Q. Correct. And, then, for January, the on-peak price is
9 \$188 per megawatt-hour?

10 A. (Warshaw) Yes. That is correct.

11 Q. And, for February, it's \$177.75 per megawatt-hour?

12 A. (Warshaw) Yes.

13 Q. And, is SNL a service that's uniformly used by
14 wholesale managers, such as yourself, to look ahead as
15 price comparisons with any bids that you might receive
16 for supply?

17 A. (Warshaw) I actually don't use SNL.

18 Q. You don't?

19 A. (Warshaw) I pull the future prices that are reported by
20 the Chicago -- from NYMEX, from NYMEX off of the Web.
21 And, they -- And, the prices that I utilize for my bids
22 are about a week earlier than the prices that are
23 reflected in this exhibit.

24 Q. But the prices, in any event, are similar to the high

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1 prices that the Company looked at during the bidding
2 process, is that fair to say?

3 A. (Warshaw) Yes. This is consistent with what we are
4 seeing for this, for the winter period.

5 Q. Thank you. I wanted to ask you about the contractor
6 for the Small Customer Group. Is that Energy America?
7 Do I have that correct?

8 A. (Warshaw) That is correct.

9 Q. Has the Company entered into a contract with this group
10 before? With this -- I'm sorry, with this supplier
11 before? Or, could you tell us anything about this
12 supplier?

13 A. (Warshaw) Yes. No, I'm -- since Liberty took --
14 purchased Granite State, we have not gone and had a
15 contract with Energy America specifically. Energy
16 America did enter into a Master Power Agreement with
17 Granite State --

18 Q. Okay.

19 A. (Warshaw) -- at the time that National Grid owned it.
20 And, I cannot be -- identify any specific blocks that
21 this company may have won for Granite State or
22 Massachusetts Electric or Narragansett Electric. They
23 were a participant in all of those bids and
24 solicitations that the company performed. And, in

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1 fact, Energy America, which is a parent -- who is a
2 subsidiary of Centrica, and Direct Energy, which is
3 another supplier that we have done business with
4 before, recently purchased the Hess Energy Marketing
5 Group, and we have done business with Hess Energy
6 Marketing in the past. So, we kind of -- we kind of,
7 as a result of the merger, Hess Energy Marketing no
8 longer is a supplier in the wholesale market, but we
9 picked up Energy America as a supplier in the wholesale
10 market. So, we're net, the same number, you know,
11 potentially the same number of participants.

12 Q. So, in terms of the contract that you entered into with
13 Energy America, and I assume this applies to the
14 contract that you entered into with NextEra, the
15 companies both agreed to hold a price open for a
16 certain period of time to allow the Company to come
17 before this Commission and seek approval of the
18 resulting rates. Is that fair to say?

19 A. (Warshaw) It's not so much open, as they commit
20 themselves to those prices.

21 Q. Okay. And, they hold those prices open for a period of
22 five business days, pursuant to the Settlement
23 Agreement that the Company has with Staff and the OCA
24 on developing Default Service?

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[WITNESS PANEL: Warshaw~Simek]

1 A. (Warshaw) Yes.

2 Q. Okay.

3 A. (Warshaw) Yes.

4 Q. Thank you. All right. Now, in the contract with
5 Energy America, was there any shifting of risk that's
6 different from the contracts that you've had with other
7 suppliers?

8 A. (Warshaw) No, there was not.

9 Q. Okay. And, are you confident that they can fulfill the
10 obligations and the requirements of the contract?

11 A. (Warshaw) Yes, I am. They have successfully served
12 full requirement services in other -- in Connecticut,
13 Massachusetts, and Rhode Island in New England, and
14 also in the PJM territory. Their parent, Centrica, has
15 an excellent credit rating in the marketplace. And, as
16 a result, we are very confident that this supplier will
17 have no problems with performing during the term of the
18 contract.

19 Q. Thank you. I wanted to talk a little bit about the RPS
20 price. In this filing, you're proposing to make an
21 adjustment to the RPS adder, is that right?

22 A. (Warshaw) That is correct.

23 Q. Could you explain what you're proposing to do and why?

24 A. (Warshaw) We are proposing to increase the RPS adder

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1 for two -- going forward due to the current market
2 price of RPS, plus the previous adder that we had only
3 included through the 2014 New Hampshire RPS
4 obligations. The obligations for New Hampshire in 2015
5 are significantly higher.

6 Q. And, could you tell me what that percentage is as
7 compared to load, I believe it's in your testimony on
8 Page 014, Bates 014.

9 A. (Warshaw) Yes. The RPS obligation goes from
10 9.7 percent of sales to 15.8 percent of sales.

11 Q. And, what is the proposed adder for 2015, the RPS
12 adder, to be precise?

13 A. (Warshaw) The RPS adder is --

14 Q. Is it about half a penny?

15 A. (Warshaw) Excuse me?

16 Q. Is it about half a penny?

17 A. (Warshaw) Yes.

18 Q. Which is part of the rate that's before the Commission
19 today, correct?

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

21 Q. And, is that because -- oh, it's actually almost 0.6
22 cents, is that fair to say?

23 A. (Warshaw) Yes. It's 5.95 cents [0.595 cents?] for
24 2015.

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1 Q. And, that's on Page -- that's in Mr. Simek's testimony,
2 I believe at Page 143?

3 A. (Warshaw) And, also on my testimony, on Bates stamp
4 063, that's actually where the derivation of the adder
5 is showing and calculated.

6 Q. And, is it fair to say that the reason that the RPS
7 adder is going up is that you are finding that the
8 price of RECs in the market is very close to the
9 Alternative Compliance Payment amount, is that correct?

10 A. (Warshaw) Yes. Prices for the RECs that we are able to
11 purchase in the market are close to the RPS ACP rate.
12 There are classes that we seem to never get bids on and
13 are difficult to acquire.

14 Q. Thank you. Okay. Could you explain which classes
15 those are?

16 A. (Warshaw) Yes. Those are the New Hampshire Class II
17 and New Hampshire Class III.

18 Q. Have you had any experience purchasing any of the
19 useful thermal RECs that are part of the Class I
20 requirement?

21 A. (Warshaw) Yes, I have. Oh. And, we did, if you look
22 to -- there is a exhibit, on Bates stamp 127, again,
23 that is confidential, the details. But, at the time of
24 the REC RFP that I issued in the spring, I was able to

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1 acquire some New Hampshire Class I thermal RECs.

2 Q. Okay. Thank you. That's very helpful. And, Mr.
3 Simek, could you just explain to me if my understanding
4 is correct, from your testimony I understand that the
5 Company is still rebating from 2013 RGGI auctions the
6 amounts in excess of a dollar that go back to energy
7 customers, is that correct?

8 A. (Simek) Yes.

9 Q. And, is this the last filing where the Commission
10 should see those rebates related to the 2013 auctions?

11 A. (Simek) Yes.

12 Q. Okay. Thank you.

13 A. Excuse me.

14 Q. I was going to ask a question that occurred to me when
15 Ms. Chamberlin was asking questions, and that was
16 related to the 12-month offer that one of the
17 competitive suppliers made for 12 cents per
18 kilowatt-hour. Based on your review of prices,
19 beginning in April, what would 12 months per
20 kilowatt-hour be relative to market?

21 A. (Warshaw) That would be above market.

22 Q. Okay. And, would it be above market for a period of
23 months in your -- in your experience?

24 A. (Warshaw) Yes, it would be -- it would actually be

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[WITNESS PANEL: Warshaw~Simek]

1 above market. And, for customers utilizing
2 electricity, it would also be during the period that
3 they use the most amount of electricity for, if they
4 are using air conditioning in their homes.

5 Q. And, so, that has -- that's a solution for a
6 residential customer, but the solution has to be fully
7 vetted, is that fair to say? That they would really
8 need to inform themselves of that rate over a period of
9 time?

10 A. (Warshaw) Yes. An informed customer is always
11 preferred.

12 Q. Ah. Now, Mr. Simek, you talked about how you were
13 going to notify customers, and including using a
14 newsletter. Have you or are you aware of anyone in
15 your company working with the Office of Consumer
16 Affairs here at the Commission on those communications?

17 A. (Simek) Yes.

18 Q. And, do you intend to keep the Office of Consumer
19 Affairs informed of the types of communications that
20 you will be providing to customers?

21 A. (Simek) Yes.

22 Q. Yes? Okay. Thank you. And, overall, Mr. Warshaw, did
23 you conduct this solicitation any differently than you
24 conducted prior solicitations?

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1 A. (Warshaw) No, I did not.

2 Q. And, you conducted the bid evaluation and selection as
3 you have in prior solicitations, is that correct?

4 A. (Warshaw) Yes, I did.

5 Q. Okay. I notice that in the Commission -- I'm sorry. I
6 notice that Liberty also filed what you call your
7 "Final Loss Factor Report". And, in your testimony,
8 Mr. Warshaw, I believe you say that there's one issue
9 that needs to be dealt with, that's one remaining
10 customer in Massachusetts Electric Company. Could you
11 just explain what you need to do to sort of wrap that
12 up?

13 A. (Warshaw) Well, the issue is that this is a customer
14 that is in New Hampshire, but is right on the state
15 line between New Hampshire and Massachusetts, and
16 actually the service that is provided to the customer
17 comes directly from Massachusetts Electric's
18 distribution system. And, in fact, the customer is
19 currently receiving a bill from Massachusetts Electric
20 for that electricity. There are negotiations,
21 discussions between Mass. Electric and Liberty, on how
22 to resolve this issue of a New Hampshire property
23 receiving a Mass. Electric bill.

24 Q. And, so, those are ongoing?

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1 A. (Warshaw) Yes. Those are ongoing, but it's only --
2 this is the one customer. And, there are other
3 instances in the utility world where a customer is
4 served by a next-door supplier, a utility, only because
5 the cost of bringing in service to that customer within
6 a utility's franchise would be exceedingly expensive.

7 Q. Okay.

8 A. (Warshaw) And, in fact, there is a development in New
9 Hampshire that we are having negotiations with with
10 Mass. Electric regarding serving that small
11 development. And, it's still in the works, but they
12 would then be served -- well, power would come from
13 Mass. Electric, but our proposal would be, among other
14 things, possibly a tie line definition, and those
15 customers would still be served by New Hampshire, by
16 our company.

17 Q. So, although you -- you will keep the Commission
18 informed of the developments in that regard, even
19 though you will not be filing any loss factor reports,
20 is that fair to say?

21 A. (Warshaw) We could do that, yes.

22 Q. Finally, I wanted to know if the Company, and I will
23 also ask Mr. Frantz if he has any questions, but if the
24 Company had considered any measures such as critical

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[WITNESS PANEL: Warshaw~Simek]

1 peak pricing or time-of-use pricing to address the
2 price volatility that we see -- well, I should just say
3 the price, the prices that we see for the winter
4 periods and for the foreseeable future? Have you
5 considered any other measures to try to help customers
6 manage those costs?

7 A. (Warshaw) We have, at this time, we have not proposed
8 any changes to the way we deliver Energy Service to our
9 customers. We believe that that is a much broader
10 issue that is better dealt with and researched by all
11 stakeholders that would be affected. And, that would
12 include not just distribution companies, that would
13 include the wholesale suppliers that serve, that bid
14 and serve in the solicitations, the impact a change in
15 delivery of Energy Service to competitive suppliers
16 that serve -- that provide energy to customers in New
17 Hampshire, and also representatives of those customers
18 that would have a impact and informed -- information on
19 how a change in Energy Service would impact them.

20 MS. AMIDON: Thank you. Mr. Frantz has
21 one question, if I may please? Thank you.

22 MR. FRANTZ: Mr. Warshaw, I just have
23 one question, and if the Commission doesn't mind?

24 CHAIRMAN IGNATIUS: Yes.

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[WITNESS PANEL: Warshaw~Simek]

1 MR. FRANTZ: Thank you.

2 CHAIRMAN IGNATIUS: Of course.

3 BY MR. FRANTZ:

4 Q. Based on the solicitation process that the Company is
5 undergoing for -- and has for some time on default
6 service, would you agree that it's the competitive
7 wholesale supplier that takes the price and quantity
8 risk associated with default service?

9 A. (Warshaw) Yes.

10 MR. FRANTZ: Thank you.

11 MS. AMIDON: Thank you, madam Chairman.
12 I have no further questions. I appreciate the time that
13 you offered me today.

14 CHAIRMAN IGNATIUS: Of course. Thank
15 you. Questions from Commissioners? Commissioner Scott.

16 CMSR. SCOTT: Thank you. Good morning.

17 WITNESS WARSHAW: Good morning.

18 WITNESS SIMEK: Good morning.

19 CMSR. SCOTT: My usual caveat, whoever
20 feels best to answer, please do so, or even both, that's
21 fine.

22 BY CMSR. SCOTT:

23 Q. I want to go back to the electric futures prices. So,
24 can you, maybe just to start generally, can you

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1 characterize the bidders you selected, how their prices
2 compare to the future prices?

3 A. (Warshaw) Their prices are consistent with what the
4 marketplace -- the future prices are showing for the
5 winter period.

6 Q. Okay. So, they're not the same, though, but they're
7 consistent?

8 A. (Warshaw) No, they would not be the same, but they are
9 consistent.

10 Q. Okay. So, is there a differential, like a risk factor
11 that you're seeing, between the future prices and the
12 winning bids?

13 A. (Warshaw) It's a combination of risk tolerance for the
14 supplier, the method that they control their costs, if
15 they are a winning bidder, how their portfolio of
16 supply is. And, then, their view on what will -- what
17 is going to happen over the next -- over the period of
18 time that they're bidding on.

19 Q. Thank you. Your original statement I know was in
20 reaction, when you started, was in reaction to the OCA
21 proposal for longer RFP terms. I was a little bit
22 distressed, what I think I heard is, if the Commission
23 were to not allow these contracts to go into effect,
24 what I think I heard you say is that would have a

1 negative impact on future bids. And, is that, first of
2 all, is that a correct summary?

3 A. (Warshaw) That is -- yes. That is my professional
4 opinion. That, by not approving the rates that we've
5 filed, and as a result the underlying contracts would
6 then no longer be in effect, it would chill the market
7 and chill suppliers' interest in bidding and providing
8 service.

9 Q. So, the reason why that distresses me is, obviously,
10 they don't go into effect until the Commission approves
11 those. You have I think the five-day differential,
12 where they're, in theory, they're waiting for that
13 approval before they understand they're locked in, is
14 that not correct?

15 A. (Warshaw) That is correct. But they are also
16 relatively confident that, when they are awarded the
17 supply and they enter into a transaction with a
18 supplier, that that transaction will go forward for the
19 period of time.

20 Q. So, in order not to have that kind of impact, is there
21 language to the contracts or how can we avoid this in
22 the future? Again, what I hate to see is it be seen as
23 a given no matter what the -- you know, you award the
24 contract, and people are moving -- taking risks, and

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1 then the reaction would be, if you can't make your case
2 to the Commission, now we have a negative market
3 impact. So, is there a way to change the contract?
4 Or, how can we communicate that better so we don't
5 create this problem?

6 A. (Warshaw) That would be difficult. This market moves
7 quite a bit over the five-day -- five to seven-day time
8 that it takes from the date in which we award the
9 supply to the date in which the order is actually
10 given. There are other ways to do that, including not
11 having bids until the day of the hearing, and then
12 having to have, at the day of the hearing, an order
13 issued at the hearing approving the contract.

14 Q. Hmm.

15 A. (Warshaw) That would -- that would probably be the way
16 in which a supplier would be most comfortable, if there
17 is a much higher probability that the Commission would
18 not approve the rates. Right now, the suppliers look
19 at that risk as having a very low probability, so that
20 they are willing to take on that very low risk of
21 having the contract terminated.

22 Q. Thank you. You talked a little bit about and were
23 asked about outreach efforts for your customers. Have
24 you -- one of the concerns is, obviously, with a large

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[WITNESS PANEL: Warshaw~Simek]

1 increase like this, is for the low income community.
2 Have you -- how have you done outreach for that
3 particular community? Have you talked to the Community
4 Assistance Programs or can you elaborate?

5 A. (Simek) I'm not aware of any outreach that's been
6 specific to any class of customers, other than all
7 customers have been communicated to. That includes
8 both the residential and the Small Customer Group and
9 the Large Customer Group.

10 Q. Is there anything you anticipated along those lines?

11 A. (Simek) Anticipated as far as giving more specific
12 outreach to the low income?

13 Q. Right. Or more at-risk people, if you will?

14 A. (Simek) Not that I'm aware of.

15 Q. On a similar line, have you been -- in your outreach,
16 is there -- I understand there's a potential for
17 payment plans, that type of thing, if I'm a customer
18 that I know I have an issue coming up, correct?

19 A. (Simek) Correct.

20 Q. Is there anything new on that front? Are you expanding
21 any programs to cover this larger increase than normal?

22 A. (Simek) Not that I'm aware of.

23 Q. Do you anticipate a need for more -- with this type of
24 activity, meaning the higher rate, do you think that

1 would increase the need for programs like that?

2 A. (Simek) Potentially.

3 Q. Going back to probably the route of the problem, do you
4 see any significant change from last winter compared to
5 this winter coming up? Obviously, we don't know the
6 weather.

7 A. (Warshaw) I would say that the most significant change
8 is that the marketers reflecting in the future prices
9 the uncertainty and volatility that occurred last
10 winter with an expectation that this will occur this
11 winter. Mostly because the conditions that resulted in
12 these high -- the high volatility last winter are still
13 present. The ISO has attempted to mitigate some of
14 that volatility with the Winter Reliability Plan, at a
15 cost to customers -- to the suppliers, and thus to
16 customers. But the fundamental problem that New
17 England is facing is that the transportation system for
18 natural gas into New England is constrained. And,
19 while there are a number of proposals out there to
20 alleviate that condition, they will not be able to be
21 implemented for a couple of years, because they would
22 actually require physical construction of facilities to
23 meet that need.

24 Q. And, your response went to my next part of that

1 question. Do you see any thing that would change from
2 this coming winter on the following winter?

3 A. (Warshaw) There is -- not that I'm aware of. There are
4 plans at the ISO to provide -- to allow suppliers to
5 have more flexibility in their bidding. There's also
6 aligning the electric market and the gas markets more
7 closely. But, as far as the specifics of dealing with
8 this constrained service to New England for natural
9 gas, they physically cannot be done in that short a
10 period of time. It is required a number of years to
11 implement the solutions that are out there. And, they
12 are market solutions by the transportation owners.

13 Q. Again, so, am I correct that you don't really see much
14 of a -- the higher prices generally for this coming
15 winter, you would expect to see the following winter
16 also, is that a fair statement?

17 A. (Warshaw) That is a fair statement. And, that is what
18 the NYMEX strips going out for a couple of years are
19 also demonstrating. That prices will continue to
20 remain high in New England for the winter period.

21 Q. Thank you for that. We talked a little bit about the
22 competitive electric providers, I don't have the
23 exhibit in front of me, but you -- I think right now
24 you're looking at, what, a 6 percent migration rate, is

[WITNESS PANEL: Warshaw~Simek]

1 that -- does that sound about right? Or, order of
2 magnitude anyways?

3 A. (Warshaw) Yes. No. On the --

4 Q. On the residential.

5 A. (Warshaw) For the large customers, almost I think about
6 half of them have moved over to competitive supply.
7 While, for the small customers, it's a much smaller
8 percentage. And, I think Mr. Simek has the actual
9 number.

10 A. (Simek) Yes. If we could refer to Bates Page 195,
11 that's the very last page. From there, we can see the
12 percentages in the bottom left for Energy Service
13 migration, where it's showing that the D rate or the
14 regular residential customer is at about 6 percent.

15 Q. Do you anticipate -- obviously, I've seen press already
16 regarding your filing and the rate increase, do you see
17 that as having an impact on migration?

18 A. (Simek) Yes. I'm not sure how we could quantify that,
19 but we do believe that -- that's the main reason for
20 our outreach is to make customers aware of their
21 choices that they can make.

22 Q. So, based on last winter, we did see some issues with
23 even the better electric providers being able to handle
24 the wide fluctuations. I'm curious, especially for

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1 your large C&I customers, what would happen if you see
2 commercial customers more than you anticipate come back
3 to your default service? What's the impact? How does
4 that work for you?

5 A. (Warshaw) For the costs that the customers pay, it has
6 very little impact. The suppliers of the service are
7 bearing the entire risk of migration, and the volumes
8 associated with customer movement. And, they also take
9 on the volume risk of a colder winter or even a warmer
10 winter.

11 Q. So, maybe I can help. What I was trying to get is the
12 other -- the other eventuality. So, if I'm a large
13 load customer, I'm on a competitive electric supplier,
14 given the fluctuations going on during the winter, I
15 say, you know, "I'm going to go back to default
16 service."

17 A. (Warshaw) That is one possibility. It depends upon the
18 agreement between the competitive supplier and the
19 customer exactly what their price is. Some prices are
20 strictly a variable price, that's based on the market
21 in the month in which -- the time in which they take
22 the service. There are other contract transactions
23 that would provide a fixed price to the customer, and
24 then that would eliminate the volatility risk to the

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1 customer.

2 But, as far as a customer deciding to
3 leave competitive supply to come back to Energy
4 Service, if their contract is fixed or if they're on a
5 strictly variable rate, they may not be interested in
6 doing that, because they're seeing the same price
7 forecast that we are, you know, we are using, the same
8 expected costs that we're using to develop our Energy
9 Service rates.

10 Q. So, what I'm really trying to get at from my question,
11 and it's just an eventuality, but if -- to the extent
12 that we see a highly variable winter market, if that
13 were to cause a significant amount of load to come
14 back, is that -- does that cause a problem for the
15 utility?

16 A. (Warshaw) That would not cause a problem. Contracts
17 that we sign with the suppliers require the suppliers
18 to bear all of that volumetric risk.

19 CMSR. SCOTT: Okay. Thank you. I
20 understand. I think that's all I have.

21 CHAIRMAN IGNATIUS: Commissioner
22 Honigberg.

23 CMSR. HONIGBERG: I want to talk about
24 three things. The first one I'm going to come back to,

[WITNESS PANEL: Warshaw~Simek]

1 but it's the actual terms of the contract. We have the
2 contracts in here. But it would be helpful to me if one
3 of the lawyers or one of the parties could find the
4 relevant language about what the parties' rights are in
5 the event -- you know, what happens once they sign the
6 agreement. So, while the lawyers are doing that, I'm
7 going to ask a question on something else though.

8 And, Ms. Knowlton, if you want me to
9 stop, I can, to let you find it.

10 BY CMSR. HONIGBERG:

11 Q. But I'm interested a little bit in the bid process, and
12 Page 059 and some of the process that you undergo when
13 you're doing this process. Page 059 talks about
14 somewhat -- has a lot of confidential information, I
15 don't want to talk about the numbers on there. But
16 when you do a document like this, do you do it before
17 you solicit the bids? While you're waiting for the
18 bids to come in? After the bids have come in?

19 A. (Warshaw) The analysis that I do to estimate what the
20 costs will be going forward, you know, I'll give
21 you the -- my process is, at the time of the release of
22 the RFP, I will use the forwards at that time to come
23 up with an expected cost. And, we use that mostly to
24 provide information to management that the contract is

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1 going to have an X -- the potential contracts are going
2 to have a value of X.

3 Q. This is what you should -- this is what you're
4 expecting the bidders to be bidding on. You're trying
5 to develop the same information they're developing, so
6 that you'll be able to see if their bids make sense?

7 A. (Warshaw) Correct. And, then, at the time of
8 indicative bids, the morning of indicative bids, before
9 they come in, I will do exactly the same price estimate
10 based on the most recent forwards. And, we'll compare
11 that to the indicative bids. And, also, while we have
12 the indicative bids, I will be looking -- I look at the
13 indicative bids to see if there are any outliers. If
14 there's a supplier that has, for whatever reason, has
15 either made a mistake and over -- had a very high price
16 in their model, or a very low price in their model, and
17 I will inform them of that. Because the last thing
18 that I want is to have a supplier come in with a bid
19 that is too low and below their costs, they sign up for
20 a fixed contract, and then they lose a significant
21 amount of money on that.

22 Q. And, so, you --

23 A. (Warshaw) And, then, on the final bid day, again, I
24 will run through this exercise with the forward -- with

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1 the most recent forwards, to come up with a price to
2 again compare what I'm expecting to receive against
3 what I actually receive.

4 Q. And, so, it's fair to say, based on the testimony that
5 you submitted in writing and what you've said here
6 today, nothing you saw in the bids surprised you in any
7 major way?

8 A. (Warshaw) No. Nothing surprised me.

9 Q. I want to talk a little bit about the consumer
10 protection and outreach issue. Just from watching the
11 two of you testify and hearing the discussion, it seems
12 like you've given a fair bit of thought to the risks
13 that the bidders are taking on, and that that was
14 something you've talked about internally. But it seems
15 like a surprise to you that people are concerned about
16 the consumer protection and the telephone calls that
17 are going to be coming in as people realize what's
18 happening to their rates. And, it would seem to me
19 that you would be beefing up lots of your own internal
20 mechanisms to deal with the phone call volume and the
21 need for service and assistance to people. That must
22 be going on, isn't it, in the Company?

23 A. (Simek) Yes.

24 Q. Tell me a little bit about the kinds of things that you

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1 guys would be doing, separate and apart from
2 notification, what would be going on internally to help
3 you prepare for what is going to be a fairly dramatic
4 increase in people's rates?

5 A. (Simek) I know our media relations personnel have been
6 busy, responding to emails and phone calls, and they
7 have been addressing issues as they have come about. I
8 also know that our Customer Care and our Customer
9 Service Department was made aware of the press release,
10 and they took appropriate steps on their end to be
11 prepared as well. I'm not exactly sure what they had
12 done, but I do know that the senior management was
13 advised and that they were working towards being
14 prepared for the calls and emails that they plan to
15 receive.

16 Q. And, I know, in the testimony, you committed to working
17 with our Consumer Affairs Office and making sure that
18 everybody was aware of what was going on. But I know
19 that none of us want them to be inundated with calls
20 that really should be going to you, because most of
21 them really should be going to you, because there's not
22 much that we can do about most of those calls. Would
23 you agree with that?

24 A. (Simek) Yes.

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[WITNESS PANEL: Warshaw~Simek]

1 CMSR. HONIGBERG: Now, can someone tell
2 me where the contract language is that we would -- that's
3 relevant to this?

4 MS. KNOWLTON: Yes. If you look at
5 Bates Page 081, and it's under Paragraph 1, there's a
6 Commission precedent of Commission approval.

7 BY CMSR. HONIGBERG:

8 Q. Okay. So, having scanned that paragraph on Bates Page
9 081, it's your testimony that the way this process has
10 worked over the years, all of the parties have built up
11 an expectation that this is just -- it's going to be
12 approved. And, so, they're willing to take steps
13 during the five-day period to prepare for implementing
14 the contract, notwithstanding this language that says
15 "If it's not approved, it's null and void", is that
16 fair?

17 A. (Warshaw) Yes. That is correct.

18 Q. And, I think Ms. Chamberlin was interested in knowing
19 whether it had ever happened, and I think you testified
20 that something similar happened in Connecticut to what
21 might be an occurrence of a commission saying "no,
22 we're not going to implement what's necessary to have
23 this contract go forward", is that right?

24 A. (Warshaw) That is correct.

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1 Q. And, that's the only one you are aware of?

2 A. (Warshaw) That is the only one that I am aware of.

3 Q. I think you testified briefly about what happened in
4 the aftermath in Connecticut. Do you remember how many
5 years ago that was that Connecticut did that?

6 A. (Warshaw) I do not know the exact date, but I have a
7 feeling it was in the mid-2000s.

8 Q. What's happened since then in Connecticut? Things
9 stabilized, presumably, and when Connecticut does this
10 the expectations have reemerged that it's just going to
11 happen?

12 A. (Warshaw) My understanding, I don't follow Connecticut
13 in detail, but my understanding is that all of the
14 arrangements between, you know, suppliers and LDCs have
15 what we call a "regulatory out". And, it's there to
16 protect not just the supplier, but it also is there to
17 protect the utility.

18 Q. You don't follow Connecticut closely, but, if
19 Connecticut were having major problems with a process
20 like that, you would probably know about it, wouldn't
21 you?

22 A. (Warshaw) Yes.

23 Q. Okay.

24 A. (Warshaw) Just I am aware of the -- I am aware of, in

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[WITNESS PANEL: Warshaw~Simek]

1 Massachusetts, National Grid recently, you know,
2 National Grid, for its Mass. Electric Company, filed
3 basic service rates, which are equivalent to our --
4 similar to our Energy Service program, a week ahead of
5 ours, and those rates result in retail rates that are
6 even higher than the ones that we are proposing. And,
7 to my understanding, the Massachusetts DPU yesterday
8 approved those rates.

9 Q. So, you're feeling like you got in at a good time?

10 A. (Warshaw) I don't -- I can't say "a good time". I
11 think, you know, in looking at the information that Mr.
12 Frantz pulled earlier this week, the forwards have even
13 gone higher. And, that is a concern that, if we have a
14 denial, and we have to go either out to bid or utilize
15 the contingency plan that we developed, that the rates
16 that we would have to -- we would then come back to the
17 Commission for approval would be even higher than what
18 we're seeing here.

19 CMSR. HONIGBERG: Thank you. That's all
20 I have. And, thank you, Ms. Knowlton, for finding that
21 page for me.

22 CHAIRMAN IGNATIUS: I have just a few
23 other questions. We've covered an awful lot of it.

24 BY CHAIRMAN IGNATIUS:

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[WITNESS PANEL: Warshaw~Simek]

1 Q. Maybe sticking with the question of the possibility of
2 rebidding, following the OCA's suggestions. How long
3 did it take you to -- would it take you to issue a new
4 RFP and receive responses? What's the total period of
5 time that that takes for you?

6 A. (Warshaw) Issuing a new RFP, I've never had to do it
7 quickly, but I would say I can do that within a day.
8 And, then, suppliers would have -- would need about a
9 week to provide responses. And, the reason they would
10 need about that week is that, one, to update their
11 models to be able to respond to that, and the other
12 issue would be we would have to be looking at what
13 other solicitation by other utilities in New England
14 are also happening at that same time. And, we try very
15 hard not to ask these wholesale suppliers to provide
16 pricing to us at the same time as they are providing
17 final firm prices to other utilities.

18 Q. Then, if the bidders had about a week to develop their
19 responses, how long would it take for your evaluation
20 and selection?

21 A. (Warshaw) That would be the same day.

22 Q. Do you have any expectation that within the next week
23 to ten days there would be any more certainty about the
24 winter market that might help bring prices down,

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1 improve the bidding, from the point of view of
2 ratepayers?

3 A. (Warshaw) Not that I'm aware of.

4 Q. Can you think of any other mechanisms that would help
5 to spread the increases for ratepayers? I mean, I
6 think the OCA is, I think, trying creatively to look
7 for ways to try to smooth out this spike for the winter
8 months. And, can you think of any other way that this
9 Commission could be helpful in bringing some relief to
10 customers who are going to be hit very hard?

11 A. (Warshaw) We currently, for the Small Customer Group,
12 we currently provide a fixed price that is good for the
13 entire six-month period. And, that fixed price, as
14 compared to the market, is significantly higher in the
15 period of November and March and April, and
16 significantly under the market during the period of
17 high prices. So, those customers are shielded somewhat
18 from the high prices, but they are not shielded fully
19 from the high prices. I know other companies, like
20 National Grid, in Massachusetts, they ladder prices.
21 And, I would -- I actually was surprised that, even
22 with their laddering, where they procured half of their
23 supply for their residential customers, the resulting
24 prices that they are going to charge were as high as

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[WITNESS PANEL: Warshaw~Simek]

1 they were. So, the laddering did not provide any way
2 of reducing the volatility of the market.

3 Q. Are the outreach efforts that the Company is making to
4 prepare customers including discussion of energy
5 efficiency and ways they can reduce the amount of their
6 usage, even though the price will be quite a bit
7 higher -- the rate will be quite a bit higher?

8 A. (Simek) Yes. The outreach program not only address the
9 situation of the opportunities for competitive supply,
10 it also address all the EE and other reduction methods
11 that we offer as a company as well.

12 Q. I have a question about the RPS adder, looking at Page
13 063. And, this is, I think, really just a math
14 question. I'm probably not understanding the way the
15 numbers work together. If you can explain, and we'll
16 look only at the public information, so the left-hand
17 columns there, are describing the ACP prices, and we'll
18 leave the market prices out. If each of those items in
19 the columns for '15 are higher than they are for '14,
20 which I believe is the case, why is it then that the
21 resulting "Obligation Weighted Cost" figure is lower
22 for '15? I think I just don't know what "Obligation
23 Weighted Cost" means and what that gets applied to or
24 how that's calculated.

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1 A. (Warshaw) If you look at the column that identifies the
2 year "2014", as compared to the column that identifies
3 year "2015", you will see that the price adder is
4 significantly higher for -- is higher for 2015. And,
5 I'm only looking at the "ACP" column. But, if you look
6 at the "Market" column, the adder is lower than ACP,
7 but the price for 2014 is still lower than the price
8 for 2015.

9 Q. But let's go back. What's the line you were saying to
10 look at to see that the adder is lower in the ACP?

11 A. (Warshaw) Okay. On Page 063, if you look at
12 Section 5, --

13 Q. Yes.

14 A. (Warshaw) -- Line (5), --

15 Q. Yes.

16 A. (Warshaw) -- you will see that, for 2014, the
17 calculated adder would be 0.416 cents, and then in 2015
18 the adder goes up to 0.633 cents.

19 Q. Yes.

20 A. (Warshaw) And, that difference is strictly reflected
21 based on the change in percentage of obligation and the
22 forecast of what the ACP would be in 2015.

23 Q. I'm not following. So that, I understand that that
24 Line (5), if you then go down to -- and, then, in Line

[WITNESS PANEL: Warshaw~Simek]

1 (6), you see the very steep increase in the "Total RPS
2 Obligation Percentage" between '14 and '15. And, then,
3 Line (7), "Obligation Weighted Cost" for 2015 is a
4 lower dollar figure. So, what's the math that gets us
5 from higher throughout to a resulting lower number?

6 A. (Warshaw) I had looked at that, too, when I did the
7 analysis, trying to understand what was driving that.
8 And, the main reason was the significant increase in
9 the percent, you know, the cost of the Class III
10 resource. And, as a result, when you -- when you
11 multiply all that out, it does come out to be an
12 average cost for a weighted cost of about 40 cents --
13 \$40. It's counterintuitive. And, it's just an
14 artifact of the calculation. It looks bad, but I
15 actually played it out at home -- at work trying to
16 figure "what is going on here?"

17 Q. I didn't know there was a home game for the RPS adder.

18 A. (Warshaw) You know, I didn't work. I actually played
19 it out.

20 CMSR. HONIGBERG: You could -- it's on
21 the record now that you took your work home and you were
22 working at home, and taking this all very seriously.

23 WITNESS WARSHAW: Yes.

24 BY CHAIRMAN IGNATIUS:

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1 Q. So, "Obligation Weighted Cost" means what?

2 A. (Warshaw) The "Obligation Weighted Cost" is taking each
3 of the individual costs, times the volume that we
4 expect of RECs that we have to buy for that -- for that
5 year, and then adding up each individual forecasted
6 cost for the volumes, and then dividing that by what
7 the cost -- what it would be over what the volumes are.
8 And, that's how I come up with the weighted cost.

9 Q. A couple of questions on the loss factor and the
10 negotiations that you've been successful in. First, on
11 the large company that still remains at issue, I'm
12 surprised why it's taking so long to reach a
13 resolution. I mean, you've made tremendous progress.
14 I am pleased at that. But it's not unusual to have
15 these readjustments and franchise lines shifted when
16 you have the oddity here someone is far closer to
17 another line to be served by another company. We do
18 that all the time. So, I guess I'm curious why it's
19 been -- it still remains a difficult issue to resolve
20 it for that one large customer? The reasons you
21 wouldn't want to change the franchise line?

22 A. (Warshaw) It's not a large customer. It's actually a
23 residential customer. And, my understanding is that
24 they're having ongoing communications between our

[WITNESS PANEL: Warshaw~Simek]

1 attorney and counsel for National Grid. And, I
2 think -- I believe that it's just taking longer than it
3 should. But there are issues that National Grid
4 suggests "why don't you do X", and I'm not part of
5 those negotiations, but there are issues. One of which
6 is that the customer lives in New Hampshire and has
7 always been getting a bill from Mass. Electric, what
8 impact that's going to have when the customer all of a
9 sudden is getting a bill from Liberty.

10 Q. But couldn't you solve the problem by keeping them
11 being served by Massachusetts and just having a
12 franchise line adjustment to carve out that one
13 customer, and they truly are a Massachusetts customer,
14 you know, a Mass. Electric customer?

15 A. (Warshaw) I really can't address what the ramifications
16 or the legal -- or the requirements would be to carve
17 out, move Mass. Electric as a supplier, from not just
18 in Massachusetts, but also having to take on an actual
19 franchise requirement in New Hampshire, and what that
20 would entail as far as Mass. Electric, the governance
21 of that.

22 CHAIRMAN IGNATIUS: All right. Well,
23 I'll leave that to the Company to negotiate. But it does
24 seem like we have situations that have changed the

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[WITNESS PANEL: Warshaw~Simek]

1 franchise lines even crossing state borders, when it just
2 makes far more sense to do so. And, if I've got that
3 wrong, obviously, people can correct me.

4 MS. KNOWLTON: I think that we would be
5 interested to know of those circumstances. If we could
6 confer with the Staff after the hearing, because that is
7 the circumstance here. This is a customer that is
8 physically in New Hampshire, and Mass. Electric doesn't
9 want to be regulated by this Commission just to serve one
10 customer. But, if there's a way to address that, you
11 know, we would be very open to exploring that. And, we'll
12 talk with Staff afterwards, --

13 CHAIRMAN IGNATIUS: All right.

14 MS. KNOWLTON: -- to see whether they
15 can help us understand where that's been done, and if
16 that's possible here.

17 CHAIRMAN IGNATIUS: And, that would be
18 great. It's possible I'm getting muddled up. It seems to
19 me we've had some water cases crossing between New
20 Hampshire and Maine that may have that instance, there may
21 be other situations, or I may just have it wrong. So, it
22 would be good to talk about it.

23 MS. KNOWLTON: Well, we'll definitely
24 follow up. Thank you.

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1 BY CHAIRMAN IGNATIUS:

2 Q. On the credit that you've been able to negotiate, and
3 I'm looking at Page 019, Mr. Warshaw, of your
4 testimony, at Line 11, you say that you have a credit
5 of over \$723,000 back to customers. But we won't see
6 that until the next reconciliation filing. If that
7 figure is known today, would it be possible to issue
8 the credit sooner than that, and to have it kick in
9 during this period, as a way to ameliorate some of the
10 hit of the higher prices that you've projected -- that
11 you've got in this filing?

12 A. (Simek) Yes. I could add that to the filing that we
13 have today. It would be approximate \$1.50 on credit
14 that would go back to default service average use
15 residential customers per month.

16 Q. So, it's a fairly small offset?

17 A. (Simek) It is, but it could be incorporated into these
18 rates.

19 Q. Do you know if the credit calculations have been
20 approved -- have been considered and evaluated by
21 Commission Staff or the OCA yet?

22 A. (Simek) I don't believe so, no.

23 Q. So, -- or, I don't know whether our Audit Division
24 would have been scrutinizing those numbers. It may be

[WITNESS PANEL: Warshaw~Simek]

1 that this is jumping the gun. If it's that minimal a
2 reduction, then it may not be worth trying to sort of
3 accelerate that to get it done. Just looking for
4 anything we can do to help people out.

5 A. (Simek) Right.

6 CHAIRMAN IGNATIUS: Commissioner Scott,
7 another question?

8 BY CMSR. SCOTT:

9 Q. Just wanted to come back to the contract language
10 again. I was just throwing out, obviously, I took a
11 whole five minutes to think about it, if the contract
12 language were modified in such a way that the winning
13 bidders were effectively told in the contract not to
14 act until the Commission approval, what impact would
15 that have?

16 A. (Warshaw) That would either result in no bids or there
17 would be a even significantly higher adjustment that
18 they would make to the price for the bid, if they were
19 required to provide a firm price one week, and not be
20 able to act on hedging their costs until ten days, you
21 know, a week to ten days later, the market could move
22 against them. And, as a result, the prices that they
23 agreed to provide could possibly be lower than their
24 costs to procure that power or to protect themselves

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[WITNESS PANEL: Warshaw~Simek]

1 A. (Simek) Yes.

2 Q. Do you have any responsibility for preparing the
3 Electric Assistance Program System Benefits Charge
4 Reconciliation Report that's filed with the Commission
5 every month?

6 A. (Simek) Yes.

7 Q. And, would you take subject to check that, in the
8 August 2014 report that was filed, that the Company
9 collected approximately \$105,000 from its customers to
10 contribute to the Electric Assistance Program?

11 A. (Simek) Subject to check, yes.

12 Q. Okay. And, would you take subject to check that, in
13 that same report, it reflects that approximately
14 \$39,000 of Electric Assistance Program discounts were
15 paid out to the Company's customers?

16 A. (Simek) Yes.

17 Q. So, in other words, is it fair to say that the Company
18 is collecting more from its customers for the EAP
19 Program than its customers are using?

20 A. (Simek) Yes.

21 Q. So, are there additional -- if there were other
22 customers that were eligible to participate in the
23 Electric Assistance Program, would there be funds there
24 for them to receive that benefit, assuming that they're

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1 eligible?

2 A. (Simek) Yes.

3 Q. Mr. Warshaw, in your testimony, you said that the RPS
4 adder was "5.95 cents", which I believe was a
5 misstatement. Is it correct that the proposed adder is
6 0.595 cents per kilowatt-hour?

7 A. (Warshaw) Yes.

8 Q. Are you familiar, Mr. Warshaw, when Unitil's indicative
9 bids are coming in for its equivalent Energy Service
10 rate?

11 A. (Warshaw) Actually, Unitil received their final bids
12 yesterday.

13 Q. Do you have any knowledge of what those bids are?

14 A. (Warshaw) I have ab -- I have no knowledge. I have
15 spoken with my counterpart in Unitil, after they
16 received their indicative prices, as compared to what I
17 received -- what Liberty received for their final
18 prices, and the word that they used was the prices are
19 "ugly". And, consistently ugly with what we're seeing.
20 But they did not provide any specific price information
21 to me at all.

22 Q. Mr. Warshaw, are there, if the Commission were to order
23 the Company to issue a new RFP and suppliers to
24 respond, have suppliers in the past indicated to the

1 Company any concerns about submitting bids on certain
2 days of the week?

3 A. (Warshaw) Yes. Suppliers do not like to provide bids
4 on a Monday, because the market has sort of calmed over
5 the weekend, and they don't have a good visibility of
6 what the market price is on a Monday morning. They
7 would not want to provide bids on a Thursday, because
8 that's when storage information comes out on natural
9 gas, and it has a serious -- it could have a
10 significant impact on natural gas and other futures.
11 And, then, they do not like to do -- provide prices on
12 Friday, because then it limits, because of the coming
13 weekend, it limits their ability to hedge their risk
14 and, as a result, they may not -- they would probably
15 have to increase their adjustments in their bids to
16 reflect that uncertainty.

17 Q. If the Company were to -- were ordered to issue a new
18 RFP, and did so in accordance with any such order, and
19 the bid prices that came back were higher, what option
20 would the Company have at that point to provide supply
21 to its customers?

22 A. (Warshaw) The only option that the Company would have
23 would be to exercise the unapproved Contingency Plan
24 that it has developed, you know, for the unlikely event

[WITNESS PANEL: Warshaw~Simek]

1 that we would not have a supply to serve our customers.

2 Q. And, in the event that the Commission were to approve
3 the rates that are proposed today, and the contracts
4 that are in question were to proceed, and the actual
5 market rates were higher than what the bidders included
6 in their bid, the bidders would bear that risk of
7 higher prices, correct, not the customers?

8 A. (Warshaw) Yes. The bidders would bear that risk. But
9 part of what they do, if they are awarded the supply,
10 is to go out and hedge their risks, you know, their
11 risks, so that, if the market goes against them, they
12 would not be harmed.

13 MS. KNOWLTON: I have nothing further
14 for the Company witnesses.

15 CHAIRMAN IGNATIUS: Thank you. Let's go
16 off the record.

17 (Brief off-the-record discussion
18 ensued.)

19 CHAIRMAN IGNATIUS: All right. Then, I
20 think that we're time now for closing statements.
21 Actually, before that, is there any objection to striking
22 the identification on the three exhibits and making them
23 permanent exhibits, that will be 5, 6, and 7?

24 MS. AMIDON: No.

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1 MS. CHAMBERLIN: No.

2 CHAIRMAN IGNATIUS: Seeing none, we'll
3 do that. Then, it is time now then for closings. Let's
4 begin first with Ms. Chamberlin.

5 MS. CHAMBERLIN: Thank you. The impact
6 of this proposal is going to be very hard on individual
7 residential consumers, a proposed impact of \$50 a month
8 for six months. That's a \$300 hit. For some people, it
9 will be more. Coming on top of the distribution rate
10 increase. This is going to cause rate shock. People will
11 be very hard-pressed to make adjustments to respond to
12 this so quickly.

13 I'm not convinced that reissuing an RFP
14 for a different period of time would create higher rates.
15 I believe there's as reasonable a possibility that it
16 would create lower rates, because it would be for an
17 additional period of time, and exactly because these
18 market conditions won't change. I mean, it's well known
19 by suppliers and by everyone that we're going to have
20 winter spike prices, or expect them, but that will not
21 affect the natural gas prices for the entire year. That's
22 the expected pattern. So, if the bids were for a longer
23 period of time, those prices could be mitigated. And, we
24 know this is possible, because the competitive electric

1 suppliers are doing exactly that. They're having longer
2 term contracts for a lower rate. And, I believe that's
3 appropriate for a default rate.

4 I believe the market conditions have
5 changed since the time that the Commission implemented the
6 six-month turnaround. That was an attempt to match the
7 market. Now, the market has gone into a period where
8 we're relying on infrastructure builds to change the
9 conditions, and that's going to take two to three to four
10 years. So, we know what the conditions are. And, I
11 believe that the suppliers would negotiate in good faith.
12 If they -- I think that has to be -- that has to be
13 assumed. It simply can't be assumed that, if they don't
14 get what they want, they will simply jack the price way
15 up. That seems -- that's inconsistent with the language
16 of the contract, and that is more consistent with market
17 manipulation, and I just can't assume that suppliers would
18 do that.

19 And, in fact, in Maine, that did not
20 happen, they -- the Commission did reject the bids, and
21 the suppliers came back with a slightly lower bid response
22 to move forward in that case. So, I believe that that's a
23 rational option that the Commission should consider.

24 In the alternative, I appreciate the

1 questions from the Commissioners about the utility's
2 efforts to reach out to customers. I believe that needs
3 to be done -- needs to be more developed, perhaps these
4 aren't the witnesses who can address it. But, certainly,
5 extensive outreach needs to take place and preparation for
6 customers to be contacting the utility.

7 I don't believe that pushing more people
8 into assistance programs is the best way to manage it. I
9 believe that trying to do a slower, but more long-term
10 rate impact is the better way to manage it. So, thank
11 you.

12 CHAIRMAN IGNATIUS: Ms. Chamberlin, are
13 you asking us, you haven't said the words, but I'm
14 wondering if you're asking us to take official notice of
15 that Maine order?

16 MS. CHAMBERLIN: Yes.

17 CHAIRMAN IGNATIUS: Can you give us what
18 the citation is please?

19 MS. CHAMBERLIN: Yes. I can provide you
20 with copies. I'm not sure how they do their citations.
21 It is Docket Number 2006-513, November 16, 2006, Maine
22 Public Utilities Commission, "Order rejecting Standard
23 Offer bids and directing Maine Public Service to provide
24 Standard Offer Service and Notice of Inquiry." So, there

1 are two orders. There's the one rejecting, and then the
2 parties came back with a settlement proposal, which the
3 Commission then accepted.

4 CHAIRMAN IGNATIUS: Are there order
5 numbers associated with those?

6 MS. CHAMBERLIN: Does not appear to have
7 an order number. And, certainly, I can give this up and
8 make copies. I can also email electronic copies to all
9 the parties.

10 CHAIRMAN IGNATIUS: We'll take that up
11 in a moment. Is there any objection to the request to
12 take official notice of those, I guess, two orders?

13 MS. AMIDON: Staff doesn't know what it
14 says. We do want to observe it's a different time period.
15 I mean, if there's an opportunity for us to evaluate and
16 remark on it, that may be the best situation. We don't
17 object to the Commission taking official notice, but it
18 seems like there ought to be an opportunity for us to
19 evaluate whether it can be distinguished in any way from
20 the current situation.

21 CHAIRMAN IGNATIUS: Well, I think that
22 second question of "how applicable is it to this
23 situation?" is a good one, and another question of what it
24 tells us. Just to simply take notice of it and have it

1 included in the record, I think, if we can be sure we're
2 identifying the correct document, that would be useful.

3 Ms. Knowlton, did you have a comment on
4 the taking notice?

5 MS. KNOWLTON: And, the Company shares
6 the Staff's concern. And, you know, honestly, in addition
7 to that, you know, the OCA could have put a witness on
8 today, and the witness could have taken the stand and
9 could have presented testimony about its position on the
10 Company's proposal, and, you know, included some
11 discussion of that order.

12 That said, you know, we would like the
13 chance to evaluate the order to see whether it has any
14 relevance to the situation that we're here today on. So,
15 we would like the opportunity to look at it and to submit
16 our view of it, if we determine that it has no relevance.

17 CHAIRMAN IGNATIUS: You make --

18 MS. CHAMBERLIN: Excuse me, if I may
19 respond?

20 CHAIRMAN IGNATIUS: Please.

21 MS. CHAMBERLIN: The Company opened the
22 door by referring to the Connecticut order. You know, we
23 don't have that order, we just have a general recollection
24 of the witness, which is fine. But I think the door has

1 been opened, and I think it's reasonable to submit this
2 order. And, I also believe that the Commission can
3 evaluate the -- I don't think that you need extra
4 testimony on a Commission order from another state. It
5 speaks for itself.

6 CHAIRMAN IGNATIUS: I do think the
7 comment that "OCA could have put on a witness", we have to
8 keep in mind the context of this case, which is these move
9 extremely fast, they have to, because they deal with
10 market information. And, where, you know, between the
11 filing and the scheduling of a hearing is a matter of
12 days, very few days. So, I don't think it's quite the
13 same as our standard case, where there's a lot of time to
14 prepare and anticipate where issues are going to go.

15 Just take a moment.

16 (Chairman and Commissioners conferring.)

17 CHAIRMAN IGNATIUS: Ms. Amidon, what's
18 the final time by which we have to have an order out under
19 the terms that we've done all of these solicitations?

20 MS. AMIDON: My understanding, and I'm
21 subject to correction by Attorney Knowlton, is next Monday
22 is the five-day period that is consistent with the
23 Settlement Agreement and the terms that the Commission
24 approved back in 2006 in this docket.

1 CHAIRMAN IGNATIUS: All right. So
2 Monday, September 29th?

3 MS. AMIDON: Is that correct, Ms.
4 Knowlton?

5 MS. KNOWLTON: Yes. That's correct.

6 CHAIRMAN IGNATIUS: Thank you. All
7 right. This is what we're going to do. We would like the
8 two orders that the Consumer Advocate would like us to
9 take notice of distributed to everyone, and in the file,
10 so that we're certain we're all looking at the same thing.

11 MS. AMIDON: And, so, would that be for
12 a record request as well, madam Chair? Would you have
13 that in the docket?

14 CHAIRMAN IGNATIUS: We will give it an
15 -- we will give it an exhibit number, if that's what you
16 mean?

17 MS. AMIDON: Thank you.

18 CHAIRMAN IGNATIUS: But I want that
19 produced today, before anybody leaves, to have it
20 submitted, photocopied, or we can help you with the
21 copying.

22 And, then, in addition, we will give the
23 parties an opportunity to submit written comments on their
24 understanding of the order and whether they find it

1 applicable or inapplicable to this situation. That those
2 will be filed no later than noon tomorrow. They can be
3 filed electronically. You don't need to deliver a hard
4 copy, because we are moving so quickly here. They should
5 be distributed to all of the parties, though. And, you
6 know, you don't need to go on and on. We won't set a page
7 limit. But, obviously, this is -- the idea is sort of a
8 quick-and-dirty on it. We recognize everyone has got a
9 lot to do, and this doesn't need to be a, you know, a
10 formal, detailed brief. But, if you do have comments on
11 the orders, and how you think it impacts the discussions
12 here, in this case, feel free to make those comments in
13 writing.

14 All right. Then, Ms. Chamberlin, I
15 don't know if you had more, I think I sort of got going on
16 the question of the Maine order, and you may have had a
17 few other comments?

18 MS. CHAMBERLIN: No. I'm finished.

19 CHAIRMAN IGNATIUS: All right. Thank
20 you. Then, Ms. Amidon.

21 MS. AMIDON: Well, at the outset, I want
22 to remind the Commission that the process that was set up
23 for the prior owner of Granite State, National Grid, and
24 the current company, Liberty, to procure default service

1 was established by the Commission in a proceeding back in
2 2006, and it was approved by a Settlement Agreement, I
3 believe, with Staff and the Office of the Consumer
4 Advocate. That criteria that we were looking at, in terms
5 of the NYMEX prices, that was included in the bid
6 evaluation process as a result of Staff's direction. In
7 addition, the five-day turnaround was specifically
8 approved by the Commission, recognizing that our statute
9 requires that any rate change have a hearing. So, the
10 consideration was that we needed to have a hearing to
11 accommodate that five-day turnaround. So, insofar as
12 those terms are in the contract, those are only changes
13 that I could see that would have to be done through a
14 hearing and to amend the Settlement Agreement, pursuant to
15 I think it's RSA 365:28.

16 Having said that, you know, Staff has
17 reviewed this filing. And, as you can see, Mr. Frantz, in
18 particular, spent some time looking at the rates. You
19 know, are we "happy" with the rates? This is not a
20 situation where that is an appropriate term. What we have
21 done is we reviewed -- the Staff has reviewed the market
22 rates and reviewed the participation in the docket,
23 consider it to be a robust participation, given the high
24 volatility or the high market prices for the winter

1 period. And, we have no evidence at all that the
2 solicitation -- that a new solicitation would yield
3 anything more than higher market prices, as attested by
4 Mr. Warshaw, who has been working in this area for a
5 number of years.

6 In addition, while the prices are
7 higher, you know, as Attorney Chamberlin cited, there are
8 opportunities for residential customers to go to the
9 competitive market. Under RSA 374-F, the process for
10 procuring default service is supposed to be through the
11 competitive market and it's supposed to promote customer
12 choice. So, this is an opportunity for people to look at
13 their alternatives in the market.

14 Then, having provided that overview, I
15 would say that the Company conducted its solicitation,
16 selection, and bid evaluation process consistent with the
17 terms of that Settlement Agreement, and that the resulting
18 rates are market-based. We believe that the Commission
19 should approve the Petition in the time frames requested
20 by the Company.

21 We are also somewhat concerned that the
22 RPS adder is in the neighborhood of half a penny, to 0.6
23 cents. However, we believe the Company has presented
24 sufficient information to demonstrate that that is the

1 market price for RECs, and we would request the Commission
2 approve that as well.

3 We understand that the RGGI rebate from
4 the 2013 auction year is -- this is the last time we're
5 going to be seeing that. So, we have no issue with the
6 Company including that in their calculation of rates.

7 We're satisfied that the Loss Factor
8 Report be the final report, provided that the Company
9 continue to keep us informed of that one customer. And, I
10 will inquire, not being up-to-date, whether the Staff
11 audit reviewed that in connection with the distribution
12 rate case. But I will certainly go back and review that.

13 We do think, however, that the Company
14 ought to be thinking creatively about how to assist its
15 customers during these periods. Certainly, we know, in
16 Massachusetts, they had a simple on-peak/off-peak pricing
17 option that customers could select. We don't think that
18 that is an inappropriate thing for the Company to
19 consider, but we understand that they would prefer to
20 review those types of options in a generic docket that was
21 referenced in the order issued in 14-211, Liberty's
22 Contingency Plan.

23 Finally, I know the stenographer needs
24 some time. I think that Staff would like to also have

1 some time between the two hearings to determine where that
2 leaves us with respect to the Contingent Plan. Are we
3 going to go forward and have that hearing? Is the
4 Commission, you know, we'd just want to sort of like
5 review where we are and determine how to proceed in that
6 regard. And, thank you.

7 CHAIRMAN IGNATIUS: Thank you.

8 Ms. Knowlton.

9 MS. KNOWLTON: Thank you. The Company
10 requests that the Commission approve the proposed rates to
11 take effect November 1st. The Company followed the
12 required procurement process, as was testified to today.
13 There was healthy participation by bidders, which,
14 frankly, we were concerned about coming into this docket,
15 and we're very pleased to see that there were so many
16 bidders in this round. There has also been testimony that
17 the bid prices are consistent with the market.

18 I would note that there have been other
19 times when customers have benefited from being in the
20 marketplace and have received lower prices. And,
21 honestly, this is, when you have a deregulated
22 marketplace, this is what can happen. Customers benefit
23 when market prices are low and there's exposure when
24 market prices are high. And, you know, that's of great

1 concern to the Company, but that, when you're in the
2 competitive market, that is the risk that the customers
3 are exposed to, in the absence of the Company having other
4 alternatives, such as owning generation, which, obviously,
5 you know, we do not have by law.

6 We believe that it's important for the
7 Commission to approve the rates, not only to give
8 suppliers confidence in the process, but also to protect
9 customers. We are very concerned that, if we reissue an
10 RFP for supply, that that is a gamble. And, it will be
11 the customers who could be the potential losers if that
12 gamble was wrong. It could result in higher prices in
13 periods of time when prices are historically low. And,
14 while the Commission might determine that it's worth
15 taking that risk to spread out rates and have them be more
16 stable over time, we don't believe that's in the public
17 interest, because customers will lose out on the
18 opportunity to have lower rates during the spring and
19 summer months.

20 We are also not in favor of the OCA's
21 proposal to spread out the costs, the rates associated
22 with this procurement over time, because of the adverse
23 effect and the inequities that that could cause among
24 customers that may chose to migrate in order to avoid

1 those future costs, which could then result in unfairness
2 to those customers that remain on the system that are then
3 stuck bearing even higher charges. So, we don't believe
4 that that would be an appropriate solution.

5 That said, we are very sensitive to the
6 rate impact that this procurement will have on the
7 Company's customers. We are actively getting the word
8 out. I think the Commission is aware that there was a
9 front page story in the Concord Monitor yesterday. There
10 was a front page story in the Union Leader today. We are
11 working with the Staff to get the message out. We have a
12 bill stuffer that will go out and will let customers know
13 about the various options. Whether it's increased
14 participation in our energy efficiency programs, and I
15 would also note that we have a docket pending now before
16 the Commission for continued approval of those programs
17 for the 2015-2016 term. We will be reminding our
18 customers about the availability of the Electric
19 Assistance Program. And, we certainly cannot push our
20 customers to that. It's an eligibility-based program.
21 But we do believe that it's important that they know about
22 it. And, I think, if the Commission were to look at
23 historic participation by Granite State customers in the
24 EAP Program, Granite State historically has been a donor

1 to the EAP Program, as Mr. Simek's testimony demonstrated
2 for the month of the August. But that program is there
3 for those customers that are eligible. And, we will be
4 reminding our customers about that program, if they're
5 able to take advantage of it. We think it's an important
6 benefit to them.

7 I do want to take a minute and comment
8 on the Loss Factor Report that was filed. I know it
9 didn't really get much discussion today. But I think the
10 most important observation I would make about that Loss
11 Factor Report is that, I believe dating back to 2000 --
12 late 2000, possibly 2008, Granite State Electric Company
13 has been, at Staff's request, examining and investigating
14 the variability in that loss factor. And, if the
15 Commission remembers, it was jumping all over the place
16 for a period of time. And, there were a number of steps
17 that were taken to address that loss factor, from, if you
18 recall, changes to the Tewksbury meter is where we
19 started. We discovered these borderline customers, you
20 know, about 200 of them in Massachusetts, and that that
21 was a contributing factor that's detailed in the report
22 that was filed with Mr. Warshaw's testimony. We have
23 created this Granite State meter domain. And, what we've
24 seen, and if you look at that report, is that there has

1 really been a significant reduction in that variability,
2 which we think is a good thing. And, it's been a long
3 haul to resolve that issue. And, you know, we believe
4 that we're there and that the loss factor investigation
5 can be concluded at this point in time.

6 We will work diligently with Mass.
7 Electric to resolve this one borderline customer that is
8 served by Mass. Electric assets, receives a Mass. Electric
9 bill, and yet resides in the State of New Hampshire. It's
10 a very odd situation. And, we will bring that to
11 conclusion and keep everyone apprised of what that result
12 is.

13 We will participate in the generic
14 docket. We look forward to that. We are hoping to
15 participate in the docket either later this morning or
16 this afternoon on our Contingency Proposal. We think it
17 is important for the Commission to take that up. And, so,
18 on the break, we'll talk to Staff and the OCA about what
19 their thoughts are.

20 But, with that, I will thank everyone
21 for their very quick work on this. I know this has
22 been -- this particular Default Service has been -- Energy
23 Service has been more challenging, you know, given what we
24 see in the marketplace. But we do believe that our rates

1 are market-based and that they should be approved as
2 submitted. Thank you.

3 CHAIRMAN IGNATIUS: Thank you. We have
4 distributed the two documents from the Maine PUC. Let's
5 mark those as "Exhibit 8". We'll include both of the two
6 orders, one November 16, 2006 and the second December 18,
7 2006.

8 (The two documents, as described, were
9 herewith marked as **Exhibit 8.**)

10 CHAIRMAN IGNATIUS: And remind of you
11 the noon tomorrow deadline, if you want to comment on the
12 applicability of these two orders to our situation.

13 Unless there's anything further?

14 (No verbal response)

15 CHAIRMAN IGNATIUS: I appreciate
16 everyone's work on this this morning. And, we will take
17 the matter under advisement. We understand that the
18 deadline for issuance of an order is Monday, the 29th.
19 Thank you. We're adjourned.

20 **(Whereupon the hearing was adjourned at**
21 **11:24 a.m.)**