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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 10, 2014 - 10:25 a.m.  
Concord, New Hampshire

REDACTED  
(For public use)

RE: DE 14-061 NHPUC MAY06'14 PM 4:25  
UNITIL ENERGY SYSTEMS, INC.:  
2014 Default Service Schedule.  
*(Petition regarding default service  
solicitation and procurement for its  
Non-G1 and G1 customers for the period  
beginning June 1, 2014)*

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

**APPEARANCES:** **Reptg. Unitil Energy Systems, Inc.:**  
Gary Epler, Esq.  
  
**Reptg. Residential Ratepayers:**  
Susan Chamberlin, Esq., Consumer Advocate  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Suzanne G. Amidon, Esq.  
Steven E. Mullen, Asst. Dir./Electric Div.

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

{ R E D A C T E D - F o r P u b l i c U s e }

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**I N D E X**

**PAGE NO.**

**WITNESS PANEL:**            **TODD M. BOHAN**  
   **LINDA S. McNAMARA**  
   **KRISTINA M. GUAY**

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

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Unitil Energy Systems, Inc. Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs, including the Petition, proposed tariff pages, testimony and attachments (04-04-14) <b>(CONFIDENTIAL &amp; PROPRIETARY)</b>	5

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

1  
2 CHAIRMAN IGNATIUS: I'd like to open the  
3 hearing this morning in Docket DE 14-061. This is Unitil  
4 Energy Systems' Default Service solicitation. Under the  
5 system that's been in place for a number of years now, we  
6 have these periodic hearings to evaluate the competitive  
7 RFPs that have been issued. And, so, we are here today to  
8 evaluate the results of this most recent RFP process.  
9 Unitil has issued RFPs on March 4th, 2014 for a default  
10 service power supply for the six-month period beginning  
11 June 1st, 2014, to cover 100 percent of the power supply  
12 requirements for three separate blocks, addressing the G1  
13 customers, the small commercial and outdoor lighting  
14 customers, and residential customers.

15 So, let's begin first with appearances,  
16 and then take evidence.

17 MR. EPLER: Good morning, Commissioners.  
18 Gary Epler appearing on behalf of the Unitil.

19 CHAIRMAN IGNATIUS: Good morning.

20 MS. CHAMBERLIN: Good morning. Susan  
21 Chamberlin, Consumer Advocate for the residential  
22 ratepayers.

23 CHAIRMAN IGNATIUS: Good morning.

24 MS. AMIDON: Good morning. Suzanne

[WITNESS PANEL: Bohan~McNamara~Guay]

1 Amidon, for Commission Staff. With me today is Steve  
2 Mullen, the Assistant Director for the Electric Division.

3 CHAIRMAN IGNATIUS: Hello, everyone.  
4 And, is there anything to take up before the witnesses are  
5 sworn?

6 MR. EPLER: Just the identification of  
7 the exhibit. Unitil is proposing to submit one exhibit,  
8 which is the binder with the filing. And, pursuant to  
9 just a change in -- a slight change in how we've done  
10 this, but in compliance with Commission's rules, we now  
11 submit a full confidential version of the binder, and then  
12 there's one redacted version. And, so, I would just  
13 propose that we mark the confidential version as "Unitil  
14 Exhibit 1".

15 CHAIRMAN IGNATIUS: All right. And,  
16 this is the April 4, 2014 filing?

17 MR. EPLER: Yes. And, it has  
18 everything, from the cover letter, Petition, proposed  
19 tariffs, and testimony and exhibits for all of the  
20 witnesses.

21 CHAIRMAN IGNATIUS: So marked.

22 (The document, as described, was  
23 herewith marked as **Exhibit 1** for  
24 identification.)

[WITNESS PANEL: Bohan~McNamara~Guay]

1 CHAIRMAN IGNATIUS: All right. If  
2 nothing else, then, Mr. Patnaude, will you swear the  
3 witnesses.

4 (Whereupon *Todd M. Bohan,*

5 *Linda S. McNamara,* and *Kristina M. Guay*

6 were duly sworn by the Court Reporter.)

7 **TODD M. BOHAN, SWORN**

8 **LINDA S. McNAMARA, SWORN**

9 **KRISTINA M. GUAY, SWORN**

10 **DIRECT EXAMINATION**

11 BY MR. EPLER:

12 Q. Okay. If I could have the panel identify yourselves,  
13 your name and your business position with Unutil  
14 please. Starting with the gentlemen.

15 A. (Bohan) Good morning. Todd Bohan. And, I'm employed  
16 as a Senior Energy Analyst with Unutil Service  
17 Corporation with the Energy Contracts Department.

18 A. (McNamara) Linda S. McNamara. I'm a Senior Regulatory  
19 Analyst for Unutil Service Corp.

20 A. (Guay) Kristina M. Guay, Senior Financial Analyst for  
21 Unutil Service Corp. I work in the Finance Department.

22 Q. Mr. Bohan, turning to you first. Could you turn your  
23 attention to what's been premarked as "Exhibit 1".  
24 And, could you look at the tabs in that binder that are

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 marked "Exhibit TMB-1" and the schedules that follow,  
2 through TMB-8. Were those prepared by you or under  
3 your direction?

4 A. (Bohan) Yes, they were.

5 Q. And, do you have any changes or corrections?

6 A. (Bohan) I do not.

7 Q. Okay. And, if asked the same questions as are asked in  
8 the prefiled testimony portion of that at Exhibit  
9 TMB-1, would your answers be the same today?

10 A. (Bohan) Yes, they would.

11 Q. And, Mr. Bohan, you've testified before the Commission  
12 previously, is that correct?

13 A. (Bohan) Yes, I have, on a number of occasions.

14 Q. Thank you. Ms. McNamara, could I ask you to turn to  
15 the same exhibit. And, looking at the tabs "Exhibit  
16 LSM-1" and the schedules that follow, LSM-1 through  
17 LSM-5 -- -6, were those prepared by you or under your  
18 direction?

19 A. (McNamara) Yes.

20 Q. And, do you have any changes or corrections?

21 A. (McNamara) No.

22 Q. And, if you were asked the same questions as are asked  
23 in your prefiled direct testimony, would your answers  
24 be the same?

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1 A. (McNamara) Yes.

2 Q. And, Ms. Guay, if you can turn to the same exhibit,  
3 Exhibit Number 1. And, the three tabs marked "Exhibit  
4 KG-1, and the two schedules, "KG-1" and "KG-2", were  
5 those prepared by you or under your direction?

6 A. (Guay) Yes, they were.

7 Q. And, do you have any changes or corrections?

8 A. (Guay) No, I do not.

9 Q. And, if you were asked the same questions as appear in  
10 your prefiled direct testimony, would your answers be  
11 the same today?

12 A. (Guay) Yes.

13 Q. Ms. McNamara, there is one area that I believe are  
14 addressed in your schedules, but are not addressed in  
15 your testimony, and that concerns the RGGI refunds.  
16 Can you -- has the Company complied with the  
17 Commission's requirement concerning the allocation of  
18 the RGGI refunds?

19 A. (McNamara) Yes, it has.

20 Q. And, can you explain to the Commission where that is  
21 demonstrated in your schedules?

22 A. (McNamara) If you could turn to Bates stamp Page 189,  
23 as well as Bates stamp Page 201, the two pages are  
24 similar. One is, the first one, Page 189, is for the

[WITNESS PANEL: Bohan~McNamara~Guay]

1 Non-G1 class, and Page 201 is for the G1 class. Both  
2 have a column, Column (k), titled "RGGI Auction  
3 Proceeds". And, in that, there are four -- well, there  
4 are many zeros, but there are also four full dollar  
5 credits. And, these relate to the four auctions for  
6 2013.

7 Q. And, so, this demonstrates the refund of these credits  
8 to the default service customers, is that correct?

9 A. (McNamara) Yes. These are all negative numbers,  
10 they're credits to the costs, and they're related to  
11 the 2013 RGGI auctions that were directed to go to the  
12 default service only customers.

13 Q. Okay. And, so, if there -- to the extent that there  
14 are RGGI refunds in 2014, and the Commission directs  
15 us -- directs the Company to refund those to all  
16 customers, it would be handled differently than what's  
17 shown here, is that correct?

18 A. (McNamara) Yes. The Commission has, I believe, opened  
19 a docket on that to direct or, at least at this point,  
20 seek comments on where and how companies might like to  
21 handle that.

22 Q. Okay.

23 CHAIRMAN IGNATIUS: Can I just clarify  
24 one thing?

[WITNESS PANEL: Bohan~McNamara~Guay]

1 WITNESS McNAMARA: Uh-huh.

2 CHAIRMAN IGNATIUS: I think you said  
3 that these were refunds of the "four auctions in 2014",  
4 but they're actually the 2013, correct?

5 WITNESS McNAMARA: 2013, yes. I'm sorry  
6 if I misspoke.

7 CHAIRMAN IGNATIUS: I may have gotten it  
8 wrong, but thank you.

9 MR. EPLER: Chairman Ignatius, that's  
10 all the questions I have. Thank you.

11 CHAIRMAN IGNATIUS: Okay. Thank you.  
12 Ms. Chamberlin, questions?

13 MS. CHAMBERLIN: Thank you.

14 **CROSS-EXAMINATION**

15 BY MS. CHAMBERLIN:

16 Q. Regarding your solicitation, and I believe this is your  
17 question, but whoever wishes to answer, did you speak  
18 to suppliers who did not ultimately bid on your RFP?

19 A. (Bohan) I did. Actually, I spoke with almost -- a good  
20 portion of the 33 suppliers that we had, I had  
21 telephone conversations with, some of them I couldn't  
22 get ahold of, I left messages, and I also had e-mail  
23 exchanges. But I did chat with a number of them.

24 Q. And, did they give you any explanation as to why they

[WITNESS PANEL: Bohan~McNamara~Guay]

1 did not respond to the RFP?

2 A. (Bohan) They did.

3 Q. Could you give me some of those reasons?

4 A. (Bohan) Certainly. At this point, I don't really want  
5 to identify the particular entities, but I do have some  
6 comments that I would share that might be helpful for  
7 the Commission. And, there are a couple of them here  
8 that were pretty vocal about why they weren't. One is,  
9 one potential bidder indicated there were two main  
10 reasons that they wouldn't be bidding. One is  
11 migration risk, and that has to do with the ability of  
12 customers to migrate from either default service to  
13 competitive supply or from competitive supply back to  
14 default service. And, secondly, the price cost  
15 volatility that we've seen in the region, significantly  
16 so this past winter, and then certainly over the last  
17 year to two years.

18 Another entity indicated that winter  
19 issues are one reason that they wouldn't be bidding.  
20 I'd provide a little bit of caution here, because the  
21 time period under consideration for which we're  
22 soliciting service here does not include any of the  
23 winter time period, but still bidders are a little bit  
24 unnerved by things that happened this past winter. So,

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 one of the things that they're concerned about is what  
2 potential winter reliability type program might be  
3 implemented in the near future, and how the costs of  
4 that program are going to be allocated or recovered.

5 Another explanation given had to do with  
6 ISO's collateral requirements. And, over the course of  
7 the past year, ISO-New England has gotten very strict  
8 with their requirements, and that has made it more  
9 costly for suppliers to do business. And, just a  
10 sidenote here, this entity also indicated that they  
11 recognize that this is actually a good thing for  
12 customers and suppliers and participants in the New  
13 England region, but, even with that happening, it's  
14 more expensive for them to do business. As they have  
15 opportunities to do business elsewhere in other regions  
16 of the country, that's where they're going to be  
17 focusing their efforts.

18 Q. Did the number of suppliers who actually bid, is this  
19 less than the number you received for the September 3,  
20 2013 solicitation?

21 A. (Bohan) I'd have to look at the filing itself, but I  
22 think the answer is "yes".

23 Q. And, do you --

24 A. (Bohan) Slightly.

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 Q. And, do you see this as an ongoing trend or a temporary  
2 situation?

3 A. (Bohan) That's a tough question to answer. I'm hoping  
4 that it's temporary, in that a lot of these types of  
5 issues will get resolved or there will be solutions to  
6 these types of problems that will bring bidders back  
7 into the region that are willing to bid. But, at the  
8 moment, what we've seen in this current solicitation is  
9 that there are a number that are not interested in  
10 doing so because of these risks and costs that are  
11 involved.

12 Q. And, would you say that these are New England/ISO  
13 region specific or New Hampshire specific?

14 A. (Bohan) I would say that this is a New England issue,  
15 and definitely not a New Hampshire issue.

16 MS. CHAMBERLIN: Okay. Thank you.

17 That's all I have.

18 CHAIRMAN IGNATIUS: Thank you.

19 Ms. Amidon.

20 MS. AMIDON: Thank you. Good morning.

21 WITNESS BOHAN: Good morning.

22 BY MS. AMIDON:

23 Q. Since we were talking about the issue related to  
24 bidders, if I go to Exhibit 1, at Page -- beginning at

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 Page 32, this represents again -- well, let me know  
2 when you're there.

3 A. (Bohan) I'm here. Thank you.

4 Q. Okay. Thank you. So, this is -- this exhibit provides  
5 the number of bidders for the Small Customer Group for  
6 the final bids, is that right?

7 A. (Bohan) That is correct.

8 Q. And, the Small Customer Group is -- represents the  
9 residential customers, is that correct?

10 A. (Bohan) That's correct.

11 Q. Oh. And, is it true that this is the first  
12 solicitation where you fully implemented the changes  
13 approved by the Commission in Order Number, I think it  
14 was 25,397?

15 A. (Bohan) This is actually the second solicitation under  
16 which we've implemented the new methodology, where we  
17 have the Small Customer Group and the Medium Customer  
18 Group separated.

19 Q. And, they're all -- but you've solicited 100 percent of  
20 supply this time?

21 A. (Bohan) And for 100 percent of supply, as we did last  
22 time as well.

23 Q. Okay. So, Page 32 shows the Small Customer Group, the  
24 number of final bids; Page 33 shows the number of final

[WITNESS PANEL: Bohan~McNamara~Guay]

1 bids for the Medium Customer Group?

2 A. (Bohan) That is correct.

3 Q. Which is Small Commercial -- Small Commercial and  
4 Outdoor Lighting customers?

5 A. (Bohan) Correct.

6 Q. Okay. And, then, if we move to Page 34, that shows the  
7 number of final bids for the Large Customer Group?

8 A. (Bohan) That is correct.

9 Q. And, for the Large Customer Group, you bid somewhat  
10 differently?

11 A. (Bohan) Yes.

12 Q. And, just to -- if you could just for the record  
13 explain how you bid supply for the Large Customer  
14 Group?

15 A. (Bohan) Yes. For the Large Customer Group, we have a  
16 model in place now, as approved by the Commission,  
17 where we have a LMP price, locational marginal price,  
18 plus an adder, that we use to cost G1 default service.  
19 So, what we ask potential bidders to bid is just the  
20 adder. They're not bidding the energy cost component  
21 in their response to the solicitation. So, those --  
22 the magnitude of those numbers are generally going to  
23 be much smaller.

24 Q. Thank you. And, if we look at the next page in the

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 confidential exhibit, Page 35, the G1 pricing is in the  
2 second column. And, if we go down that column to the  
3 most recent month of "March 2014", we can see, looking  
4 up those three months -- well, I guess we would look at  
5 December, January, and February, it shows the cost of  
6 power for the winter months that resulted from your  
7 last solicitation, is that right?

8 A. (Bohan) That's correct.

9 Q. Okay. Thank you. And, in your filing, you included  
10 notice from ISO, it's a March 18th notice. I believe  
11 that's on Bates stamp 161.

12 A. (Bohan) Yes. And, I have it labeled as "Schedule  
13 TMB-8".

14 Q. And, just would you explain why you felt it was  
15 important to include this notice in your default  
16 service filing?

17 A. (Bohan) Certainly. I'm sure the Commission is aware,  
18 but I wanted to emphasize the fact that we had an  
19 extraordinary winter. We had a very cold winter. And,  
20 as a result, two things happened. We saw very high  
21 natural gas prices. And, natural gas prices are a  
22 large driver of electricity prices. And, as a result,  
23 we had very high electricity prices in the region as  
24 well. So, I wanted to provide some external support to

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 that position. That's why that's included as well.

2 Q. And, if we turn to Page 15, Bates stamp 15, which is  
3 Page 13 of your testimony. Are you there?

4 A. (Bohan) I am there.

5 Q. And, you also included here a table that's entitled  
6 "New Hampshire Load Zone: Monthly Locational  
7 Margin" -- "Marginal Prices". And, this was, again, to  
8 illustrate the costs over the -- of the winter period  
9 for ISO, is that correct?

10 A. (Bohan) That is correct. And, if we take a look at  
11 that table, on Bates stamp Page 15, you can see I've  
12 listed four of the winter months here, December '13  
13 through March 2014. And, those prices range from  
14 \$97.58 a megawatt-hour, and then they increase \$149.98,  
15 and then \$150.61, and then \$113.07. Those are the four  
16 locational marginal prices in the region for those  
17 months. In comparison to the previous winter,  
18 2012-2013, those percentage increases are shown to the  
19 right. So, that \$97.58 price in December 2013 was  
20 126 percent higher than the locational marginal price  
21 in December 2012. And, likewise, for March 2014, the  
22 \$113 figure, that's 112 percent higher than the figure  
23 for March 2013.

24 And, then, I added some other

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 descriptive statistics. I won't go into details here,  
2 unless the Commission would like. But I also included  
3 the highest price you could see, the degree of  
4 volatility, and then I also provided standard  
5 deviations, so you can see that that data did move  
6 around quite a bit. It's significant price volatility  
7 this past winter.

8 Q. I thought that information was very helpful.

9 A. (Bohan) Good.

10 Q. Thank you.

11 A. (Bohan) Great.

12 Q. I wanted to now talk a little bit about REC prices.  
13 And, I'm trying to look for where I referred to the  
14 calculation. It's at Page 151, I believe.

15 A. (Bohan) I'm there.

16 Q. Okay. Thank you. So, again, if we go to the right,  
17 the column at the extreme right, this calculates the  
18 price of RECs at \$4.07 per megawatt-hour, is that  
19 correct?

20 A. (Bohan) That's correct. So, what this is showing is  
21 that this is our estimate in dollars per megawatt-hour  
22 of our Renewable Energy Credit costs for each month for  
23 that, for the period under consideration, June 2014  
24 through November 2014.

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 Q. Yet the prices, if you go to the adders that are in the  
2 tariffs, which I believe are 0.00208 cents for the  
3 Small Customer Group, and even less for the Large  
4 Customer Group, they're less than the 0.00407 cents one  
5 might expect from these prices. Is that due to an over  
6 collection in the RPS revenues in the prior period?

7 A. (McNamara) Yes, primarily.

8 Q. But, otherwise, Mr. Bohan, the costs appear to be close  
9 to the ACP, is that fair to say?

10 A. (Bohan) That is correct.

11 Q. And, if we look at Page 38, this indicates a summary of  
12 the Company's REC purchases for 2013 RPS compliance.  
13 And, let me know when you're there.

14 A. (Bohan) Yes.

15 Q. Okay. And, I think this does illustrate that the  
16 prices are very close to the ACP. I don't have a  
17 comparison of the ACP. But, according to this table,  
18 you've acquired all of your Class I, 80 percent of the  
19 Class II, but none for Class III, and then 106 percent  
20 for Class IV.

21 A. (Bohan) For 2013.

22 Q. Right. And, so, with respect to Class III, are you  
23 just finding those not to be available at all?

24 A. (Bohan) That is correct. And, this is an issue that

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 we've seen at least over the last year or so. I think  
2 the last two or three default service hearings we've  
3 been talking about this. There just do not appear to  
4 be any New Hampshire Class III RECs available in the  
5 market. I know at least a year ago the Commission  
6 revisited this issue, and it resulted in a change in  
7 the percentage requirements that the utilities were  
8 required to acquire. But it's still not changing what  
9 we're seeing in the market. I'm not getting any bids  
10 when we've run our RFP, we're not getting any responses  
11 for New Hampshire Class III RECs.

12 Q. But, for Class IV RECs, it looks like you have more  
13 than you need?

14 A. (Bohan) That's correct. And, if we have a little bit  
15 more than we need, what we end up doing is, if there is  
16 a slight surplus there, that would get banked into 2014  
17 obligations.

18 Q. Okay. Thank you. Also, in this filing, the Company  
19 basically is wrapping up the Renewable Service Option.  
20 Is that fair to say?

21 A. (Bohan) That is correct.

22 Q. And, Mr. Mullen was doing some research this morning,  
23 and he looked at --

24 MS. AMIDON: There are two items that

[WITNESS PANEL: Bohan~McNamara~Guay]

1 we're talking about here. And, I think what I'll do is I  
2 will let Mr. Mullen ask this question. I have some  
3 additional questions for you, but I'm going to let  
4 Mr. Mullen ask this question, because he did the research.

5 WITNESS BOHAN: Certainly.

6 MR. MULLEN: Good morning.

7 WITNESS BOHAN: Good morning.

8 BY MR. MULLEN:

9 Q. If you turn to Page 14 of the filing.

10 A. (Bohan) I'm there.

11 Q. On Line 6 and 7, you have a Web address there where you  
12 direct people to look for information on energy supply  
13 options, renewable energy supply options. And, that  
14 was consistent with the direction by the Commission, in  
15 terms of being allowed to wrap this up. Is that  
16 correct?

17 A. (Bohan) That is correct.

18 Q. And, in your TMB-6, which is Bates Page 155 and 156,  
19 you include information that was provided to customers  
20 about the end of this program. That's correct?

21 A. (Bohan) That is correct. We actually sent this letter  
22 to all participating customers on -- I believe the date  
23 is December 16th, 2013. I could check my testimony,  
24 but I'm pretty confident that was the date.

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[WITNESS PANEL: Bohan~McNamara~Guay]

1 Q. Okay. On Page 156, that provides a different Web  
2 address than what was in your testimony. When I, of  
3 course, checked them both out, and they both -- would  
4 you agree that they both bring you to the same spot on  
5 Unitil's website?

6 A. (Bohan) That is correct. And, actually, I worked with  
7 the individual that handles the Web services for us,  
8 and she basically redirected the Green Neighbor website  
9 to the piece that is noted in my testimony, so that  
10 customers are informed of that.

11 Q. And, I'd say, from a customer perspective, it's  
12 probably easier to remember the "greenneighbor", than  
13 the one that's listed in your testimony.

14 A. (Bohan) Yes.

15 Q. And, on that site, there's information there that is  
16 similar to the wording in the letter, plus there's also  
17 some links to some providers of renewable products?

18 A. (Bohan) That is correct.

19 MR. MULLEN: All right. Thank you.

20 MS. AMIDON: Thank you.

21 BY MS. AMIDON:

22 Q. And, this is again for you, Mr. Bohan. You talked  
23 about the "volatility" this winter. And, I wanted to  
24 refer you to the TMB-3, the Customer Migration Report,

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1 which is on Page 149 and 150.

2 A. (Bohan) I'm there.

3 Q. And, I know that when I originally read this report, I  
4 kind of got things turned around. But I want to start  
5 off with Page 150. And, if you could explain to me, in  
6 the first table at the top, under "Large Customer" --  
7 "Large General", I mean, what this trend line  
8 demonstrates for the months from February 2013 to  
9 February 2014?

10 A. (Bohan) Okay. So, on the top of Page 150, what we're  
11 seeing here, in that middle column, is the Large  
12 General class, those are our G1 customers. And, this  
13 shows that there is at least, you know, through a good  
14 part of February -- through a good part of 2013, we see  
15 that that number, the number of Large Customers that  
16 are out in the competitive market is around 111, 112  
17 customers. And, then, when we get into -- we get into  
18 the latter part of 2013, we see that a couple customers  
19 come back to default service. And, then, a very  
20 interesting thing happens, once we get into the thick  
21 of winter here, this past winter, in December 2013, and  
22 into the start of 2014, we see some significant  
23 migration of Large Customers back from the competitive  
24 market to default service.

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1 Q. This illustrates then what you were talking about with  
2 supplier uncertainty about the effects of customer  
3 migration on their load commitments?

4 A. (Bohan) That is correct.

5 Q. And, again on the prior page there, I think it's the  
6 table at the bottom, that also illustrates that, is  
7 that correct?

8 A. (Bohan) That is correct. If we go to the previous  
9 page, 149, you can see that the raw consumption data by  
10 competitive generation and default service or by total  
11 is shown above. But, at the bottom, we see the  
12 percentages. And, what this is showing at the bottom  
13 is that this is the number, the percent of usage for  
14 that Large Customer class that is by competitive  
15 generation. And, you can see that that's about  
16 85 percent through a good part of 2013, declines a  
17 little bit in the latter part of 2013, and then drops  
18 significantly once again when we get to the beginning  
19 of 2014.

20 Q. And, if we go to the heading in that particular column  
21 that is headed "Domestic", we can see just the  
22 opposite. There are more customers taking energy  
23 supply from competitive suppliers, is that correct?

24 A. (Bohan) That is correct.

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1 MS. AMIDON: Thank you. Mr. Mullen does  
2 have some additional questions, and I'm going to defer to  
3 him at this point.

4 BY MR. MULLEN:

5 Q. Mr. Bohan, if you could turn to Pages 39 to 43 of the  
6 filing.

7 A. (Bohan) Okay. I am there.

8 Q. And, Page 39 gives a brief description of what's on  
9 Pages 40 through 43. But could you just please briefly  
10 summarize what those latter four pages represent.

11 A. (Bohan) Okay. So, on Page 40 what we're showing is  
12 we're doing a calculation that's showing the ratio of  
13 the final bid prices versus a calculation rate that we  
14 do, based on the information that we had in the prior  
15 period. So, it's a comparison to last year. Okay?  
16 And, when we do that comparison, what we're showing,  
17 over here in the bottom right-hand side, we see a  
18 figure of 3.3 percent. That's suggesting to us that  
19 the bids that we're receiving in this round are just  
20 over 3 percent higher than what we received a year ago.  
21 And, if we continue down, if we go to Page 41, at the  
22 bottom there, what we're showing is, it's the same type  
23 of exercise, except we're showing the comparison of  
24 current bids to the last Default Service period, which

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1 was the Winter 2013 into 2014. So, we're comparing  
2 June 1st, 2014 to results for our December 1st, 2013  
3 filing. So, what that's showing us, if you look down  
4 at the bottom right-hand side, is that the prices, the  
5 bids, are just under 5 percent higher.

6 Q. Okay. Now, with those two pages, if you concentrate on  
7 the left-hand side, under the heading "RFP for Service  
8 Beginning June 1st, 2014", if you were to just explain  
9 the "Ratio of Final Bid to NYMEX ISO" column.

10 A. (Bohan) This ratio is showing the final bid. So, if we  
11 take the 82.80 -- if we look at this line and we say,  
12 for example, June of 2014, the bid for that month was  
13 \$82.85. On the day before the final bids were  
14 received, on March 31st, 2014, the NYMEX price ratio of  
15 on-peak and off-peak prices for June 2014 was \$69.31,  
16 that's showing a ratio of 1.20.

17 Q. So, what does that "1.20" tell you?

18 A. (Bohan) It's telling us that the bid ratio is about  
19 20 percent higher than what NYMEX futures were on  
20 March 31st.

21 Q. So, would you take that as something that tells you  
22 that the bids are about what you'd expect or what  
23 exactly is it telling you?

24 A. (Bohan) The bids are about what I expect, and we can

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1 turn to something else in a second. But what this is  
2 suggesting, and I've shown this in my testimony, is  
3 that wholesale electric prices in the Summer of 2014  
4 are expected to be about 20 percent higher than what  
5 they were in 2013.

6 Q. Okay. And, just before we move off these two pages,  
7 actually, for all four of these pages, they're all  
8 labeled at the top "Non-G1 customers". Am I correct  
9 that this is a combination of both the small and the  
10 medium groups?

11 A. (Bohan) That is correct.

12 Q. Thank you. Perhaps we can make the conversation on  
13 Pages 42 and 43 a little briefer. This is just a  
14 different comparison, instead of to electric prices,  
15 it's to Henry Hub natural gas prices?

16 A. (Bohan) That is correct. And, so, what we're seeing  
17 for, in comparison of June 2014 to June of 2013, this  
18 ratio is showing a number of 14.8 percent,  
19 approximately 15 percent higher. And, in the snapshot  
20 below, on Page 43, this is showing a ratio that's about  
21 20 percent lower, which is what we'd expect coming out  
22 of the winter season.

23 Q. So, compared to last year at the same time, they're  
24 higher. But compared to the last prior period, they're

1 lower?

2 A. (Bohan) Correct.

3 Q. Ms. Guay, I just have a couple of quick questions on  
4 the Lead/Lag Study.

5 A. (Guay) Yes.

6 Q. I'm not going to get into a lot of detail here. But,  
7 in general, I mean, you say that the study was done in  
8 a manner similar to the prior study, is that correct?

9 A. (Guay) Yes.

10 Q. And, in comparing the results of this study to the  
11 prior one, are there any major differences that come to  
12 mind?

13 A. (Guay) There were a couple significant changes year  
14 over year. For the G1 customers, the revenue lag  
15 decreased almost three days. And, I can't specifically  
16 point out a reason for that, other than they are our  
17 larger non-residential customers, they have a shorter  
18 payment window than residential, and they're -- the  
19 size of the class is a lot smaller. So, if one of  
20 the -- a few of the larger customers pay their bills a  
21 few days early, it would show -- it would show up more  
22 than it would, say, in the residential class, where  
23 there's like 10,000 -- you know, there's thousands of  
24 them. So, I can't really give you a specific reason

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1 for that, other than maybe the business is doing  
2 better, they can pay their bills.

3 But the other significant -- are you all  
4 set with that one?

5 Q. Yes.

6 A. (Guay) Is there anything else I could --

7 Q. That's fine.

8 A. (Guay) Okay. The other significant change is the  
9 Non-GIs. Last year, they had a lag of one day, 1.35  
10 days, and this year there's a lead of 9.86 days, in the  
11 total for the study for the Non-GI. And, the reason  
12 for that is last year we had four different default  
13 service suppliers. This year we have six. Well, I say  
14 "this year", for 2013 we have six. And, the two new  
15 suppliers, \_\_\_\_\_. So,  
16 the payments for the energy are \_\_\_\_\_  
17 \_\_\_\_\_  
18 \_\_\_\_\_. We also have  
19 one that's \_\_\_\_\_. So, with the \_\_\_\_\_  
20 \_\_\_\_\_, in addition to the large percentage of  
21 costs applicable to those two new service -- default  
22 service suppliers, that is the reason for the increase  
23 in the lead.

24 Q. Okay. And, is it your understanding that, consistent

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1 with prior submissions of lead/lag studies, that this  
2 would be subject to some further review as we go  
3 forward?

4 A. (Guay) Yes.

5 MR. MULLEN: Thank you.

6 MS. AMIDON: Thank you.

7 BY MS. AMIDON:

8 Q. I don't think we have any other questions, except I  
9 wanted to, Ms. McNamara, to just point out for the  
10 Commission where they can find the bill impacts, if  
11 they're looking for bill impacts for the Small and  
12 Medium Customer classes?

13 A. (McNamara) Yes. Schedule LSM-6. There are several  
14 pages with various forms of bill impacts. In general,  
15 the Residential and General Service class will see a  
16 6.6 percent decrease due to this change in default  
17 service, versus current rates. And, the Outdoor  
18 Lighting class will see a 3.5 percent decrease in  
19 general due to the change in default service rates.

20 MS. AMIDON: Thank you. We have no  
21 further questions.

22 CHAIRMAN IGNATIUS: Thank you.

23 Commissioner Honigberg, do you have questions?

24 BY CMSR. HONIGBERG:

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1 Q. Mr. Bohan, I want to go back to the analysis on 40 to  
2 43. Is there a similar analysis done for the G1 class?

3 A. (Bohan) There is not. And, the reason for that is that  
4 the prices for the G1 class that we get are not  
5 predetermined. We don't know what the G1 price will be  
6 until we get basically to the end of the month.

7 Q. With only --

8 A. (Bohan) So, --

9 Q. Why don't you finish. I'm sorry.

10 A. (Bohan) So, the model -- the price for the G1 class,  
11 for example, for let's say the month of April 2014, is  
12 based on an adder that was bid, so, whatever that adder  
13 happens to be, let's say it's \$17, plus the locational  
14 marginal price weighted by all the default service  
15 loads for the period that we use to set the rate, and,  
16 in this example, that would be something like the  
17 consumption for the month of March. So, we would take  
18 the load, the hourly loads for the G1 class for the  
19 month of March, multiply that by the locational  
20 marginal price in each hour, we would get some weighted  
21 average locational marginal price, and then we would  
22 add to that the adder of \$17. And, that would be,  
23 hypothetically speaking, \$85, and that would be the  
24 price.

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1 Q. So, how do you evaluate the validity of the G1 bid that  
2 you receive?

3 A. (Bohan) Two things I think to look at. One is we do  
4 a -- well, that's really just for our forecasting  
5 purpose. Really, one of the things that we look at is  
6 the previous bids that we've received in prior rounds  
7 over the last year and a half. And, these are  
8 generally consistent with what we see in those default  
9 service solicitations.

10 Q. I want to go back to, you gave four reasons for why  
11 prospective bidders didn't participate. And, one of  
12 them you called "winter issues".

13 A. (Bohan) Yes.

14 Q. Can you do that one again for me please, because I  
15 wasn't -- I didn't get the logic, ultimately, as to  
16 what the problem was?

17 A. (Bohan) Okay. Well, there's a couple of things here.  
18 First of all, when we solicit, when we run our RFP for  
19 default service here, we actually run two RFPs. So,  
20 we're soliciting for UES for June through  
21 November 2014. At the same time, we're soliciting for  
22 our Massachusetts affiliate, Fitchburg Gas & Electric  
23 Light Company. That happens to be a 50 percent load  
24 share for various classes for a whole year. That goes

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1 from June 1st through May 2015. So, loosely speaking,  
2 when we're -- when potential suppliers are responding,  
3 they're speaking both to UES and to Fitchburg, okay?  
4 But even suppliers that are not bidding on UES have  
5 indicated they have concerns with winter issues.

6 For this particular Default Service  
7 period, that argument doesn't hold a lot of water. But  
8 I do think it's something that we should bring up, and,  
9 certainly, it's something that we're going to need to  
10 keep in mind when we're back here six months from now  
11 getting ready for next winter. Is that helpful?

12 Q. I have not -- the companies are not required to bid on  
13 Fitchburg when they bid here?

14 A. (Bohan) No. No.

15 Q. It's just --

16 A. (Bohan) Not at all.

17 Q. Okay.

18 A. (Bohan) And, could I add one other thing? This is more  
19 of a policy point, and I just wanted to mention it  
20 while we're here. A concern that I think bidders have  
21 raised, and something that policymakers could hopefully  
22 help with, is identify and figuring out whatever type  
23 of winter program for next winter is going to be in  
24 place, to get that in place early and identify how the

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1 cost allocation and recovery is going to be done well  
2 in advance of those next RFPs going into that round.

3 And, we, in particular, for UES, last  
4 year, going into this winter, we had a few bidders that  
5 dropped out particularly due to that reason, that they  
6 didn't know what was going to happen with costs, how  
7 they were going to be allocated. And, as a result,  
8 they just were risk-adverse, and they said "we're going  
9 to sit this out." So, if the rules of all of that can  
10 kind of get hammered out and in place towards the end  
11 of the summer, I think that would go a long way to  
12 helping at least potentially increase bidder  
13 participation.

14 Q. Thank you. I appreciate that. I want to ask also  
15 about the Migration Report.

16 A. (Bohan) Sure.

17 Q. I'm struck by the dramatic increase on the Domestic,  
18 and I noted the somewhat dramatic decrease on the Large  
19 General. But what's going on on the Domestic side that  
20 the numbers went up so dramatically over the last 12  
21 months, and, in particular, the last three months?

22 A. (Bohan) Without turning to my schedule, though, I can  
23 tell you right at the moment, that was due to  
24 significant efforts by two competitive electric

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1 suppliers, Electricity New Hampshire and North American  
2 Power. In particular, late in the year, that move was  
3 almost all North American Power signing up customers of  
4 ours on the residential side.

5 Q. Understood.

6 A. (Bohan) Yes.

7 CMSR. HONIGBERG: That's all I have.

8 Thank you.

9 CHAIRMAN IGNATIUS: Thank you. Just a  
10 couple more questions.

11 BY CHAIRMAN IGNATIUS:

12 Q. Let's stick with the issue of wholesale pricing for a  
13 moment longer. We have a 20 percent expectation, Mr.  
14 Bohan, that the summer will be 20 percent higher than  
15 it was a year before, correct?

16 A. (Bohan) In the prior summer, yes.

17 Q. And, your testimony just states that you can't  
18 guarantee that, but that's what it's looking like, but  
19 without really any explanation. What is it that drives  
20 the summer prices up? You talked about the "winter  
21 volatility".

22 A. (Bohan) Well, generally, in the summer, we have, you  
23 know, lower natural gas prices. So, that should drive  
24 at least higher demand. So, we'll have higher demand

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1 for natural gas. We also have a significant portion of  
2 generation that's natural gas fired, approximately half  
3 in New England. And, I don't know the exact dates of  
4 these retirements, but at least in the near term we're  
5 expecting, in the region, Vermont Yankee and two Salem  
6 Harbor units, one I believe is a coal unit and one is  
7 an oil unit that are going to be retired. So, that's  
8 going to put upward -- that's putting upward pressure  
9 more on other units, in particular, gas-fired units.

10 Q. Are there any structural changes that any of the  
11 bidders you've talked to or would-be bidders you've  
12 talked to have that would help in giving them the  
13 confidence to participate in our market?

14 A. (Bohan) Well, as I had mentioned, part of it is, if we  
15 can carve out or maybe the costs of recovery of, you  
16 know, a winter-type program are handled, you know,  
17 through another mechanism that they don't have to deal  
18 with, that could potentially address that.

19 Q. And, knowing those terms early on you had said?

20 A. (Bohan) And knowing those early on.

21 Q. The other 20 percent figure we've been talking about  
22 this morning is the comparison of the rates going  
23 forward to the block we're coming out of, and it's  
24 about 20 percent lower, correct?

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1 A. (Bohan) Correct.

2 Q. Help me, and this may be Ms. McNamara, if we look at  
3 your bill impacts, starting on Page 220 -- I'm sorry,  
4 211, how does it work out that an expectation of a  
5 roughly 20 percent drop in wholesale prices can only  
6 translate into a 6.6 percent drop in the Default  
7 Service Charge?

8 A. (Bohan) You want me to --

9 A. (McNamara) You can start, if you'd like.

10 Q. Either one is fine.

11 A. (Bohan) Well, it's just that, generally, that a  
12 20 percent drop in wholesale prices isn't going to  
13 translate into a 20 percent drop at the retail level,  
14 because bill comparisons include not only the Default  
15 Service of the generation portion, but also the other  
16 retail components that ratepayers have to pay.

17 Q. So, let's just go through that then. On the chart,  
18 you've got the -- you've got zeros for all of the other  
19 changes in the total bill, and the only one with a  
20 reduction or a change is the Default Service Charge  
21 itself. So, we're not talking about offsetting  
22 increases in the Distribution Charge here.

23 A. (McNamara) Right.

24 Q. So, the Default Service Charge I realize is more than

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1 just the wholesale price.

2 A. (McNamara) Correct.

3 Q. So, can you just walk out a little bit more how we get  
4 to a 6.6 percent drop in the Default Service Charge?

5 A. (McNamara) Would it be helpful if we turn to the rate  
6 calculation perhaps?

7 Q. Sure.

8 A. (McNamara) Okay. Let's just look at Non-G1. And,  
9 there are two components to the Default Service rate,  
10 power supply and RECs, with power supply being, of  
11 course, the bigger of the two components. Schedule  
12 LSM-2 provides the calculation for the Non-G1 class  
13 power supply component. And, if you are on Page 187,  
14 this shows the calculation for both the Residential  
15 class and the G2 Outdoor Lighting class, again, for the  
16 power supply component. The fixed residential class  
17 power supply component is \$0.08205 per kilowatt-hour.  
18 There is an over collection of \$165,000, to make up  
19 part of that rate, as well as costs of over 20 million.  
20 The costs of 20 million can be seen on Page 191. And,  
21 there's quite a bit of data on this page. What this is  
22 doing is, in the first part, the upper part of the  
23 page, is just showing the stream of costs for all the  
24 different cost components, of power supply charges, bad

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1 debt, so on. The bottom two sections of the page are  
2 breaking those common costs, what we call "common  
3 costs", bad debt, whatever else might be in there,  
4 working capital, things like that, between the  
5 Residential class and the G2/Outdoor Lighting class.

6 So, if you turn your attention to the  
7 middle part of that page, where it says "Total costs  
8 located to Residential Class and G2/Outdoor Lighting  
9 Class", third column over you'll see the \$20 million  
10 cost total for the Residential class. That being made  
11 up of power supply costs, plus another \$351,000 of the  
12 common costs.

13 To get to an exact reason why the bill  
14 impact is a decrease of 6.6 percent and the power  
15 supply costs are decreasing 20 percent, as Mr. Bohan  
16 said, I personally like to always think of it as  
17 approximately half Default Service. So, I mean, I  
18 would have expected at least a 10 percent bill  
19 decrease. However, there are other cost components  
20 that impact the dollars that go -- that go into that  
21 rate. So, it's not a one-for-one.

22 Q. Thank you. Regarding the RPS costs that you incur, I  
23 take it, for this coming -- for the coming payments in  
24 July that cover the compliance year ending calendar

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1 year 2000 --

2 A. (Bohan) Thirteen.

3 Q. Thirteen. Thank you.

4 A. (Bohan) Yes.

5 Q. There would be, for Class III, you would be making  
6 ACPs, correct?

7 A. (Bohan) That is correct.

8 Q. Just because of the unavailability of Class III RECs?

9 A. (Bohan) That is correct. And, just to add a sidenote  
10 here. I did have a brief phone conversation with Liz  
11 Nixon here, from the Commission, and briefed her on  
12 that. She inquired and I responded, just let her know  
13 where we were with all our REC requirements.

14 Q. Do you have any projections on where you'll be  
15 specifically with Class III a year from now, when  
16 you're looking at compliance year '14, paid in July of  
17 '15?

18 A. (Bohan) I suspect we're going to be in the same boat,  
19 unless something significant changes to bring those  
20 RECs to market.

21 Q. And, is it in the compliance year '14 that the Class  
22 III requirement jumps up to I think 8 percent or is  
23 that in a year even further out?

24 A. (Bohan) I believe you're correct. It does jump back

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1 up. I think there was only a couple of years that that  
2 percentage was cut.

3 Q. The current level that is supposed to be collected for  
4 Class III is 3 percent?

5 A. (Bohan) Yes.

6 Q. And even that's unavailable?

7 A. (Bohan) Correct.

8 Q. And, Class III is a closed class. You can't build new  
9 Class III. So, to find -- if you can't make 3 percent,  
10 I guess the question is "how do we find 8 percent?"

11 A. (Bohan) That's correct.

12 Q. Got any help on that? All right.

13 A. (Bohan) You could change the legislation in other  
14 states that makes them less valuable there and more  
15 valuable here.

16 Q. Yes, that's part of the picture, isn't it? How we --  
17 how we compare to other states in the region?

18 A. (Bohan) Exactly. Yes.

19 CHAIRMAN IGNATIUS: All right. That's  
20 the questions I have.

21 CMSR. HONIGBERG: I'm all set.

22 CHAIRMAN IGNATIUS: All right. Any  
23 redirect, Mr. Epler?

24 MR. EPLER: No thank you.

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1 CHAIRMAN IGNATIUS: Then, the witnesses  
2 are excused. Thank you very much. I take it there's no  
3 other testimony, is that correct?

4 (No verbal response)

5 CHAIRMAN IGNATIUS: Then, is there any  
6 objection to striking the identification of the exhibit  
7 and make it a full exhibit?

8 (No verbal response)

9 CHAIRMAN IGNATIUS: Seeing none, we will  
10 do so. Anything else to take up before closing  
11 statements?

12 MR. EPLER: Yes, just one point. As  
13 we've done in the past, we didn't move to close the  
14 hearing, because there's no one participating, other than  
15 the Company, Staff, and the Consumer Advocate. But there  
16 was some confidential discussion, and we'll work with the  
17 parties to mark the transcript. And, I will note that the  
18 Executive Director pointed out to me that we're behind in  
19 mocking up transcripts from recent hearings. And, I'm  
20 working to get those done, and should be up to speed in a  
21 couple weeks.

22 CHAIRMAN IGNATIUS: Good. Thank you.

23 MR. EPLER: We'll be current, not "up to  
24 speed", we'll be current in a couple weeks.

1 CHAIRMAN IGNATIUS: Thank you. And, we  
2 hadn't addressed the confidentiality request. Is there  
3 any comment anyone wants to make on the request for  
4 confidentiality filed by the Company?

5 MS. CHAMBERLIN: No objection.

6 CHAIRMAN IGNATIUS: All right. We will  
7 address that in the final order. So, I guess, unless  
8 there's anything else?

9 (No verbal response)

10 CHAIRMAN IGNATIUS: Closing remarks,  
11 Ms. Chamberlin?

12 MS. CHAMBERLIN: Thank you. The OCA  
13 doesn't object to the filing. I am concerned that the  
14 bids are dwindling. I would expect the volatility and the  
15 winter rules to be a short-term problem. And, so, that's  
16 what I will be looking at going forward. As those things  
17 get resolved, my hope would be that we would then have  
18 more bids to make this a more fully competitive process.

19 CHAIRMAN IGNATIUS: Thank you.  
20 Ms. Amidon.

21 MS. AMIDON: Thank you. Staff has  
22 reviewed the filing. And, we've determined that the  
23 Company has conducted the solicitation, the bid  
24 evaluation, and the selection process consistent with

1 Order Number 24,511, in Docket 05-064, which set up the  
2 default service procurement process for the Company, and  
3 as revised by a more recent order, 25,397. And, we  
4 believe that the resulting bids are market-based and that  
5 the solicitation was made consistent with the principles  
6 of RSA 374-F.

7 We understand that the Company has  
8 incorporated the results of the Lead/Lag Study for 2013  
9 into their filing in the rates. We understand, however,  
10 that the Company understands that the OCA and Staff will  
11 have time to review the Lead/Lag Study, and that any  
12 reconciling items that come out of that review will be  
13 addressed in a future Default Service filing. Thank you.

14 CHAIRMAN IGNATIUS: Thank you.

15 Mr. Epler.

16 MR. EPLER: Yes. Thank you. I'll just  
17 direct the Commission to the relief requested in the  
18 Petition. And, we will look forward to working with Staff  
19 in reviewing the Lead/Lag Study.

20 CHAIRMAN IGNATIUS: Thank you.

21 MR. EPLER: And the OCA.

22 CHAIRMAN IGNATIUS: Mr. Epler, what's  
23 the absolute deadline date on an order under our agreement  
24 of this very fast tracking of these cases?

1 MR. EPLER: May I direct that to Mr.  
2 Bohan?

3 CHAIRMAN IGNATIUS: Please.

4 WITNESS BOHAN: I think, traditionally,  
5 we ask for it on Friday, which is, in this instance, is  
6 tomorrow. But our -- I don't want to speak for the whole  
7 panel in case I'm stepping on someone's toes here, but, in  
8 terms of our agreements with the suppliers, we have given  
9 them a deadline of the following Friday, which is the  
10 18th, 19th.

11 CHAIRMAN IGNATIUS: Well, I think we --  
12 isn't it -- is it five business days from the date that  
13 the filing is made?

14 WITNESS BOHAN: Correct.

15 MS. AMIDON: That was the terms of the  
16 Settlement Agreement, as I recall. That hasn't changed.

17 CHAIRMAN IGNATIUS: And, what does that  
18 work out to then?

19 MS. AMIDON: It would be tomorrow.

20 WITNESS BOHAN: That would be tomorrow.

21 MS. AMIDON: Because the filing was  
22 made, completed on last Friday.

23 CHAIRMAN IGNATIUS: All right. Thank  
24 you. All right. Then, unless there's anything else?

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(No verbal response)

CHAIRMAN IGNATIUS: We'll take this under advisement. Appreciate everyone working quickly on moving these through, because of the fact of market pricing, it's just got to go quickly to be useful. So, we appreciate everyone's work. And, we are adjourned.

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