

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 9, 2015 - 9:13 a.m.
Concord, New Hampshire

NHPUC JUL30'15 PM 1:09

RE: DE 14-238
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
Determination Regarding PSNH's
Generation Assets.
(Prehearing conference)

PRESENT: Commissioner Martin P. Honigberg, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:
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Robert A. Bersak, Esq.

Reptg. the City of Berlin and the Town of
Gorham, New Hampshire:
Christopher L. Boldt, Esq. (Donahue, Tucker)

Reptg. the Office of Energy & Planning:
Christopher G. Aslin, Esq., Dept. of Justice
Meredith A. Hatfield, Director
John Antonuk (Liberty Consulting)

Reptg. New England Power Generators Assn.:
Carol Holahan, Esq. (Orr & Reno)

Reptg. the International Brotherhood of
Electrical Workers Local 1837:
Thomas F. Ryan, Assistant Business Manager

COURT REPORTER: STEVEN E. PATNAUDE, LCR NO. 52

ORIGINAL

APPEARANCES: (c o n t i n u e d)

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and TransCanada Hydro Northeast, Inc.:**

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Reptg. the Conservation Law Foundation:

Thomas F. Irwin, Esq.

Reptg. Granite State Hydropower Assn.:

Susan S. Geiger, Esq. (Orr & Reno)

Richard Normand, President

Reptg. the Sierra Club:

Zachary M. Fabish, Esq.

Reptg. Sen. Jeb Bradley & Sen. Dan Feltes:

Senator Dan Feltes

Pentti Aalto, *pro se*

Michael Harrington, *pro se*

Terry Cronin, *pro se*

Representative Howard M. Moffett, *pro se*

Reptg. the PUC Staff Advocates:

F. Anne Ross, Esq.

Thomas C. Frantz, Dir./Electric Division

Reptg. Residential Ratepayers:

Susan Chamberlin, Esq., Consumer Advocate

James Brennan

Office of Consumer Advocate

Reptg. PUC Non-Advocate Staff:

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Michael J. Sheehan, Esq.

Thomas C. Frantz, Director/Electric Division

Leszek Stachow, Asst. Dir./Electric Division

Jay Dudley, Electric Division

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P R O C E E D I N G

CHAIRMAN HONIGBERG: Good morning, everyone. We're here in Docket DE 14-238. We are not here in Docket 11-250, the Scrubber docket. We're here pursuant to a Supplemental Order of Notice that we issued on June 26th, following a Settlement Agreement reached among the Parties, many of the Parties to this docket. Lots of things have been filed, including a proposed schedule from the Settling Parties, a response from Staff. We're aware of things that are going on, but we don't have the details as we sit up here.

We're largely here to try and do two things today; deal with motions for intervention from people who are not already intervenors in this docket, and also to discuss the scheduling going forward as to how we're going to bring this docket to a resolution.

I'm going to remind people again that we're not here in the Scrubber docket today. Commissioner Scott does not sit on the Scrubber docket. He is recused from that docket. Special Commissioner Mike Iacopino is the second commissioner in the Scrubber docket. When it comes time to do deal with the resolution of the Scrubber issues, Commissioner Scott will not be present.

Let me also be clear that, because

1 Commissioner Scott is recused from docket 11-250, does not
2 mean that he can't hear what goes on. There has been some
3 misunderstanding among some parties or quarters about what
4 that -- what Commissioner Scott can and can't do. He's
5 like any other member of the public in that docket. He
6 can hear, but he can't participate, and he can't offer his
7 opinions through body language, facial expressions or
8 otherwise. So, it's helpful for him not to be around when
9 we discuss it. But it's not a problem if he is. So, if
10 someone does start talking about 11-250 today, we'll see
11 what they have to say. It's not going to be a big deal if
12 Commissioner Scott is here when someone is talking about,
13 but it's not like we can do anything about it today. So,
14 let's try and deal with what we can deal with.

15 The first thing we're going to do is
16 take appearances from Parties who are already in the
17 docket. If you have just moved to intervene recently, I'm
18 going to come to you in the second round of appearances,
19 okay? I do know that there's somebody here who is
20 replacing an appearance. So, when we get to NEPGA, you
21 can identify yourself at that time, or in the first round,
22 because you're already a party.

23 So, let's start right here.

24 MR. BERSAK: Good morning,

1 Commissioners. My name is Robert Bersak. And, with me
2 today is Matthew Fossum. And, we represent Public Service
3 Company of New Hampshire and Eversource Energy.

4 MS. ROSS: Good morning, Commissioners.
5 Anne Ross and Tom Frantz. We are designated as "Staff
6 Advocates" in this proceeding, and we are signatories to
7 the Settlement.

8 MR. BOLDT: Chris Boldt, Donahue, Tucker
9 & Ciandella, for the City of Berlin.

10 MS. HOLAHAN: Carol Holahan, here on
11 behalf of NEPGA.

12 MR. PATCH: Doug Patch, with Orr & Reno,
13 on behalf of the TransCanada affiliates that has been a
14 party to the 14-238 and 11-250.

15 MR. IRWIN: Tom Irwin, from Conservation
16 Law Foundation.

17 CHAIRMAN HONIGBERG: Okay. There's
18 nobody else back there, I think. We'll go to the back row
19 over here. Oh, is there another party back there?

20 MR. RYAN: Yes. Tom Ryan, International
21 Brotherhood of Electrical Workers.

22 CHAIRMAN HONIGBERG: Go back there.

23 MR. ASLIN: Chris Aslin, for the
24 Attorney General's Office, on behalf of the Office of

1 Energy & Planning. With me are Meredith Hatfield,
2 Director of Office of Energy & Planning, and John Antonuk
3 from the Liberty Consulting Group.

4 CHAIRMAN HONIGBERG: Just for people who
5 are here for the first time. You don't have to stand, if
6 you don't want to. In fact, if you're near a microphone,
7 it's more helpful to Mr. Patnaude, and people who are
8 elsewhere in the room, you'll be heard better if you speak
9 into a microphone.

10 MS. GEIGER: Thank you. Susan Geiger,
11 from the law firm of Orr & Reno. I represent Granite
12 State Hydropower Association, an intervenor in Docket
13 14-238. And, with me today is Mr. Dick Normand, who's
14 President of GSHA.

15 MR. FABISH: Good morning. This is Zack
16 Fabish for the Sierra Club.

17 MR. AALTO: Good morning. Pentti Aalto.
18 I was part of the settlement process. I did not sign on.
19 Thank you.

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

23 MR. SPEIDEL: Alexander Speidel,
24 representing the Staff of the Public Utilities Commission,

1 non-advocate Staff. And, I have with me co-counsel
2 Michael Sheehan; Leszek Stachow, the Assistant Director of
3 the Electric Division; and also Jay Dudley, Electric
4 Division Analyst. Thank you.

5 CHAIRMAN HONIGBERG: Okay. Let's take
6 the people who have moved to intervene recently. And, I'm
7 not sure where any of them are sitting, because I'm --
8 okay, I see Mr. Harrington back there.

9 MR. HARRINGTON: Michael Harrington,
10 representing myself.

11 CHAIRMAN HONIGBERG: Welcome back,
12 Commissioner Harrington.

13 MR. HARRINGTON: Thank you.

14 MR. BOLDT: Again, Chris Boldt, of
15 Donahue, Tucker & Ciandella, but this time for the Town of
16 Gorham.

17 MR. CRONIN: I'm Terry Cronin,
18 representing myself.

19 CHAIRMAN HONIGBERG: Anybody else?

20 SEN. FELTES: Dan Feltes. Mr. Chairman,
21 good morning, Mr. Chairman. Dan Feltes, representing
22 myself, and Jeb Bradley.

23 CHAIRMAN HONIGBERG: I'm sorry, Senator.
24 I actually couldn't see you over there.

1 SEN. FELTES: Oh, that's okay. I'm
2 hiding.

3 MR. ASLIN: And, Chairman, if I may, the
4 representative Edelblut --

5 (Court reporter interruption.)

6 MR. ASLIN: -- Edelblut is also an
7 intervenor, he's not able to be here, and asked that we
8 acknowledge that he is seeking intervention.

9 CHAIRMAN HONIGBERG: Right. I know we
10 have his motion, but -- he's not here, but we'll deal with
11 interventions first.

12 Yes, Representative Moffett.

13 REP. MOFFETT: Mr. Chairman, Howard
14 Moffett, an interested member of the New Hampshire
15 Legislature. I have not filed a motion to intervene, but
16 I would like permission to do that on a late-filed basis,
17 with no prejudice to the schedule.

18 CHAIRMAN HONIGBERG: Okay. Let's take
19 the -- let's take the Parties who are already here on
20 objections to the intervention motions that have already
21 been filed. Does anyone object to any of the intervention
22 motions that have been filed?

23 (No verbal response)

24 CHAIRMAN HONIGBERG: I think another

1 intervenor who's filed, but is not here, is North American
2 Power & Gas. Attorney Munnelly, I don't see him here, at
3 least he hasn't identified himself. I'm including that on
4 the list of intervenors to which there are no objections,
5 is that right?

6 (No verbal response)

7 CHAIRMAN HONIGBERG: We're going to
8 grant the motions to intervene from those who have been
9 filed -- for those who have already filed.

10 Representative Moffett would like to
11 intervene. He has not filed anything late, but he's here
12 orally. Are there any objections to Representative
13 Moffett intervening in this matter?

14 (No verbal response)

15 CHAIRMAN HONIGBERG: We'll grant that
16 Motion to Intervene orally. Representative Moffett, if
17 you could file something in writing, so that everyone has
18 the correct information and you'll become part of the
19 service list, without anyone having to do anything heroic?

20 (No verbal response)

21 CHAIRMAN HONIGBERG: I see you nodding
22 your head. That means "yes, you will do it", right?

23 REP. MOFFETT: Yes.

24 CHAIRMAN HONIGBERG: Thank you. The

1 fact that individuals, entities have been granted
2 intervenor status doesn't necessarily end the discussion
3 about what their level of participation will be or whether
4 there will be any limitations placed or requirements that
5 they combine presentations when the time comes. I don't
6 think we need to take that up today, unless somebody
7 disagrees with that. Is there some discussion we need to
8 have about that at this time?

9 I see lots of shaking heads, that's
10 helpful, that I can interpret as "noes". All right.
11 Thank you.

12 Are we ready to turn to scheduling? Is
13 there anything we need to discuss before we talk about
14 scheduling? Attorney Speidel.

15 MR. SPEIDEL: Yes, Mr. Chairman.
16 Non-Advocate Staff would like to offer, for the
17 Commission's inspection on the Bench, a executed
18 Stipulation, executed this morning, between Non-Advocate
19 Staff and the Settling Parties to the major Settlement
20 before the Commission in this docket. The reason it
21 hasn't been provided or filed sooner is because it
22 literally was just executed this morning.

23 I will approach the Bench and provide
24 executed copies and the attachment of the proposed

1 procedural schedule that Non-Advocate Staff and the
2 Settling Parties have agreed to as a proposal for the
3 Commission's consideration.

4 However, the original is here. And,
5 Staff was thinking it would be best that we filed this
6 through normal channels through the Executive Director in
7 writing today, as a late-filed Stipulation for the
8 Commission's consideration. And, that these copies don't
9 necessarily have to be noticed as hearing exhibits. We'd
10 leave that to the Commission's discretion.

11 CHAIRMAN HONIGBERG: I understand what
12 you're saying. I agree with that. Have the intervenors,
13 who I assume are not Parties to the Stipulation, have they
14 seen the Stipulation?

15 MR. SPEIDEL: I can't warrant to that.
16 I have seen copies being circulated around the room. We
17 had one last moment where we said "would anyone care to
18 have a copy?" And, I distributed them to some of those
19 folks. But I wouldn't warrant to it, whether they have
20 all seen the Stipulation.

21 CHAIRMAN HONIGBERG: Okay. What I think
22 we're going to do then is have you proceed as you just
23 outlined, give it to us, and those who need copies get
24 copies, and then whoever is going to describe it for us

1 can describe it for us, and it will be presumably
2 described for those who haven't yet seen it at the same
3 time.

4 MR. SPEIDEL: Yes.

5 CHAIRMAN HONIGBERG: And, then we'll
6 figure out what to do from there.

7 MR. SPEIDEL: Okay. Thank you.

8 CHAIRMAN HONIGBERG: While Attorney
9 Speidel is doing that, for those who are relatively new to
10 this process, there are employees of the Public Utilities
11 Commission sitting on both sides of the room at this
12 point. Attorney Ross and Electric Division Director
13 Frantz have been designated "Advocate Staff". They have
14 been working on the Settlement. As Parties to the
15 Settlement, they don't communicate with us, except in this
16 kind of forum, regarding the Settlement.

17 The other employees in the room are in
18 the front, on your left, represented by Attorney Speidel
19 and the people to his left. They are interacting with us
20 as Staff typically do in proceedings before the
21 Commission. If anybody has any questions about that, we
22 can take it up. But that's not unusual, and it's provided
23 for in New Hampshire statutes.

24 Mr. Speidel, what can you tell us about

1 this Stipulation?

2 MR. SPEIDEL: Yes, Mr. Chairman. I'm
3 not a huge fan of reading things into the record, but this
4 is short enough where it actually might be beneficial to
5 allow everyone to hear it once.

6 CHAIRMAN HONIGBERG: And read slowly for
7 Mr. Patnaude.

8 MR. SPEIDEL: I will do so. It reads
9 very simply: "Stipulation. Non-Advocate Staff grants its
10 concurrence to the Settling Parties' proposed procedural
11 schedule, as modified and attached to this Stipulation.
12 Furthermore, pursuant to New Hampshire Code Administrative
13 Rules Puc 203.15(c)(3) and 203.20, Non-Advocate Staff and
14 the Settling Parties stipulate to the following:

15 (1) That after any auction of one or
16 more of the generating assets, the Commission shall have
17 the final authority to approve or disapprove each proposed
18 sale, under a public interest standard and pursuant to any
19 additional statutorily mandated considerations, following
20 a hearing to be held on an expedited basis.

21 (2) That Eversource will hire an
22 unaffiliated consultant to perform a Phase I", and that's
23 Roman "I", "environmental assessment of all its physical
24 generation assets, such assessments to be completed and

provided to all parties by November the 1st of 2015.

(3) That Non-Advocate Staff shall have the authority to request additional environmental assessment of any of the generation assets if such additional assessment is warranted on the basis of the results of the Phase I analysis.

(4) That Non-Advocate Staff shall have use of the REMI", spelled R-E-M-I, capitals, "model that will be used by the Settling Parties, including: full access to the data sets generated by the REMI model; details of the analysis performed at the Settling Parties' request; and the ability by Non-Advocate Staff to supply its own inputs to and perform its own "runs" of the REMI model for comparative analysis purposes."

And, this Stipulation is "Signed this 9th day of July, 2015." And, the Signing Parties are Non-Advocate Staff of the New Hampshire Public Utilities Commission; Eversource Energy; the New Hampshire Office of Energy & Planning; Office of the Consumer Advocate; Advocate Staff, care of F. Anne Ross, Esquire; Senators Jeb Bradley and Feltes; Tom Ryan, Assistant Business Manager of the IBEW Local; the Conservation Law Foundation; TransCanada Hydro Northeast, Incorporated, and TransCanada Power Marketing Limited; also the New England

1 Power Generators Association; the Retail Energy Supply
2 Association; the New Hampshire Sustainable Energy
3 Association doing business as the New Hampshire Clean Tech
4 Council; and the City of Berlin.

5 So, this Stipulation has been entered
6 into, and appended thereto is part of a concurrence by
7 Non-Advocate Staff, you can see there's a proposed
8 procedural schedule for the Commission's consideration.

9 And, on the basis of this Stipulation,
10 certainly, Non-Advocate Staff has the expectation that we
11 have a reasonable roadmap to work on for the pendency of
12 this proceeding. To begin work regarding the economic
13 analysis, to engage in experts to examine a potential
14 auction design, and other pieces of the puzzle that have
15 to be put in place for the Settlement Agreement to be
16 effectuated in a procedural fashion.

17 CHAIRMAN HONIGBERG: Do any of the
18 intervenors who are not signatories to the Stipulation
19 have questions or want to comment on the proposed
20 schedule? I see one hand. Commissioner Harrington.

21 MR. HARRINGTON: Thank you, Mr.
22 Chairman. I would like to ask, does this Stipulation
23 replace the Non-Advocate Staff filing of June 17th, where
24 they had a different schedule?

1 MR. SPEIDEL: The answer is simply
2 "yes".

3 MR. HARRINGTON: So, that filing should
4 be disregarded with Staff's position with regard to the
5 Stipulation Agreement?

6 MR. SPEIDEL: Yes. It supersedes it.
7 It updates it. This is the current position of
8 Non-Advocate Staff regarding scheduling.

9 MR. HARRINGTON: And, just one further
10 clarification, if I may, Mr. Chairman?

11 CHAIRMAN HONIGBERG: Go ahead. Yes.

12 MR. HARRINGTON: This then means the
13 Non-Advocate Staff is no longer proposing that a
14 preliminary auction be done before the settlement is
15 reached by the Commission -- or, the decision is reached
16 by the Commission?

17 CHAIRMAN HONIGBERG: Yes. I was going
18 to have the same question, Attorney Speidel.

19 MR. SPEIDEL: Yes. The answer to that
20 is "yes".

21 MR. HARRINGTON: Thank you, Mr.
22 Chairman.

23 CHAIRMAN HONIGBERG: Are there other
24 clarifying or other questions about the terms of the

1 Stipulation that any of the intervenors might have?

2 (No verbal response)

3 CHAIRMAN HONIGBERG: Commissioner Scott,
4 do you have any questions?

5 COMMISSIONER SCOTT: I don't think so.

6 CHAIRMAN HONIGBERG: I'm not sure I do
7 either. Yes, Attorney Ross.

8 MS. ROSS: Will there be an opportunity
9 for the Parties to give an initial statement concerning
10 both the procedural schedule and the proceeding generally?

11 CHAIRMAN HONIGBERG: There's no reason
12 why you can't. I don't necessarily know that it was
13 contemplated, but we can do that. Are there -- would
14 people like to do that?

15 MS. ROSS: I would like to, only because
16 I would like to frame up the backdrop for this procedural
17 schedule. I think it embraces some assumptions that I
18 would like to articulate to the Commission. So, I would
19 like an opportunity. I don't know if other Parties would
20 as well.

21 CHAIRMAN HONIGBERG: I'm expecting that,
22 if you do, others are going to want to as well. It is
23 currently 9:32. There are a lot of you. I don't know how
24 many people want to speak, I'm not going to prevent

1 anybody who's a party or an intervenor from speaking here.
2 But I would really encourage you to be brief and concise,
3 all of you, if you choose to do this. It's not testimony,
4 it's not something that's going to become ultimately
5 significant to how this is resolved. But, if you want to
6 frame issues, identify things you expect will happen,
7 that's the kind of thing we're expecting here.

8 So, Attorney Ross, you asked to do this,
9 so, you get to go first.

10 MS. ROSS: Thank you. Is this on?

11 MR. PATNAUDE: Yes.

12 MS. ROSS: Okay. So, quickly, Tom and I
13 are in support of the Settlement. We believe there are --
14 there has been a philosophical decision at the Legislative
15 level favoring restructuring in New Hampshire, and, more
16 recently, a refinement of that with regard to the final
17 divestiture of PSNH's assets. The goal of this proceeding
18 is to allow the Commission to make findings on the
19 Settlement, and, ultimately, if it approves it, to move
20 forward and test the market with regard to these assets.

21 I wanted to frame it up in this way. We
22 view it as a two-phase approach. The first phase develops
23 economic analysis based on a range of assumptions. Staff
24 will be presenting its testimony with regard to its

1 opinion, based on the REMI model, of a range of
2 assumptions, and whether or not, if those sale and market
3 assumptions prove true, the ultimate sale of the assets
4 will be in the public interest and consistent with the
5 requirements of Senate Bill 221.

6 At the end of Phase I, and the schedule
7 you have today is the Phase I schedule, that is a look at
8 the -- a look at the Settlement and a look at a range of
9 economic analysis based on assumptions that have not been
10 tested in the market.

11 Phase II is when the Commission, if it
12 decides to, allows an auction to actually occur. At that
13 point, and that's why there's some detail in the
14 Stipulation, because I think, rightfully, the Non-Advocate
15 Staff were concerned about whether the Commission could
16 pull the plug, if it went to an auction and the results
17 were just plain abysmal. They just -- they didn't fit
18 into the assumptions that were the basis of the earlier
19 economic analysis.

20 So, we wanted to make it clear that it
21 is a two-step process. And, in order to expedite Step 2,
22 which is the auction process, which, based on information
23 we have from market participants, needs to move along
24 fairly quickly. In other words, you have a Phase I, you

1 have some negotiation, and then you go into a Phase II,
2 which is a binding phase. And, then, you negotiate with
3 parties and ultimately come up with a real number for
4 those assets. When the Commission gets a real number for
5 the assets, we didn't want then for the Commission to have
6 to go back and do all the economic analysis to determine
7 whether the sale should be consummated.

8 So, that's -- I just wanted to frame up
9 the sort of general approach, so you would understand that
10 what you're seeing here is Phase I, and envisioned is the
11 following Phase II. Thank you for -- and any questions
12 would be --

13 CHAIRMAN HONIGBERG: Commissioner Scott.

14 COMMISSIONER SCOTT: Could you -- thank
15 you for that. Could you just outline a little bit what is
16 meant by the "Phase I environmental assessment"? You
17 know, there's not a lot of detail in the Stipulation.

18 MS. ROSS: Yes. And, it might -- you,
19 being from DES, probably know more about this than I do.
20 But a "Phase I assessment" is an industry standard. And,
21 my understanding, from talking to people at DES, is that
22 what a Phase I typically encompasses is a thorough review
23 of all of the history, both in the regulatory records and
24 otherwise, including interviewing employees and site

1 visits, to gather all of the history, the environmental
2 history of a site, and to document it and to put it into a
3 report, into -- it's done by an environmental engineer.
4 It's done to certain industry standards. They are
5 licensed, I believe it's an ASTM standard. Phase I is
6 that standard. Based on that inquiry, you either stop or
7 you do further work on a site, because you've determined,
8 based on the history of the practices or activities that
9 have occurred on the site, that you need to do subsoil
10 testing or other more intrusive investigation. And,
11 sometimes it even requires a full what we call "Phase II",
12 which can involve monitoring wells, you know, installed,
13 and groundwater monitoring over a period of time and so
14 on.

15 So, a Phase I, as I understand it, is an
16 industry standard. It also ties in, as I've learned from
17 the Non-Advocate Staff, into some of the environmental
18 liability issues under CERCLA, and the requirement that a
19 buyer do some due diligence before purchasing, in order to
20 escape environmental liability. I think the reason that
21 the Staff pressed for a due date and sharing of this
22 information is that they're concerned that they want to
23 make sure all of these sites, which are all old industrial
24 sites, have been thoroughly investigated and that there

1 aren't problems that might create a failed auction or some
2 problem in disposing of the assets.

3 There's a second reason for doing this,
4 and the Company has already begun it. And, that is that,
5 in order to sell, you also have to do a bid package to
6 interested parties. And, one of the components of that
7 package will be at least a Phase I, and, depending on what
8 the engineers find, perhaps other, other investigation as
9 well.

10 COMMISSIONER SCOTT: Thank you. Is it
11 contemplated that test wells would be done?

12 MS. ROSS: I think that would be up to
13 the environmental engineers. And, it may be that there
14 already are some wells on sites. I don't know. I don't
15 have a working knowledge of the sites.

16 COMMISSIONER SCOTT: Fair enough. Thank
17 you.

18 MS. ROSS: And, part of the reason for
19 the Stipulation, as you saw, one of the points allows
20 Staff to ask for additional environmental assessment when
21 they get to Phase I. So, if Staff decides that they need
22 more investigation, including perhaps some subsurface
23 testing, that would be an opportunity for them to ask for
24 that.

1 COMMISSIONER SCOTT: Thank you.

2 CHAIRMAN HONIGBERG: I have a question.
3 The second phase of this proceeding, assuming Phase I
4 resolves with a decision to go forward, is then the
5 auction, correct?

6 MS. ROSS: That's correct.

7 CHAIRMAN HONIGBERG: Does that only --
8 does that process only start once an order is issued in
9 this phase of the proceeding or is there overlap work that
10 can be done in advance?

11 MS. ROSS: I believe there should be
12 overlap work. I believe the Company is already beginning,
13 has already got the Phase I. I'd have to ask them. But I
14 believe they're in the process of selecting and developing
15 the scope of work for the environmental Level 1, which we
16 know has to be done. And, at the Commission's direction,
17 I'm sure that the Company and the Parties would be happy
18 to do more.

19 It's sort of a situation where we don't
20 want to ask the Company to expend too much money, if the
21 answer is going to be "no" on the auction. But, at the
22 same time, in order for the auction to run smoothly,
23 there's a tremendous amount of work that has to be done.
24 These are a large number of sites with a long operating

1 history.

2 CHAIRMAN HONIGBERG: Thank you. That's
3 helpful. And, I'm sure someone else will be able to
4 comment on that as well.

5 Two quick things I want to note. One
6 is, I think we're going to have a terminology problem, if
7 we have two different things that are being referred to as
8 "Phase 1".

9 MS. ROSS: Yes.

10 CHAIRMAN HONIGBERG: One is a procedural
11 schedule and one is an environmental assessment.

12 MS. ROSS: Right.

13 CHAIRMAN HONIGBERG: That's going to
14 create problems for people, I guarantee it.

15 MS. ROSS: Okay.

16 CHAIRMAN HONIGBERG: So, we're going to
17 need to come up with some other terminology. "Round 1",
18 maybe. Maybe that's not very good. But we're going to
19 come up with something.

20 The second is, the dates of the hearing,
21 I think, having looked at them, I think we already know
22 there's a problem with that. Those specific dates, I
23 think they match up with meetings that are NARUC, National
24 Association meetings. So, we may have to tweak those

1 dates. I assume that's not a problem for the Parties?

2 MS. ROSS: No. I think we were just --
3 I mean, the goal was to try to get to hearing --

4 CHAIRMAN HONIGBERG: Right.

5 MS. ROSS: -- before the Commission hits
6 year-end crush, and give it time to issue an order in
7 this, in this round.

8 CHAIRMAN HONIGBERG: That's what I
9 figured. Do you have another question? Commissioner
10 Scott.

11 COMMISSIONER SCOTT: Section 4 of the
12 Stipulation talks about the "REMI model", which is, if I
13 remember right, it's an economic model. If I remember
14 right also, it's a fairly sophisticated model, that it's
15 not something you do from your -- never seeing it before
16 and you do from your laptop. I was just curious, who
17 would actually be running the model?

18 MS. ROSS: The REMI model would be run
19 by REMI. They are a consulting group. And, what they do
20 is they take inputs, they take the set of assumptions that
21 you give them on a number of variables, and then they put
22 it into the model and they run the model and they give you
23 outputs, in terms of different -- of job sector impacts
24 and other economic impacts.

1 The reason we -- the Settling Parties
2 picked that model is that we do believe it's a fairly
3 respected and sophisticated model. And, we were able --
4 the Company was able to contract with REMI, which was very
5 helpful. And, I think that REMI understands that they may
6 be asked to do additional runs with other assumptions as
7 this proceeding goes. And, I think, I'm looking at Eric,
8 but I think that's agreeable. We were trying to find a
9 way to have a good tool that would be accessible to
10 everyone and would be relatively transparent. They will,
11 in their report, give a fairly good description of the
12 model and how it works, and what it's supposedly useful
13 for. So, --

14 COMMISSIONER SCOTT: Thank you for that.

15 CHAIRMAN HONIGBERG: Thank you, Attorney
16 Ross.

17 MS. ROSS: Thank you.

18 CHAIRMAN HONIGBERG: I note, actually,
19 when you stood up, you used "Phase I" for this first
20 hearing, that may be where we go. "Phase I" is what we're
21 talking about.

22 Who else wants to speak on this at this
23 time?

24 MR. BERSAK: The Company would, Mr.

1 Chairman.

2 CHAIRMAN HONIGBERG: Mr. Bersak.

3 MR. BERSAK: Thank you, Mr. Chairman.

4 Well, just over 36 years ago, in May of 1979, --

5 CHAIRMAN HONIGBERG: It's 9:45, Mr.

6 Bersak.

7 MR. BERSAK: Yes. I know. I know. The
8 state's anti-CWIP law took effect. And, that started a
9 series of events that led ultimately to PSNH's bankruptcy,
10 the takeover by Northeast Utilities, the Rate Agreement,
11 the Pilot Program for competition, the Restructuring law,
12 ensuing federal litigation, the 1999 Restructuring
13 Settlement Agreement, the starts-and-stops regarding
14 divestiture of our generating assets, the multi pollutant
15 legislation, the Scrubber law, and last session, House
16 Bill 1602, "An Act Relative to Divestiture of PSNH's
17 Assets."

18 That 36-year string of events that I
19 just laid out created the environment where a settlement
20 of myriad issues involving PSNH, its generating assets,
21 and the future of the restructured electricity market
22 could be resolved by collaborative negotiations rather
23 than litigation. In fact, HB 1602 expressly enacted as
24 one of that law's purposes the desire to "promote the

1 settlement of outstanding issues involving stranded
2 costs".

3 Now, at the very end of last December,
4 PSNH filed a motion asking the Commission for time to
5 engage in such settlement talks. Those settlement
6 discussions involved innumerable meetings, first with a
7 core state negotiating team, and later expanded to include
8 other parties that had intervened in the Scrubber docket
9 or this docket. On June 10, the final comprehensive "2015
10 Public Service Company of New Hampshire Restructuring and
11 Rate Stabilization Agreement" was signed and filed with
12 this Commission. We would like to once again thank the
13 Commission for granting our motion in December and
14 providing us with the opportunity to reach such a
15 collaborative settlement.

16 The procedural schedule that was
17 stipulated to by the Settling Parties and Non-Advocate
18 Staff called for the filing of prefiled testimony by PSNH
19 on July 6. And, I'm happy to report that we've met that
20 and we are on schedule!

21 Accompanying me here today from the
22 Company are a number of technical experts who authored a
23 piece of that prefiled testimony, including Mr. Smagula,
24 Mr. Reed, and Mr. Chung. They have considerable expertise

1 and background with asset divestiture processes that have
2 been held around the region and also around the country.
3 And, if the Commission has any questions for any of these
4 witnesses, we'd welcome the opportunity to respond to them
5 and provide assistance to the Commission. And, yes, they
6 do -- they are able to speak to Phase I ASTM environmental
7 assessments, if you have any remaining questions.

8 Commission approval of the Settlement is
9 one of the conditions precedent to the Settlement being
10 able to take effect. Another of those conditions
11 precedent is the enactment of legislation authorizing the
12 use of securitization to deal with any stranded costs that
13 result from the divestiture process.

14 With the leadership and assistance of
15 Senators Bradley and Feltes, and also with the assistance
16 of Representative Moffett in the House, Senate Bill 221
17 has passed the Legislature and is now awaiting the
18 Governor's signature. Once signed, that condition
19 precedent to the effectiveness of the Settlement will be
20 fulfilled.

21 As Attorney Ross indicated, the Company
22 has already started the very difficult, complex, and
23 comprehensive process of beginning the preparation for an
24 asset divestiture auction. We have met yesterday, and

1 under Eric Chung's guidance, we've put together a number
2 of teams to deal with the massive amount of information,
3 legal work, real estate work, environmental work, human
4 resources work, that is a prelude to actually beginning an
5 auction. So, we will be ready, if this Commission decides
6 that divestiture is appropriate and approves the
7 Settlement Agreement.

8 Once again, thank you for allowing us
9 the opportunity to settle the outstanding issues involving
10 stranded costs, as HB 1602 desired, and for your
11 anticipated time and attention to reviewing the Settlement
12 Agreement.

13 CHAIRMAN HONIGBERG: Commissioner Scott.

14 COMMISSIONER SCOTT: Thank you, Attorney
15 Bersak. Just quickly, you kind of, in passing, suggested
16 you may have more to add to the responses that Attorney
17 Ross gave to my questions. If that's the case, I'd want
18 to allow you.

19 MR. BERSAK: You know, if you have any
20 particular questions, I would defer to Mr. Smagula, who's
21 been involved with this, who knows these assets, and can
22 respond if you have a particular question about what these
23 environmental assessments involve.

24 COMMISSIONER SCOTT: No, I don't. I

1 just -- I thought you were saying you had more to add.

2 MR. BERSAK: No.

3 COMMISSIONER SCOTT: That is all. Okay.

4 Thank you.

5 MR. BERSAK: Any other questions?

6 CHAIRMAN HONIGBERG: Thank you, Attorney
7 Bersak.

8 MR. BERSAK: Thank you.

9 CHAIRMAN HONIGBERG: Are there others
10 who wish to make any brief statement at this time?

11 Yes, Mr. Aalto. Feel free to stay where
12 you are, if you'd like, or you can come up. But, as long
13 as you got a microphone, you're good.

14 MR. AALTO: Okay. Thank you. It will
15 be pretty quick. Technology. It will be pretty quick. I
16 was involved with the settlement process, and I was not
17 able to sign, and I thought I would raise the issue that
18 was there. I don't believe that the pure sale of a
19 facility is the only way to maximize customer values. It
20 may be possible that there are other alternatives, such as
21 essentially hiring someone to run the plants for the
22 benefit of the customers, if the utility chose not to do
23 that, but perhaps to securitize everything up front as a
24 way of reducing costs to customers.

1 And, I'd like that type of thinking to
2 somehow appear as part of the process. And, I think it
3 does in the -- if we go with the Stipulation, the
4 Commission has a capability of seeing if it's in the
5 public interest. If the sale does not bring in enough to
6 replace earnings that it might have in a reasonable amount
7 of time operating for the customers, then perhaps it's not
8 in the public interest would be my argument.

9 CHAIRMAN HONIGBERG: Thank you,
10 Mr. Aalto.

11 MR. AALTO: Thank you.

12 CHAIRMAN HONIGBERG: Is there anyone
13 else who'd like to make a brief statement?

14 Yes, Attorney Geiger.

15 MS. GEIGER: Thank you, Mr. Chairman.
16 On behalf of GSHA, Granite State Hydropower Association,
17 GSHA has some objections regarding the Settlement
18 Agreement, but they're very limited ones, although they
19 are very important to GSHA. Interestingly, these issues
20 were not covered in the prefiled testimony submitted by
21 Eversource.

22 But these issues relate to the
23 provisions in the Settlement Agreement regarding avoided
24 costs paid to independent power producers. In the

1 "Introduction" section of the Settlement Agreement, at
2 Lines 84 and 85, there's a statement indicating that the
3 Parties "agree that the Settlement Agreement is consistent
4 with New Hampshire law". However, GSHA does not believe
5 the Settlement Agreement comports with New Hampshire law,
6 as it relates to the purchase of energy from independent
7 power producers. Paragraph III.C, in particular, at Lines
8 303 to 312 of the Settlement Agreement provides, in part,
9 that "PSNH's avoided cost rates for purchases of IPP power
10 pursuant to PURPA and LEEPA shall be equal to the market
11 price for sales into the ISO-New England power exchange,
12 adjusted for line losses, wheeling costs, and
13 administrative costs."

14 GSHA believes that this is an incorrect
15 and improper definition of "avoided costs" under the law.
16 The New Hampshire Supreme Court, in the *Appeal of Marmac*
17 decision, at 130 New Hampshire 53, indicated that "The
18 price paid by public utilities purchasing electrical
19 energy from IPPs that are qualifying facilities, or QFs,
20 under PURPA and LEEPA, is the utility's avoided cost,
21 which is defined as the marginal cost the utility would
22 have incurred to generate or purchase energy from another
23 source."

24 Now, prior to full divestiture of

1 Eversource's generation, GSNH [GSHA?] believes that
2 ISO-New England market prices, either the day-ahead or the
3 real-time prices, do not reflect Eversource's generation
4 costs, and therefore should not be used to define avoided
5 costs for QF payments. GSNH -- GSHA believes that the
6 proper avoided cost rate that should be paid to QFs during
7 the time that PSNH owns generation is the rate that
8 reflects Eversource's own generation costs and the costs
9 of additional purchases used to serve the default service
10 load. These are the true costs that Eversource avoids
11 when it purchases power from IPPs.

12 After divestiture, however, and assuming
13 that Eversource procures all of its energy through a
14 competitive bidding process, like the other New Hampshire
15 electric utilities, the cost Eversource will incur to
16 provide default service will be established as a result of
17 that process, not the ISO-New England market prices.
18 Thus, the cost of default service is the cost that
19 Eversource will avoid when, pursuant to state law and
20 federal law, it purchases QF power.

21 The price at which Eversource
22 subsequently sells QF power into the market provides no
23 legal basis for casting the resale price as Eversource's
24 avoided cost. Now, this resale provision is triggered

1 under Paragraph VI.B of the Settlement Agreement, which
2 requires Eversource to sell IPP power or resell that power
3 into the ISO-New England market. GSHA does not believe
4 that the price of that resold power is the price that
5 should be paid to IPPs under PURPA and LEEPA. Again, GSHA
6 believes Eversource has a legal obligation to purchase
7 power from IPPs at Eversource's avoided cost, not at the
8 ISO-New England market prices.

9 And, once Eversource purchases that
10 power from the IPPs, pursuant to LEEPA and PURPA, GSHA
11 believes that the Commission should determine whether that
12 power should be used to serve default service load or
13 resold into the market. In an all-requirements model for
14 procuring default service, the price Eversource pays to
15 suppliers is its avoided costs. The price Eversource
16 receives for reselling IPP power, however, does not
17 constitute Eversource's avoided costs.

18 Accordingly, GSHA is opposed to these
19 two provisions of the Settlement Agreement. And, GSHA
20 appreciates the opportunity to provide these comments.

21 CHAIRMAN HONIGBERG: Thank you. Is
22 there anyone else who would like to make a statement at
23 this time? Yes, Mr. Harrington.

24 MR. HARRINGTON: Thank you, Mr.

1 Chairman. I'll be very brief. My comments also deal with
2 the purchase power agreements. I realize that the
3 Legislature, in their infinite wisdom, has recently
4 allowed the Public Utilities Commission to move these
5 costs associated with purchase power agreements from the
6 energy service rates, the default service rates, into
7 distribution rates via the stranded costs. This, of
8 course, doesn't mean that they have to do it or you don't
9 have to do it. But, given that option, I hope it's an
10 option you look at very closely.

11 I feel as though the fact that Public
12 Service made a bad contract years ago, especially with the
13 Berlin facility, and they're paying well over market rates
14 for this, does not mean that that should be transferred to
15 people who have no option, i.e., the distribution
16 customers. It should remain in the energy service rates,
17 and they should compete on the market with everybody else.
18 They're not the only utility in New England that have
19 purchase power agreements, but they would be the only one
20 to be putting them in as stranded costs.

21 I think the Commission should look very,
22 very closely at this. And, also, with the changes to the
23 ISO-New England electric markets allowing negative
24 pricing, those contracts seem to be even worse now than

1 they were back when both the Office of Consumer Advocate
2 and the PUC Staff recommended strongly against them. So,
3 I hope you look at that very closely.

4 CHAIRMAN HONIGBERG: Thank you, Mr.
5 Harrington. Are there others who wish to make a statement
6 at this time? Mr. Boldt.

7 MR. BOLDT: Thank you, Mr. Chairman.
8 Briefly, from the municipal side of the aisle, the
9 scheduling is key. While my City Council and my Board of
10 Selectmen have not taken a position on divestiture or what
11 goes into stranded costs, that's not their bailiwick. The
12 issue is protection of the tax base. So that we believe
13 the participation of the municipalities as potential
14 bidders and potential owners under our law will help
15 generate the highest and best prices for these assets,
16 thereby reducing the amount of stranded costs.

17 To do that, however, we have to comply
18 with a whole set of other state statutes on timing that
19 comes into play. As we all know, we have a small item
20 called a "town meeting" that comes on the second Tuesday
21 of March. And, that would be the time that the approval
22 for at least the Town of Gorham and some of the other host
23 communities that are not under a city council form of
24 government, would have to approve participation and the

1 bonding necessary, if they were to be the successful
2 bidder.

3 Accordingly, we respectfully request
4 that, in the second stage of scheduling, those deadlines,
5 those requirements be honored, so that we can maximize the
6 prices obtained for these assets.

7 Also, I want to call to your attention
8 one open question. The Settlement Agreement, Article X,
9 states that this Docket, 14-238, would terminate with the
10 approval of the Settlement Agreement, but that the Parties
11 are in favor of a second docket being opened to oversee
12 the auction process. That is one option, the option that
13 sounds like maybe happening from the Bench is that this
14 docket remain open for the oversight of the auction. I
15 think it is imperative, one way or the other, however you
16 choose, that you are taking an active role in the
17 oversight of the auction process, so that those, if there
18 are any hiccups, any discrepancies, any unexpected events
19 in that process, the -- all participants have an open
20 venue to come raise and get the clarification needed, so
21 that this does happen as smoothly as possible.

22 CHAIRMAN HONIGBERG: Just to be clear,
23 your indifferent as to whether it's done in a continuation
24 of this docket or in a subsequent docket. You just want

1 to make sure that there's some docket, right?

2 MR. BOLDT: Correct.

3 CHAIRMAN HONIGBERG: Okay.

4 MR. BOLDT: Correct. The document
5 before you, the Settlement Agreement expressly states that
6 this docket terminates with the approval of the Settlement
7 Agreement, and a second docket is going to be asked for.
8 But, however you choose to do it, I think works.

9 I can understand, however, from the
10 Company's side, they want some finality on the approval of
11 the Settlement Agreement.

12 CHAIRMAN HONIGBERG: Understood. Thank
13 you. Are there others who wish to make a brief statement
14 at this time? Attorney Speidel.

15 MR. SPEIDEL: Thank you, Mr. Chairman.
16 Non-Advocate Staff does not have an initial position
17 regarding the largest Settlement Agreement as a whole.
18 However, we are committed to engaging in thorough, robust,
19 and also verifiable analysis regarding the outcomes that
20 are contemplated by the Settlement Agreement.

21 And, also, we are going to be engaged in
22 a very comprehensive process of engaging outside experts,
23 designed to give us the best information Staff needs to
24 properly assess the Settlement Agreement, and also to

1 assess some of the features that are being developed for
2 the potential disposition of Eversource's generation
3 assets.

4 Now, in light of that, the Non-Advocate
5 Staff had initially recommended a certain procedural
6 schedule in June. But, as mentioned before, this is
7 superseding through the Stipulation with the new schedule
8 that the Settling Parties have proposed, Non-Advocate
9 Staff considers this schedule to be reasonable and very
10 expedited, but not too expedited so as to foreclose the
11 necessary analysis that we need to engage in to test all
12 of the assumptions that are going into the Settling
13 Parties' positions.

14 And, as part of that, within the
15 Stipulation, we certainly wanted to make clear that we had
16 access to the REMI model that is referred to in some of
17 the Settling Parties' testimony, as an economic model
18 examining the potential impact on the economy of the State
19 of New Hampshire of a PSNH divestiture. So, we're very
20 pleased about that.

21 Also, we wanted to use this Stipulation
22 as a vehicle to tighten up certain ambiguities or
23 uncertainties within the terms of the Settlement
24 Agreement, so that we had the confidence to proceed with

1 the Settling Parties' schedule.

2 For instance, as Mr. Boldt mentioned, we
3 are very pleased that, within Point 1 of the Stipulation,
4 it's reemphasized that the Commission will have the
5 ability to examine the auction results in the second stage
6 of the proceeding. If the first stage goes by, and if the
7 Commission were to rule that the Settlement Agreement is
8 approved, it's good to have that failsafe in the second
9 stage of the proceeding available, so that further
10 analysis and examination in the light of actual empirical
11 market evidence can be engaged in by the various parties.

12 And, with regards to the environmental
13 assessments, Staff has been and is of the opinion that
14 it's a good due diligence check up to engage in that as
15 early as possible within this process, just to give the
16 lay of the land to the Company and to all of the Parties.
17 And, Staff has reserved the right within the Stipulation
18 to request further environmental analysis of the physical
19 plant sites, if the data seem to warrant that. Just to
20 make sure that we're engaging in the right level of due
21 diligence, examining the situation carefully, and having
22 the data available to us that can lead to informed
23 decision-making.

24 So, we thank the Commission for its

1 consideration of the Stipulation, and also of the Settling
2 Parties' Settlement Agreement. We're going to provide
3 testimony during the pendency of this proceeding. We're
4 going to be engaged in data requests and interactions with
5 our fellow parties on various issues. So, the Commission
6 can expect that Non-Advocate Staff will be a vigorous
7 neutral examiner of the terms of this Agreement, and
8 keeping an eye out for the benefit of the ratepayers of
9 this state. Thank you.

10 CHAIRMAN HONIGBERG: Thank you,
11 Mr. Speidel. Is there anyone else who would like to make
12 a statement at this time?

13 (No verbal response)

14 CHAIRMAN HONIGBERG: I see on the
15 proposed -- on the schedule, rather, that you are going to
16 do a technical session following this prehearing
17 conference, is that correct?

18 MR. SPEIDEL: It would appear so, yes.

19 CHAIRMAN HONIGBERG: Let's go off the
20 record for a minute.

21 (Brief off-the-record discussion
22 ensued.)

23 CHAIRMAN HONIGBERG: Anyway, let's go
24 back on the record. Is there anything else we need to do

1 while we're here, before you get started with your
2 technical session?

3 (No verbal response)

4 CHAIRMAN HONIGBERG: All right. Seeing
5 nothing, thank you all very much for the work you've done
6 so far. I think this is going to be an interesting, vast,
7 and exciting process going forth in the next few months.

8 So, we will step out and let you
9 continue. Thank you all.

10 **(Whereupon the prehearing conference was**
11 **adjourned at 10:03 a.m., and a technical**
12 **session was held thereafter.)**