



ORIGINAL

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

February 2, 2016 - 10:15 a.m.
Concord, New Hampshire

DAY 1
PUBLIC FEB 24/16 AM 10:22
MORNING SESSION ONLY

RE: DE 14-238 PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE: Determination regarding
PSNH's Generation Assets.

DE 11-250 PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE: Investigation of
Scrubber Costs and Cost Recovery.

PRESENT: Commissioner Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Special Commissioner Michael J. Iacopino

Jody Carmody, Clerk

APPEARANCES: Reptg. Public Service Co. of N.H.:
Matthew J. Fossum, Esq.
Robert A. Bersak, Esq.

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

Reptg. Conservation Law Foundation:
Thomas F. Irwin, Esq.

Reptg. Sierra Club:
Zachary M. Fabish, Esq.

COURT REPORTER: SUSAN J. ROBIDAS, NH LCR NO. 44

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

2 Reptg. Office of Energy & Planning:
3 Christopher G. Aslin, Esq., DOJ
4 Meredith A. Hatfield, Director

5 Reptg. Granite State Hydropower Assn.:
6 Susan S. Geiger, Esq. (Orr & Reno)

7 Reptg. New England Power Generators
8 Assn.:
9 Carol Holahan, Esq. (NEPGA)

10 Reptg. Sen. Jeb Bradley
11 and Sen. Dan Feltes:
12 Senator Dan Feltes

13 Pentti Aalto, pro se

14 Reptg. Terry Cronin:
15 Arthur B. Cunningham, Esq.

16 Reptg. the PUC Staff Advocates:
17 F. Anne Ross, Esq.
18 Thomas C. Frantz, Dir./Electric Div.

19 Reptg. Residential Ratepayers:
20 Susan Chamberlin, Esq., Consumer Adv.
21 James Brennan, Finance Director
22 Office of Consumer Advocate

23 Reptg. PUC Non-Advocate Staff:
24 Alexander F. Speidel, Esq.
Suzanne G. Amidon, Esq.
Leszek Stachow, Asst. Dir./Elec. Div.
Jay Dudley, Electric Division
Richard Chagnon, Electric Division
Dean Murphy (The Brattle Group)

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1	E X H I B I T S		
2	EXHIBIT ID	D E S C R I P T I O N	PAGE NO.
3	A	2015 Settlement Agreement	premarked
4	B	Amendment to Settlement	premarked
5	C	Partial Litigation Settlement	premarked
6	D	Supplemental Testimony of Leszek Stachow	premarked
7	E	Testimony of Dean Murphy with attachments	premarked
8	F	Redacted Testimony of William Smagula with attachments	premarked
9	G	Redacted Direct Testimony of Eric Chung with attachments	premarked
10	H	Redacted Direct Testimony of John Reed	premarked
11	I	Joint Direct Testimony of Philip Lembo and Emilie O'Neil	premarked
12	J	Rebuttal Testimony of James Shuckerow	premarked
13	K	Direct Testimony of Richard A. Norman with attachment	premarked
14	L	Supplemental Testimony of Richard A. Norman	premarked
15	M	Direct Testimony of Thomas C. Frantz with attachments	premarked
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1	E X H I B I T S (continued)		
2	EXHIBIT ID	D E S C R I P T I O N	PAGE NO.
3	N	Redacted Direct Testimony of James Brennan	premarked
4		with attachments	
5	O	Testimony of Senators Jeb Bradley and Dan Feltes	premarked
6		with attachments	
7	P	Redacted Rebuttal Testimony of Senators Jeb Bradley	premarked
8		and Dan Feltes	
9		with attachment	
10	Q	Testimony of John Antonuk and Jim Letzelter	premarked
11		with attachments	
12	R	Direct Testimony of Dan Dolan and Daniel	premarked
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14	S	Testimony of Richard Chagnon	premarked
15	T	Testimony of Terry Cronin	premarked
16	U	Comments of Pentti Aalto	premarked
17	V	La Capra Associates, Inc. PSNH Generation Asset and	Premarked
18		PPA Valuation Report (03-31-14)	
19	W	Deposition of Richard Hahn and Daniel Koehler (La Capra	premarked
20		Associates, Inc.) held on October 26, 2015 in DE 14-238	
21	X	La Capra Associates, Inc. August 2015 Update Draft	Premarked
22		Report of PSNH Generation	
23		Assets and PPA Valuation	
24		Report (08-17-15)	

1	E X H I B I T S (continued)		
2	EXHIBIT ID	D E S C R I P T I O N	PAGE NO.
3	Y	Update regarding "DE 14-238	premarked
4		Determination Regarding	
5		PSNH Generation Assets Settling	
6		Response to Dean M. Murphy	
7		Testimony Filed on 1/26/2016	
8		(02-01-16)	
9	Z	Response to GSHA Data	premarked
10		Request GSHA 1-025	
11		by Frederick White	
12		(10-29-15)	
13	AA	Chart entitled "2015 New	premarked
14		Hampshire Day Ahead vs.	
15		Real-Time LMP	
16	BB	ISO New England Press	premarked
17		Release (03-03-03)	
18	CC	FERC Order, 140 FERC 61,152, premarked	
19		captioned "Notice of Intent not	
20		to Act and Declaratory Order"	
21		(Issued August 28, 2012)	
22	DD	Response to GSHA Data	premarked
23		Request GSHA 1-3	
24		by Thomas C. Frantz	
25	EE	Response to GSHA Data	premarked
26		Request GSHA 1-013	
27		by Frederick White	
28	FF	18 CFR 292.309, Page 844	premarked
29	GG	FERC Order, 131 FERC 61,207 premarked	
30		captioned "Order Granting in	
31		Part and Denying in Part the	
32		Application to Terminate Mandatory	
33		Purchase Obligation"	
34		(Issued April 15, 2010)	

1	E X H I B I T S (continued)		
2	EXHIBIT ID	D E S C R I P T I O N	PAGE NO.
3	HH	Attachment to PSB Docket 8010 Order dated 2/9/2015, Attachment I	premarked
4			
5	II	Chart entitled "PSNH Self Generation Costs"	premarked
6	JJ	Energy Research & Social Science article entitled, "An International comparative assessment of construction cost overruns for electricity infrastructure" (Marked for ID ONLY - not entered)	premarked
7			
8			
9			
10	KK	Concord Monitor article, "Consumer Advocate's reappointment blocked," dated November 10, 2011 (Marked for ID ONLY - not entered)	premarked
11			
12			
13	LL	Concord Monitor article, "Consumer Advocate Earned Another Term," dated November 11, 2011 (Marked for ID ONLY - not entered)	premarked
14			
15			
16	MM	Concord Monitor article, "New Hampshire Gets D-grade in 2015 State Integrity Investigation," dated November 10, 2015	premarked
17			
18			
19	NN	Item from Senators Bradley and Feltes (Marked for ID ONLY - not entered)	premarked
20			
21	OO	NPDES Fact Sheet from U.S. EPA New England Region I	premarked
22			
23	PP	Comments from Pentti Aalto from IR 13-020	premarked
24			

EXHIBIT ID	DESCRIPTION	PAGE NO.
QQ	Motion of NEPGA and RESA to allow additional discovery and for leave to file supplemental or amended testimony (Marked for ID ONLY - not entered)	premarked
RR	Withdrawal of Support of NEPGA and RESA (Marked for ID ONLY - not entered)	premarked
SS	Letter from Eversource to Debra Howland, Exec. Dir., from Matthew J. Fossum (04-15-15)	premarked
TT	U.S. District Court, District of NH, Conservation Law Foundation, Inc. v. Public Service Company of New Hampshire, Civil Action No. 11-353-JL	premarked

P R O C E E D I N G S

CHAIRMAN HONIGBERG: Good morning everyone. We're here in two dockets, Docket 11-250 and Docket 14-238. The first is the Scrubber docket; the second is the "asset docket," as we've termed it over the years. We're here for multiple reasons, but the essential consideration we have before us is the 2015 Settlement Agreement that became legislation which directs us, as part of an expedited proceeding, to determine whether the terms and conditions of the 2015 settlement are in the public interest. As part of our review, there are a number of things we are directed that we must take into account. We are required to take into account the impact on all of PSNH's customer classes; we're to consider the impacts on the economy and PSNH's service territory, and we are to consider the ability to attract and retain employment across industries, and whether the proposed rate design fairly allocates the costs of divestiture of PSNH's generation plants among customer classes. And that was largely reading from R.S.A. 369-B:3-a, II.

As you all know, part of the settlement was resolving 11-250, the Scrubber

1 docket. As you also all know, the evidentiary
2 record in that docket closed long ago, almost a year
3 and a half ago now, and the matter was stayed at the
4 request of the parties while a possible settlement
5 was discussed, and ultimately the 2015 agreement was
6 entered into, which purports to resolve the Scrubber
7 docket. We must consider whether the way the
8 settlement resolves the Scrubber docket is a
9 reasonable resolution of that docket, as part of the
10 consideration we have to give to the resolution of
11 all the other issues. So there are lots of moving
12 parts. But as you all know, the consideration of
13 the Scrubber docket is limited to the evidentiary
14 record that's already been made.

15 All right. Before we do
16 anything else, I know we have a couple of motions.
17 We're going to take appearances, and we're going to
18 make sure we all understand what we're going to be
19 doing. So, before we go any further, let's take
20 appearances.

21 MR. BERSAK: Good morning,
22 Commissioners. On behalf of Public Service Company
23 of New Hampshire, doing business as Eversource
24 Energy, Robert B. Bersak and Matthew Fossum.

1 MR. IRWIN: Good morning,
2 Commissioners. Tom Irwin, Conservation Law
3 Foundation.

4 MR. FABISH: Good morning, Zach
5 Fabish with the Sierra Club.

6 MR. ASLIN: Good morning,
7 Commissioners. Chris Aslin from the Attorney
8 General's Office, on behalf of the Office of Energy
9 and Planning.

10 MR. BOLDT: Chris Boldt of
11 Donahue, Tucker & Ciandella, for the City of Berlin
12 and the Town of Gorham.

13 MR. AALTO: Pentti Aalto,
14 representing myself.

15 MR. CUNNINGHAM: Arthur B.
16 Cunningham, representing Terry Cronin, intervenor.

17 MS. GEIGER: Susan Geiger from
18 the law firm of Orr & Reno, representing Granite
19 State Hydropower Association. And with me today is
20 the president of GSHA, Richard Norman.

21 MS. HOLAHAN: Good morning,
22 Commissioners. On behalf of the New England Power
23 Generators Association, Carol Holahan.

24 MS. CHAMBERLIN: Good morning.

1 Susan Chamberlin, consumer advocate for the
2 residential ratepayers. And with me today is Jim
3 Brennan.

4 MS. ROSS: Good morning,
5 Commissioners. Anne Ross, representing Designated
6 Advocate Staff. And with me today is Witness Tom
7 Franz.

8 MS. AMIDON: Good morning.
9 Suzanne Amidon, representing, together with my
10 colleague, Alexander Speidel, the Non-Designated
11 Staff.

12 CHAIRMAN HONIGBERG: All right.
13 I'm aware of two pending motions. The first is on a
14 motion for confidentiality or to have information
15 treated as confidential that was filed by La Capra.
16 That motion is going to be granted. It will be
17 written up at some point either as part of the final
18 order or separately.

19 The other motion was filed on
20 behalf of Mr. Cronin, which was styled as a motion
21 asking us to take judicial notice of certain
22 documents. That is going to be granted in part and
23 denied in part. The 2014 La Capra document, which
24 is a document that was filed in another docket with

1 this Commission, we can take judicial notice of. I
2 think I noticed that it was also marked as an
3 exhibit here. That probably wasn't necessary since
4 you wanted to take judicial notice of it. But
5 either way, that document can come before us.

6 The second style is the 2015
7 update. That is not a document that is before us.
8 It's not anywhere within our rules to take judicial
9 notice of the existence of such a document. To the
10 extent that someone wants to use it for an
11 appropriate purpose, I know that it is elsewhere in
12 this docket, and people can refer to whatever they
13 can refer to. I know that it was produced subject
14 to confidentiality agreements, that it will be
15 complicated to work with within that context, but we
16 know how to do that, and we have a lot of experience
17 with that.

18 The third is a deposition
19 transcript, or what was styled as a deposition
20 transcript from last November. Again, that's not
21 necessary for us to take judicial notice of such a
22 document. It's already filed in this docket. I
23 think it's Entry 151 or 155. So it's not necessary
24 to take judicial notice or administrative notice of

1 a document of that nature.

2 So that deals with what I
3 understand to be the two pending motions. Are there
4 other motions that need to be dealt with this
5 morning?

6 MS. AMIDON: None that I'm aware
7 of.

8 CHAIRMAN HONIGBERG: Yes, Mr.
9 Bersak.

10 MR. BERSAK: There is one further
11 pending motion that was filed last week as part of
12 the settlement documents, and it was styled as a
13 motion, "Designation of Staff," and that is still
14 pending.

15 CHAIRMAN HONIGBERG: I am aware
16 of that motion. I guess I should have been clearer.
17 I know that it's pending, but the time for response
18 has not passed.

19 MR. BERSAK: That's correct.

20 CHAIRMAN HONIGBERG: Is there
21 anyone who intends to file an objection to that
22 motion?

23 (No verbal response)

24 CHAIRMAN HONIGBERG: I mean, you

1 have another few days. But it would be helpful if
2 you tell me there's no objection to the motion. It
3 would be easier for us to discuss and deal with
4 internally. We're not going to be ruling on it
5 today. Probably won't be ruling on it until the end
6 of the week.

7 (No verbal response)

8 CHAIRMAN HONIGBERG: All right.
9 The silence speaks volumes there.

10 All right. Is that it? Are
11 there any other motions?

12 (No verbal response)

13 CHAIRMAN HONIGBERG: Okay. I
14 didn't think so.

15 MS. AMIDON: There are no
16 motions. I just wanted to let you know, although we
17 have the witness order today, and I believe we shared
18 that with the Commission, even though not every party
19 here has questions for the witnesses, we all agreed
20 that, you know, just to do as the Chair normally
21 does, and go around and see if anyone has cross,
22 because something might come up where someone who
23 thought they weren't going to ask a question suddenly
24 thinks of something they might ask. So that's just

1 our normal process.

2 CHAIRMAN HONIGBERG: So, just
3 generally working our way around the room way the way
4 we normally do.

5 MS. AMIDON: Correct.

6 CHAIRMAN HONIGBERG: All right.
7 I think there was perhaps a question about whether
8 people were going to be allowed to do openings.

9 MR. CUNNINGHAM: Yes, Mr.
10 Chairman.

11 CHAIRMAN HONIGBERG: Mr.
12 Cunningham?

13 MR. CUNNINGHAM: Yes, on behalf
14 of Intervenor Terry Cronin, Mr. Chairman and members
15 of the Board, as a residential ratepayer --

16 CHAIRMAN HONIGBERG: Stop, Mr.
17 Cunningham. Just a minute. We're just considering
18 whether we're going to allow them. So --

19 MR. CUNNINGHAM: My request is to
20 be permitted to make an opening statement.

21 CHAIRMAN HONIGBERG: Is there
22 anyone else who would make an opening, given the
23 opportunity to do so? Yes, Mr. Bersak?

24 MR. BERSAK: Yes, Mr. Chairman, I

1 was asked by the Settling Parties and Advisory Staff,
2 if there were opening statements, to make one on
3 behalf of all of them.

4 CHAIRMAN HONIGBERG: Mr. Bersak,
5 how long would your opening statement be?

6 MR. BERSAK: Seven to eight
7 minutes.

8 CHAIRMAN HONIGBERG: Mr.
9 Cunningham, how long would your opening statement be?

10 MR. CUNNINGHAM: I think I can
11 hold to Bob's outline.

12 CHAIRMAN HONIGBERG: Well... Mr.
13 Aalto, yes?

14 MR. AALTO: Yes.

15 CHAIRMAN HONIGBERG: You would
16 like to make an opening as well?

17 MR. AALTO: About five minutes or
18 less.

19 CHAIRMAN HONIGBERG: All right.
20 We're not going to spend 20 minutes on openings. I
21 guarantee you that right now.

22 Ms. Geiger.

23 MS. GEIGER: Yes, Mr. Chairman.
24 At yesterday's technical session, I thought the

1 consensus was that there would be no opening
2 statements. But in the event that Mr. Bersak raises
3 in his opening statements something that applies to
4 the issue that GSHA is in the docket for, then I'd
5 like a very brief opportunity to also make an opening
6 statement.

7 CHAIRMAN HONIGBERG: All right.
8 Anybody who wants to make opening statement is --
9 yes, Ms. Amidon.

10 MS. AMIDON: I just wanted to
11 clarify something for you. We did ask Mr. Bersak to
12 make a opening statement, summarize the Settlement
13 Agreement, because if you look at the order of
14 witnesses, the panel on the Settlement Agreement is
15 scheduled for probably the first thing this
16 afternoon. And it was the general belief that it
17 would benefit the Commission hearing a summary, a
18 high-level summary of the Settlement Agreement before
19 we got witnesses on the stand since, I mean, in a
20 perfect world we would have had the Settling Parties
21 first. But that's not the way the order works today.
22 So I would just take the position that closings are
23 where one makes one's argument. And Mr. Bersak's
24 opening, as I understand it, is strictly to provide

1 that background for you.

2 CHAIRMAN HONIGBERG: I understand
3 that, Ms. Amidon. But here's what we're going to do:
4 We're going to let Mr. Bersak make a very brief
5 opening. And if he can keep it to five minutes,
6 that's going to be great. Anyone else who wants to
7 make an opening is going to be allowed to do so.
8 It's going to be no longer than Mr. Bersak's, and we
9 will be timing and we will stop you. Everybody
10 understand that?

11 All right. Mr. Bersak, you may
12 proceed.

13 MR. BERSAK: Thank you, Mr.
14 Chairman and Commissioners. Today's hearing marks
15 the beginning of the end of a long journey,
16 transforming the state's electric utilities from
17 vertically integrated entities to adoption of a
18 restructured model, one that relies upon the power of
19 competitive markets to control the cost of electric
20 generation. We were, you know, busy litigating the
21 Scrubber docket, and that docket came to an end when
22 a number of things came to pass simultaneously. One
23 was the end of that docket; one was legislation
24 during the 2014 legislative session that changed the

1 divestiture law to give this Commission the power to
2 order divestiture of our electric assets. There was
3 also a political consensus at the end of 2014. As a
4 result of all these things coming together, the
5 Company and Senator Bradley requested a stay of
6 various proceedings in order to allow parties to
7 reach a consensus, perhaps a settlement. Settlement
8 of stranded cost issues was one of the purposes of
9 the 2014 legislation. We thank the Commission for
10 granting our request for a stay because, as you know,
11 we were successful in coming up with a comprehensive
12 settlement on a myriad of issues.

13 In March of last year, a term
14 sheet was filed with the Commission outlining this
15 potential comprehensive settlement. One of the
16 conditions precedent to that term sheet was
17 enactment of legislation that would allow the use of
18 securitized financing to deal with stranded costs.
19 After lengthy and detailed hearings and
20 deliberations last session, Senate Bill 221, an act
21 relative to electric rate reduction and financing,
22 was enacted. The Settling Parties to the 2015
23 Restructuring and Rate Stabilization Agreement
24 quickly finalized that agreement, filed it with the

1 Commission on June 10 of 2015, and a review process
2 of that agreement in this docket began.

3 Testimony from the Settling
4 Parties was soon filed, followed by discovery.
5 Advisory Staff and other parties filed their
6 testimony in September, followed by more discovery
7 and filing of rebuttal testimony by the Settling
8 Parties. That set the stage for Settling Parties
9 and Advisory Staff to discuss their differences,
10 probe their positions, and development of an
11 updated, independent analysis by The Brattle Group
12 using industry-recognized data. The Brattle
13 analysis created a result that allowed the
14 Commission's Advisory Staff to join the Settling
15 Parties in recommending near-term divestiture of
16 PSNH's generating assets. The Litigation Settlement
17 evidencing that consensus was filed last week, on
18 January 26th. We're grateful to Staff for their
19 diligence in considering this matter.

20 Although there is virtually
21 unanimous consensus amongst all parties to this
22 proceeding that near-term divestiture should occur,
23 there remain a handful of issues where such
24 consensus has not been reached. One such issue is

1 how resulting stranded costs should be recovered.
2 The settlement includes a rate design where larger
3 customers would pay less and smaller customers would
4 pay more, to reflect the migration of larger
5 customers away from PSNH's default energy service
6 and, as a public policy matter, to protect jobs and
7 the economy. Advisory Staff recommends a different
8 rate design. There also remains the issue of what
9 the proper avoided cost standard is under PURPA for
10 mandated purchases from QFs by PSNH. Evidence on
11 these and any other remaining issues of other
12 parties will be presented during these hearings.

13 PSNH and the Settling Parties
14 wish to thank the Commission and its staff for
15 getting us to these hearings today. We'd also like
16 to thank the other parties for their collegiality
17 and cooperation.

18 Just a few administrative issues
19 and I'll complete my remarks. As you know and as
20 you see in front of you, we have premarked the vast
21 majority of exhibits that will probably be presented
22 in this docket. The parties yesterday at a
23 prehearing settlement -- or prehearing conference
24 stipulated to the admissibility of exhibits marked A

1 to U. Those are primarily the settlement documents
2 themselves, as well as the prefiled testimony of
3 various witnesses for the parties. We've provided
4 you and the clerk with this exhibit list. Other
5 exhibits may be subject to objection. We've also
6 provided you with a list of the order of witnesses.
7 And as Attorney Amidon indicated, instead of
8 starting with the settlement panel, we're starting
9 with two of the Company's witnesses because of their
10 schedules and travel plans.

11 So, once again, thank you,
12 Commissioners. And if you have any questions of our
13 witnesses, they will respond.

14 CHAIRMAN HONIGBERG: All right.
15 Mr. Bersak's substantive opening was almost exactly
16 four minutes. The last 45 seconds were
17 administrative. So, each of you who wants to speak
18 has four minutes. Mr. Irwin.

19 MR. IRWIN: Thank you, Mr.
20 Chairman and Commissioners. I'll be brief. I'm
21 representing Conservation Law Foundation. We are a
22 settling party. We fully support completing this
23 process of restructuring and moving New Hampshire's
24 electric generating sector to a fully competitive

1 market. It is our hope that this docket will result
2 in a decision enabling PSNH to proceed to divestiture
3 of its generating assets. Thank you.

4 CHAIRMAN HONIGBERG: Thank you,
5 Mr. Irwin.

6 Mr. Fabish.

7 MR. FABISH: Nothing.

8 CHAIRMAN HONIGBERG: Mr. Aslin.

9 MR. ASLIN: No opening. Thank
10 you.

11 CHAIRMAN HONIGBERG: Mr. Boldt.

12 MR. BOLDT: Very briefly, Your
13 Honor. I'm here for two of the hosting communities,
14 Berlin and Gorham. We take no official position on
15 divestiture. Our major concern is protection of the
16 tax base. And as Mr. Bersak has alluded, we have a
17 Litigation Settlement statement in the record, which
18 is Exhibit C, and that bifurcates out the auction
19 issues from this week's hearing in the essence of
20 time. It was our concern, and others shared it, that
21 we would not have time to treat all issues. So that
22 has been moved at our request to a separate
23 adjudicative docket that you will set up as part of
24 this proceeding.

1 The other major concern for the
2 City of Berlin and the Town of Gorham is the
3 protection of the existing PPA, power purchase
4 agreement, with Burgess Biomass. That is not part
5 of the divestiture by the agreement. So we are here
6 to make sure that those issues remain. My hope is
7 that this is the last time you'll have to hear from
8 me.

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

11 Mr. Aalto.

12 MR. AALTO: Thank you. My
13 concern is that --

14 (Court Reporter interrupts.)

15 MR. AALTO: I'll try to speak up.

16 CHAIRMAN HONIGBERG: No, it would
17 be better to just come up to where one of the
18 microphones is.

19 Thank you, Mr. Fabish. I
20 appreciate your effort there.

21 MR. AALTO: Thank you very much.
22 The concern that I have is that the settlement will
23 increase the cost to everyone over the current rates
24 because of increases in distribution costs. That has

1 potential problems in many areas. What I've
2 proffered in Exhibits U and PP are a number of
3 possible options to the type of sale that's being
4 proposed that I believe would increase the value to
5 customers. It does not directly oppose the sale as
6 such, but there may be other options that would
7 provide more value to customers considering the
8 structure and the agreements of the previous
9 settlements. Thank you.

10 CHAIRMAN HONIGBERG: Mr.
11 Cunningham.

12 MR. CUNNINGHAM: Thank you, Mr.
13 Chairman, members of the Commission. I'm going to
14 cut right to the chase.

15 (Court Reporter interrupts.)

16 MR. CUNNINGHAM: Intervenor Terry
17 Cronin was not invited to participate in the
18 settlement discussions. To introduce him a little
19 bit to the Commission, he, when I met him, has been a
20 gentleman living in Hopkinton and has been a PSNH
21 ratepayer for many years, and he has followed this
22 thing for a very long time and is very knowledgeable
23 about the various processes at the PUC. His
24 criticism of the Settlement Agreement is legal, based

1 on statute. Let me put it this way: If you look at
2 the Settlement Agreement, it has no numbers. It has
3 no end date. What you'll find in the Settlement
4 Agreement is only broad categories of costs. There's
5 nothing in the Settlement Agreement that tells a
6 ratepayer how the temporary rate, and now the
7 follow-up temporary rate, is calculated. How is that
8 cost -- or how is that rate income booked? What goes
9 to principle? What goes to interest? What goes to
10 ongoing costs? How is that booked? Should that not
11 have been in the agreement? There is no end date.
12 How long does the 9.81 percent run? That's the rate
13 of return. When does that stop? There's nothing in
14 the agreement that tells us that.

15 So, just to summarize, Mr.
16 Chairman, Members of the Commission, here's our ask
17 on behalf of Terry Cronin: We ask you to make a
18 prudence decision. We thought it was unfair that it
19 was stayed and subjected to a clinical process. We
20 ask this Commission to determine when is the end
21 date for the run end of these costs. When does the
22 9.81 percent stop? How do we nail down the costs
23 that have been paid already? Who looks at and when
24 do we know by virtue of a contract or a Commission

1 order how those -- that temporary rate has been
2 booked? We also, of course, Mr. Chairman, want a
3 fair rate design, a rate design that's fair and
4 equal for residential ratepayers.

5 I want to point out a statute,
6 and then I'm going to stop. If the Commission would
7 look at R.S.A. 374-F:3, XII(d), it sets up what the
8 criterion for the recovery of stranded costs are.
9 So this is not only a legal argument from a legal
10 competence standpoint, it's a statutory argument.
11 That provision of the code requires that there be a
12 calculation of a net basis of the stranded costs,
13 that the stranded costs be verifiable, that the
14 stranded costs be limited in duration and consistent
15 with the promotion of fully competitive markets, and
16 consistent with the principles in that statute. So
17 the contract is flawed from a legal point of view.
18 The contract is flawed from -- the settlement is
19 flawed from a policy and statutory point of view.

20 So that's our ask: Do the
21 prudence decision; force fixed costs now so there's
22 not rolling dockets over the next three, four, five,
23 six years on these cost categories; set an end date
24 so ratepayers, particularly residential ratepayers,

1 know what they're facing in terms of stranded costs.

2 That's all I have to say at this point.

3 CHAIRMAN HONIGBERG: Ms. Geiger.

4 MS. GEIGER: Yes. Thank you, Mr.
5 Chairman. Very briefly, Granite State Hydropower
6 Association's participation in this docket is limited
7 to a very narrow issue that Mr. Bersak pointed out in
8 his opening, and that is the issue raised by Section
9 III.C. of the Settlement Agreement dealing with
10 avoided cost payments made to qualifying facilities
11 when PSNH makes purchases under the Public Utilities
12 Regulatory Policy Act, or PURPA. GSHA is not taking
13 any position on the larger question before the
14 Commission regarding divestiture of PSNH's assets.
15 Again, we are participating for the purpose of
16 litigating the avoided cost issue, which, as today
17 unfolds, the Commission will learn is a combined
18 question of law and fact. Thank you.

19 CHAIRMAN HONIGBERG: Ms. Holahan.

20 MS. HOLAHAN: On behalf of NEPGA,
21 generally we support divestiture as a final step to a
22 fully competitive electricity market here in New
23 Hampshire. Our issues generally remain or revolve
24 around the competitive procurement process, and we

1 intend to explore those over the course of the next
2 few days. Thank you.

3 CHAIRMAN HONIGBERG: Ms.
4 Chamberlin.

5 MS. CHAMBERLIN: I have no
6 opening statement.

7 CHAIRMAN HONIGBERG: Ms. Ross.

8 MS. ROSS: I have no opening
9 statement.

10 CHAIRMAN HONIGBERG: Ms. Amidon.

11 MS. AMIDON: We have no opening
12 statements.

13 CHAIRMAN HONIGBERG: All right.

14 I think that's everybody. Mr. Bersak, I think we're
15 ready to proceed with your witnesses.

16 MR. BERSAK: Thank you. We'll
17 have Mr. Smagula please called as the first witness
18 this morning.

19 (WHEREUPON, WILLIAM SMAGULA was duly
20 sworn and cautioned by the Court
21 Reporter.)

22 WILLIAM SMAGULA, SWORN

23 DIRECT EXAMINATION

24 BY MR. BERSAK:

1 Q. Good morning.

2 A. Good morning.

3 Q. Please state your name for the record.

4 A. William Smagula.

5 Q. And by whom are you employed?

6 A. I'm employed by Eversource Energy.

7 Q. What's your position?

8 A. My position is vice-president of generation for
9 New Hampshire.

10 Q. Your prefiled testimony, as redacted, in
11 support of the Litigation Settlement has been
12 marked as Exhibit F. Do you have any updates
13 or corrections to that testimony?

14 A. No, I do not.

15 MR. BERSAK: The witness is
16 available for cross-examination.

17 CHAIRMAN HONIGBERG: Mr. Irwin.

18 MR. IRWIN: Thank you very much.

19 CROSS-EXAMINATION

20 BY MR. IRWIN:

21 Q. Good morning, Mr. Smagula.

22 A. Good morning.

23 Q. Just a few questions. As Vice-President of
24 Generation, you're very familiar with the

1 operation of PSNH's fossil plants?

2 A. Yes, I am.

3 Q. And with the knowledge you have in that role,
4 you're also part of PSNH's leadership team
5 that's been preparing for the possibility of
6 divestiture?

7 A. Yes.

8 Q. And within those capacities, I assume you're
9 familiar with the environmental and regulatory
10 risks that go along with the current fossil
11 fuel plants?

12 A. Yes, I am.

13 Q. I assume you're familiar with Merrimack Station
14 and the permitting process that's underway
15 there. And I'd like to show you a document
16 that's been marked as, or marked for
17 identification as OO. I'll represent to you
18 that this is a fact sheet prepared by the
19 Environmental Protection Agency and the NPDES
20 permitting process, Clean Water Act permitting
21 process for Merrimack Station. Are you
22 familiar with this process and with the fact
23 sheet?

24 A. I am familiar with both, yes.

1 Q. So, as the fact sheet indicates, the Merrimack
2 Station power plant is currently operating
3 under a Clean Water Act NPDES permit that
4 expired in 1997; is that correct?

5 A. We're operating under an extension of that
6 permit, yes.

7 Q. Yes. Thank you. So the re-permitting of this
8 facility has been underway. And it's correct,
9 isn't it, that the EPA, in its draft permit
10 that's the subject of this fact sheet, is
11 indicating that it will require new cooling
12 water intake structures, as well as a new, more
13 modern cooling water system? Is that correct?

14 A. It's indicated that that was their intention.
15 However, there's been significant
16 communications on that topic between the
17 company and EPA since the issuance of this fact
18 sheet in September of 2011.

19 Q. Correct. It's been an ongoing process --

20 A. Correct.

21 Q. -- but is not yet final.

22 A. Correct.

23 Q. Okay. And if you could just turn to IX,
24 Page 9. And let me back up and explain this

1 document.

2 What we have here are the first three
3 pages of the fact sheet. And you'll see on
4 Page 3 of the fact sheet a reference to
5 Attachment D. The next page that follows is
6 the Executive Summary of Attachment D. I
7 provided the Executive Summary because the
8 document in whole is close to 400 pages.

9 A. Would you repeat the pages you're referring to?

10 (Witness reviews document.)

11 Q. Yes. Page Roman IX.

12 A. Yes.

13 Q. And in the fourth paragraph -- I'll just read
14 it. It states, "EPA estimated that for
15 Merrimack Station to install hybrid wet-dry
16 mechanical draft cooling towers and operate in
17 a closed-cycle mode year-round to control
18 thermal discharges would result in a total
19 after-tax cash flow cost to PSNH (present value
20 at 5.3 percent) of \$111.8 million, with an
21 annual equivalent cost of \$9 million (at
22 5.3 percent over 21 years) on an after-tax,
23 nominal dollar basis, (...including the effects
24 of inflation)." Did I read that correctly?

1 A. You did.

2 Q. And is this generally consistent with your
3 understanding of the potential costs of a new
4 cooling system and intake structures if EPA
5 proceeds to finalize the permit that is under
6 consideration requiring cooling water towers?

7 A. The values that you quoted from the fact sheet
8 is the position or the opinion of EPA, and it's
9 based on a capital investment cost and a
10 multi-year operating cost, present worth, to
11 that value. We have provided significant
12 technical, environmental and economic comments
13 to EPA in our response to this document which
14 was filed in 2012. They have proposed one
15 solution path for this thermal concern of
16 theirs, and there are others which we've
17 presented to them which are at lower cost and
18 still serve the purposes of such a closed
19 cooling system. So I am familiar with it.
20 They have developed an opinion based on their
21 assumptions, but there are other assumptions
22 and other solution paths that do exist. And
23 the costs here would, should they be incurred,
24 would not take place for a number of years from

1 today.

2 Q. And what is the range of those costs, the
3 potential options? So, \$111 million is one
4 potential outcome or one potential capital
5 investment in the plan. What is the range that
6 you're aware of?

7 A. There are rental equipment solution paths.
8 There are operational solution paths, which
9 also would satisfy some of the thermal concerns
10 that are being raised here. So the investment,
11 the capital investment range is broad.

12 Q. And you had NERA conduct a preliminary economic
13 analysis of --

14 A. We did use NERA as a consulting firm to look at
15 this topic for us, yes.

16 Q. And am I right that the range of options that
17 they considered, in terms of social costs,
18 ranged from \$44 million up to and including
19 another option of \$111.3 million up to \$158
20 million?

21 A. That was options for a system as proposed by
22 EPA, yes.

23 Q. Okay. Thank you.

24 Shifting gears from Merrimack Station.

1 Schiller Station also is the subject of NPDES
2 permitting currently; is that right?

3 A. Yes, that's correct.

4 Q. In that case, EPA, in its draft permit, has
5 indicated that it will require an upgrade of
6 cooling water intake structures, but it's not
7 indicating the need for cooling towers; is that
8 correct?

9 A. That's correct.

10 Q. Are you aware that in the recent public comment
11 process, that parties, including CLF, have
12 urged EPA to in fact install -- require as part
13 of this permit cooling towers to address --

14 A. I'm generally familiar with that, although I
15 have not seen those documents.

16 Q. But suffice to say, that process is still open,
17 and there's not a final permit determination;
18 is that correct?

19 A. That's correct. The draft permit was issued in
20 November, with comments due within 30 days. We
21 received an extension and filed our comments
22 last week, which are about 250 pages long,
23 providing further, additional information and
24 facts related to their proposed draft permit.

1 Q. Thank you. Shifting briefly back to Merrimack
2 Station. The last environmental risk or
3 potential liability I'll ask you about relates
4 to a pending Clean Air Act lawsuit. Are you
5 familiar with the pending lawsuit pending in
6 U.S. District Court, Conservation Law
7 Foundation v. PSNH, relative to Merrimack
8 Station upgrades?

9 A. I am familiar with it, yes.

10 MR. IRWIN: I have what's been
11 marked for identification as TT. This is
12 Conservation Law Foundation's First Amended Complaint
13 in that matter.

14 Your honor, I'll note for the
15 record that this is a First Amended Complaint that
16 has been the subject of motions practice in U.S.
17 District Court. Counts 5 through 7 of the First
18 Amended Complaint have been dismissed; otherwise,
19 the case is currently pending and stayed in the U.S.
20 District Court. And obviously, the docket number
21 for that matter appears on the First Amended
22 Complaint.

23 BY MR. IRWIN:

24 Q. Mr. Smagula, I assume you're aware that the

1 lawsuit includes a request for injunctive
2 relief, which, if successful, could require
3 capital expenditures at Merrimack Station?

4 A. Yes. I think the key word in your question is
5 "if," if required. And based on our legal
6 position on this, on this suit, we firmly
7 believe that our position is that we have done
8 nothing warranting such a suit and feel very
9 strongly that any outcome would be in our
10 favor.

11 Q. I will agree with you that this is a contested
12 matter.

13 MR. IRWIN: I have nothing
14 further. Thank you.

15 CHAIRMAN HONIGBERG: Mr. Fabish.

16 MR. FABISH: Thank you. I just
17 have a couple of questions.

18 CROSS-EXAMINATION

19 BY MR. FABISH:

20 Q. So, Mr. Smagula, on Page 7 of your testimony,
21 you say that PSNH shall file with the
22 Commission an annual plan by February 15th,
23 2016?

24 A. Yes, I did.

1 Q. Is that still the plan?

2 A. It is the plan. It is the law. So we will
3 comply and make sure that if we have any
4 variances of 20 percent that we will inform the
5 Commission as to the basis for that.

6 Q. Great. Thank you.

7 Under the structure contemplated in the
8 proposed Settlement Agreement,
9 post-divestiture, what will PSNH's
10 responsibilities towards the generating assets
11 be?

12 A. Once the assets transfer ownership to new
13 companies, there will be no responsibility that
14 we would have to support their needs, other
15 than perhaps some supplemental questions for
16 the new buyers over a reasonable period of
17 time.

18 Q. Okay. Thank you.

19 MR. FABISH: That's it.

20 CHAIRMAN HONIGBERG: Mr. Aslin.

21 MR. ASLIN: I have no questions.

22 Thank you.

23 CHAIRMAN HONIGBERG: Mr. Boldt.

24 MR. BOLDT: No questions, Your

1 Honor.

2 CHAIRMAN HONIGBERG: Mr. Aalto.

3 MR. AALTO: Three questions.

4 CROSS-EXAMINATION

5 BY MR. AALTO:

6 Q. What is the approximate capacity factor for the
7 major plants, Merrimack and others?

8 A. The capacity factor for the steam units, which
9 I think you're referring to, the major plants,
10 has changed over the last four to five years
11 and is currently in the 20 to 30 percent range.

12 Q. For each of the plants or --

13 A. In aggregate. I could be more specific if
14 you'd like me to take the time.

15 Q. If you would. Particularly, Merrimack.

16 A. Sure.

17 (Witness reviews document.)

18 A. Capacity factors for the two Merrimack units
19 have been in the mid-30 range over recent
20 years. Last year it was a bit lower, into the
21 20s, high 20s. For the Schiller units,
22 Schiller 5, as I think many people know, has
23 been re-powered to burn biomass fuel, and that
24 unit runs at all times. Its capacity factor is

1 in the mid to high 80s; whereas, Schiller 4 and
2 6 units that burn coal or oil, capacity factors
3 are in the 20s.

4 Q. And the Newington oil-fired --

5 A. Excuse me. Yes. Newington's capacity factors
6 are in the single-digit range.

7 Q. Thank you.

8 CHAIRMAN HONIGBERG: Mr.
9 Cunningham.

10 MR. CUNNINGHAM: Thank you, Mr.
11 Chairman.

12 CROSS-EXAMINATION

13 BY MR. CUNNINGHAM:

14 Q. Mr. Smagula, when -- let's back up.

15 Did you participate in the discussions for
16 the Settlement Agreement?

17 A. No.

18 Q. And are you familiar with the terms of the
19 Settlement Agreement?

20 A. Generally familiar with a number of terms more
21 than others, yes.

22 Q. And I want to ask you about those terms.

23 Will you be involved in determining the
24 decommissioning costs of your fossil plants?

1 A. If we do not own these assets, the Company will
2 have no decommissioning responsibilities.

3 Q. And assuming the plants do not sell pursuant to
4 the agreement, do you have any judgment on what
5 the decommissioning costs of Schiller and
6 Merrimack Station will be?

7 A. Based on that assumption, if they do not sell,
8 no, I don't.

9 Q. And would you be familiar in the same context
10 with the retirement costs of the plants?

11 A. No, I do not have that information.

12 Q. Have any executives of the company asked you to
13 make such calculations?

14 A. No.

15 Q. And would you be familiar, Mr. Smagula, with
16 the environmental costs with respect to
17 Schiller and Merrimack Station?

18 A. Environmental costs of what, sir?

19 Q. Clean-up costs.

20 A. No, we have not developed any studies to
21 dismantle these facilities.

22 Q. Would the matter of environmental costs be
23 something that would be a good thing to do
24 prior to the disposition of the fossil units?

1 A. Well, in order to have a functioning station,
2 you need to have all of the equipment and
3 systems in operation to be able to -- for a new
4 owner to fulfill its obligations to continue to
5 operate. So --

6 Q. Would you detail those for me? You're the
7 insider there.

8 A. Maybe, could you just rephrase your question?
9 I want to make sure --

10 Q. Yeah. I just want to know what you will have
11 to do as director of generation to get your
12 fossil plants ready to sell and how much that
13 will cost.

14 A. We are operating and maintaining our units now
15 in a very responsible manner, using good
16 utility practice and conducting the necessary
17 maintenance and modest capital investments to
18 sustain very reliable, safe and efficient
19 operation of our plants. That has been how we
20 have operated them continuously in the past and
21 do so currently, and will continue to do so up
22 until the day we transfer ownership to a new
23 company or new companies. So we are making
24 sure that the assets are ready to serve our

1 customers continuously up until they transfer
2 to a new owner, and that the new owner will
3 look at these assets as safe, reliable and
4 efficient pieces of facilities that they could
5 then assume ownership of and operate in a
6 manner I would hope consistent to the way we
7 have.

8 Q. Should I take that answer to mean that, as I
9 look at the Settlement Agreement, that there
10 will be no decommissioning, retirement,
11 environmental costs or other costs of
12 liabilities that will have to be recovered via
13 the stranded costs?

14 A. Not that I'm aware of.

15 Q. So your answer is there will be no costs that
16 will be rolled into stranded costs to get your
17 plants ready for sale.

18 A. There are costs to prepare our facilities for
19 the auction process. There are costs to
20 collect data and information for a document
21 room for prospective bidders. There are costs
22 and consulting costs to assist us with
23 developing an offering memorandum. There are
24 some environmental costs that are appropriate

1 to do an analysis of our properties so that a
2 prospective buyer would know whether there are
3 any concerns, environmental concerns with
4 regard to our properties. And I will add that
5 we have concluded that effort on 18 properties
6 which are involved in this auction, and there
7 are no significant concerns with regard to
8 these properties and their environmental
9 condition. And that's important for bidders to
10 know, because if they don't know the condition
11 of the assets, they would, I believe -- and in
12 my experience, they would assume worst case and
13 as a result not put forth the highest dollar
14 value for buying the assets. So an investment
15 in understanding and having a third party
16 conduct an environmental audit is one example
17 of the fact that there are some costs that are
18 needed to prepare our facilities for a
19 successful auction that we garnish the highest
20 price, which is our ultimate objective.

21 Q. Well, how are ratepayers to know what those
22 costs are in dollars, and when will we know
23 that?

24 A. I think at the conclusion of the auction, once

1 successful buyers are known and their prices
2 are known, I believe another docket will be
3 opened, upon which the Commission will be asked
4 to approve those costs, the bids. And I think
5 at that time it would be appropriate to look at
6 the costs associated with preparing the modest
7 activities of preparing these facilities for
8 auction. There will be, for example, an agent
9 of some nature selected to assist with the
10 auction. That agent will have costs or fees
11 incurred. So, as you would with preparing your
12 home for sale, you may make some modest
13 investments in order to garnish the highest
14 price and have it sell promptly. One of that
15 would be including a real estate broker and
16 perhaps doing a few little jobs around your
17 house to get it in the best condition. We
18 don't have to make any major investments for
19 our assets to be in good condition, but there
20 are auction-related costs that are very typical
21 for any such transaction that will be incurred,
22 and they are very modest.

23 Q. So, repeating myself, as we sit here asking the
24 Commission to decide whether or not this

1 Settlement Agreement is in the public interest,
2 you cannot give us a finite number of what it
3 will take to get these plants ready to sell.

4 A. I don't have a number readily available for
5 you.

6 MR. CUNNINGHAM: That's all,
7 Mr. Chairman. Thank you.

8 CHAIRMAN HONIGBERG: Ms. Geiger.

9 MS. GEIGER: Yes. Thank you.

10 CROSS-EXAMINATION

11 BY MS. GEIGER:

12 Q. Mr. Smagula, for year 2015, in terms of a
13 cents-per-kilowatt-hour range, could you tell
14 us what the costs of generation are for PSNH?

15 A. I believe our rates for the last six months of
16 last year was nine-point something cents. I
17 don't recall our energy service rate.

18 Q. I didn't ask you for the rate, Mr. Smagula. I
19 asked about your generating costs on a
20 cents-per-kilowatt-hour basis.

21 A. Cost for our facilities to produce the energy?

22 Q. Yes. Cost of generation, yes.

23 A. Merrimack Station costs are in the -- well, you
24 know what? I'm not going to guess. I'm going

1 to try to tell you a number.

2 (Witness reviews document.)

3 A. Merrimack Station costs to produce energy is in
4 the 4.6 cent range. Schiller, approximately
5 just under 5 cents. And Newington, depending
6 upon which fuel you burn, gas or oil, and
7 there is volatility in those values, but it
8 does get -- it depends on whether it's on gas
9 or oil. It could be in the 40- to 50-cent
10 range.

11 Q. Mr. Smagula, just so we make sure, were you
12 talking about for the entire year of 2015 or
13 just for the last half of the year?

14 A. Those are recent values. I don't have -- I
15 don't think they changed significantly, other
16 than Newington Station changing on price of oil
17 and gas, which is very volatile. The other
18 ones are relatively stable.

19 Q. Okay. Thank you.

20 CHAIRMAN HONIGBERG: Ms. Holahan,
21 you have no questions?

22 MS. HOLAHAN: No questions.

23 CHAIRMAN HONIGBERG: Ms.
24 Chamberlin.

1 MS. CHAMBERLIN: No questions.

2 CHAIRMAN HONIGBERG: Ms. Ross.

3 MS. ROSS: No questions.

4 CHAIRMAN HONIGBERG: Ms. Amidon.

5 MS. AMIDON: No questions.

6 CHAIRMAN HONIGBERG: Commissioner
7 Bailey.

8 COMMISSIONER BAILEY: Thank you.

9 INTERROGATORIES BY COMMISSIONER BAILEY:

10 Q. You point out in your testimony that you have a
11 statutory obligation to provide employee
12 protection. Do you recall that testimony?

13 A. Yes.

14 Q. And you talk about your maintenance support
15 department.

16 A. Yes.

17 Q. And there are represented and non-represented
18 employees. Can you tell me -- I understand the
19 represented employees are members of the union
20 and part of the collective bargaining
21 agreement.

22 A. Correct.

23 Q. Are the "non-represented employees" management
24 and non-union employees, or is that a term of

1 art that means something different?

2 A. No. Generally they are foremen, engineers,
3 supervisors, some -- a clerk and so on. So
4 those would be non-bargaining unit and
5 non-represented employees.

6 Q. So they're non-bargaining unit. Are you one of
7 those?

8 A. Yes.

9 Q. Okay. So is it your understanding -- and I
10 know you're not a lawyer -- that you have to
11 make the same protections for the
12 non-represented employees as the represented
13 employees?

14 A. Yes. I believe in my testimony there has been
15 a negotiated agreement with our bargaining unit
16 which takes the employee/employer relationship
17 details that are in the union contract and
18 expand that a little bit to provide some
19 incremental protection for the employees. This
20 takes the form of some very detailed topics on
21 seniority and severance, and should there be a
22 reduction in work force, that there are certain
23 outplacement assistance and some tuition
24 assistance. Some of those specific things that

1 are in the union contract have been enhanced
2 due to the upcoming divestiture of the plants.
3 And that was done under the suggestion of the
4 Settling Parties and the legislature.

5 Q. And those provisions were created for the
6 non-represented employees because --

7 A. They also were created for the represented
8 employees, but they were -- they are also fully
9 applicable for all generation employees and
10 other employees whose jobs are generally to
11 support full-time generating function.

12 Q. Like the people in the service company?

13 A. Like the people who work in this maintenance
14 service group. And there is a fuel group whose
15 jobs only are to serve buying fuel for the New
16 Hampshire generating assets. So I believe
17 those two groups would be the ones most
18 applicable to fit in the generation
19 "look-alike" category.

20 Q. Okay. So do you believe that all of the
21 employees who would be affected if the
22 Commission were to approve the settlement are
23 adequately cared for, consistent with the law?

24 A. Yes.

1 Q. Thank you. Have you conducted any Phase 1
2 environmental site assessments?

3 A. Yes.

4 Q. Have they begun?

5 A. Eighteen.

6 Q. Eighteen? And did you -- did they reveal any
7 costs that would need to be incurred in order
8 to get the plant either ready for sale or that
9 a buyer would have to pay?

10 A. In general -- and I'll answer your question.
11 The answer to your question is, yes, there have
12 been some costs. And I'll explain them in a
13 moment. But in general, if you look at these
14 18 properties that are associated with the
15 divestiture, we have done an ASTM standard site
16 assessment based on a federal standard with an
17 independent environmental organization to
18 research all of our properties, conduct a
19 review of all data, interview employees, and
20 look at the properties themselves. Took about
21 six months to do these properties. So there
22 are some costs associated with that because of
23 the consultant. And the consultant did believe
24 that there were certain areas that it would not

1 necessarily be required, but it may be a
2 positive to proceed and conduct some of these
3 very modest remediations.

4 I'll give you an example. At Schiller
5 Station, many years ago oil was burned in these
6 units, and oil was received by rail car. At
7 the railroad spur where oil was unloaded, there
8 happened to be a small piece of land that had
9 some oil staining in it. It was believed that
10 that would -- there was no environmental
11 impacts beyond that immediate area, and I think
12 there was no regulatory impacts related to
13 that. But we did believe that it would be
14 appropriate to remove that issue for a
15 prospective bidder, and we did conduct that
16 remediation this past fall.

17 Q. So you removed the stains?

18 A. Yes, we removed the soil with the oil stains
19 and replaced it with clean, fresh soil.

20 And there was another area where a large
21 pipe was involved with some sediment that
22 people didn't feel had to be removed, but we
23 felt as though it was appropriate and similarly
24 removed that sediment and cleaned the area.

1 So there have been some small follow-up
2 activities related to that site assessment.
3 And at this point, we have taken our
4 environmental site assessments and provided
5 full access to the Department of Environmental
6 Services of that information. They have
7 conducted their own internal review of the
8 information that they've been presented with.
9 They have some questions on some data, and they
10 also believe that certain pieces of data which
11 identify or clarify that certain properties are
12 in good condition, some of the data is dated.
13 They may want us to go into the field and take
14 a few more samples to get current data, to make
15 sure their record is complete with more recent
16 information. So there may be a few other site
17 activities we will follow up on to improve the
18 record. But in general, our properties are in
19 very good condition, given their history.

20 Q. So there isn't any finding that requires
21 significant investment. I mean, I don't know
22 how you --

23 A. This is on all the properties and all the land.
24 That's correct.

1 Q. Right. Okay. What's the worst-case thing you
2 found?

3 A. Cleaning up this soil cost us about a hundred
4 thousand dollars.

5 Q. That's the worst-case thing? There's nothing
6 worse? Nothing that cost more than a hundred
7 thousand?

8 A. No.

9 Q. Okay. I think that's all. Thank you very
10 much.

11 CHAIRMAN HONIGBERG: Commissioner
12 Iacopino.

13 SP. COMMISSIONER IACOPINO: Thank
14 you.

15 INTERROGATORIES BY SP. COMMISSIONER IACOPINO:

16 Q. Good morning.

17 A. Good morning.

18 Q. You were asked on direct[sic] examination by
19 Mr. Irwin about the lawsuit in federal court,
20 and you agreed with him that that lawsuit is
21 presently stayed. Do you know what the reason
22 for the stay of the lawsuit is?

23 A. I believe there have been discussions between
24 our legal counsel and their legal counsel

1 regarding that lawsuit and their interests here
2 as a party to this proceeding, and I've not
3 been party to it personally.

4 Q. You've been involved in the divestiture of
5 Connecticut Light & Power and Massachusetts
6 Western?

7 A. Yes, I have been.

8 Q. And you were involved in the actual sale of the
9 assets of those two utility companies?

10 A. In Connecticut, to a much greater extent than
11 those in Massachusetts, yes.

12 Q. And when they were sold in Connecticut, was
13 that undertaking voluntary on the part of
14 Connecticut Light -- or Connecticut Power &
15 Light?

16 A. I believe a legislative docket was -- a bill
17 was introduced, and the Company did not object
18 to it at that time.

19 Q. When did that occur?

20 A. Hmm. In the mid-1990s.

21 Q. And did a regulatory body conduct that -- was
22 it a sale by auction?

23 A. Yes, it was.

24 Q. Did a regulatory body conduct that auction?

1 A. Yes, the Connecticut... I don't know what the
2 right term is. Bureau?

3 Q. Similar to the PUC?

4 A. Similar to the PUC had a department, in fact,
5 placed a few employees full-time to work with
6 the auction agent, J.P. Morgan at that time, to
7 proceed with an auction effort.

8 Q. Was there ever an assessment after that auction
9 as to whether or not the auction was carried
10 out in a prudent manner?

11 A. Yes, there was a hearing to review the outcome
12 and the selected bidders. I don't recall
13 specifically the prudence of the process. But
14 I think it's implied that it was prudent
15 because it was approved, I believe. That's how
16 I would view it.

17 Q. Was there any, I'll use the word "penalty" for
18 lack of a better word? But was there any
19 penalty assessed to the utility because of any
20 way in which that auction was undertaken?

21 A. No. No, the Company fully supported that
22 process and was an integral party to the
23 process. And that was the area that I had
24 responsibility of.

1 Q. All right. The Litigation Settlement Agreement
2 in this case contains a provision that the
3 auction will occur and that the Public
4 Utilities Commission will hire the auction
5 manager and, the way that I read it,
6 essentially conduct the auction.

7 A. That's how it was done in Connecticut. And the
8 Company provided all the support that the agent
9 and the regulatory agency needed. We worked
10 really as a three-member team. But the
11 utility -- the regulatory agency and the
12 auction agent kind of led the charge, and we
13 participated with them and supported them in
14 every way we could.

15 Q. Well, that's where my concern lies. The
16 ratepayers in New Hampshire, who do they look
17 to if there is some problem that occurs during
18 the course of the auction process? The PUC is
19 obviously not in a position to reduce rates or
20 otherwise pay ratepayers back. How, in your
21 view under this settlement, is the Company
22 responsible?

23 A. Well, that's a question that I don't know -- I
24 think if the parties involved in this are all

1 moving toward trying to achieve the same
2 objective, I can't envision there being a
3 problem or any fault. But I guess I'm not --
4 as I said earlier, I've not been involved with
5 the settlement discussions on this topic
6 specifically. But I think there is what
7 level -- what level of payment will be achieved
8 and the process is pretty standard, so that
9 it's not -- even though it's perhaps new in
10 this issue here with our fossil and hydro
11 facilities, the process is very open and very
12 standard. I guess I won't say there can't be
13 anything, but I can't envision what would be an
14 error made by any party.

15 Q. Well, let me give you an example.

16 A. Okay.

17 Q. Hiring of an auction manager requires a certain
18 amount of diligence and prudence; correct?

19 A. In the selection of the --

20 Q. Yes.

21 A. Yes.

22 Q. And if you were voluntarily divesting these
23 resources, if you were negligent or imprudent
24 in selecting an auction manager, you would

1 expect there might be some "penalty," for lack
2 of a better word, that occurs from your
3 regulatory body; correct?

4 A. I suppose that could occur.

5 Q. So that's where -- I mean, I guess my concern
6 here is the Commission conducting the auction,
7 or being responsible for conducting the auction
8 rather than the regulated utility.

9 When you did the Western Massachusetts
10 Electric, was that done similarly?

11 A. Yes.

12 Q. And the reason why I ask you is because you're
13 a witness who has experience with this.

14 A. Yes. And I think Witness Reed also has
15 tremendous experience on this, much more so
16 than I. That's his business, and I think that
17 those would be good questions, perhaps even
18 better for him. But I'm happy to continue.

19 Q. In Massachusetts, when you did the Western
20 Massachusetts Electric, was there a subsequent
21 proceeding before the Massachusetts EPU
22 about --

23 A. To approve the successful bidders, yes.

24 Q. And in that proceeding, was there any type of

1 penalty or anything assessed --

2 A. No.

3 Q. -- against that utility?

4 A. No.

5 SP. COMMISSIONER IACOPINO: I
6 have no further questions.

7 CHAIRMAN HONIGBERG: I have no
8 questions for Mr. Smagula.

9 Mr. Bersak, do you have any
10 further questions for him?

11 MR. BERSAK: Yes, Mr. Chairman.
12 Thank you.

13 REDIRECT EXAMINATION

14 BY MR. BERSAK:

15 Q. Mr. Smagula, you just had a conversation with
16 Commissioner Iacopino regarding the engagement
17 of an auction agent. Do you recall that?

18 A. Yes.

19 Q. Do you know whether an auction agent was
20 engaged for the divestiture of the ownership
21 interest in Seabrook Station?

22 A. I wasn't involved in that, but I believe there
23 was one. I think I know -- well, I believe it
24 was J.P. Morgan, but I don't know firsthand.

1 Q. Now, the purpose of an auction agent -- would
2 you agree that an auction agent's purpose is to
3 maximize the value of the transaction and
4 ensure an efficient and successful auction and
5 divestiture process?

6 A. Yes. Absolutely.

7 Q. If that agent suggested that certain activities
8 take place to maximize that value, would that
9 be something that the Company would consider?

10 A. Yes, upon consulting with the regulatory
11 agency. Absolutely.

12 Q. Is there a potential that an auction agent
13 that's engaged by this Commission might
14 recommend removal, say of mercury, lead or
15 asbestos from Schiller Station?

16 A. That could be a recommendation.

17 Q. If that was the recommendation of the auction
18 agent that would be engaged, and if those costs
19 were material, would this Commission have the
20 opportunity to determine whether that work
21 should be done prior to that work proceeding?

22 A. I don't see why not.

23 Q. Thank you. No further questions.

24 CHAIRMAN HONIGBERG: All right.

1 Thank you, Mr. Smagula. I think you can return to
2 your seat. Let's go off the record for a moment.

3 (Discussion off the record.)

4 CHAIRMAN HONIGBERG: Back on the
5 record. Go ahead, Mr. Bersak.

6 MR. BERSAK: We'd like to call
7 Mr. Shuckerow on the stand, please.

8 (WHEREUPON, JAMES SHUCKEROW, JR. was duly
9 sworn and cautioned by the Court
10 Reporter.)

11 JAMES SHUCKEROW, JR., SWORN

12 DIRECT EXAMINATION

13 BY MR. BERSAK:

14 Q. Good morning, Mr. Shuckerow. Can you please
15 provide us with your full name.

16 A. Yes. My name is James Shuckerow, Jr.

17 Q. And by whom are you employed and what is your
18 position?

19 A. I'm employed by Eversource Energy as Director
20 of Electric Supply.

21 Q. And you're here today testifying on behalf of
22 Eversource Energy?

23 A. Yes.

24 Q. And your prefiled testimony has been marked as

1 Exhibit J. Do you have any updates or
2 corrections to that testimony?

3 A. I do not.

4 MR. BERSAK: Mr. Shuckerow is
5 available for cross-examination.

6 CHAIRMAN HONIGBERG: Mr. Irwin.

7 MR. IRWIN: None. Thank you.

8 CHAIRMAN HONIGBERG: Mr. Fabish.

9 MR. FABISH: No questions. Thank
10 you.

11 CHAIRMAN HONIGBERG: Mr. Aslin.

12 MR. ASLIN: No questions. Thank
13 you.

14 CHAIRMAN HONIGBERG: Mr. Boldt.

15 MR. BOLDT: No questions.

16 CHAIRMAN HONIGBERG: Mr. Aalto.

17 MR. AALTO: No questions.

18 CHAIRMAN HONIGBERG: Mr.

19 Cunningham.

20 MR. CUNNINGHAM: None.

21 CHAIRMAN HONIGBERG: Should I
22 circle back to you, Ms. Geiger? Let me go through
23 everybody else real quick.

24 Ms. Holahan?

1 MS. HOLAHAN: Yes.

2 CHAIRMAN HONIGBERG: You're going
3 to have questions, too? All right.

4 Ms. Geiger, go ahead.

5 MS. GEIGER: Thank you.

6 CROSS-EXAMINATION

7 BY MS. GEIGER:

8 Q. Good morning, Mr. Shuckerow. Can you hear me
9 okay?

10 A. Yes, I can.

11 Q. Now, we've established through openings, and I
12 guess through your prefiled testimony, that
13 you're here today to discuss the issue of
14 avoided costs; is that correct?

15 A. Correct.

16 Q. And do you have Section III.C. of the
17 Settlement Agreement in front of you? And if
18 you don't, I can show it to you.

19 A. Yeah, if you could show it to me, I'd
20 appreciate it.

21 Q. Sure.

22 MS. GEIGER: Mr. Chairman, I
23 believe the Settlement Agreement has been marked for
24 identification as Exhibit A.

1 BY MS. GEIGER:

2 Q. So, Mr. Shuckerow, have you had a chance to
3 look III.C. and refresh your memory?

4 A. Would you like me to read through it or --

5 Q. That's not necessary. I guess, are you
6 generally familiar with the provisions of that
7 section of the Settlement Agreement?

8 A. Yes, I am.

9 Q. Okay. And would you agree that at that
10 section, the Settlement Agreement defines
11 PSNH's avoided costs for PURPA purchases as
12 "the market price for sales into the ISO-New
13 England power exchange adjusted for line
14 losses, wheeling costs and administrative
15 costs"?

16 A. Yes.

17 Q. So could you please turn to Page 3 of your
18 testimony.

19 A. I have it.

20 Q. Thank you. At Lines 10 to 13, you provided the
21 definition of "avoided cost" contained in the
22 federal regulations implementing PURPA; is that
23 correct?

24 A. Correct.

1 Q. And would you agree that the federal regulation
2 definition of "avoided cost" for purposes of QF
3 purchases are a utility's incremental costs of
4 electric energy or capacity, or both, which,
5 but for the purchase from the QF, the utility
6 would incur as a result of self-generation or
7 purchase from another source?

8 A. Yes.

9 Q. So if we were to compare the wording of the
10 Settlement Agreement, Section III.C., with the
11 federal regulation that we just talked about,
12 would you agree that the definition of "avoided
13 cost" are different?

14 A. I think the intent is basically the same. To
15 me, avoided cost would be the cost of the next
16 incremental resource that you'd purchase from
17 to meet your needs.

18 Q. Well, let's turn to the federal rule definition
19 again. And this is at Page 3, Lines 10 to 13
20 of your testimony. Can we agree that "avoided
21 cost" includes the utility's cost of generating
22 electricity itself?

23 A. It'd be generating or purchasing, depending
24 upon the circumstances.

1 Q. Okay. Well, isn't it true that when PSNH's own
2 generation and other purchase obligations are
3 insufficient to meet its load requirements,
4 that PSNH does purchase power from the ISO-New
5 England markets?

6 A. That's correct.

7 Q. Okay. And isn't it true that when PSNH needs
8 to purchase power from the market, 90 percent
9 of those power purchases are made from the
10 day-ahead market?

11 A. I think you're referring to an interrogatory
12 response?

13 Q. Yes. I'd like to show you what's been marked
14 for identification as Exhibit Z. Do you have
15 that in front of you? By the way, do you have
16 all the exhibits?

17 A. Yes, I do.

18 Q. So I guess it's not necessary that I get up out
19 of my chair again.

20 Would you agree that in Exhibit Z,
21 Mr. White answered a question from Granite
22 State Hydropower Association and indicated that
23 90 percent of energy purchases that PSNH made
24 for the period January 1, 2015 to June 30th,

1 2015, occurred in the day-ahead market?

2 A. That's correct for that time period. As you
3 well know, it could vary from different time
4 periods and from day to day.

5 Q. Sure. But I think we're talking -- I think
6 Mr. White answered the question in terms of
7 overall, between -- in that six-month period,
8 PSNH purchased from the day-ahead market
9 90 percent of the time when it made purchases.

10 A. That's correct. And that's due to the fact
11 that we -- basically, PSNH's current
12 responsibility is to bid and schedule our
13 resources. That's really done within my
14 organization. We bid the load in day-ahead,
15 for the most part. And any variances from that
16 bid load level would lead to purchases in the
17 real-time market. Or any generation operation
18 that we had bid in, and any variances from that
19 would lead to perhaps purchases or sales into
20 the real-time market. We basically use the
21 real-time market as a balancing function, and
22 that really was the intent, and that's why you
23 have the 90/10 split.

24 Q. Could you please refer to what's been marked

1 for identification as Exhibit AA.

2 A. My exhibits aren't marked AA. Could you give
3 me the title on that?

4 Q. Absolutely. Why don't I give you a package.

5 A. Okay. Thank you.

6 Q. Would you agree that in 2015, on average, the
7 ISO-New England day-ahead market prices were
8 higher than the real-time energy prices?

9 A. Yes. As the exhibit indicates, the day-ahead
10 LMP on average -- and this is for the zonal New
11 Hampshire price --

12 Q. Yes.

13 A. -- and this is in dollars per megawatt hour --
14 was \$42.11. And the real-time LMP was \$40.21.
15 So, \$1.90 differential. The day-ahead was
16 higher.

17 Q. Okay. Thank you.

18 Now, could you please turn back to Line
19 306 of the Settlement Agreement.

20 A. Okay.

21 Q. And how is PSNH interpreting the word "market"
22 in that line?

23 A. The "market price" would be the -- I think
24 could be both, depending upon whether it's

1 day-ahead or real-time. Either the day-ahead
2 market or the real-time market.

3 Q. But for purposes of the payments that PSNH is
4 making pursuant to that provision of the
5 Settlement Agreement, would you agree that PSNH
6 is interpreting or has historically interpreted
7 that word to mean the real-time market?

8 A. That's correct.

9 Q. Okay. So, even though 90 percent of PSNH's
10 ISO-New England market purchases are in the
11 day-ahead market, PSNH is paying QFs the lower
12 real-time market; right?

13 A. For the time period that we're looking at for
14 2015, based on that data, the answer would have
15 been yes. Obviously, if you go back to 2003,
16 when standard market design was in place -- and
17 that's when you had the two markets, the
18 day-ahead market and the real-time market --
19 those actually did vary. They could be higher
20 or lower.

21 Q. Is it fair to say that at any given hour PSNH's
22 generation and supply purchase costs are not
23 exactly equal to the real-time market prices?

24 A. That's correct.

1 Q. Now, I believe on Page 8, Lines 22 to 27 of
2 your testimony, you set out the avoided cost
3 language from the 1999 settlement agreement
4 that PSNH reached with other stakeholders to
5 settle various restructuring issues; is that
6 correct?

7 A. Could you give me the line numbers again,
8 please?

9 Q. Page 8, Lines 22 to 27.

10 A. Okay. I have it.

11 Q. And is it fair to say that your testimony on
12 Page 9 indicates that the 2015 settlement
13 agreement "avoided cost" language is basically
14 the same as that contained in PSNH's 1999
15 settlement agreement?

16 A. Yeah, basically same.

17 Q. So is it fair to say that PSNH has been
18 interpreting the "avoided cost" language in the
19 1999 settlement agreement to mean that QFs are
20 to be paid real-time market prices?

21 A. We basically are paying the QFs for the energy
22 they produce at that point in time. And
23 specifically for the resources that you're
24 representing, which are many, but they're all

1 very small in size, those, by ISO requirements,
2 those are recognized as "settlement-only
3 generators," and hence, they get the real-time
4 price. So we're simply paying them the price
5 in which the ISO, in effect, is paying us.

6 Q. But Mr. Shuckerow, I think the question that I
7 had attempted to ask, and probably inartfully,
8 is that, are you -- is it your testimony that
9 since 1999 PSNH has been paying the QFs the
10 real-time market price?

11 A. Yes.

12 Q. But isn't it true that in 1999 the real-time
13 market did not exist?

14 A. That's correct. The real-time market did not
15 exist until 2003.

16 Q. And is that reflected in what's been marked as
17 BB for identification, which is a press release
18 from ISO-New England that announced the
19 standard market design?

20 A. Yeah, that's correct. Exhibit BB is a press
21 release from ISO-New England, dated March 3rd,
22 2003. And as we were discussing a few minutes
23 ago, that's the so-called "SMD," or standard
24 market design. And that's when we switched

1 from -- to the day-ahead market and real-time
2 market.

3 (Court Reporter interrupts.)

4 Q. So, please turn to Page 23, Lines 13 to 16 of
5 your testimony. Do you have it there?

6 A. Yes, I do.

7 Q. Ask you about a 1987 Commission decision that
8 you cited there, Re Industrial Cogenerators
9 Group. Do you have that?

10 A. Yes, I do.

11 Q. And I believe in support of your position, that
12 the proper avoided cost rates for New Hampshire
13 QFs is the "real-time ISO-New England energy
14 market nodal price for energy and whatever the
15 capacity market provides them"; is that
16 correct?

17 A. Correct.

18 Q. But the ISO -- as we've established, the
19 ISO-New England real-time energy market didn't
20 exist in 1987, did it?

21 A. It did not in 1987.

22 Q. Isn't it true that that Industrial Cogenerators
23 Group decision basically set long-term, 20-year
24 rates based upon incremental generating costs,

1 not market costs?

2 A. I believe that would be the case. That's when
3 we were a vertically integrated utility, and
4 actually, pre-markets, which began with ISO-New
5 England in the, subject to check, 1998-1999
6 time period.

7 Q. Okay. Thank you. Now, turning back to the
8 1999 settlement agreement language in your
9 testimony -- this is at the bottom of Page 8
10 and top of Page 9, the language in that
11 settlement agreement requires that the price
12 PSNH is to pay QFs is to be adjusted for line
13 losses; is that correct?

14 A. Correct.

15 Q. Does PSNH apply a line-loss adjustment to
16 payments to Granite State's QF members?

17 A. I believe it's buried into the price that we
18 receive from ISO-New England.

19 Q. But it's not a separately compensated service,
20 is it?

21 A. Not to my recollection.

22 Q. Could you please turn to Page 11, Lines 7 to 11
23 of your prefiled testimony.

24 A. Yes.

1 Q. And there I believe you say that, in support of
2 your argument that QFs should be paid the
3 real-time prices, you say, "In today's ISO-New
4 England market, marginal price is always set by
5 the real-time market because all load
6 imbalances are resolved in the real-time energy
7 market." Did I read that correctly?

8 A. Yes, you did.

9 Q. Would you agree that the ISO-New England
10 real-time energy market is a locational load
11 imbalance market price?

12 A. Yes.

13 Q. And are you aware that FERC has ruled that a
14 locational imbalance market price cannot
15 properly be considered as an avoided cost under
16 PURPA for a utility that generates electricity
17 to service loads?

18 A. Yeah, are you referring to a specific decision?
19 Because there's been multiple --

20 Q. Yeah. Sure. If you could turn to Exhibit CC.

21 A. Okay. Yeah.

22 Q. And do you have a copy that has a highlighted
23 provision at Paragraph 52?

24 A. Attorney Geiger, the copy you gave me,

1 Paragraph 52 there's nothing highlighted.

2 Q. Okay. Well, could you please read into the
3 record the -- there's a sentence sort of
4 halfway through the paragraph that begins, "The
5 Texas Commission Order, we find..."

6 A. Yes, I have that.

7 Q. Could you please read that sentence and the
8 following sentence.

9 A. Sure. Be happy to. "The Texas Commission
10 Order, we find, incorrectly accepted this SPP
11 Energy Imbalance Service market locational
12 imbalance price at a QF's node as SPS's avoided
13 cost." End of first sentence.

14 Second sentence. "The problem with the
15 methodology proposed by SPS and adopted by the
16 Texas Commission is that it is based on the
17 price that a QF would have been paid had it
18 sold its energy directly in the EIS market
19 instead of using a methodology of calculating
20 what the costs to the utility would have been
21 for self-supplied purchased energy, 'but for'
22 the presence of the QF or QFs in the markets,
23 as required by the Commission's regulations."
24 End of sentence.

1 Q. Thank you. Mr. Shuckerow, based on the passage
2 that you just read, would you agree that,
3 according to FERC, a state commission cannot
4 properly use a locational imbalance market
5 price --

6 (Court Reporter interrupts.)

7 Q. Based on the passage you just read, would you
8 agree that, according to FERC, a state
9 commission, like the Texas Commission referred
10 to in that passage, cannot properly use a
11 locational imbalance market price as a
12 purchasing utility's avoided cost under PURPA?

13 A. Yes. This is an evolving area. There have
14 been subsequent decisions that I think are
15 related to this, and counsel could address this
16 further. But in October of 2013, FERC began to
17 address the same type of issues, and that
18 involved, I believe, a New Orleans utility.

19 (Court Reporter interrupts.)

20 CHAIRMAN HONIGBERG: That sounded
21 like a "No," Attorney Geiger.

22 MS. GEIGER: Okay. And Mr.
23 Chairman, if we're permitted to provide post-hearing
24 memos of law or briefs, especially on this issue

1 because it is an involved issue of both facts and
2 law, I think that this is an area that's properly
3 best addressed in a legal memorandum rather than a
4 back-and-forth between a lay witness and an attorney.
5 So I would, I guess at this point, ask for the
6 opportunity to file a post-hearing memo of law.

7 CHAIRMAN HONIGBERG: On time to
8 make such a request, but let's take the more general
9 question first.

10 Do others believe generally that
11 filing post-hearing memos is something that should
12 take place in this docket? Mr. Bersak's shaking his
13 head. That's the only response I see. Yes, Ms.
14 Amidon.

15 MS. AMIDON: Staff doesn't intend
16 to file a post-hearing brief. We're going to provide
17 our closing orally at hearing.

18 CHAIRMAN HONIGBERG: Doesn't seem
19 like there's an overwhelming feeling that generally
20 we should be doing that. On this specific issue, you
21 would like to be able to file something in writing?
22 Is there any reason why you can't do that before the
23 end of the hearing if you want to file a legal memo
24 of some sort?

1 MS. GEIGER: I could do that. I
2 think, Mr. Chairman, it'd probably be easier on that
3 particular issue, rather than getting back and forth
4 on the state of FERC's decisions on this issue --

5 CHAIRMAN HONIGBERG: Yeah, I
6 don't think you want to get into a legal argument
7 with a lay witness on the stand.

8 MS. GEIGER: Correct.

9 CHAIRMAN HONIGBERG: You might
10 want to get into an argument with Mr. Bersak about
11 that. But, I mean, if you want to file a legal memo
12 on something that's relevant to this decision, I
13 think you should file it.

14 MS. GEIGER: Thank you, and I
15 will do that.

16 BY MS. GEIGER:

17 Q. Mr. Bersak -- excuse me. Mr. Shuckerow,
18 getting back to your testimony on Page 11,
19 Lines 9 through 11, you state that GSHA's
20 resources only participate in the real-time
21 energy market so they do not and cannot allow
22 PSNH to avoid day-ahead energy market prices.
23 Is that your testimony?

24 A. Yes, it is.

1 Q. Isn't it true that GSHA's QFs do not sell their
2 power directly into the ISO real-time energy
3 market? Well, isn't it true that they sell
4 their power to PSNH?

5 A. Oh, the answer is yes, they sell their power to
6 PSNH. It's priced at the -- we price it at the
7 ISO-New England real-time energy price node
8 that it basically provides the energy to us.

9 Q. Okay. And isn't it true that PSNH must buy the
10 power that's offered by QFs that have capacity
11 of less than 20 megawatts? Right?

12 A. Yes.

13 Q. And isn't it also true that PSNH uses QF
14 purchases to meet its load obligations?

15 A. The answer is yes.

16 Q. Okay. I guess, just for the record, if you
17 look at exhibit, what's been marked as Exhibits
18 DD and EE, those are responses to data requests
19 that basically reflect the statement that you
20 just made, that PSNH actually uses the QF power
21 to meet its load obligations.

22 A. Yes. Exhibit DD is actually by Mr. Franz, and
23 I concur with it. And I think what's important
24 here is it refers to a settlement agreement, a

1 1990[sic] settlement agreement which truly
2 dictates to PSNH power to establish rates. And
3 then the subsequent exhibit which was done
4 by -- referred to as "EE," done by Mr. White --
5 Mr. White works for me -- basically says the
6 same thing.

7 Q. Okay. Thank you.

8 So, if PSNH, as we established, uses QF
9 power to meet its load obligation, how can the
10 QF be viewed as participating in the real-time
11 energy market?

12 A. We use those as dictated by the settlement
13 agreement. They're really used with regards to
14 what's not purchased from the QFs, the hydro
15 QFs. We simply buy that same energy from the
16 ISO-New England real-time market at the same
17 price.

18 Q. Which settlement agreement are you referring
19 to, Mr. Shuckerow?

20 A. I'm referring to the process to at least offset
21 our loads in effect through the 1999 settlement
22 agreement. It was the methodology for us to
23 establish our rates.

24 Q. Okay. And is it your testimony that you're

1 interpreting the 1999 settlement agreement as
2 authorizing PSNH to pay QFs the real-time
3 market prices?

4 A. In today's market, we're paying basically these
5 generators the price that we receive from
6 ISO-New England. So, customers are indifferent
7 and not providing any subsidy to these
8 customers at all, basically being paid exactly
9 what the value to energy to us is, to PSNH.

10 Q. Mr. Shuckerow, could please turn to Page 13,
11 Lines 17 to 18 of your testimony.

12 A. I have it.

13 Q. Okay. And there you state that there is
14 nothing stopping any QF from joining ISO-New
15 England and directly participating in the
16 day-ahead energy market if it felt such pricing
17 was desirable. Is that your testimony?

18 A. Yeah, it would be a function of the size of the
19 resources also, the megawatt size.

20 Q. So that wouldn't stop them from joining ISO-New
21 England.

22 A. Would not stop them from joining ISO-New
23 England. It would basically dictate what
24 market they could participate in.

1 Q. PURPA doesn't require QFs to join ISO-New
2 England, does it?

3 A. I'm not sure. Subject to check, I believe the
4 answer would be no.

5 Q. Okay. Could you please refer to what's been
6 marked for identification as Exhibit FF.

7 A. Yes, I have it.

8 Q. And that's a federal rule; correct?

9 A. Yes, it is.

10 Q. And isn't it true that that federal rule says
11 that FERC has established a rebuttable
12 presumption that a QF with a net capacity at or
13 below 20 megawatts does not have
14 non-discriminatory access to markets?

15 A. Yeah, that's what it says.

16 Q. And isn't true that PSNH has failed to rebut
17 this presumption?

18 A. Correct.

19 Q. Okay. As evidence of that failure to rebut, if
20 you could turn to Exhibit GG. Would you agree
21 with me that that's FERC's decision on a
22 petition that PSNH filed seeking to be relieved
23 of its responsibility to purchase from QFs
24 under PURPA, and that FERC found that, with

1 respect to QFs between 5 and 20 megawatts, PSNH
2 did not rebut the presumption about the QFs'
3 inability to access markets?

4 A. Yes.

5 Q. Now, on Pages 6 and 7 of your testimony, you
6 discuss other New England states that have
7 established avoided costs for QFs similar to
8 what PSNH is advocating in this docket; is that
9 correct?

10 A. That's Pages 6 and 7, Attorney Geiger?

11 Q. Yes.

12 A. Yes, I have it before me.

13 Q. And isn't it true that Massachusetts,
14 Connecticut, Maine and Rhode Island utilities,
15 electric utilities, do not own generating
16 assets as PSNH does?

17 A. That's correct. If I could add one caveat,
18 though?

19 Q. Sure.

20 A. Western Massachusetts Electric Company, now
21 Eversource Western Mass., does own 8 megawatts
22 of solar facilities. So there's one exception.
23 And that was really due to very recent public
24 policy to promote solar generation in

1 Massachusetts. So the answer is very much so,
2 with that one minor exception.

3 Q. Well, maybe the better way to characterize it:
4 Isn't it true that in those states the electric
5 generating distribution company -- or excuse
6 me -- the electric distribution companies are
7 divested of their generating assets, that
8 they've undergone divestiture?

9 A. Correct. And as Mr. Smagula discussed earlier,
10 that divestiture really happened January 1,
11 2000, for the most part.

12 Q. Now, in your testimony on Page 8, Lines 3
13 through 12, you cite other New Hampshire
14 electric utilities that set their avoided costs
15 for QF purchases based on the hourly prices
16 that these utilities receive for sales of IPP
17 output into the ISO-New England real-time
18 energy market; is that correct?

19 A. Yes. And I believe you're referring to Lines 3
20 through 12?

21 Q. Yes.

22 A. Yeah.

23 Q. However, isn't it true that Liberty, Unitil and
24 the New Hampshire Electric Co-operative do not

1 own generating assets, and they simply incur
2 purchase costs to serve their load rather than
3 a combination of generation purchase costs that
4 PSNH incurs?

5 A. Correct. They do not own generating resources
6 like PSNH and basically procure the needs of
7 their customers through what they call a
8 "default solicitation process" or --

9 Q. Right. And that's different from buying in the
10 day-ahead or real-time market; right?

11 A. That's correct. I believe they do not
12 participate in any way. Without self-served
13 load, they basically pass on that
14 responsibility to the wholesale suppliers.

15 Q. Would you agree that Vermont electric utilities
16 which are still vertically integrated are more
17 like PSNH than the other New England states?

18 A. Yes.

19 Q. And Vermont hasn't adopted the avoided cost
20 methodology that you're proposing in this
21 docket, has it?

22 A. Vermont? No. Vermont is not a restructured
23 state, so they really don't own much
24 generation. Most of it's purchased power. But

1 the bottom line is they're, in effect,
2 vertically integrated.

3 Q. But they don't set their avoided costs for QFs
4 in the way that PSNH is advocating in this
5 docket; correct?

6 A. They do not. I'm not so familiar with what
7 Vermont does, but I'm sure it's a function of
8 public policy considerations.

9 Q. If you would turn to what's been premarked for
10 identification as Exhibit HH. Would you agree
11 that, subject to check, that those are rate
12 sheets that the Vermont Public Service Board
13 has adopted in connection with its avoided
14 costs order entered on February 9th of last
15 year?

16 A. Yeah, that was the date. And it's entitled,
17 "Vermont Avoided Cost Rates for Levelized
18 Long-Term Firm and Non-Firm Sales Options,"
19 identified by month, peak and off-peak periods.

20 Q. Right. And isn't it also true that the
21 Commonwealth of Virginia's avoided costs for QF
22 purchases are day-ahead prices rather than
23 real-time prices?

24 A. That may be true. I have no reason to dispute

1 that, but I'm not familiar with Virginia.

2 Q. I believe if you were to turn to the La Capra
3 report that's actually submitted with your
4 prefiled testimony, and I believe it's at Bates
5 Page 296... do you have that, Mr. Shuckerow?

6 A. Unfortunately, I don't. I stop at 279 and jump
7 to 325 in Bates numbers. So I apologize.

8 Q. Well, why don't I show it to you. And
9 basically...

10 A. Okay. I see that.

11 Q. So, would you agree with me that in Virginia,
12 it's the day-ahead market prices that are paid
13 by purchasing utilities to QFs under PURPA?

14 A. Based on that document, the answer would be
15 yes.

16 Q. Would you have any basis for disagreeing with
17 the La Capra report?

18 A. No. They're a very competent organization.
19 It's just I'm personally not that familiar with
20 Virginia.

21 Q. Okay. Thank you.

22 Now, Mr. Shuckerow, changing gears a
23 little bit. Could you please turn to Page 5,
24 Lines 26 to 31 of your testimony.

1 A. I have it.

2 Q. And there you point to New Hampshire's net
3 metering rules in support of your argument that
4 QF avoided costs should be the ISO-New England
5 hourly real-time locational marginal price; is
6 that correct?

7 A. Yes, that's what's stated at those Lines 27,
8 28, 29.

9 Q. But isn't it true that, in order to participate
10 in New Hampshire's net metering program,
11 participants must be retail customers of PSNH?

12 A. I believe the answer is yes.

13 Q. Okay. But QFs are not net metering customers
14 of PSNH; correct?

15 A. Correct.

16 Q. And net metering customers are compensated for
17 avoiding line losses; is that correct?

18 A. I believe they are.

19 Q. But PSNH is not crediting GSHA's QFs for
20 avoiding line losses, is it?

21 A. It's basically crediting, as we discussed
22 earlier, the real-time LMP price with respect
23 to the mode delivering at.

24 Q. So is it your testimony that that real-time

1 market price includes compensation for
2 line-loss avoidance?

3 A. In my view, it is the delivery point. So at
4 that point, any line losses prior to that would
5 be recognized.

6 Q. So, could you please -- again, do you have the
7 La Capra report that you submitted with your
8 prefiled testimony? I know you said you had
9 some pages of it. Do you happen to have Bates
10 Page 295?

11 A. I do not in my file here.

12 Q. Maybe Mr. Bersak can show you your testimony.
13 Actually, while doing that, if I could go back
14 to the line-loss issue.

15 When you talk about the real-time price
16 compensating for line losses, is that
17 transmission line loss?

18 A. Yes.

19 (Mr. Bersak hands document to witness.)

20 A. Bates page again was?

21 Q. Bates 295, please.

22 A. Okay. I have 295. It's entitled, "Summary of
23 Other RTO Regions."

24 Q. And do you see a statement there where La Capra

1 says that most states do not have a direct
2 connection between their QF rate and net
3 metering rate design?

4 A. Yes.

5 Q. Do you agree with that statement?

6 A. Yes.

7 Q. Okay. Now, Mr. Shuckerow, shifting gears once
8 more -- and I think you still have my copy of
9 the 2015 settlement agreement; correct?

10 A. Yes, I do. We were talking previously about
11 Section C, avoided costs for IPPs?

12 Q. Right. Could you turn to Section 5, please.

13 A. Do you have a page number for that?

14 Q. I think I have it tabbed with a yellow sticky.

15 A. Okay. Thanks. Found it.

16 Q. Okay. Would you agree that -- Page 24,
17 actually, and on to Page 25 -- that PSNH has
18 agreed to provide \$5 million for a Clean Energy
19 Fund?

20 A. Yes. It says, "Upon closing on the RRBs, PSNH
21 agrees to provide \$5 million to capitalize a
22 Clean Energy Fund, such amount not to be
23 recovered from customers."

24 Q. Would you agree that New Hampshire's small

1 hydropower facilities provide clean energy?

2 A. Absolutely.

3 Q. And subject to check, would you agree that, if
4 GSHA's members generated 208 gigawatt hours in
5 2015 -- and this is shown on, if you turn to
6 Exhibit AA... bear with me. If you do the
7 math, if you take 208 gigawatt hours as shown
8 on AA, and if the GSHA members were paid the
9 day-ahead market instead of the real-time
10 market price, of which there is a delta of a
11 \$1.90 per megawatt hour, the QFs would have
12 been paid approximately \$395,000 more than what
13 they actually received?

14 A. I'll trust your math.

15 Q. Well, basically --

16 A. Yeah. We had talked earlier how the price was
17 lower in the real-time market compared to the
18 day-ahead.

19 Q. Sure. So am I correct in saying that PSNH is
20 willing to put \$5 million into a Clean Energy
21 Fund but is not willing to pay a fraction of
22 that to GSHA's members, who, as you agreed,
23 have contributed to New Hampshire's Clean
24 Energy portfolio?

1 A. I believe we're fairly paying the hydro
2 facilities the value of the energy provided to
3 customers.

4 Q. Now, PSNH owns run-of-river hydro assets;
5 correct?

6 A. Yes.

7 Q. And does PSNH use those assets to serve default
8 service load?

9 A. Yes.

10 Q. And when PSNH uses its own hydro generating
11 assets to serve load, it recovers the actual
12 cost of operating those assets in its default
13 service rates, not the real-time energy price;
14 correct?

15 A. We recover all fixed costs. So the answer
16 would be fixed and variable O & M cost, the
17 answer would be yes.

18 Q. And would you agree that in 2015, PSNH's cost
19 associated with self-generation exceeded both
20 the average ISO-New England day-ahead
21 locational marginal price and real-time prices?

22 A. For those hydro facilities or in aggregate?

23 Q. I think in aggregate. And basically, Mr.
24 Shuckerow, if you could turn to Exhibit II.

1 A. I have it.

2 Q. That basically contains document and backup
3 data from PSNH's recent default service filings
4 which shows that PSNH's total self-generation
5 costs in the first half of 2015 were 7.49 cents
6 per kilowatt hour and 5.93 cents per kilowatt
7 hour in the second half; correct?

8 A. Correct.

9 Q. And isn't it true that during 2015, the
10 day-ahead locational marginal price was \$4.21
11 per kilowatt hour, and the average real-time
12 locational marginal price was \$4.02 per
13 kilowatt hour?

14 A. Correct.

15 Q. So, based on the data that we've just talked
16 about in Exhibits AA and II, isn't it fair to
17 say that PSNH's self-generation costs exceeded
18 the average market prices during 2015?

19 A. The answer is yes, but there's -- when you talk
20 about "market," there are other market sources
21 that gets provided to generators beyond just
22 the energy price. For example: There are
23 capacity revenues. There could be ancillary
24 revenues. So it's not quite, I'll say an

1 apples-and-apples comparison. The energy price
2 is a very large portion of the overall
3 revenues, but not 100 percent.

4 Q. So you're saying that PSNH receives other
5 revenues in connection with the operation of
6 its generating plants.

7 A. The answer is we would receive revenues that we
8 would credit customers. I think that's what
9 we're referring. For example: The hydro units
10 that you represent I believe also receive
11 capacity revenues.

12 Q. So, Mr. Shuckerow, on the last page of your
13 testimony, on Page 24, at Lines 1 to 3, you
14 state that a properly established avoided cost
15 rate set by the competitive market at the
16 real-time energy market price would not hurt
17 customers; is that correct?

18 A. That was Page 24?

19 Q. Yes, Lines 1 through 3.

20 A. Correct.

21 Q. But isn't it also true that FERC's rules say
22 that avoided cost rates must also not
23 discriminate against QFs?

24 A. The answer is yes. But as we discussed earlier

1 in our cross-examination of me, it's an
2 evolving area. And I'll let the lawyers
3 address the evolution of what's happening with
4 regards to that subject matter.

5 Q. Okay. We will do that.

6 And so, finally, if PSNH is using QF power
7 to meet load obligations, and if that power
8 helps PSNH avoid purchases in the day-ahead
9 market, the market from which PSNH makes
10 90 percent of its supplemental power purchases,
11 isn't the payment of the lower real-time market
12 price discriminatory towards QFs?

13 A. As I believe the theme of this whole testimony
14 is PSNH will provide to the QFs the value of
15 the energy that we're getting, whether it's the
16 day-ahead market or the real-time market, all
17 the resources we've been talking about have
18 been real-time markets. I think we're simply
19 passing on, in effect, the value of the energy
20 that we're receiving from ISO-New England.

21 Q. But 90 percent of the time, isn't it the value
22 of the day-ahead energy market?

23 A. I believe it's the value of the next
24 marginal -- the cost of the next marginal

1 kilowatt hour. It's what avoided costs are
2 really intended to be. And as such, it would
3 not necessarily be the average of the
4 day-ahead. It's really the next incremental
5 kilowatt hour that you purchase or sell.

6 Q. Okay. Thank you. I have nothing further.

7 CHAIRMAN HONIGBERG: Ms. Holahan.

8 MS. HOLAHAN: Thank you.

9 CROSS-EXAMINATION

10 BY MS. HOLAHAN:

11 Q. Good afternoon, Mr. Shuckerow. As Director of
12 Electric Supply, do your responsibilities
13 include the procurement of default service for
14 Eversource's customers in Massachusetts and
15 Connecticut?

16 A. Yes, it does.

17 Q. I'm going to show you a couple of exhibits
18 because they're highlighted. First one is
19 Exhibit A, which is the Settlement Agreement.
20 The second exhibit is an exhibit marked for
21 identification as SS.

22 A. Thank you.

23 Q. So, with respect to the Settlement Agreement,
24 Exhibit A, I'd like to direct your attention to

1 Page 11 of that document, beginning at Line
2 293, the section entitled, "Default Energy
3 Service."

4 A. Yes. It's highlighted, what you gave me.

5 Q. Exactly. Would you please read the highlighted
6 section on that, please.

7 A. Sure. Be happy to. "Default service will
8 provide a safety net and assure universal
9 access for customers who do not receive energy
10 from a competitive supplier." New sentence.
11 "Default service shall be acquired and provided
12 in accordance with R.S.A. 369-B until
13 divestiture of PSNH's generating assets." New
14 sentence. "No later than six months after the
15 final financial closing resulting from the
16 divestiture of PSNH's generation[sic] assets,
17 PSNH will transition to a competitive
18 procurement process for default service." New
19 sentence. "The competitive process utilized
20 shall be consistent with the process determined
21 by the Commission in Docket No. IR 14-338,
22 'Review of Default Service Procurement
23 Processes for Electric Distribution Utilities,'
24 as may subsequently be modified by the

1 Commission."

2 Q. Thank you.

3 MS. HOLAHAN: I would ask the
4 Commission to take administrative notice of Docket IR
5 14-338. It is the Commission's docket that was
6 opened to review default service procurement
7 processes for electric distribution companies --
8 excuse me -- utilities.

9 CHAIRMAN HONIGBERG: Does anyone
10 have any comment or objection to that request?

11 (No verbal response)

12 CHAIRMAN HONIGBERG: None? All
13 right. Mr. Fossum.

14 MR. FOSSUM: I just want to be
15 clear. Is it administrative notice of the entire
16 docket or some subset of the documents within that
17 docket?

18 CHAIRMAN HONIGBERG: Ms. Holahan,
19 you're referring to the order that was generated out
20 of that, the whole docket?

21 MS. HOLAHAN: I don't believe
22 there's been an order generated in that docket.

23 CHAIRMAN HONIGBERG: That's
24 probably right. I think there was a somewhat

1 probably inarticulate conclusion to a hearing because
2 I was the one talking I think. But it did produce
3 some proposals from at least one, and I think two of
4 the utilities regarding their procurement processes.

5 So is what you're asking, that
6 that docket -- I mean, what is it you want us to
7 notice about it?

8 MS. HOLAHAN: I want -- first of
9 all, I want it to be noticed that it is a docket
10 pending currently before this Commission; that no
11 final order has been issued; that the Settlement
12 Agreement refers to that default service is going to
13 be competitively procured in accordance with that
14 docket; yet, there's no conclusion. So what I'd like
15 to do now is to talk to the witness about his
16 participation in that docket and his recommendations.

17 CHAIRMAN HONIGBERG: Mr. Fossum.

18 MR. FOSSUM: I guess I'm still
19 not certain -- I apologize -- what it is that's being
20 administratively -- I think I understand the request.
21 I guess I'm still not certain what it is that the
22 Commission's official notice would be, would pertain
23 to.

24 CHAIRMAN HONIGBERG: Yeah, I'm

1 not sure either. I know where you want to go, but
2 I'm not sure about what about that docket you need us
3 to take notice of.

4 MS. HOLAHAN: Because the docket
5 is referred to in the settlement docket itself, I
6 just wanted to hear that it is a docket currently
7 pending before the Commission, for which no final
8 order has yet issued.

9 CHAIRMAN HONIGBERG: I think
10 everybody would agree with that.

11 MS. HOLAHAN: Okay.

12 CHAIRMAN HONIGBERG: All right.
13 You may proceed.

14 MS. HOLAHAN: Thank you.

15 BY MS. HOLAHAN:

16 Q. Mr. Shuckerow, did you participate in any of
17 the technical conferences in Docket IR 14-338?

18 A. Yes, I did.

19 Q. Did you make any recommendations about how
20 default service should be procured post-2015?

21 A. Yes, we did.

22 Q. Do you recall what your recommendations were?

23 A. My memory would have to be refreshed. That was
24 not quite a year ago.

1 Q. If you would refer to the exhibit that is
2 marked for identification as SS, are you
3 familiar with that docket?

4 A. Yes, I have that document in front of me.

5 Q. Do you recognize that document? Have you seen
6 it before?

7 A. Yes. This was filed by our counsel under
8 direction of a few executives at Eversource
9 Energy.

10 Q. Okay. Would you please read the highlighted
11 portion on Page 1 of that document.

12 A. Sure. The document is dated April 15, 2015,
13 and it was written by Mr. Matthew Fossum.
14 "Eversource concurs with the conclusion that
15 default service procurement shall[sic] be
16 segmented between residential and small general
17 service customers on the one hand, and large
18 and commercial industrial customers on the
19 other hand[sic]. These classes of customers
20 have differing load and migration profiles and,
21 as such, present different levels of risk or
22 attractiveness to potential suppliers, and the
23 differences merit somewhat different wholesale
24 and retail rate treatment." Continuing --

1 Q. Mr. Shuckerow, do you agree -- I'm sorry.

2 A. Okay. There was the next page that was
3 highlighted.

4 Q. Oh, I'm sorry.

5 A. Did you want me to read the next page also?

6 Q. Yes. No, no. Wait, wait. No, Page 2, I'll
7 get to that in a minutes.

8 A. Okay.

9 Q. Do you agree with the language you just read,
10 that default service procurement should be
11 segmented with residential and small general
12 service customers on one hand and large C and I
13 customers on the other?

14 A. Absolutely. And that's consistent with the
15 processes we currently use in Connecticut and
16 Massachusetts.

17 Q. Okay. Would you now read the highlighted
18 portion on Page 2 of Exhibit SS.

19 A. "Eversource concurs with the comments of others
20 that default service should be procured from a
21 wholesale supplier on a full requirement load
22 following basis for the entire default service
23 load for the duration of a particular rate
24 term. This method is consistent with those

1 used in other states and with the methods
2 presently used in New Hampshire and, in
3 Eversource's opinion, appropriately accounts
4 for the risks of providing such service."

5 Q. Can you briefly explain what the benefits of
6 procuring default service in this manner are?

7 A. Yes. Basically, each wholesale supplier takes
8 on a load responsibility to meet all the ISO
9 requirements to serve that load, along with the
10 changing load from what perhaps was forecasted
11 with customers coming and going. So, basically
12 suppliers take on all risk, and there are no
13 risks borne by customers, other than paying
14 what the price would be from month to month, in
15 effect.

16 Q. And I think you just testified that the method
17 described in that paragraph is consistent with
18 how Eversource procures default service in both
19 Massachusetts and Connecticut.

20 A. Correct.

21 Q. Would you please read the highlighted paragraph
22 on Page 4 of Exhibit SS.

23 A. I have it. "As for the rates to be paid by
24 large customers, Eversource proposes that the

1 rates be set monthly and that they be based
2 upon available forward market prices close in
3 time to the month of delivery.

4 "In Eversource's assessment, approximately
5 three to five days ahead would be sufficient.
6 Setting the rates close in time to delivery
7 month and basing them on forward market data
8 is considered by Eversource to be a reasonable
9 approach for minimizing over or under
10 recoveries."

11 Q. And that paragraph refers to large commercial
12 and industrial customers; correct?

13 A. Correct.

14 Q. Again, what are the benefits of procuring
15 default service in this manner?

16 A. It's probably more the challenges we've been
17 facing, especially at the time that this was
18 written. For large C & I customers, we have
19 few bidders. It's most of the load is being
20 served by competitive supply. So, generally
21 speaking, in Massachusetts and Connecticut, our
22 history's been around 10 percent of that load
23 is being served to the default service process.
24 That has led to a number of complications, No.

1 1. We perhaps at times had zero bidders. So
2 that responsibility stays with the utility. So
3 we've had to self-supply it. No. 2, at times
4 we've only had one bidder, and that brings up
5 the whole issue of whether or not that price is
6 competitive or not. It requires a lot of time
7 spent with respect to state utilities and, as
8 such, given that there's a very small amount of
9 load, we thought, in effect, a path of ease
10 would be basically for the utility to take on
11 that responsibility and serve that load.

12 Q. And again, this method of procuring default
13 service for your C & I customers is consistent
14 with how Eversource functions in both
15 Massachusetts and Connecticut?

16 A. No. This recommendation would probably be an
17 evolutionary step. Currently we do it the way
18 I just described, through traditional wholesale
19 suppliers taking on full responsibilities for
20 that load. Again, given the fact that it's
21 a -- we've had no bidders or very few bidders
22 to provide what we thought the best fair price
23 to our customers is, we volunteered to take it
24 on. That was a suggestion, a recommendation to

1 this group. That's never really come to a
2 head. So I'm not quite sure where we stand
3 there. By "head," I mean we've gotten no
4 decision from the Commission.

5 Q. Okay. Let me try this in a different way.

6 If divestiture occurs, would it be your
7 recommendation that Eversource proceed in that
8 manner for procuring default service for its
9 large C & I customers?

10 A. Yes, in the manner as described in the
11 memo that --

12 Q. That would be the paragraph on Page 4 that you
13 just read.

14 A. That would be correct.

15 Q. And would it be your recommendation that,
16 consistent with the paragraph on Page 2 of that
17 memo that you read with respect to residential
18 and small business customers, that you would
19 procure default service in a manner consistent
20 with that paragraph?

21 A. Yes.

22 Q. Okay. That's all I have.

23 CHAIRMAN HONIGBERG: Ms.
24 Chamberlin, do you have any questions?

1 MS. CHAMBERLIN: No questions.

2 CHAIRMAN HONIGBERG: Ms. Ross.

3 MS. ROSS: No questions.

4 CHAIRMAN HONIGBERG: Ms. Amidon.

5 MS. AMIDON: No questions. Thank
6 you.

7 CHAIRMAN HONIGBERG: Commissioner
8 Bailey.

9 INTERROGATORIES BY COMMISSIONER BAILEY:

10 Q. Do you remember the question that Attorney
11 Geiger asked you about PSNH pays QFs recognized
12 as settlement-only generators?

13 A. Yes. It's called "SOG" within ISO-New England.
14 So it refers to settlement-only generators.

15 Q. Settlement-only generators.

16 A. Correct.

17 Q. Okay. Can you explain what that means?

18 A. Yes. I'm looking at my notes. First of all,
19 settlement-only generators specifically are
20 resources of less than a megawatt, or having
21 connection of less than 115 kilovolts. It's --
22 so that's the explanation.

23 Q. Okay.

24 A. From the ISO-New England system, that's how

1 they're recognized. So, basically, very small
2 resources located at the lower-level
3 transmission system.

4 Q. Okay. Thank you. And some of the QFs to which
5 you pay the real-time prices are not
6 settlement-only because they're up to
7 20 megawatts, did I understand?

8 A. Yeah. The ones from -- I think in question
9 here with Granite State, they're all very small
10 resources, so they're all settlement-only.

11 Q. Could you tell me who "all" means again?

12 A. I have a lengthy list in front of me of the
13 settlement-only generators.

14 Q. Well, are there some that are not
15 settlement-only generators that you pay the
16 real-time price to?

17 A. The answer is I don't believe we pay the
18 day-ahead to any generators. We pay the
19 real-time because they're all small.

20 Q. Okay. But I'm new at this. So I'm just
21 wondering, are there some that are between 1
22 megawatt and 20 megawatts that you do pay? Are
23 there some QFs between 1 megawatt and
24 20 megawatts that you pay under the real-time

1 because you don't pay anybody? I don't know if
2 they exist. That's my question.

3 A. Oh, the answer is yes. We pay real-time to
4 everybody. I apologize for any confusion I
5 created.

6 Q. I get you pay real-time to everybody. I'm
7 trying to find out who "everybody" is.

8 A. Yes. The "everybody" basically is a -- again,
9 I'm going back to a large list of persons that
10 we, in effect, pay. When I say "large list,"
11 it's probably, if I added them up here, maybe
12 30 different resources, give or take.

13 Q. Okay. And can you give me a rough estimate
14 about how many are not settlement-only
15 generators?

16 A. These are all settlement-only. Again, they're
17 all less than a megawatt, so they're
18 settlement-only generators.

19 Q. So are there any generators that you pay that
20 are more than a megawatt but less than
21 20 megawatts, or did I misunderstand Ms. Geiger
22 when she referred to 20 megawatts? Is that the
23 total that they produce, all 30 of them?

24 A. Yeah, the total -- let me add some details

1 here. The total Granite State Hydro
2 Association resources that we're talking about,
3 based on the data in front of me, they have
4 what we call a "claim capability rating," which
5 is the megawatt rating. For the Granite State
6 Hydro Association subtotal, the summer rating
7 is 2.663 megawatts, and that's of these 30 or
8 so that I mentioned. And their winter rating
9 is 5.509 megawatts. And to add a little
10 example of that, No. 1 on the list, for example
11 here, is called Avery Dam. Its location is
12 Laconia, and it's .175 megawatts.

13 Q. Okay.

14 A. That's typical. Here's another one, called
15 Celle Mill, U5. It's .031.

16 Q. All right. I get it. So they're really small.

17 A. Yes. Exactly.

18 Q. So, do you remember when she said something
19 about 20 megawatts?

20 A. Yeah, I think she was referring to just some
21 PURPA regulations, which there are some larger
22 resources available. That wasn't really the
23 family of resources that she and I were talking
24 about. The ones Attorney Geiger and I were

1 talking about were of the magnitude of
2 megawatts that in aggregate add up to --

3 Q. Five.

4 A. -- five with the winter rating, again made up
5 of many, many units.

6 Q. Okay. That's very helpful. Thank you.

7 Does PSNH sometimes purchase power from
8 the market when it costs less than what it
9 would cost to generate its own power?

10 A. Absolutely, yeah. And to give you an example,
11 Mr. Smagula was talking about the capacity
12 factors for Merrimack 1 and 2 earlier, and he
13 was absolutely correct in the 20 percent range.
14 For example: Right now on a warm day like
15 today -- let me step back.

16 The variable costs for the fleet of PSNH
17 generation steam units, primarily the coal
18 units, as he had said is in the 4 to 5 cents
19 per kilowatt hour range. Daily my group has
20 the responsibility. If we can purchase it for
21 less than what it costs for us to produce, we
22 purchase.

23 Q. And do you do that on the day-ahead market?

24 A. The answer is yes, because we serve a lot of

1 load. You always want to be in the day-ahead
2 market because that's really how the system was
3 designed. Remember earlier we talked about the
4 standard market design went into place in 2003.
5 The whole purpose of that was to get generators
6 to commit in advance of the day of need and
7 load, to commit in advance of the day of need,
8 such that you'd have a matching of generation
9 output with the most efficient generators to
10 the load that was expected.

11 Now, the real-time market we've been
12 discussing is basically -- obviously what
13 happens, or what you thought was going to
14 happen the day before and what happens on the
15 actual day of, which we call "real-time,"
16 there's variances. Those variances can be
17 caused for two reasons. No. 1, the load can be
18 different from what you projected, either
19 higher or lower. Usually if a load ends up
20 being higher than what you projected, the
21 marginal cost of the real-time LMP may be
22 higher because you're starting with perhaps
23 less efficient resources. If the load is
24 lower, you basically may end up in a situation

1 where the prices are less. Another
2 consideration of the real-time market is in the
3 day-ahead market. The generators make a
4 commitment and obligation to provide that
5 energy. And if for some reason they have
6 outages or fail to operate, essentially that
7 mismatch that will occur will be captured into
8 the real-time market.

9 Q. So explain to me again. If you're using the QF
10 supply because you expect it to be there and
11 you know what your load is going to be in the
12 day-ahead market, so you're basing your
13 day-ahead input -- I don't know what that's
14 called --

15 A. Yeah, your --

16 Q. -- on what you expect the hydros to produce for
17 you --

18 A. Right.

19 Q. -- why you should pay them at the price that is
20 sort of the reconciliation factor for what
21 really goes on, on the day of.

22 A. Right. Yeah, it's unpredictable as to exactly
23 what those resources will be providing. And
24 first of all, it's a very small amount of

1 megawatt hours compared to the overall
2 responsibility of PSNH. And again, as I said
3 earlier, that energy really isn't recognized in
4 the day-ahead market by ISO-New England; it's
5 provided in the real-time market. And there's
6 real advantages to the suppliers to provide in
7 the real-time market. No. 1 is to provide in
8 the day-ahead market, there's obligations --

9 Q. Wait a second. But those are the ones that --

10 A. Are larger.

11 Q. -- we're not talking about.

12 A. Okay.

13 Q. That's where I'm getting confused.

14 A. So, basically we're providing the value of the
15 energy that we're receiving in lieu of making
16 purchases in the real-time market. Now, if we
17 were to pay the day-ahead price, that day-ahead
18 price obviously would be independent of the
19 energy they're producing, but it's
20 identifiable. And as we discussed that earlier
21 today, that price could be higher or lower. If
22 it ends up being the day-ahead price being
23 higher, but we really only got the energy
24 during the real-time market, that mismatch

1 would essentially be a subsidy that customers
2 would be paying for the value of this energy.
3 So it would be paying more than what the value
4 of the energy is worth.

5 Q. Okay. Can you -- okay.

6 On Page 13 of your testimony --

7 A. I have it.

8 Q. -- where you talk in the middle, Line 7 through
9 14, where you talk about the administrative
10 costs --

11 A. Okay.

12 Q. -- so is it possible that the administrative
13 costs could be more than the difference between
14 the day-ahead and the real-time prices?

15 A. The answer is it's always a function of the
16 magnitude of the megawatts that you're
17 addressing. So if it's a small amount of
18 megawatt hours, the answer would be absolutely.

19 Q. So, to avoid those administrative costs,
20 wouldn't it just be easier to pay the
21 day-ahead?

22 A. If we pay the day-ahead, well, we know what
23 that is after the fact, could basically pay
24 them. It could be worth more than what the

1 value of the energy to us was and thereby
2 creating a subsidy and an overpayment, and
3 hence, having costs being higher to customers
4 than what they otherwise would have been.

5 Q. Okay. Thank you.

6 CHAIRMAN HONIGBERG: Mr. Iacopino.

7 BY SP. COMMISSIONER IACOPINO:

8 Q. I thought I read somewhere in your testimony,
9 sir -- and I can't find it right now -- that
10 you don't pass the administration costs onto
11 qualifying facilities.

12 A. We do not. Correct.

13 Q. Is what is proposed in the Settlement Agreement
14 for how the -- well, does the Settlement
15 Agreement do anything to change the manner in
16 which you're presently compensating the
17 qualifying facilities?

18 A. I don't believe it does.

19 Q. I have no further questions.

20 INTERROGATORIES BY CHAIRMAN HONIGBERG:

21 Q. All right. I'm going to pick up on something
22 Commissioner Bailey was just talking with you
23 about. The very end of your last answer, you
24 talked about if you pay them the day-ahead

1 price, you end up subsidizing them and paying
2 more for them than you otherwise would have to.
3 But isn't that the nub of the argument?
4 They're saying that if they didn't exist, your
5 costs would be higher than what you're paying
6 them.

7 A. No. The nub of the argument is they're only
8 producing real-time. They're basically
9 avoiding real-time purchases for us, and we're
10 just trying to make sure those customers are
11 indifferent, whether purchasing directly from
12 these hydro resources or purchasing directly
13 from the market. We're trying to keep our
14 customers neutral.

15 Q. I think you're talking past each other, but I
16 think the lawyers will probably pick up that
17 argument. I have nothing further.

18 Mr. Bersak, do you have any further
19 questions for the witness?

20 MR. BERSAK: Yes, I do, Mr.
21 Chairman. It's probably north of a half an hour.

22 CHAIRMAN HONIGBERG: Really?

23 MR. BERSAK: Yes. So I see
24 you're looking at the clock, and that's my question.

1 Do we stop for lunch, or do we press on?

2 CHAIRMAN HONIGBERG: I think it
3 probably makes sense to break now. And you'll be
4 carefully looking at your notes to see which of the
5 follow-up questions you plan -- you can carve out so
6 you can keep yourself south of 30 minutes. But I
7 understand. You do what you need. I was just
8 joking.

9 So we'll take a lunch break. We
10 will come back at... let's see. It's 12:37 now.
11 We'll come back at 1:45. We will adjourn.

12 (Lunch recess was taken at 12:37 p.m.)

13
14 (This concludes the Morning Session of
15 Day 1 regarding DE 14-238 & DE 11-250.
16 Please note that the Afternoon Session
17 is being provided under separate cover
18 so designated.)

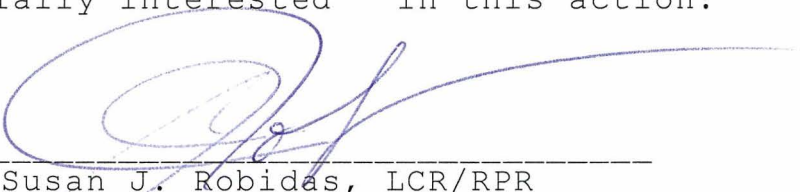
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[WITNESS: SHUCKEROW]

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