

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 6, 2016 - 1:35 p.m.  
Concord, New Hampshire

RE: DE 16-250  
UNITIL ENERGY SYSTEMS, INC.:  
2016 Default Service.

**PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Robert R. Scott  
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

**APPEARANCES:** Reptg. Unitil Energy Systems, Inc.:  
William D. Hewitt, Esq. (Roach Hewitt)

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Thomas Frantz, Director/Electric Div.

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

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**WITNESS PANEL:**        **LISA S. GLOVER**  
                              **LINDA S. McNAMARA**

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3	Filing entitled "Unitil Energy Systems, Inc. Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs (September 30, 2016) <b>{CONFIDENTIAL &amp; PROPRIETARY}</b>	5
4	Filing entitled "Unitil Energy Systems, Inc. Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs (September 30, 2016) <b>[REDACTED - For Public Use]</b>	5
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**P R O C E E D I N G**

CHAIRMAN HONIGBERG: All right.

We're here this afternoon in Docket DE 16-250, which is Unitil's docket for Default Service Solicitation and their tariff associated with Default Service. This is a semiannual proceeding. This is the second of the two during this calendar year to cover the six months that will start December 1st.

Are there any preliminary matters -- no, before I do that, let me take appearances.

MR. HEWITT: Good afternoon. Bill Hewitt, of the law firm Roach, Hewitt, Ruprecht, Sanchez & Bischoff, appearing this afternoon on behalf of the Petitioner, Unitil Energy Systems.

CHAIRMAN HONIGBERG: Welcome back, Mr. Hewitt.

MR. HEWITT: Thank you. It's a pleasure to be back.

MS. AMIDON: Suzanne Amidon, for Commission Staff. And with me today is Tom Frantz, who's the Director of the Electric Division.

1 CHAIRMAN HONIGBERG: Now, are there  
2 any preliminary matters we need to deal with  
3 before we hear from the witnesses?

4 MR. HEWITT: I believe just a few.  
5 The first is exhibits. We have filed two  
6 sets -- or, two exhibits, one set of  
7 confidential materials and one set of redacted  
8 materials. The confidential materials we've  
9 agreed will be marked as "Exhibit 3". And I  
10 suspect we'll be using those predominantly this  
11 afternoon. And the redacted materials are  
12 marked "Exhibit 4".

13 (The documents, as described,  
14 was herewith marked as  
15 **Exhibit 3** and **Exhibit 4**,  
16 respectively, for  
17 identification.)

18 CHAIRMAN HONIGBERG: Anything else?

19 MR. HEWITT: Two more items. The  
20 other issue, Mr. Chairman, is the Company  
21 routinely files confidential materials in these  
22 proceedings, and we did request confidential  
23 treatment of those materials, as is routine in  
24 these dockets.

1 CHAIRMAN HONIGBERG: Ms. Amidon?

2 MS. AMIDON: We reviewed the  
3 material. It's similar to what the Commission  
4 has granted protective order before, and is  
5 consistent with the Puc 201 rule. So, we  
6 recommend that you grant the confidential  
7 treatment.

8 CHAIRMAN HONIGBERG: And, under 201,  
9 it is confidential even without our having to  
10 do anything, right?

11 MS. AMIDON: That is true. But,  
12 because the motion is filed, I believe that it  
13 should be addressed at the hearing.

14 CHAIRMAN HONIGBERG: I think we  
15 agree. So, that will be -- the material that's  
16 in the confidential version will be deemed  
17 confidential.

18 Anything else?

19 MS. AMIDON: There's one item that  
20 came to my attention from -- by Mr. Hewitt.  
21 And that is, in the order -- the last order in  
22 this docket, there was a pending Staff review  
23 of the Lead/Lag Study, and Staff was to file a  
24 recommendation or comment by September 15th.

[WITNESS PANEL: Glover ~ McNamara]

1       Staff didn't do so. I did talk with the  
2       analyst who worked on this, on the Lead/Lag,  
3       and he had reviewed it and found that it was  
4       done the same as required by or as agreed to by  
5       the utility with Staff some time ago, and he  
6       felt the outcome was calculated appropriately.

7               But we haven't reduced that to  
8       writing.

9               CHAIRMAN HONIGBERG: But you've just  
10       put it on the record. So, Staff is satisfied  
11       that the new Lead/Lag Study meets with the  
12       requirements of the rules?

13              MS. AMIDON: Yes.

14              CHAIRMAN HONIGBERG: All right.  
15       Anything else?

16              MR. HEWITT: That does it for the  
17       Company. Thank you.

18              CHAIRMAN HONIGBERG: All right. The  
19       witnesses are already in place. Mr. Patnaude.

20                       (Whereupon **Lisa S. Glover** and  
21                       **Linda S. McNamara** were duly  
22                       sworn by the Court Reporter.)

23              CHAIRMAN HONIGBERG: Mr. Hewitt.

24              MR. HEWITT: Thank you. Good

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1 afternoon, ladies.

2 **LISA S. GLOVER, SWORN**

3 **LINDA S. McNAMARA, SWORN**

4 **DIRECT EXAMINATION**

5 BY MR. HEWITT:

6 Q. Ms. Glover, I'm going to start with you this  
7 afternoon, since your testimony appears first  
8 in Exhibit 3. Do you have a copy of Exhibit 3  
9 with you?

10 A. (Glover) Yes.

11 Q. Okay. Terrific. So, if I draw your attention  
12 to the testimony that's marked "Exhibit LSG-1"  
13 and the schedules that are marked "LSG-1"  
14 through "LSG-5", is that testimony and those  
15 schedules materials that were prepared either  
16 by you or at your direction?

17 A. (Glover) Yes.

18 Q. Okay. And do you have any corrections to the  
19 testimony or schedules today?

20 A. (Glover) No. I do not.

21 Q. So, if I were to ask you each of the questions  
22 in your testimony as they appear, would you  
23 give on the stand today answers that are  
24 substantially similar to those that are in your



1 prefiled testimony?

2 A. (Glover) Yes.

3 Q. And are you prepared to adopt your testimony  
4 and schedules as your sworn testimony for the  
5 purpose of this proceeding?

6 A. (Glover) Yes, I am.

7 Q. Thank you. Ms. McNamara, you're next. So,  
8 Ms. McNamara, do you have a copy of Exhibit 3  
9 with you up at the witness stand?

10 A. (McNamara) Yes.

11 Q. And I'd like to draw your attention please to  
12 the exhibit marked "LSM-1", which is your  
13 testimony, as well as the Schedules "LSM-1"  
14 through "LSM-6". And is that testimony and are  
15 those schedules materials that you prepared or  
16 that were prepared at your direction?

17 A. (McNamara) They were. There should be seven  
18 schedules.

19 Q. Okay. Thank you. And do you have any  
20 corrections to your testimony or schedules as  
21 you sit here today?

22 A. (McNamara) No.

23 Q. And, if I were to ask you each of the questions  
24 that are in your testimony, would you provide

[WITNESS PANEL: Glover ~ McNamara]

1 on the witness stand today answers that are  
2 substantively similar to those that are in your  
3 prefiled testimony?

4 A. (McNamara) Yes.

5 Q. And are you prepared to adopt this testimony as  
6 your sworn testimony for the purpose of this  
7 proceeding today?

8 A. (McNamara) Yes.

9 Q. And, now, I realize that I had forgotten to ask  
10 the two of you to please place your names on  
11 the record, as well as your positions with the  
12 Company. So, let's button that of, before we  
13 say our case is completely in.

14 And let's start with you, Ms. Glover, if  
15 we may please. Would you state your name  
16 please and your position with the Company?

17 A. (Glover) My name is Lisa Glover. And I'm an  
18 Energy Analyst.

19 Q. Terrific. And the same question for you,  
20 Ms. McNamara.

21 A. (McNamara) My name is Linda McNamara. And I'm  
22 a Senior Regulatory Analyst.

23 MR. HEWITT: Thank you, ladies. Mr.  
24 Chairman that's the Company's direct case.

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[WITNESS PANEL: Glover ~ McNamara]

1 CHAIRMAN HONIGBERG: Ms. Amidon.

2 MS. AMIDON: Thank you. Good  
3 afternoon.

4 WITNESS GLOVER: Good afternoon.

5 **CROSS-EXAMINATION**

6 BY MS. AMIDON:

7 Q. I want to start off with the proposed tariff.  
8 And I don't believe that there's a Bates stamp  
9 number, but there's a tab in Exhibit 3 that  
10 says "Proposed Tariffs". And the second page  
11 on that tab it says "Twenty-First Revised  
12 Page 74". And let me know when you're there.

13 A. (McNamara) I'm there.

14 Q. So, and I believe -- and this may be either one  
15 of you who can answer this, but I'm interested  
16 in getting an explanation of the reconciliation  
17 costs, which appear at, I think, as Lines 1, 9,  
18 and 17 on this page. So, could one of you help  
19 me out with that please?

20 A. (McNamara) Sure. In the spring filing in this  
21 docket, that's typically when we file the full  
22 reconciliation showing actual data for the  
23 previous I believe it's 12 months. And, in  
24 that, it definitely has much more data. In

[WITNESS PANEL: Glover ~ McNamara]

1       this particular filing, we just reference that  
2       filing and reference where those numbers came  
3       from. And I believe I do that in my testimony.

4   Q.   And, if I remember correctly, the Company, when  
5       you have a reconciliation amount, say it's an  
6       over recovery, you allocate that to each  
7       six-month period, is that correct?

8   A.   (McNamara) Correct. Yes.

9   Q.   Like to the six-month period that begins in the  
10       spring and the six-month period that begins in  
11       December?

12   A.   (McNamara) Correct.

13   Q.   Okay. So, this was presented in the filing  
14       that the Company made earlier this year, and  
15       that's the source of these numbers?

16   A.   (McNamara) Correct.

17   Q.   So, would that also be true of the Renewable  
18       Portfolio Standard Charge?

19   A.   (McNamara) It is, yes.

20   Q.   And, if I remember correctly, in that case,  
21       there was an over recovery, because the  
22       Commission had changed the Class III REC  
23       requirements, is that right?

24   A.   (McNamara) That was the primary reason, yes.

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[WITNESS PANEL: Glover ~ McNamara]

1 Q. Okay. Thank you. Now, this -- you also have  
2 an adjustment for losses with respect to the  
3 power supply for -- looks like for all three  
4 groups. Is that correct?

5 A. (McNamara) Yes.

6 Q. For the G1 customers, is that on the next page?  
7 Yes. Looking at the G1 customers, looks like  
8 the loss factor is "4.591 percent", and that's  
9 on the Thirty-Second Revised Page 75. Is that  
10 right?

11 A. (McNamara) That's correct.

12 Q. Can you tell us how those loss factors are  
13 determined and when they were last developed?

14 A. (McNamara) The loss -- oh, I'm sorry.

15 Q. No, I'm sorry.

16 A. (McNamara) The loss factor, this particular  
17 loss factor, the G1 Class, 4.591 percent, comes  
18 directly from the Company's tariff. The Non-G1  
19 group, because the non-G1 group is made up of a  
20 few classes, the Residential, the G2, Outdoor  
21 Lighting, that's also from the losses that are  
22 in the Company's tariff. But it's more of an  
23 average of those three groups, so that there  
24 was the single Non-G1. We don't have a Non-G1

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[WITNESS PANEL: Glover ~ McNamara]

1       loss factor, because it's not one class. It's  
2       the three.

3   Q.   So, do you know how these were developed or  
4       when the last time a loss factor study was  
5       conducted by the Company?

6   A.   (McNamara) I believe the losses are determined  
7       in our Engineering group. And my recollection  
8       was that, in the Company's last rate case, they  
9       were not changed. So, my suspicion would be  
10      that it was from the previous rate case, which  
11      would have been DE 05-064, but that is -- that  
12      may not be accurate. I just remember that, in  
13      DE 05-064, quite a bit of information was  
14      filed.

15               MS. AMIDON: Mr. Chairman, could we  
16      have a record request for the question "when  
17      the last time a loss factor study was conducted  
18      by the Company?"

19               CHAIRMAN HONIGBERG: Mr. Hewitt, you  
20      understand the question?

21               MR. HEWITT: Yes.

22               CHAIRMAN HONIGBERG: All right. So  
23      that we'll reserve number "5" for that record  
24      request.

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1                                   **(Exhibit 5 reserved)**

2                                   MS. AMIDON: Thank you. And I would  
3 add at this point that the answer to that  
4 question is not something that will hold up  
5 this order or this Petition. It's just  
6 information that the Staff is looking for --

7                                   CHAIRMAN HONIGBERG: -- to complete  
8 the record.

9                                   MS. AMIDON: Correct. Thank you.

10                                  MR. HEWITT: Thank you.

11 BY MS. AMIDON:

12 Q. So, Ms. Glover, there are a couple of things  
13 in -- items in your testimony. First of all,  
14 on Bates Page 011, you have a graph there or a  
15 table, which depicts the RPS, Renewable  
16 Portfolio Standard, requirements as they change  
17 from 2016 to 2017, is that right?

18 A. (Glover) That's correct.

19 Q. And, so, I see there are increases in Class I,  
20 which is, I believe, the new renewable  
21 resources. Is that right?

22 A. (Glover) Yes.

23 Q. And, then, "Class I - Thermal", which is --  
24 describes itself. And "Class III", which is

1 the existing biomass requirement?

2 A. (Glover) That's correct.

3 Q. And you describe that the Company goes out or  
4 issues RFPs for RECs to meet its compliance  
5 requirements. And, in fact, you've purchased  
6 some RECs to comply with 2016. Could you tell  
7 us how, very briefly, how you -- what you rely  
8 on to determine the pricing information for  
9 RECs that -- for 2017?

10 A. (Glover) So, if we were to go out to RFP, is  
11 that what you're asking for 2017?

12 Q. Well, this filing contains --

13 A. (Glover) Correct.

14 Q. -- an estimate for the 2017 RECs, right?

15 A. (Glover) I see what you're asking me.

16 Q. Yes.

17 A. (Glover) "How I would project pricing for  
18 2017?"

19 Q. Yes.

20 A. (Glover) So, what I would typically do, and  
21 what I have done, is I looked at the current  
22 market prices. I get a number of market sheets  
23 from marketers and other entities that would  
24 normally sell RECs to us outside of the RFP



[WITNESS PANEL: Glover ~ McNamara]

1 process. I have a number of those, and I look  
2 at and take an average. I also look at what we  
3 have been able to procure for 2016. And, in  
4 some cases, those RECs will carry over into  
5 2017. That might be the case for Class III  
6 this year, actually, believe it or not. After  
7 the last time we were here, we had no Class III  
8 RECs; this time we do.

9 So, I would look at what we've been  
10 historically purchasing those RECs at in the  
11 near term, and also the availability of them in  
12 the market. And, also, if they're not  
13 available in the market, we would have to  
14 consider purchasing with the alternative  
15 compliance price. And, you know, it differs  
16 for each class. And, using those inputs, I  
17 would come out with what our average price is  
18 that we would assume to be purchasing for for  
19 the next 2017 year.

20 Q. And, because, as Ms. McNamara pointed out, it's  
21 a reconciling number. Then, if your prices --  
22 if the prices for RECs come in, say, below the  
23 estimate, then that would be credited back to  
24 customers at some point?

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[WITNESS PANEL: Glover ~ McNamara]

1 A. (Glover) Right. And there is a lag period, as  
2 you may well know, because we would be  
3 purchasing for 2017, really we don't -- we  
4 could start that now. But, because the  
5 compliance period for 2017 doesn't end until  
6 2018, when we file our reports. The same thing  
7 happens here with 2016. We are still  
8 accumulating RECs to meet our obligation for  
9 2016. So, there's a little bit of a shift. So  
10 what some of those payments are are to meet the  
11 2016 compliance. But I may very well be  
12 purchasing RECs at some point for 2017.

13 Q. Thank you.

14 A. (Glover) Yes.

15 Q. In your testimony, on Bates Page 008, you  
16 describe how Unitil evaluates the bids, and the  
17 answer that begins on Line 5. Has the Company  
18 rejected any potential winning bids based on  
19 any of these criteria in the last several  
20 years?

21 A. (Glover) Not to my knowledge, in New Hampshire.

22 Q. So, none of the bidders said that any  
23 particular criteria were troublesome or  
24 difficult to comply with, is that right?

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[WITNESS PANEL: Glover ~ McNamara]

1 A. (Glover) No one has stated that, in between the  
2 interim, between when initial bids come and  
3 final bids come in. We have -- as you know, we  
4 had some bidders that submit interim bids but  
5 not final bids. But we have not necessarily  
6 gone back and asked them why they have chosen  
7 not to submit final bids.

8 Q. And, in fact, if we look at Schedule LSG-1, the  
9 Bates Page is 023. And, in the confidential  
10 section, you actually had a fairly -- I'd say,  
11 fairly robust response to the RFP for the  
12 Non-G1 customers and for the medium customers.  
13 Is that fair to say?

14 A. (Glover) That would be correct, yes.

15 Q. But, then, we have the one problem, and we may  
16 go into confidential session at some point  
17 here, but we have the one problem with the G1  
18 customers not receiving a robust response?

19 A. (Glover) I would agree with that.

20 Q. Now, when you give potential bidders a class  
21 average load shape, right now, with the G1  
22 customers, about 80 percent of the customer  
23 load goes to competitive supply.

24 A. (Glover) That's correct.

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[WITNESS PANEL: Glover ~ McNamara]

1 Q. So, do you provide the load shape for the whole  
2 class to bidders or do you provide the load  
3 shape just for the remaining customers? And do  
4 you know what that difference is, if there is a  
5 difference?

6 A. (Glover) I believe we provide that for all the  
7 customers.

8 Q. So, the load shape for the 20 -- let's say, the  
9 roughly 20 percent of the customers that remain  
10 out of the competitive market, would be the  
11 load shape for the entire class, and not just  
12 those --

13 A. (Glover) That would be the case, if the load  
14 shape was for all customers. But I'm happy to  
15 double check on that for you. Because I'm not  
16 100 percent certain, but I believe that's the  
17 case.

18 Q. Okay. So, --

19 A. (Glover) I'd rather give you an accurate  
20 answer.

21 MS. AMIDON: So, with your  
22 permission, I'd ask for another record request  
23 on that question.

24 CHAIRMAN HONIGBERG: Ms. Glover seems

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1 to understand what the request is. I'm not  
2 certain that I do, however. What exactly is it  
3 that you want her to do?

4 MS. AMIDON: I'm going to ask Mr.  
5 Frantz to explain it more clearly than I can.

6 MR. FRANTZ: Thank you. The bids  
7 that go out provide a lot of information, the  
8 solicitation provides a lot of information to  
9 the potential bidders concerning number of  
10 customers, megawatt-hour sales, and their load  
11 shapes. And my understanding is that the  
12 solicitation includes the load shape for the  
13 class. However, 80 percent of the class is  
14 already with competitive suppliers. So, the  
15 question is, does the load shape of the  
16 remaining 20 percent, which is essentially, for  
17 G1, about 29 to 30 customers, does that load  
18 shape of that smaller subset of the whole class  
19 look like the load shape of the whole class?

20 CHAIRMAN HONIGBERG: Okay. I'm  
21 interested in the answer to that question, but  
22 that question hasn't been asked yet. It was  
23 subsumed in the long question you asked about  
24 whether she's included the entire or a subset,

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1 and you had buried right at the end "if they  
2 differ". But you actually haven't asked the  
3 question "do they differ?"

4 And do you know if they differ, Ms.  
5 Glover?

6 WITNESS GLOVER: I do not. But I  
7 understood him to be asking me that question,  
8 yes.

9 CHAIRMAN HONIGBERG: All right. So,  
10 Mr. Hewitt, do you understand that request as  
11 well? At least what I believe is going to be  
12 the first step of that request?

13 MR. HEWITT: So, the first step of  
14 the class [request?] is "whether the load shape  
15 that is provided to bidders, does that load  
16 shape include or exclude customers in that  
17 class who are taking service from a competitive  
18 supplier?"

19 CHAIRMAN HONIGBERG: I think that's  
20 the punchline. I think the setup is, "is the  
21 load shape different for the group of customers  
22 on default service, the 20 percent, is it  
23 different from the 80 percent who are taking  
24 competitive supply?" Is that right, Mr.

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[WITNESS PANEL: Glover ~ McNamara]

1 Frantz?

2 MR. FRANTZ: Yes.

3 CHAIRMAN HONIGBERG: Did I state that  
4 right?

5 MR. FRANTZ: Yes. Correct.

6 CHAIRMAN HONIGBERG: So, you want to  
7 know both -- first, "are they different?" You  
8 want to know "how they differ?" You'd like to  
9 see both, probably, right?

10 MR. FRANTZ: Correct.

11 CHAIRMAN HONIGBERG: And then you'd  
12 like to know what is actually sent out as part  
13 of the RFP?

14 MR. FRANTZ: Correct. And this is a  
15 narrow area that really gets to the question of  
16 the much bigger and more important question  
17 here is "what is it that's driving the poor  
18 solicitation response?"

19 CHAIRMAN HONIGBERG: Right. Let's  
20 not get ahead of ourselves, though. Right now,  
21 we're just trying to make sure that there's a  
22 clear request to Ms. Glover and Mr. Hewitt that  
23 everybody understands, both the question and  
24 the expectation. Okay?

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[WITNESS PANEL: Glover ~ McNamara]

1 MR. FRANTZ: Yes.

2 CHAIRMAN HONIGBERG: All right. So,  
3 that will be "6", that record request.

4 **(Exhibit 6 reserved)**

5 MR. HEWITT: And may I inquire of  
6 Staff whether this is a question that they need  
7 a response to before the order -- actually,  
8 I'll ask the Commission whether this is a  
9 potential issue that could hold us on getting  
10 an approval?

11 CHAIRMAN HONIGBERG: Ms. Amidon?

12 MS. AMIDON: No, it's not. It's just  
13 another question to complete the record and to  
14 enhance our understanding of what's going on  
15 with this particular class. Right, and it may  
16 help us with future filings.

17 BY MS. AMIDON:

18 Q. I mean, because my next line of question was  
19 going to be, the risk involved in serving the  
20 G1 customers seems, on the face of it, to be  
21 pretty minimal, if you look at the structure of  
22 how the Company solicits power, is that --  
23 would you agree with that, Ms. Glover?

24 A. (Glover) I would. Because we're only asking

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[WITNESS PANEL: Glover ~ McNamara]

1       them to bid an adder, and to -- I would clarify  
2       that or classify that as a somewhat moderate  
3       risk to them, because we're passing through the  
4       energy charge through the LMP, correct. You  
5       know, I know where this is going to go. So, if  
6       I could elaborate a little bit more on --

7   Q.   Well, I wanted -- yes, I do want to do that.

8   A.   (Glover) Yes.

9   Q.   But I wanted to -- I wanted just to explain, so  
10       that's it's in the record, on Bates Page 098 is  
11       an appendix, which shows that adder for the  
12       prior -- the period that ends November 30th,  
13       2016 and the period that begins December 1,  
14       2016. Is that right? Page 098?

15   A.   (Glover) Oh, yes. I'm sorry. I was trying to  
16       figure out -- yes. You're looking at the  
17       redline version of their contract, yes.

18   Q.   Correct. And the reason I'm looking at that is  
19       because it shows that, in fact, there's not a  
20       lot -- there's a small difference between the  
21       six-month period that ends in November with the  
22       one that begins December 1. There's not a lot  
23       of difference in that adder?

24   A.   (Glover) Correct.

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[WITNESS PANEL: Glover ~ McNamara]

1 Q. Okay. And, so, you're right. I wanted to get  
2 into your testimony, where, on Bates Page 009,  
3 you indicate that you followed up with a  
4 supplier who typically bids on the G1 load, and  
5 they said that UES load no longer fit into  
6 their "risk profile". So, that's what we  
7 really want to try to figure out. That's why  
8 we were asking questions about the load shape.

9 And did you follow through with this  
10 supplier and find out what they meant by "no  
11 long compatible with their risk profile"?

12 A. (Glover) I did not. I did send him an e-mail  
13 back and said that we would like to further  
14 discuss this when this process was over. We  
15 have recognized that having one or two bidders  
16 in this class over the last several years is a  
17 bit of a problem, when you're having the same  
18 bidder over and over again, because where's the  
19 competition in that.

20 And, so, part of our communication is to  
21 reach out to the customers and find out from  
22 them -- not the "customers", the suppliers, and  
23 find out from them what it is that's holding  
24 them back. And I know we've done this in the

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[WITNESS PANEL: Glover ~ McNamara]

1 past. And one of the things, there are several  
2 things, one of them being some migration risk.  
3 We have heard that in the past. We have also  
4 heard that some of these suppliers have had  
5 resource complaints and have been unable to bid  
6 in our solicitations.

7 We did hear from one supplier last winter  
8 that they had a winter moratorium within their  
9 company and were unable to bid during the  
10 winter periods. And, then, we did just  
11 recently hear that it "didn't fit their risk  
12 profile". And this was a customer -- or, a  
13 supplier that we had typically had bid with us.  
14 So, we were definitely going to go back and  
15 follow up with them, as well as some other  
16 suppliers, to try and find out and understand a  
17 little bit more about what's driving this low  
18 participation rate for these customer classes.

19 Q. And I would -- am I right that the words you  
20 used "one or two" is confidential?

21 A. (Glover) Yes.

22 MS. AMIDON: Okay. But I would like  
23 to go in, and if there's no one else here in  
24 the room, if we could just go into confidential

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[WITNESS PANEL: Glover ~ McNamara]

1 session?

2 CHAIRMAN HONIGBERG: Did you want to  
3 go into confidential session as of the previous  
4 question and answer, is that really where you  
5 want to start?

6 MS. AMIDON: Yes. I think so.

7 CHAIRMAN HONIGBERG: And I think so.

8 MR. HEWITT: May we please.

9 CHAIRMAN HONIGBERG: Let's go off the  
10 record for a second.

11 *[Brief off-the-record discussion*  
12 *ensued.]*

13 CHAIRMAN HONIGBERG: All right.

14 We're back on the record. Ms. Amidon.

15 MS. AMIDON: Okay.

16 BY MS. AMIDON:

17 Q. So, Staff did some -- after we got this filing,  
18 Staff did a little research, and we went back  
19 to 2014. Now, 2014, the summer solicitation,  
20 the same thing occurred. There was one  
21 indicative and one final bid for the summer  
22 period for the G1 customers. Do you recall  
23 that?

24 A. (Glover) That may predate me, but I do believe

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[WITNESS PANEL: Glover ~ McNamara]

1       that is the case.

2   Q.   Right.

3   A.   (Glover) Yes.

4   Q.   And then the Commission opened, in that  
5       proceeding, started looking at that issue of  
6       low interest in the G1 customer group.

7   A.   (Glover) Okay.

8   Q.   And, since that time, there has been only two  
9       suppliers bidding for the Large Customer Group  
10      supply, and they're the two same suppliers.  
11      And sometimes one of them or the other gets it.

12  A.   (Glover) That's correct.

13  Q.   The award. Are you concerned with this one  
14      supplier now saying that "the risk profile no  
15      longer fits their Company's management", that  
16      going forward that the Company will now receive  
17      only a single bid on the G1 supply?

18  A.   (Glover) That would be a concern. Which is why  
19      we would want to go back to this supplier and  
20      find out what it is that is preventing them  
21      from bidding in the future, and where they see  
22      their risks with this customer class, so that  
23      we can better understand that and work with  
24      them.

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[WITNESS PANEL: Glover ~ McNamara]

1 Q. Because, as we discussed earlier, there doesn't  
2 seem to be a lot of risk. They sell the power  
3 at the local marginal price location, and then  
4 an adder is just for administrative costs and  
5 the margin, correct?

6 A. (Glover) That's correct.

7 MS. AMIDON: Okay. So, that  
8 concludes my questioning. Thank you.

9 CHAIRMAN HONIGBERG: Commissioner  
10 Scott.

11 CMSR. SCOTT: Are we out of  
12 confidential or are we still in?

13 CHAIRMAN HONIGBERG: Off the record.

14 *[Brief off-the-record discussion*  
15 *ensued.]*

16 CHAIRMAN HONIGBERG: All right. Back  
17 on the record.

18 CMSR. SCOTT: Thank you.

19 BY CMSR. SCOTT:

20 Q. On the same discussion item, you know, one  
21 thing I do notice on the G1 supply is the  
22 amount that's being bid on is considerably less  
23 than the other two categories, is that not  
24 correct? And, again, whoever feels most

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[WITNESS PANEL: Glover ~ McNamara]

1 qualified to answer is fine with me.

2 A. (Glover) The volume that they would be bidding  
3 on?

4 Q. Yes.

5 A. (Glover) Yes. It's less than the Non-G1.

6 Q. So, I'm wondering, are you getting any  
7 indications maybe that volume is so small it's  
8 not worth their administrative effort?

9 A. (Glover) Interestingly, when we ask the  
10 question, we usually get it in the reverse,  
11 where they say "the Massachusetts volumes are  
12 too small", even though we don't bid for the  
13 Large Class there. But, in New Hampshire, we  
14 haven't been specifically told that it's too  
15 small for them.

16 Q. So, you went to my next question, probably  
17 Ms. McNamara may -- I usually ask the same  
18 questions again and again, for some reason I  
19 expect a different answer, is have you looked  
20 at, for instance, grouping your solicitations  
21 with your other affiliates, so this number is  
22 bigger, so maybe it's more worthwhile to bid  
23 on?

24 A. (Glover) I believe, in some other venues, that

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[WITNESS PANEL: Glover ~ McNamara]

1 has been discussed.

2 Q. And, similarly, or perhaps even, this is a  
3 little bit outside the box, and I understand  
4 there's regulatory issues, but maybe grouping  
5 with other utilities even, or partners?

6 A. (Glover) Possibly.

7 Q. Okay. Or --

8 A. (Glover) I think that's been also discussed in  
9 another docket as an option that some utilities  
10 have thrown out as a number of other  
11 procurement ideas.

12 Q. And I'll mention, we're not part of them, but  
13 some of the states to the south of us,  
14 Massachusetts, Connecticut, and Rhode Island,  
15 are doing that for some solicitations to try to  
16 get buying power, if you will.

17 A. (Glover) For green power. Clean energy?

18 Q. Yes.

19 A. (Glover) Yes. I'm aware of those.

20 Q. All right. Probably doesn't fit, but, I mean,  
21 have you even thought of, this is a different  
22 construct for G1, I get it, because you're just  
23 adding an adder, right?

24 A. (Glover) That's correct.

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[WITNESS PANEL: Glover ~ McNamara]

1 Q. Is there a possibility of adding that with the  
2 other classes somehow, so that people bidding  
3 are bidding on a larger block of things, so  
4 it's more worthwhile to them maybe?

5 A. (Glover) We can take that back and talk about  
6 that.

7 Q. It may not work. I'm just suggesting things.

8 A. (Glover) All those ideas are good to listen to.

9 Q. All right. The contingency plan, so, how does  
10 that take effect? Right, so, in this case,  
11 you've got one, one bidder. When do you  
12 implement the -- when do you go down that path  
13 of the contingency plan?

14 A. (Glover) We did discuss this internally. Given  
15 the trend of the adder that we did see for this  
16 one bid as being low, and, in fact, it's the  
17 lowest that we've seen since 2012 for this  
18 winter period, that, because the trend is going  
19 down, we weren't overly concerned about the  
20 price itself.

21 A failed auction would obviously be that  
22 we had no bidders for that class, or that the  
23 price seemed out of context, the reality of the  
24 price just didn't match. Because, as you know,

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[WITNESS PANEL: Glover ~ McNamara]

1       if there is only one bidder, and they're the  
2       only game in town, you have to decide whether  
3       that's the best one to take or not. And we  
4       just felt, with the price going -- the trend in  
5       the right direction, that it was acceptable to  
6       take that price. But we did not consider that  
7       to be a failed auction.

8   Q.   So, can you elaborate more? Which is my next  
9       question anyways is, how do you know this is a  
10      reasonable price? Are you comparing it to  
11      something?

12   A.   (Glover) Sure. We look at the trends for the  
13      Henry Hub prices and what the winter prices  
14      might look like. We also look at the LMPs. We  
15      would compare the current period to the prior  
16      period. Now, obviously, LMPs are real-time,  
17      they're not in the future. But we can look at  
18      NYMEX prices as well. And it just -- it gives  
19      us a general idea of whether we feel these  
20      prices are reflective of what we're seeing for  
21      energy prices today. And I have yet to see any  
22      run-ups in prices based on the winter  
23      forecasts.

24   Q.   Do you expect -- obviously, two winters ago we

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[WITNESS PANEL: Glover ~ McNamara]

1 had a lot of price volatility.

2 A. (Glover) Right.

3 Q. Let's so last winter.

4 A. (Glover) Right.

5 Q. I would argue we didn't have a winter last  
6 winter. In this construct, where they're just  
7 paying -- you're just paying for an adder, does  
8 volatility matter, do you think?

9 A. (Glover) I mean, it would matter to us, because  
10 we would be the ones paying the supplier.

11 Q. True.

12 A. (Glover) Right? So, I would expect there to be  
13 volatility, certainly, and probably, as we move  
14 more into the winter, in February, where it's  
15 really predicted to get cold, and, obviously,  
16 gas prices are weather-dependent. And, so, we  
17 may see that volatility as winter moves in.

18 Q. Yes. I apologize. I was back to from a  
19 bidder's perspective.

20 A. (Glover) Oh.

21 Q. Why would bid -- I was curious, does the  
22 possibility of volatility during these winter  
23 months, is that a factor, when you're only  
24 looking at just an adder, in your mind?

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[WITNESS PANEL: Glover ~ McNamara]

1 A. (Glover) It would be a factor, if the adders  
2 were reflecting, I think, because they also --  
3 the adders do take into account, I would  
4 imagine, a little bit of risk on their part.  
5 But I would say the greater risk is on our part  
6 for the payments we have to project that we pay  
7 them for the LMP.

8 Q. Interesting. On the -- you talked a little bit  
9 about the RPS with Attorney Amidon. Can you  
10 opine a little bit on REC availability moving  
11 forward? I won't hold you to it.

12 A. (Glover) So far, it looks like we're doing  
13 pretty well to meet our obligations,  
14 particularly in Class III. The last time we  
15 were here, as I briefly mentioned, which was  
16 April, I had stated that "we had no Class III  
17 RECs." And, about a month and a half after  
18 that, we were contacted by a number of brokers  
19 to say that there's Class III RECs on the  
20 market. So, we purchased, so we could meet our  
21 2015 obligation, and we purchased a little  
22 extra to carry over into 2016 as well. So,  
23 that's looking pretty good. And, offhand, I'm  
24 not anticipating any issues with meeting our

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[WITNESS PANEL: Glover ~ McNamara]

1 REC requirements.

2 CMSR. SCOTT: Thank you. That's all  
3 I have.

4 CHAIRMAN HONIGBERG: Commissioner  
5 Bailey.

6 BY CMSR. BAILEY:

7 Q. When you said you "aren't anticipating any  
8 issues meeting your REC requirements", is that  
9 true even when the requirement goes up to  
10 8 percent or 0.8 percent, whatever?

11 A. (Glover) It is -- Well, it is currently at  
12 8 percent for Class III, and we have met the  
13 8 percent requirement. If you drop it to  
14 0.5 percent, we're in trouble, because we'll  
15 have excess RECs.

16 CMSR. BAILEY: Oh, I thought we did  
17 drop it to 0.5. Or was that in -- all right.  
18 Never mind.

19 CHAIRMAN HONIGBERG: I believe, don't  
20 hold me to this, I believe it's been dropped  
21 for 2016.

22 CMSR. BAILEY: Right.

23 CHAIRMAN HONIGBERG: Has not yet been  
24 dropped for 2017. We haven't considered the

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[WITNESS PANEL: Glover ~ McNamara]

1 question to drop it for 2017. And I believe  
2 Ms. Glover is talking about 2017.

3 CMSR. BAILEY: Yes. And that's  
4 exactly how I understood it.

5 BY CMSR. BAILEY:

6 Q. And my question is, are they going to be able  
7 to meet the requirement, when it goes from 0.5  
8 to 8 percent?

9 A. (Glover) In 2017? We are projecting at  
10 8 percent at the moment. And we do have some  
11 RECs that we carried over. So, I guess it's  
12 hard to tell, unless any more RECs come out on  
13 the market. We'll meet it either with an ACP  
14 or we'll have to purchase them on the market,  
15 as you know.

16 Q. Right. Okay. Thank you. I think I heard you  
17 say that you don't issue bids for your largest  
18 customer class in Massachusetts?

19 A. (Glover) That's correct.

20 Q. How do you get supply for them?

21 A. (Glover) We run it through our ISO Settlement  
22 account.

23 Q. Oh.

24 A. (Glover) It's a very small number of customers.

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[WITNESS PANEL: Glover ~ McNamara]

1 Q. Is that why you run it through?

2 A. (Glover) Yes.

3 Q. And is that the contingency plan, if you have a  
4 failed bid?

5 A. (Glover) It's on the list of contingency plans,  
6 but it would not be our first step.

7 Q. Would your -- your first step would be to rebid  
8 it?

9 A. (Glover) Yes, it would.

10 Q. And, then, the next two steps are sort of to  
11 take the steps that you do for the Large Class,  
12 so then that leaves you the final step, right?

13 A. (Glover) No. You're right. That would be --  
14 the final step would be in the short-term to  
15 have to run it through our ISO Settlement  
16 account. And then we would definitely want to  
17 go back out and bid again. Contact bidders,  
18 open communication, find out why they're not  
19 bidding, and re-solicit.

20 Q. Okay. I think you also said that "the adder  
21 was the lowest since 2012", in your oral  
22 testimony? When we were talking about the  
23 adder for the G1?

24 A. (Glover) Yes.

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[WITNESS PANEL: Glover ~ McNamara]

1 MR. HEWITT: I'm sorry. I believe  
2 for the winter period.

3 BY CMSR. BAILEY:

4 Q. That's what my question was going to be. It's  
5 just for the winter period?

6 A. (Glover) Yes, for that winter period.

7 Q. Okay. So, comparing all the winter periods  
8 since 2012, this is the lowest adder for the  
9 winter period?

10 A. (Glover) That is correct.

11 Q. Okay. Thank you. You talked a little bit  
12 about this with Ms. Amidon, and I know we have  
13 a record request. But I had the same curiosity  
14 about the loss factor. And I was wondering why  
15 it's different in the Non-G1 customers and the  
16 G1 customers?

17 A. (McNamara) I don't know what feeds into the  
18 loss study. Again, the Engineering Department  
19 generally heads that up. I just know that the  
20 Non-G1, the Residential, the Outdoor Lighting,  
21 the G2 Group, hovers around 6.4 percent, or at  
22 least had when we prepared the last study. And  
23 the G1 Group is at 4.591 percent.

24 CMSR. BAILEY: So, can we add

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[WITNESS PANEL: Glover ~ McNamara]

1 something to the record request? If we could,  
2 I would like to know why there is that  
3 difference?

4 CHAIRMAN HONIGBERG: Is that an  
5 addition to the first record request we talked  
6 about today, which is going to be "Exhibit 5".  
7 Or do you think that's a sufficiently different  
8 question that you want to make it a separate  
9 request? Ms. Glover, maybe I'll ask you.

10 WITNESS GLOVER: For the line losses?  
11 You're asking what the difference is between  
12 the classes and what drives the differences?

13 CMSR. BAILEY: What drives the  
14 difference? I can see the difference.

15 WITNESS GLOVER: I understand the  
16 question, yes.

17 CMSR. BAILEY: I want to understand  
18 why there's that difference.

19 WITNESS GLOVER: We will take that  
20 back.

21 MR. HEWITT: Well, we're fine  
22 including that within Number 5, if that suits  
23 the Commission's needs?

24 CHAIRMAN HONIGBERG: Fair enough.

{DE 16-250} {10-06-16}

[WITNESS PANEL: Glover ~ McNamara]

1 WITNESS GLOVER: Yes.

2 BY CMSR. BAILEY:

3 Q. On Bates Page 012, which is your Contingency  
4 Plan, I should have asked you this while I was  
5 on my Contingency Plan questions. At the  
6 bottom of the page, you say that "should the  
7 potential for a failed auction become  
8 significant, UES will contact the Commission  
9 and Staff to discuss the Company's plan." Do  
10 you think we're there? Should we be discussing  
11 that? More than we are today?

12 A. (Glover) I think it would be appropriate for us  
13 to, when this process is over, reach out to  
14 these bidders and communicate early, and we can  
15 communicate back to you what we're finding. So  
16 that, when the next solicitation comes around,  
17 we have done our due diligence to try and drum  
18 up some more competition, and it's not a  
19 surprise if we're sitting here and there's one  
20 or two bidders. Hopefully, that won't be the  
21 case. But we can deal with this head-on and  
22 early before the next solicitation.

23 Q. Okay. On the lead/lag information,  
24 Ms. McNamara, you discuss that or how that

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[WITNESS PANEL: Glover ~ McNamara]

1 impacts the rate on Bates Page 172, for  
2 example. It's discussed in a couple different  
3 places, but I happen to be focused on this  
4 Page 172.

5 A. (McNamara) Okay.

6 Q. So. On Lines 10 and 11, you're talking about  
7 the RPS charge and the calculation for working  
8 capital for RECs. And you say "it's calculated  
9 by the product of RECs and the number of days  
10 lead divided by 365". So, what do you mean by  
11 the "RECs"? The price of the RECs that you're  
12 going to pay?

13 A. (McNamara) Yes. Yes.

14 Q. Okay. And can you explain to me "the number of  
15 days lead"? Is that -- well, can you explain  
16 that to me please?

17 A. (McNamara) I will try. Our lead/lag expert is  
18 not here today. So, the Company, in this  
19 instance, for RECs, the number of days lag is  
20 negative, and that's because the Company  
21 generally purchases its RECs much later than  
22 when the Company collects revenue on the RECs.  
23 As you know, we'll propose a rate, have a rate  
24 in place for the RECs, collect revenue every

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[WITNESS PANEL: Glover ~ McNamara]

1 month from our customers. But, at the same  
2 time, Ms. Glover may not be going out and  
3 purchasing any RECs. We actually may not  
4 purchase any RECs until, say, July 1 of the  
5 following year. So, therefore, there is, you  
6 know, a huge lead in when the revenue comes in  
7 versus when the payments for the RECs would  
8 actually go out.

9 Q. So, why do you need extra capital for that?

10 A. (McNamara) It's actually -- it goes the other  
11 way.

12 Q. Oh.

13 A. (McNamara) It's a credit to customers.

14 CMSR. BAILEY: Okay. Sorry. Thank  
15 you. That's all I had. Thank you.

16 BY CHAIRMAN HONIGBERG:

17 Q. I think I want to ask about the RPS obligations  
18 and the reconciliation. It's been my  
19 understanding in the past that, as long as we  
20 continue to do the same thing we have done the  
21 last couple of years, with having the statutory  
22 8 percent obligation for Class III RECs, and,  
23 by order, reducing that obligation. Each time,  
24 in each year, you over collect, because you

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[WITNESS PANEL: Glover ~ McNamara]

1 project what you would need to cover the full  
2 obligation through ACPs or whatever. But, as  
3 long as we continue to do exactly the same  
4 thing, and your numbers stay roughly the same,  
5 customers don't actually see that. It's  
6 invisible to ratepayers, because the  
7 reconciliation offsets the overrecovery one  
8 year at a time. Is that roughly correct?

9 A. (McNamara) Mathematically, that's right.

10 Q. If, magically, more Class III RECs appear, that  
11 would be a shock to a lot of people. Do you  
12 anticipate some additional Class III RECs  
13 beyond what you've already learned about coming  
14 up? Have you heard anything about additional  
15 Class III RECs?

16 A. (Glover) I'm trying to remember. The  
17 procurement of RECs has been transferred over  
18 to one of my colleagues. So, I'm not as close  
19 to it as I was. I'm not -- I don't recall any  
20 recent offers of Class III RECs, beyond what  
21 we've recently purchased.

22 Q. I think we're at roughly the time of year when  
23 a year ago we were looking at the Class III  
24 situation. And I think our hearing on that was

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[WITNESS PANEL: Glover ~ McNamara]

1       sometime in the fall. So, it wouldn't surprise  
2       me if you or the Company or colleague isn't  
3       asked to come to, the next time we start  
4       considering what to do about Class III RECs, I  
5       think it will be fairly soon.

6   A.   (Glover) Okay.

7               CHAIRMAN HONIGBERG: I don't think I  
8       have any other questions.

9               Mr. Hewitt, do you have any further  
10      questions for your witnesses?

11              MR. HEWITT: Just very brief. And  
12      they are for Ms. Glover.

13                       **REDIRECT EXAMINATION**

14   BY MR. HEWITT:

15   Q.   So, Ms. Glover, we've had -- you've been the  
16       star witness today, so to speak, in terms of  
17       the issues we're experiencing with the G1  
18       class. And I believe you testified this  
19       afternoon about going out to the market  
20       participants to determine why there seems to be  
21       this aversion to them bidding on our -- on the  
22       Company's G1 class. Is that a fair statement  
23       or summary of your testimony?

24   A.   (Glover) Yes.

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[WITNESS PANEL: Glover ~ McNamara]

1 Q. Okay. And, so, after the Company has gone and  
2 done that research, would the Company be  
3 willing to sit down with the Commission's Staff  
4 to explain to them what the Company's found out  
5 and discuss what, if anything, to do with that  
6 information that you have gathered?

7 A. (Glover) We would, if they so desire, for us to  
8 do that, yes.

9 Q. Terrific. And, so, I'm going to give you sort  
10 of a hypothetical question, if I may. In this  
11 particular solicitation, the Company received,  
12 for the G1 Class, one indicative bid and one  
13 final bid, correct?

14 A. (McNamara) That's correct.

15 Q. And the Company reviewed that proposal,  
16 compared it to a trend of prior adders that had  
17 been bid for the G1 class, and considered other  
18 factors, and came to the conclusion that this  
19 was a reasonable proposal. Correct?

20 A. (Glover) Correct.

21 Q. So, if you received a single proposal, and the  
22 Company concluded that it wasn't a reasonable  
23 proposal, would one of the first steps be to  
24 contact the Commission and make them aware of

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[WITNESS PANEL: Glover ~ McNamara]

1           that?

2       A.     (Glover) I think we would potentially work into  
3           our Contingency Plan and immediately go back  
4           out to bid. We've got a period between when  
5           the indicative bids and the final bids go out.  
6           We would immediately re-solicit, perhaps for a  
7           shorter term period. And I think it would  
8           probably be appropriate to alert the Commission  
9           that, you know, we had either no bids or a bid  
10          that was not reasonable to accept.

11      Q.     Okay. So, you would keep the Commission  
12           apprised if you had one of these situations  
13           occur?

14      A.     (Glover) Yes.

15                   MR. HEWITT: Okay. All right. I  
16           have no further questions.

17                   CHAIRMAN HONIGBERG: All right.  
18           Thank you. I think, ladies, you can either  
19           stay where you are or return to your seats. I  
20           doubt we'll be much longer.

21                   I assume there's no objection to  
22           striking the ID on Exhibits 3 and 4?

23                   MS. AMIDON: Correct.

24                   CHAIRMAN HONIGBERG: We'll hold the



1 record open for Exhibits 5 and 6.

2 Other than that, are there other  
3 matters we need to deal with before allowing  
4 the parties to sum up?

5 *[No verbal response.]*

6 CHAIRMAN HONIGBERG: I don't --  
7 seeing no takers on that, Ms. Amidon.

8 MS. AMIDON: Thank you. Staff has  
9 reviewed the filing, and determined that the  
10 Company complied with Commission orders in its  
11 bid solicitation, bid evaluation, and selection  
12 process, and that the resulting prices are  
13 market-based, as required by RSA 374-F, and are  
14 just and reasonable pursuant to RSA 378.

15 And we recommend that the Commission  
16 approve the Petition.

17 CHAIRMAN HONIGBERG: Thank you, Ms.  
18 Amidon. Mr. Hewitt.

19 MR. HEWITT: I couldn't say it any  
20 better. And, so, I think I would just ask the  
21 Commission to please review the Company's  
22 request for approvals found on Page 4 and 5 of  
23 its Petition when it considers its order in  
24 this matter.

1 CHAIRMAN HONIGBERG: All right.

2 Thank you all. We will take this matter under  
3 advisement and issue an order as quickly as we  
4 can.

5 MR. HEWITT: Thank you.

6 ***(Whereupon the hearing was***  
7 ***adjourned at 2:25 p.m.)***

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