

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

April 11, 2018 - 1:15 p.m.
Concord, New Hampshire

8 MAY '18 PM2:33

RE: DE 18-035
UNITIL ENERGY SYSTEMS, INC.:
2018 Default Service.
*(For the period beginning
June 1, 2018)*

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:
Gary Epler, Esq.

Reptg. Residential Ratepayers:
Brian D. Buckley, Esq.
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Richard Chagnon, Electric Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

I N D E X**PAGE NO.**

WITNESS PANEL: **LISA S. GLOVER**
 LINDA S. McNAMARA
 DANIEL T. NAWAZELSKI
 ROBERT S. FURINO

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| 1 | UES 2018 Default Service filing, including Petition, Proposed Tariffs, Direct Testimony of Lisa S. Glover with attachments, Direct Testimony of Linda S. McNamara with attachments, and Direct Testimony of Daniel T. Nawazelski <i>[REDACTED - For Public Use]</i> | 5 |
| 2 | UES 2018 Default Service filing, including Petition, Proposed Tariffs, Direct Testimony of Lisa S. Glover with attachments, Direct Testimony of Linda S. McNamara with attachments, and Direct Testimony of Daniel T. Nawazelski {CONFIDENTIAL & PROPRIETARY} | 5 |
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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this afternoon in Docket DE 18-035, which is Unitil Energy Systems' 2018 Default Service docket. We have some confidential filings. We have witnesses who are already in place.

But before we do anything else, let's take appearances.

MR. EPLER: Good afternoon, Mr. Chairman, Commissioners. My name is Gary Epler. I'm the Chief Regulatory Counsel for Unitil Service Corp., appearing on behalf of Unitil Energy Systems, Inc.

Thank you.

MR. BUCKLEY: Good afternoon, Mr. Chairman and Commissioners. My name is Brian D. Buckley. I'm a staff attorney with the Office of the Consumer Advocate. And I'm here today representing the interests of residential ratepayers.

MS. AMIDON: Good afternoon. Suzanne Amidon, with the Commission Staff. And Rich Chagnon, from the Electric Division, is with me today.

1 CHAIRMAN HONIGBERG: All right. Any
2 preliminary matters we need to deal with before
3 proceeding?

4 MR. EPLER: Yes, there are, Mr.
5 Chairman. I've discussed with the Clerk
6 premarking the exhibits. We have -- as we've
7 done in the past, we put all the filings in a
8 binder. So, there's a redacted or public
9 version that we've premarked as "Exhibit 1",
10 and then the confidential version premarked as
11 "Exhibit 2".

12 (The documents, as described,
13 were herewith marked as
14 **Exhibit 1** and **Exhibit 2**,
15 respectively, for
16 identification.)

17 MR. EPLER: The second issue, just
18 since we're discussing things, we have included
19 in this filing, as we do at this time year, our
20 lead-lag study and the testimony supporting
21 that. We are not asking for approval, however,
22 right away of the lead-lag study. We
23 understand that the Staff and the OCA have
24 questions about that. And so, normally, what

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 they do is they continue to review that, and
2 then either at the next hearing in six months,
3 or before that, they indicate whether they
4 approve that or have any questions. So, I
5 would continue that.

6 And then the last thing is, in the
7 order in the last basic service filing, the
8 Commission requested that we have a witness
9 available to answer questions about our peak
10 and capacity and things like that. And we do
11 have a witness available to address those
12 questions.

13 CHAIRMAN HONIGBERG: Thank you,
14 Mr. Epler. Anything else before we have the
15 witnesses sworn in?

16 MS. AMIDON: No.

17 CHAIRMAN HONIGBERG: Mr. Patnaude.

18 (Whereupon **Lisa S. Glover,**
19 **Linda S. McNamara, Daniel T.**
20 **Nawazelski,** and **Robert S. Furino**
21 were duly sworn by the Court
22 Reporter.)

23 CHAIRMAN HONIGBERG: Mr. Epler.

24 MR. EPLER: Okay. Thank you.

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 **LISA S. GLOVER, SWORN**

2 **LINDA S. McNAMARA, SWORN**

3 **DANIEL T. NAWAZELSKI, SWORN**

4 **ROBERT S. FURINO, SWORN**

5 **DIRECT EXAMINATION**

6 BY MR. EPLER:

7 Q Mr. Furino, could you please state your full
8 name and your position with the Company?

9 A (Furino) Robert S. Furino. I am Director of
10 Energy Contracts.

11 Q Okay. And Ms. Glover, the same questions.

12 A (Glover) Lisa Glover. I'm a Senior Analyst.

13 Q Ms. McNamara, the same questions.

14 A (McNamara) Linda McNamara. I'm a Senior
15 Regulatory Analyst.

16 Q And Mr. Nawazelski, the same questions.

17 A (Nawazelski) Daniel Nawazelski, Senior
18 Financial Analyst.

19 Q Okay. Now, if I can draw the panel's attention
20 to, let's use the confidential version, what
21 has been premarked as "Exhibit Number 2", you
22 can turn to that.

23 And, Ms. Glover, if you can turn to the
24 tabs that are marked "Exhibit LSG-1" and

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[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 "Schedules LSG-1" through "LSG-5", were these
2 prepared by you or under your direction?

3 A (Glover) Yes, they were.

4 Q And do you have any changes or corrections?

5 A (Glover) I do not.

6 Q And do you adopt these materials as your
7 testimony?

8 A (Glover) Yes.

9 Q Thank you. And, Ms. McNamara, can you refer to
10 the same exhibit? And turn to the tabs marked
11 "Exhibit LSM-1" and "Schedules LSM-1" through
12 "LSM-6". Were these prepared by you or under
13 your direction?

14 A (McNamara) Yes, they were.

15 Q And do you have any changes or corrections?

16 A (McNamara) I do have one correction.

17 Q Okay. And what page would that be on?

18 A (McNamara) That would be on Bates stamp
19 Page 163. The schedule reference is "Schedule
20 LSM-1, Page 3 of 4".

21 Q Okay.

22 A (McNamara) Line 7 has a typographical error.
23 Under each month, it shows a rate of "0.04591".
24 And, in fact, it should "0.00275".

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 Q So, the number that's in the last column on
2 Line 7, under "Total", that should be the same
3 number for each of those months?

4 A (McNamara) Correct.

5 Q Okay. Any other changes or corrections?

6 A (McNamara) No.

7 Q And with that, do you adopt these as your
8 testimony in this proceeding?

9 A (McNamara) Yes.

10 Q Okay. Thank you. And, Mr. Nawazelski, can you
11 refer to the same exhibit? And to the tabs
12 marked "Exhibit DN-1" and "Schedules DN-1"
13 through "DN-2". Were these prepared by you or
14 under your direction?

15 A (Nawazelski) Yes, they were.

16 Q And do you have any changes or corrections?

17 A (Nawazelski) No, I do not.

18 Q Excuse me. And do you adopt these as your
19 testimony?

20 A (Nawazelski) Yes, I do.

21 MR. EPLER: Thank you very much.
22 With that, the witnesses are available for
23 cross-examination.

24 CHAIRMAN HONIGBERG: Mr. Buckley.

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 MR. BUCKLEY: Thank you, Mr.
2 Chairman. I'm going to start with just some
3 table-setting questions, and I think these are
4 for you, Ms. McNamara -- or, Ms. Glover,
5 rather.

6 **CROSS-EXAMINATION**

7 BY MR. BUCKLEY:

8 Q Is it your understanding that the processes
9 undertaken to release an RFP, examine the bids,
10 and choose winning bidders, do those processes
11 comply with the Commission's most recent orders
12 approving default service procurement

13 procedures, Order Number 25,397 I'm thinking of
14 primarily, and by association its predecessors?

15 A (Glover) Is there a particular -- I apologize.
16 And this would be the most recent order for our
17 previous procurement?

18 Q Yes.

19 A (Glover) Yes. The answer to your question is
20 "yes".

21 Q Great. And can you just very briefly describe
22 the procedures undertaken?

23 A (Glover) For our procurement?

24 Q Yes.

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 A (Glover) We put an RFP out, in this case, it
2 was March 5th. We issued an RFP to a very
3 extensive list of suppliers and other entities.
4 We had ISO New England send the RFP out to its
5 Markets Committee to solicit bids for this
6 procurement period. We reach out to suppliers
7 and other entities to gauge their interest in
8 participating. We answer any questions they
9 might have. We provide also information on our
10 RFP website for bidders to access at any time.

11 We have the interim bids come in. And to
12 the extent that we are expecting bids to come
13 in from some entities that said that they would
14 participate, and if we don't hear from them,
15 we'll reach back out to them and find out
16 whether they're planning on submitting, did
17 they miss a deadline, and just find out where
18 they are in that process. And then, about two
19 weeks later the bids come in, the final bids.

20 Q And if I could ask you now to turn to Bates 024
21 through 026, and I think that's in Exhibit 1.

22 A (Glover) Yes. I'm there.

23 Q So, from what I can tell, although earlier in
24 your testimony you described that you evaluate

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 bidders both on qualitative and quantitative
2 factors, it appears that the bidder with the
3 lowest quantitative bid was, in fact, the
4 winning bidder for the Small customers. Is
5 that correct?

6 A (Glover) You're referring to the price?

7 Q Yes.

8 A (Glover) Yes.

9 Q And more broadly, does that stand true for all
10 of the solicitation classes?

11 A (Glover) That is typically the case. The
12 lowest price would generally be the winning
13 bid, unless there were financial or other
14 concerns that we have with that bidder.

15 Q And concerns such as that didn't necessarily
16 result in a change to the selection in this
17 case?

18 A (Glover) That is correct.

19 Q So now, if I can ask you to turn to Bates 030.

20 A (Glover) Yes.

21 Q Thank you. Would it be accurate to observe
22 that the current winning bids for the Small and
23 Medium classes are 5.5 percent higher than last
24 year's winning bid for the same period, and

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 17.6 percent lower than the current rate for
2 the December through May period? I'm looking
3 towards the very bottom right of that chart.

4 A (Glover) Yes. The "5.5 percent" references the
5 prior year. So that would be June '17 through
6 November '17. And the "minus 17.6 percent"
7 would refer to the immediate prior six months,
8 the winter period.

9 Q Now, can you explain to me why that figure
10 might be rising over last year's winning
11 bidder? I think maybe in the narrative of your
12 testimony you talk about the impacts of the
13 price of capacity?

14 A (Glover) Right. The Forward Capacity Market
15 price for FCA 9 is up from the prior period a
16 year ago. So, June 1st of every year is when
17 the commitment period begins and when that new
18 capacity price kicks in. And in this case,
19 that price is \$9.55 beginning June 1st of 2018.
20 So, that's higher than the prior year.

21 Q And is that rising cost likely to continue to
22 rise or to fall for FCA 10 and moving on after
23 that?

24 A (Glover) FCA 10 and moving on shows what the

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 market -- what the clearing price is, that they
2 will continue to descend.

3 Q And I'm curious if you could speak to any
4 actions that the Company might have taken to
5 alleviate this foreseeable increase in capacity
6 costs that drives the increase in the bids?
7 And maybe others on the panel might be able to
8 speak to this as well.

9 A (Furino) Hi. This is Rob Furino speaking.
10 I'll take the question as a general question
11 first. You know, first of all, the Company has
12 certainly no direct control over the wholesale
13 market and what ISO New England is doing, in
14 terms of, you know, its ongoing changes to
15 market rules that impact the Forward Capacity
16 Market and the participation in that market
17 that results in these prices. So, we're
18 essentially a price-taker in that market,
19 indirectly, through our wholesale default
20 service suppliers.

21 That said, you know, I was here today to
22 be that witness that was asked for to talk
23 about what things that the Company is looking
24 at doing to try to help customers to begin to

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[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 manage that cost.

2 I think, at a high level, we would
3 recognize that there's a number of policy
4 issues, initiatives, I guess I should say,
5 unfolding in different fronts, including grid
6 modernization, which sets up an infrastructure
7 where customers can better interact with the
8 utility and have some tools that they might use
9 to control their consumption.

10 You know, the alternative net metering
11 docket led to several different pilot programs.
12 Eventually, you know, the Company will be
13 making a time-of-use rate proposal. We've
14 looked at a few alternatives, including
15 introducing a simple time-of-use rate. We've
16 also looked at different pilot projects that we
17 could possibly do. We've gotten feedback from
18 the Consumer Advocate's Office, and we
19 appreciate that input.

20 Outside of, you know, those policy
21 initiatives that do have, you know, homes in
22 other dockets and, you know, proceedings that
23 are going forward, the Company is this summer
24 undertaking a communication campaign, just to

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1 help customers better understand how their
2 consumption and their usage patterns and
3 behavior impact their eventual costs of power.
4 And the general message really impacts all
5 customers, whether they're taking default
6 service from Unitil Energy Systems or whether
7 they're buying their power from a retail
8 marketer.

9 In any case, I could describe that
10 communication campaign as we see it at this
11 point, if you would like?

12 Q Sure. I think that would be helpful.

13 A (Furino) Okay. Thank you. So, we envision
14 this, we're looking at this in sort of two
15 aspects. One are, you know, "what channels
16 will the Company pursue to contact the
17 customers?" And then, "what would the nature
18 of the messaging be?"

19 In terms of channels, we're going to try
20 to get some stories printed in local news
21 outlets. So, we intend to draft an opinion
22 piece, it would be an op-ed piece, early in the
23 season, sort of before the hot weather hits,
24 and try to get some pickup, some publishing of

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1 that. We'll carry that message into our social
2 media, contacting. We have active people who
3 regularly try to respond to customers and are
4 pretty engaged with customers. And this would
5 give them, you know, some relevant content to
6 try to work with customers on.

7 When we see, you know, you've heard of
8 some -- there are programs out there where
9 companies try to do critical peak pricing, that
10 kind of thing. This is outside of any critical
11 peak pricing, but we will try to contact our
12 customers 24 to 48 hours in advance of
13 potential, you know, peak day conditions, heat
14 wave type conditions, and, you know, work on
15 reinforcing the message that we're trying to
16 share with customers.

17 We'll be exploring graphical posts that
18 can help hopefully simplify -- you know,
19 simplify, you know, the message and concepts
20 for customers. And are talking about doing
21 what I'm hearing are called "VRN videos" -- or,
22 "VNR", which is "video news release", sort of
23 an unofficial news, you know, video that a
24 company might post. You know, we would be

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1 looking at posting some of this material to our
2 website. No real plans to put it in the
3 Company newsletter. We wanted to kind of keep
4 it more interactive and immediate with
5 customers.

6 In terms of messaging, the big focus is to
7 try to get customers to understand the
8 correlation between their demand, their use of
9 power on hottest days, and how that impacts
10 regional costs and their individual supply
11 costs. We would try to differentiate -- help
12 customers differentiate between supply costs
13 and distribution costs. We would look at the
14 cost components that are included in their
15 supply. You know, you get one supply line item
16 on your bill. But really, there's also, as the
17 folks here know, energy charges, but also
18 capacity charges are involved in that, and then
19 the transmission costs are another cost item as
20 well. And try to explain how, when peak loads
21 go high, they drive costs to the customers over
22 and above the cost of power that they consume
23 during those periods. So, really trying to
24 reinforce this message, begin to explain this

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1 message that, along with whatever your, you
2 know, kilowatt-hours you just paid for, you're
3 also setting down a footprint in the sand
4 that's going to cost you in future capacity
5 costs and costs you in future transmission
6 costs and that type of thing.

7 We also provide some general tips on
8 curtailing usage on the hottest days, if there
9 are programs available or, you know, policies
10 like net metering or, you know, see a vendor
11 about this or that, we would include that. And
12 that's our current thinking.

13 Q So, you mentioned contacting customers a day
14 ahead of possible events that are forecasted as
15 peaks. I'm curious how that -- what the
16 Company's thinking is on how that would work
17 currently? Will that be via email or text or
18 some other manner?

19 A (Furino) So, and again, these are under
20 development, but we do have an active social
21 media group. And they do, you know, have a
22 following. I can't imagine it's a huge
23 following, but they do interact with customers.
24 And we're going to try to, you know, reinforce

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 this message. We think that, you know, looking
2 ahead to a time-of-use rate program, you know,
3 it's important that customers understand, you
4 know, how their usage is going to impact price.

5 And that, you know, as we look in the
6 future to unveil some type of time-of-use
7 rates, that, you know, it would -- that this
8 better understanding of prices will help
9 encourage behavior when those opportunities
10 arise.

11 Q So, it sounds like the focus here is to reduce
12 peak load as much as possible, to reduce the
13 future capacity and transmission costs, or at
14 least the Company's allocation of future
15 capacity and transmission costs?

16 A (Furino) In a very general way. And I think
17 the messaging that we see, you know, out there
18 today is typically around reliability. You
19 know, ISO New England is going to go into, you
20 know, a constrained operating procedure, and
21 announce that, you know, customers need to try
22 to, you know, reduce their usage so that we can
23 keep the lights on. And that's definitely part
24 of the story.

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1 But, on this side here, what we're also
2 trying to do is to get customers to understand
3 that there are these additional costs that are
4 going to be incurred and what the nature of
5 those are.

6 Q So, not quite ISO New England declaring an
7 OP-4, but something just short of that, where
8 you're asking your customers to be good
9 samaritans, and help to reduce their costs and
10 the rest of your Company's ratepayers' costs as
11 well?

12 A (Furino) Right. At this point, it's just
13 informational, and there's no, like I said,
14 there's no pricing regime behind it. There's
15 no, you know, there's no daily critical peak,
16 you know, reward at this point. But really
17 just trying to, you know, explain that there is
18 a regional benefit. There is a, you know,
19 collection of our customers, a benefit to the
20 collection of our customers, UES's customers,
21 and just sort of start that process.

22 Q I'm curious if you would agree with me that
23 there are some things that the Company is
24 currently doing that are actively working to

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1 reduce that peak demand? And most specifically
2 I'm thinking of the Energy Efficiency Resource
3 Standard that was passed by this Commission,
4 and the increased spending on energy efficiency
5 measures, which many of them have a peak demand
6 coincidence in some cases. Would you agree
7 with me that that is also another important
8 avenue for reducing costs associated with
9 rising capacity and transmission costs?

10 A (Furino) Yes. And I'm not -- unfortunately,
11 I'm not an expert in the details of those
12 programs. But, absolutely, we're trying to
13 reinforce, you know, those messages. I had
14 mentioned there were various policy initiatives
15 underway, and I neglected to mention that.

16 Q So now, I think we can turn back to Ms. Glover.
17 And I can ask you to turn to Bates Page 036.

18 A (Glover) Yes. I am with you.

19 Q And, so, I've seen a couple of these before.
20 And from my understanding, this is basically a
21 way to provide a check on what the winning bid
22 was. You're comparing it to Henry Hub futures,
23 and there are other charts and other
24 comparisons in here as well.

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1 But my question is, in previous iterations
2 of these charts, at least from my recollection,
3 the number in the bottom right corner, which is
4 a confidential number, has been slightly less.
5 Would that be accurate, as a percentage?

6 A (Glover) You are testing my memory here.

7 Q Maybe I could phrase the question differently.
8 What would drive that number to not be zero, if
9 it were not zero?

10 A (Glover) The cost -- in this case, it would be
11 the cost of natural gas. So, as the price
12 would go up, you would see a relationship
13 between what the bid prices would be and
14 whether, notwithstanding capacity, but as the
15 prices go up in the forecast, you would expect
16 to see a larger portion of that bid price
17 included to be energy. So, like if you go back
18 to, for example, let's look at Bates Page
19 Number 035, which is electric. As those ratios
20 decline, that bigger portion of that bid price
21 is going to be less energy.

22 Q So, you're saying that any increase in that
23 number I'm thinking of is probably associated
24 with maybe something like the increase in the

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1 cost of capacity and --

2 A (Glover) Yes.

3 Q -- others incorporated that into their bids?

4 A (Glover) That's correct. Yes.

5 Q If I could ask you now to turn to Bates Page
6 010, I have a quick question. So, Lines 3
7 through 5, you mention that some suppliers
8 didn't participate due to short staffing, but
9 plan to do so in the future. Could you
10 elaborate on that for me?

11 A (Glover) My understanding, from reach out to
12 the bidders, is that there was a kind of
13 "perfect storm" with the timing of our
14 solicitation, in that they were unable, due to
15 staffing resources, to participate in this
16 solicitation. But that they -- and these are
17 bidders that would typically participate with
18 us, and they just weren't able to this time
19 around, but that they would be participating in
20 our fall solicitation.

21 Q So, when you say "a perfect storm with the
22 timing of our solicitation", is that maybe
23 referring to other solicitations throughout the
24 region that happened to have coincided in

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 this --

2 A (Glover) I don't know. For them -- the
3 response from them to us was that it was a
4 "staffing resource" issue.

5 Q And now, if I could ask you to turn to Bates
6 Page 022. I'm sorry, 021.

7 A (Glover) Yes.

8 Q In the second paragraph on this page, you
9 describe the number of bids for the G1 supply
10 requirement, and that's a confidential number,
11 which I'm not going to bring forth here, but I
12 want to ask you hypothetically. Would you say
13 that, if three bidders had placed final bids,
14 would that provide for a fair and competitive
15 solicitation from your perspective?

16 A (Glover) I believe it would.

17 Q How about if two had placed final bids?

18 A (Glover) Yes.

19 Q And if one had placed a final bid?

20 A (Glover) I think we would have to revisit that.

21 Q So, in that context, is there anything here,
22 from your perspective, that might be worth
23 pursuing as far as structural changes, if that
24 sort of a scenario were to play out, structural

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1 changes in the procurement process? Is there
2 anything you can think of that you might
3 suggest here, either from your understanding of
4 how it works in other jurisdictions or
5 elsewhere, that might encourage participation
6 by more bidders?

7 A (Glover) Well, we do have alternative plans
8 should we have what we would consider a failed
9 solicitation. For example, in the case if we
10 had one bidder. We do have a backup plan, such
11 as we would reissue the RFP, perhaps extend,
12 for this case, if it was this G1 class, extend
13 the period for getting the bids back, reaching
14 out to suppliers.

15 As far as another method for solicitation
16 beyond putting out this RFP, the Company has
17 discussed other options, such as how we procure
18 power for this class in Massachusetts, which is
19 directly through the wholesale market.

20 Q Can you expand on that for me a little bit?

21 A (Glover) So, in Massachusetts, when we put an
22 RFP out, we do not solicit load for our Large
23 customer class. We simply run it through our
24 ISO Settlement account. So, we're purchasing

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1 power on their behalf. And then we incorporate
2 that into a retail rate at the other end, which
3 is what we do for New Hampshire.

4 Q So, there's -- is there no adder, like there is
5 in the G1 class for New Hampshire?

6 A (Glover) That's correct. There's no adder.
7 There's no solicitation at all for the -- it's
8 a G3 class in Massachusetts. But we don't even
9 solicit load at all. We just do our Small and
10 Medium customers. There -- oh, go ahead.

11 A (Furino) Again, this is Rob Furino again. Just
12 to clarify what Lisa is saying, in terms of the
13 Company's procurement process for large
14 customers in Massachusetts, the pricing we use
15 is, actually, it mimicks an adder. So, what
16 we do is we take the weighted average
17 locational marginal price, which is the energy
18 price. We add to that the capacity price when
19 we increase -- the adder ends up being
20 10 percent of the sum of that. So, there is
21 this additional cost. And that's meant to
22 cover other ancillary costs, etcetera, and it's
23 a very simple formulaic approach. But that's
24 the approach to the pricing.

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1 So, there's sort of an adder-type
2 component. We are adding capacity indirectly,
3 and we are increasing that by 10 percent.
4 That's what we do in Massachusetts, without a
5 wholesale supplier.

6 Q That's helpful. I think now I can turn to Ms.
7 McNamara. And if I could ask you to turn to
8 Bates Page 198.

9 A (McNamara) I'm there.

10 Q And if you could just summarize for me what
11 we're all looking at here on Bates Page 198.

12 A (McNamara) Page 198 is a typical bill for the
13 Residential class and the G2 Demand class
14 comparing these proposed rates versus rates in
15 effect last June, June 2017.

16 Q And, so, I think that I am most interested in
17 the residential rate up top there. Would it be
18 accurate to say that, overall, this change
19 would result in an increase in total bills of
20 about 5.5 percent?

21 A (McNamara) That "5.5 percent" includes other
22 changes, not just default service.

23 Q Right. So, it's just a lucky coincidence that
24 the increase in the smaller class bids happen

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 to be 5.5 percent, and the increase in total
2 bill is also 5.5 percent, is that correct?

3 A (McNamara) I apologize. What was the first
4 5.5 percent?

5 Q That was the 5.5 percent we had gone over
6 earlier in Ms. Glover's testimony, where the
7 Small/Medium classes had gone up -- their
8 chosen rate had gone up about 5.5 percent over
9 the period from last year.

10 A (McNamara) Yes. Coincidence.

11 Q And can you just describe for me briefly, it
12 looks like within the Default Service Charge,
13 there's a percentage that is broken out as
14 having contributed to the total bill increase
15 percentage. Can you tell me what that is?

16 A (McNamara) On the "Default Service Charge"
17 line?

18 Q Yes.

19 A (McNamara) The "2.1 percent", is that what
20 you're referring to?

21 Q Yes.

22 A (McNamara) That is the percent -- so, as you've
23 mentioned earlier, a residential customer,
24 using 650 kilowatt-hours in a month, would see

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 an increase in June 2018, including these
2 proposed default service rates, versus last
3 June of 2017, the increase would be 5.5 percent
4 on their total bill. Of that 5.5 percent,
5 2.1 percent of that is related to this Default
6 Service change.

7 Q And there's another large -- well, it's a
8 larger figure in there than the Default Service
9 Charge change, and that's attributable to
10 External Delivery Charge, is that correct?

11 A (McNamara) Correct.

12 Q And can you just briefly explain for me the
13 components that have led --

14 *[Court reporter interruption.]*

15 BY MR. BUCKLEY:

16 Q Can you briefly explain for me the components
17 that have led to that rise in the External
18 Delivery Charge?

19 A (McNamara) I apologize, I don't have that
20 filing with me. But I could take a stab at it,
21 and say that it was most likely transmission
22 charges.

23 MR. BUCKLEY: Thank you. No further
24 questions.

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 CHAIRMAN HONIGBERG: Ms. Amidon. Oh,
2 actually before you do that, go off the record
3 please.

4 *[Brief off-the-record discussion*
5 *ensued.]*

6 CHAIRMAN HONIGBERG: Ms. Amidon.

7 MS. AMIDON: Thank you. And I guess
8 I should thank Attorney Buckley, too, because
9 he literally asked half of my questions. So,
10 there you go.

11 BY MS. AMIDON:

12 Q Ms. Glover, I wanted to start with you, if I
13 could. Is the form of agreement then and the
14 transaction confirmation that you executed
15 with -- or, that the Company executed with the
16 winning bidders similar to those that you've
17 done in the past with no substantive changes?

18 A (Glover) You are referring to the Power
19 Purchase Agreements?

20 Q Yes.

21 A (Glover) That is correct.

22 Q Thank you. I noticed, at Bates 099, and I
23 don't know if this is a form or if this is
24 something that was executed in this instance,

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1 but let me get there, too, make sure I'm not
2 referring to confidential information. This
3 is -- are you there?

4 A (Glover) Yes.

5 Q Okay. So, this is a Mutual Confidential
6 Non-Disclosure Agreement. Is this a standard
7 agreement that the Company executes with its
8 suppliers?

9 A (Glover) Yes. So, during the procurement
10 period, should they wish to see our financials,
11 which are confidential, we would have them
12 complete this Non-Disclosure Agreement.

13 Q Yes. That makes perfect sense. Thank you.

14 A (Glover) You're welcome.

15 Q Is there any way that you could determine
16 whether any of the cost difference between this
17 summer period and the summer period, well, for
18 last year was due to anything other than
19 capacity? In other words, do you think that
20 the energy costs are relatively stable as to
21 the two periods? Or, if you don't have
22 information on that, I understand, but I just
23 thought I'd ask that question.

24 A (Glover) I actually do have that information.

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 Q Great. Thanks.

2 A (Glover) We look at the bid price. We compare
3 it to the current NYMEX price. And we take the
4 difference between those and assume that the
5 NYMEX price is the energy portion of the price.
6 The remainder of that being non-energy,
7 primarily capacity, and other ancillary
8 services. And what that tells us is the
9 proportion of that price that we would
10 attribute to non-energy. For this period, it
11 is 60 percent. The period a year ago, it was
12 52 percent. So, we backed out the energy
13 portion, leaving those two percentages. So, in
14 this case, it's telling us, while the energy
15 price is -- it was 40 percent this time around,
16 48 percent a year ago, the biggest jump in the
17 proportion of that energy price is the
18 non-energy piece of it.

19 Q Thank you. And as I understand it, and I don't
20 know if this is a question for you or Ms.
21 McNamara, but who's ever better able to answer,
22 you have forecasted an additional increase in
23 the capacity prices for June 1 of this year in
24 calculating these rates?

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[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 A (Glover) The capacity price is --

2 Q It's already set.

3 A (Glover) -- already in the price that we have
4 in the bids.

5 Q Okay.

6 A (Glover) Yes.

7 Q All right. Thank you. If we could go to
8 Page 151, and this is your testimony, Ms.
9 McNamara. Let me know when you're there.

10 A (McNamara) I'm there.

11 Q Okay. Thank you. Could you just explain what
12 you understand to be the cause for the
13 overcollection in this instance, if I'm reading
14 that correctly?

15 A (McNamara) The overcollection, on Line 12, of
16 \$520,000 approximately, --

17 Q Yes.

18 A (McNamara) -- is mainly related to increased
19 sales versus what we had estimated for the
20 period.

21 Q Okay. Thank you. And if we go to the next
22 page, Page 152, beginning at Line 13, there's a
23 question on net metering customers. And I just
24 wanted to know if you could explain the

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1 interplay between this payment or the amount of
2 38,700 -- well \$38,000, and the amount that is
3 recovered by the Company through the EDC, if I
4 could understand the relationship between those
5 two amounts? My understanding is that through
6 the External Delivery Charge, the Company
7 recovers lost distribution revenues associated
8 with that metering, is that right?

9 A (McNamara) That is correct.

10 Q And in this stance, this amount of \$38,000 is
11 the energy portion that otherwise would be
12 credited to customers who net meter, who choose
13 not to have it balance forward or something
14 like that? I'm just trying to understand how
15 they relate to one another.

16 And if you're not able to answer the
17 question, it's not essential for us to know
18 that today, for Staff to know that today in
19 connection with this filing, and we could take
20 a record request. I'm just trying to
21 understand the interplay between the two
22 numbers.

23 A (McNamara) I wouldn't be confident answering
24 where the --

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 *[Court reporter interruption.]*

2 **BY THE WITNESS:**

3 A (McNamara) I wouldn't be confident answering
4 how the \$38,000 is arrived at.

5 CHAIRMAN HONIGBERG: Ms. Amidon, do
6 you want to make that a record request?

7 MS. AMIDON: Yes. And I'm trying to
8 think about how best to say it. I guess,
9 please explain the calculation of the amount of
10 \$38,000 and the reasons for it being credited
11 back to -- I'm not sure how to say it
12 correctly, Mr. Chairman.

13 I'm wondering if I could work with
14 the Company afterwards and give it to the clerk
15 and have it for the record that way?

16 CHAIRMAN HONIGBERG: I think you
17 could put something in writing and put it in
18 the file as to what the record request is.

19 MS. AMIDON: Okay.

20 CHAIRMAN HONIGBERG: I suspect that,
21 if you work with Mr. Epler and the witnesses,
22 that you'll come up with something that will
23 get you the information you're interested in.

24 MS. AMIDON: I'm just thinking of,

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1 you know, moving this proceeding along without
2 holding things up.

3 CHAIRMAN HONIGBERG: Mr. Epler.

4 MR. EPLER: Yes. For now, just for
5 clarity in the transcript, if we can just say
6 that there's a record request pending on
7 material on Bates stamp Page 152, Line 22.

8 CHAIRMAN HONIGBERG: That would
9 certainly help, I think.

10 MS. AMIDON: Yes.

11 MR. EPLER: Thank you.

12 MS. AMIDON: Thank you, Attorney
13 Epler.

14 *(Exhibit 3 reserved)*

15 MS. AMIDON: And just a couple more
16 questions.

17 BY MS. AMIDON:

18 Q And I know you and I discussed this, Ms.
19 McNamara, before the hearing. And just for the
20 sake of getting your explanation on the record
21 at this point, would you turn to Page Bates 163
22 for me. And I have just a general question for
23 you, and I know you know the answer. So, I
24 just wanted to -- are you there?

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1 A (McNamara) I am.

2 Q Okay. Thank you. So, I was, as you know, I
3 was confused about what the term on Line 2 was,
4 "Total Costs excluding wholesale supplier
5 charge". So, perhaps with respect to the top
6 part of this schedule related to the G1 class
7 default service, you could explain what the
8 cost components are and what is not included in
9 this schedule, because of -- because of its
10 confidentiality? Is that fair to ask?

11 A (McNamara) Sure. The easiest way to perhaps
12 see the costs that are included on this
13 schedule would be to reference Schedule LSM-4.
14 And there's probably two pages we could look
15 at.

16 Q Okay.

17 A (McNamara) Bates Page 183, which is kind of
18 hard to read, because it got stamped over some
19 other text. I apologize, I think I've turned
20 you to the wrong page. Page 177.

21 Q Thank you.

22 A (McNamara) This page shows the actual
23 calculation of the factor that was shown on the
24 previous page of "0.00275".

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 Q And as I understand, this 0.275 cents per
2 kilowatt-hour recovers Unitil's costs, in other
3 words, the working capital, the bad debt, the
4 internal costs, includes the reconciliation,
5 and does not include any of the costs from the
6 supplier. Is that correct?

7 A (McNamara) That is correct.

8 Q So, the calculation of the supplier adder and
9 the wholesale power cost is something that is
10 done monthly, and you provide that to the
11 Commission. Is that right, Ms. Glover?

12 A (Glover) That's correct.

13 Q Okay. So, this cost does not reflect the adder
14 that was bid for the Large Customer Group?

15 A (McNamara) That is right.

16 Q All right. And finally, I know, and perhaps
17 you can help me find this. I know Mr. -- I
18 mean, Attorney Buckley was able to show the
19 comparison between the period last year, the
20 same period, and the period that begins June 1,
21 this change in the bills. If I go to Page 189,
22 Bates Page 189, that shows the difference
23 between the bill in the current period that
24 ends March 31st -- or does it? Well, it shows

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 the bill for the current period and the bill
2 for the period beginning June 1, and that is
3 actually, for a residential customer, a
4 decrease of 9.3 percent overall in their
5 monthly bill. Is that right?

6 A (McNamara) That is correct. And that is solely
7 based on the change in the default service
8 rate.

9 Q Right. I know that there may be other changes
10 that are coming along. But at least if we're
11 looking at the energy rate portion of the
12 customer bill, there is an overall decrease
13 from the winter period?

14 A (McNamara) That is correct.

15 MS. AMIDON: Okay. Thank you. I
16 have no further questions.

17 CHAIRMAN HONIGBERG: Commissioner
18 Bailey.

19 CMSR. BAILEY: Thank you.

20 BY CMSR. BAILEY:

21 Q Can we start on Bates Page 028? It's
22 confidential. So, I won't ask you specifically
23 about these numbers, to say what the numbers --

24 A (Glover) I'm there.

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[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 Q Okay. Are these the numbers that the suppliers
2 bid to you for their portion of the adder?

3 A (Glover) Yes. Each of these lines for these
4 bidders is just the adder portion.

5 Q Okay. And in the past, haven't you come up
6 with a rate component that reflect these
7 numbers?

8 A (Glover) I'm going to answer. Do you want to
9 take that?

10 We send the rate to the Staff every month,
11 using the adder and the wholesale price. So,
12 the schedule you were just on, there was a line
13 that said "market", we update that every month,
14 between Linda and I, with the adder and the
15 wholesale price and send it to Staff, so that
16 they would know what the rate is.

17 Q I understand that. But I thought my memory of
18 these proceedings, and maybe I'm getting it
19 confused with another electric company, but I
20 don't think so, is that the adder portion from
21 the supplier was part of not confidential
22 information and part of the rate that was
23 perhaps added to the Company's adder that we
24 just looked at that was 0.275 cents per

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 kilowatt-hour?

2 A (McNamara) No. Not since we've gone to this
3 method for the G1 classes, which has been a
4 monthly, a monthly rate, --

5 Q Okay.

6 A (McNamara) -- we follow the same method.

7 Q Okay. Can you -- so, I got a little confused
8 when I was reading the testimony by this adder
9 and the Company's adder. But can you tell me
10 how the adders on this page, Bates Page 028,
11 compare to the adders that you received from
12 the suppliers last time? Is that the
13 11 percent or the 6 percent difference?

14 A (Glover) One moment please.

15 (Short pause.)

16 BY CMSR. BAILEY:

17 Q I'm looking at Bates Page 008. That's where I
18 got 11 percent.

19 A (Glover) Comparing the adders to last summer,
20 is that what you wanted me to look at? Okay.

21 Q Sure. And I think your testimony says that
22 it's "24 percent higher than the same period a
23 year ago". Is that sentence read, from Page 8,
24 Line 10, is that sentence related to the adder,

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[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 the supplier's adder?

2 A (Glover) I apologize. Are we on Bates

3 Page 008 --

4 Q Yes.

5 A (Glover) -- of my testimony? Okay. Thank you.

6 "Pricing for the Large customer class is 11

7 percent higher than the previous 6-month period

8 and 24 percent higher than the same period a

9 year ago." That is true.

10 Q So, the numbers on Bates Page 028 are

11 24 percent higher than they were a year ago?

12 A (Glover) To the same period a year ago, yes.

13 Q Okay. Do you have any idea why the adder is

14 24 percent higher?

15 A (Glover) The adder itself is non-energy. So, I

16 would surmise it's the non-energy portion, so,

17 forward capacity charges and other ancillary

18 services.

19 Q Okay. Do you know what the forward capacity

20 price was last year?

21 A (Glover) I do. June 1st, 2017, it was \$7.03.

22 June 1st, 2018, it is now \$9.55. And it

23 declines every -- for the next three years.

24 Q Okay. All right. So, what are the rates that

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[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 the customers are provided in advance of the
2 rate period that the G1 rates are in effect?

3 A (McNamara) The G1 customers are told that, that
4 0.00275, and the RPS component of the overall
5 default service rate. They're also told,
6 although without much advance notice, but a
7 couple of days beforehand, when we determine
8 the rate for the month, based on the wholesale
9 price, they're notified of that rate.

10 Q So, you determine the rate for that month.
11 Does the supplier give you that rate for the
12 month in advance? It's not based on LMP?

13 A (Glover) It is based on LMP, yes.

14 Q So, how do you know in advance what the rate
15 is?

16 A (Glover) We use a prior period of already
17 published prices. So, we would have a chunk of
18 time, it doesn't go right up to the month, but
19 it would be a period of the month prior.

20 Q Okay. And to that, you add the adders that we
21 talked about?

22 A (Glover) Yes.

23 Q And then it gets reconciled to whatever the
24 actual LMP is?

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1 A (Glover) Yes. For the calendar month, yes.

2 Q And does that reconciliation occur in the next
3 six-month period, like the adder of the 0.275
4 cents per kilowatt-hour? Is that part of the
5 reconciliation of the difference between the
6 price paid and the price actually incurred or
7 the costs incurred?

8 A (McNamara) We reconcile once a year, and spread
9 that over 12 months.

10 Q Okay.

11 A (McNamara) So, this particular filing, we
12 reconcile it with the spring filing. And any
13 reconciliation balance would get recovered or
14 credited over the next 12 months.

15 Q And, so, that's the number in your -- I think
16 it was Schedule 4, that was in the 20 or
17 \$20,700 range?

18 A (McNamara) It was the \$20,000. So,
19 approximately \$40,000 was the total
20 undercollection, and then 20 of it would be for
21 this six-month period. And then, in the next
22 filing, in the fall, we would include the
23 remaining 20,000.

24 Q Okay. Thank you. Ms. Glover, I don't know if

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 you know this, but do you have any explanation
2 for why the bids for medium size customers are
3 lower than the bids for residential customers,
4 even though the load is smaller?

5 A (Glover) I don't have a good answer for you, I
6 don't think.

7 Q Have you ever considered combining those two
8 groups? Mr. Furino, do you have any idea?

9 A (Furino) Yes, Commissioner. Let me just give
10 you a little background. In the distant past,
11 they were combined. They were one, we used to
12 price Non-G1 default service together. And we
13 recognized that the two groups, the
14 residential or the domestics and the Small
15 Commercials had distinct differences.

16 When we first did make the split, the real
17 driving factor was migration risk. The Medium
18 customers were going to market much quicker
19 than domestic customers. So, we got to a point
20 where, you know, retail choice penetration was
21 maybe 30 percent in that group, and, you know,
22 just barely beginning, if any, in the
23 residential group. And suppliers looking at
24 that identified that as a risk, and that they

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 would throw premiums on top of that. So, we
2 did break that up.

3 We also were looking at load profiles.
4 And the two -- the profiles for the two groups
5 of customers do vary quite a bit. And we
6 showed that back at the time, I can't remember
7 how many years ago it was, it was several years
8 ago that we made this change.

9 Another thing that's kind of going on is
10 that Small Commercial customers, you know, may
11 have less late in the day peak exposure, which
12 is really driving a lot of the hourly costs.
13 So, in addition to having a better load profile
14 overall, they're avoiding certain peak periods
15 of time.

16 But we're not overly surprised by the
17 results.

18 Q And do you think that the suppliers now think
19 that the residential group is riskier for
20 migration than the Medium or the Small Business
21 group?

22 A (Furino) I think they know that it's lower than
23 it is still for the Medium group. But I think
24 it's been -- both groups have been fairly

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 stable. There's been robust activity relative
2 to what we had seen in the past. But I think
3 it's been fairly stable.

4 Q So, you're saying that the suppliers perceive
5 the Small Business customers as more of a risk?

6 A (Furino) You know, and I apologize, we provide
7 these quarterly migration reports that you may
8 be familiar with, which show the trends for
9 each of these groups over the last 13 months.
10 And Ms. Glover is going to show them to me as
11 we speak.

12 So, I can see like our -- looking, and we
13 show this in terms of energy consumption and
14 also in terms of customer counts. In terms of
15 customer counts, you know, our domestic
16 customers are in the 13 percent range a year
17 ago to about 11 percent now. So, --

18 Q Migration?

19 A (Furino) Yes. I would say just retail --
20 participating in retail choice, those customers
21 taking supply from a third party, down from 13
22 to 11 percent in the last year. The regular
23 general, which is this other group, pretty
24 steady at 26-27 percent.

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1 Q So, isn't that a higher risk?

2 A (Furino) Well, I think the risk factor is a
3 question of how quickly that is changing, how
4 stable that is. It means to have been fairly
5 stable over time, and that's what they're going
6 to look for.

7 Q So then, you think that really the reason --

8 A (Furino) I'm sorry. We're on Bates Page 140.

9 Q Thank you.

10 A (Furino) She pointed it out to me three times
11 and I finally realized the message.

12 Q But my question or this whole conversation was
13 trying to figure out why the bid price for the
14 Small Commercial customers was lower? The load
15 is lower, but it's more predictable? I mean,
16 the load is smaller, sorry, smaller, but it's
17 more predictable, and because of that lack of
18 the peak in the afternoon?

19 A (Furino) Right. So, the timing of the hourly
20 profile has different pricing impacts.

21 Q Okay. All right. Thank you. I really
22 appreciate your customer outreach to be more
23 aware of the relationship between the price of
24 energy and how they consume it. And I think

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 that you have some good plans. Do you -- I
2 think Mr. Buckley asked you this, but I don't
3 think I understood the answer. Do you contact
4 your customers by text at all or just by social
5 media, Facebook, and that kind of thing?

6 A (Furino) I will have to get back to you on
7 that, or I just don't have a real complete
8 answer on that. I know we've recently
9 introduced a new customer information billing
10 system. And part of that involves a component
11 of capturing customers', you know, contact
12 information, including e-mails and texts, and
13 with an eye to rolling out that type of
14 communication. I just don't know where we are
15 in terms of that process.

16 CMSR. BAILEY: The Chairman suggests
17 that I ask you for a record request to provide
18 the communication plan. And I would like our
19 Consumer Affairs Director to see what you're
20 planning to tell your customers, so that we can
21 tell them the same thing. Or, if it's not as
22 understandable as you think it is, that we
23 could give you some suggestions. Because I
24 think this is a very important thing that

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1 you're doing, and hopefully we can maximize the
2 value of it.

3 CHAIRMAN HONIGBERG: Hang on. Mr.
4 Epler.

5 MR. EPLER: We would be happy to
6 contact the Consumer Director, and perhaps set
7 up like a tech session, where we can discuss
8 that --

9 CMSR. BAILEY: Okay.

10 MR. EPLER: -- and go through a
11 presentation, in addition to responding to the
12 record request.

13 CHAIRMAN HONIGBERG: So, you could
14 prepare a record request that describes the
15 current state of play?

16 MR. EPLER: Yes.

17 **(Exhibit 4 reserved)**

18 CHAIRMAN HONIGBERG: And then I think
19 the idea of sitting down with the Consumer
20 Affairs Division Director makes a lot of sense.
21 Whether its a formal tech session or something
22 informal, we'll leave that to you and Staff.

23 MR. EPLER: Happy to do that.

24 CMSR. BAILEY: Thank you.

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1 BY CMSR. BAILEY:

2 Q Do you have a plan or a method of measuring the
3 results of this? I mean, are you aware of --
4 you must be aware of what the peak load was for
5 both transmission, allocation, and capacity
6 last year and the years before that, right?

7 A (Furino) We have the numbers, yes.

8 Q Okay. And so, you can compare that to this
9 year to see if it made a difference?

10 A (Furino) We could do that. You know, we could
11 also -- and I'll be talking with my
12 Communications team, they will be drafting the
13 communications. But, as far as, you know, the
14 number of contacts that we have, you know, how
15 the -- I believe, like when we utilize social
16 media, we get, you know, we can see the
17 engagement, that type of thing.

18 Just as a -- you know, I mean, as a
19 non-energy, you know, we're not -- in addition
20 to trying to identify changes in our aggregate
21 consumption on the system, including during
22 peak hours, you know, one of the -- you know,
23 we may look for metrics in terms of our
24 communication campaign, in terms of how many

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1 tangible touch points we have with customers.

2 Q Okay. And you don't know -- I mean, you said
3 you didn't know whether the Company has the
4 ability to text customers. Just anecdotally,
5 I'll tell you that I have electric service from
6 another utility, and they send me a text
7 message before every storm. And it's almost
8 annoying, but --

9 A (Furino) I get those same messages.

10 Q Okay. But it's a good way -- it's a good way
11 to communicate with customers, especially
12 during a peak or an expected peak, you know,
13 "Now is the time to watch out and try to
14 conserve your usage." Just some thoughts.

15 CHAIRMAN HONIGBERG: A study with a
16 sample size of one.

17 *[Laughter.]*

18 CMSR. BAILEY: No, two. He has it,
19 too.

20 WITNESS FURINO: Thank you.

21 CMSR. BAILEY: All right. I think
22 that's all I have. Thank you very much.

23 CHAIRMAN HONIGBERG: Commissioner
24 Giaimo.

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 CMSR. GIAIMO: Good afternoon. Let
2 me start with what I think is a real easy
3 question.

4 BY CMSR. GIAIMO:

5 Q Ms. McNamara, you mentioned an increase in use
6 above what was forecasted last year, did I hear
7 that correctly at sometime during your
8 testimony?

9 A (McNamara) The sales increased over this
10 current period compared to what we forecasted,
11 yes.

12 Q Do you know if Unitil has actually been
13 experiencing load growth?

14 A (McNamara) I do not. And I should have really
15 clarified that question a little bit. This
16 filing doesn't necessarily forecast, in the
17 traditional sense, sales. What it does is it
18 applies a loss factor to the forecasted
19 purchases. So, in this instance, what happened
20 was the loss factor that we apply, which is, I
21 believe, for that class, the Residential class,
22 is -- I want to say "6.4 percent", it wasn't as
23 high as 6.4 percent.

24 Q Okay. And now, when you say "loss factor", we

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[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 are talking about physical electrons
2 transmitted from the generation to delivery or
3 are we talking about customer -- losing of
4 customers?

5 A (McNamara) The actual loss, the difference
6 between what is purchased and what is
7 ultimately sold in retail.

8 Q Thank you. That's good to know. Before I
9 start my next -- my next line of questions, I
10 want to thank Attorney Epler and Mr. Furino for
11 coming. I think he's partly here because of
12 questions I asked about six months ago. So,
13 thank you for being here and thanking for
14 recognizing that request.

15 So, the next line of questions are about
16 the capacity market. So, let's say we have a
17 hypothetical of a large manufacturer. And this
18 large manufacturer is off line and has no
19 use -- and is not utilizing any electrons. Be
20 it because they're just completely off line or
21 because they have some sort of behind-the-meter
22 generation that they're utilizing. And it's
23 the system peak and it's the utility peak and
24 it's the zonal peak. What is their capacity

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1 payment due in the next year?

2 A (Furino) Zero.

3 Q It is zero. Okay.

4 A (Furino) And I'm going to assume that they're a
5 large customer, that they're interval metered,
6 and therefore they would be reported as zero
7 and the subsequent billings would be based on
8 that.

9 Q So, in that situation, under the hypothetical
10 customer I'm talking about, they would have
11 every incentive to respond to the text messages
12 that Commissioner Bailey was talking with you
13 about just a moment ago?

14 A (Furino) Yes. And the key is the metering,
15 but, yes.

16 Q Okay. What I heard from you, Mr. Furino, was a
17 lot of things that you plan to do. So, in
18 light of the fact that Ms. Glover mentioned
19 that FCA 9 is the high water mark for capacity
20 clearing prices, specifically what did you
21 do -- what did you do to mitigate the price
22 last year or what did you do?

23 A (Furino) So, we had no specific programs in
24 place. You know, obviously, we're

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1 participating in the net metering docket as
2 that was playing out, have various commitments
3 that stem from that. And I don't believe there
4 was any -- I don't know about energy efficiency
5 activities in particular.

6 I do know some of our larger customers do
7 participate directly in demand response
8 programs administered by the ISO, and they're
9 introduced by a variety of suppliers who offer
10 that as a complementary service to them.

11 Q Okay. Thanks. Has the Company done any
12 specific analysis as to just the commodity
13 costs last year versus this year or what's
14 coming?

15 A (Furino) Other than just looking at visually
16 the differences between the NYMEX prices that
17 we received a year ago, no.

18 Q Okay. On Page 8 of Ms. Glover's testimony --

19 CHAIRMAN HONIGBERG: Bates page?

20 CMSR. GIAIMO: Page 8. Sorry. Page
21 6, Bates Page 008.

22 BY CMSR. GIAIMO:

23 Q Commissioner Bailey was touching on this. And
24 you talked on Line 9, it states "Pricing for

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 Large customer class adder is 11 percent higher
2 than the previous 6-month period and 24 percent
3 higher than the same period a year ago."

4 So, I heard that's due to non-energy
5 related factors, specifically the capacity
6 market?

7 A (Glover) The adder, yes, is a non-energy
8 portion of the Large G1 class price, yes.

9 Q And to what extent is this increase a result of
10 pay-for-performance, as opposed to just the
11 capacity market in general? Is it the changes
12 to the capacity market that are being
13 implemented June 1st that are driving these
14 or --

15 A (Glover) I would surmise that. But I, not
16 being a supplier, there could be some
17 pay-for-performance in there. But I don't know
18 how much that would affect that price
19 specifically.

20 Would you want to add?

21 A (Furino) Yes. I was just going to say, we
22 don't have any transparency into that. We
23 don't, you know, know whether suppliers who are
24 bidding have their, you know, existing

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1 generation fleet that is able to sort of
2 self-supply this obligation, or whether they
3 see that as more of a consumer in that market.

4 Q Okay. Ms. Glover, what I thought I heard you
5 say, and I just want to confirm this, is that
6 you are comfortable that the number of bidders
7 was commensurate with a competitive process?

8 A (Glover) It's a stable number. It's the number
9 that we typically see for this class. It has
10 not changed.

11 Q Okay.

12 A (Furino) I just wanted to take the opportunity
13 to make one comment in that regard. I think we
14 had said earlier that, if there were a single
15 bidder, that it would necessarily be
16 uncompetitive and we do something else. I did
17 just want to put forward the proposition that a
18 single bidder could, in fact, provide a very
19 reasonable market result. In jurisdictions --
20 in other jurisdictions, we have had extended
21 periods where one bidder was very successful,
22 and we continued to contract with them. And at
23 one point, they were not so competitive in
24 their bidding, and we, you know, we found

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1 another way, we redid things, and we did not
2 accept that.

3 But that would be, in that circumstance,
4 my view is that would be a showing we would
5 need to make.

6 Q I jotted down "Mr. Furino, it looks like you
7 have something to say on this?" So, thank you
8 for chiming in there. That was my next
9 question.

10 All right. I think I have just one left.
11 Bates 028. Bates 028, --

12 A (Glover) Yes.

13 Q -- 027, and 026, recognizing that they're
14 highlighted numbers, I won't speak specifically
15 to anything other than to say that it appears
16 as if the adder is half the size of the all-in
17 prices on Page 027 and 026. Is that a
18 reasonable conclusion to make?

19 A (Glover) Close. Yes. Just looking at the
20 numbers.

21 Q Is there anything that we can surmise from
22 that?

23 A (Glover) Well, if you're looking at Bates 026
24 and 027, those two pieces are energy and

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1 non-energy. And while they're not exactly
2 half, they are close. I did look at the
3 portion of those bids that are energy and
4 non-energy, and that came out to I think we
5 said -- hold on. I think it was 60 percent.

6 Q Right.

7 A (Glover) Sixty (60) percent was non-energy.
8 So, I'm not sure I answered your question. I
9 might have wandered.

10 Q It sounds like it's consistent, now that you
11 reference the "60".

12 A (Glover) Okay. Right, because it's not exactly
13 half.

14 Q That makes sense.

15 A (Glover) Yes. Okay.

16 Q And so why they made it look similar, --

17 A (Glover) Yes.

18 Q -- is what I was getting at?

19 A (Glover) Correct.

20 CMSR. GIAIMO: Thank you. I have no
21 other questions.

22 CHAIRMAN HONIGBERG: Commissioner
23 Bailey.

24 BY CMSR. BAILEY:

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 Q Didn't you say that, in Massachusetts, the
2 adder was only 10 percent for the non-energy
3 costs?

4 A (Furino) I made those statements. So,
5 clarifying what we do for Fitchburg, it's the
6 sum of the LMP, plus the capacity, the sum of
7 those, times 10 percent, or 10 percent of that
8 ends up being the total price, 110 percent of
9 the sum of those two.

10 Q Okay. And so, how do you -- do you go out and
11 competitively bid the capacity and the energy
12 for Massachusetts?

13 A (Furino) No. Remember, this is just for
14 Fitchburg Gas & Electric, Unitil's
15 Massachusetts affiliate, only for the largest
16 group of customers. And so, no, we're actually
17 not having any market procurement of any type.
18 It's literally a load obligation that sits in
19 Fitchburg's own Settlement account and is seen
20 as a demand or load in the ISO New England
21 system. We pay the bill and process those
22 charges.

23 Q That's right. That's what you said. And I
24 meant to ask you this question. How do those

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1 rates compare ultimately to the rates that we
2 get from competitively bid?

3 A (Furino) This is an interesting question, and I
4 appreciate it. But, by and large, lower.

5 Q It's lower when you buy it on the LMP, on the
6 market?

7 A (Furino) So, here -- even here in New
8 Hampshire, we have Non-G1 pricing, which has
9 suppliers bidding in full-requirement service.
10 It includes energy, includes capacity, includes
11 everything else.

12 For the G1s, and we've been trying to
13 clarify all this, but, with the G1s, we have
14 suppliers just bid this adder, and it basically
15 covers everything but energy, and then to that
16 we add the LMP. Over time, the pricing that we
17 have seen for G1 customers has been much lower
18 than the pricing we've seen for Non-G1
19 customers, because the wholesale suppliers are
20 doing less risk management, there's less
21 hedging involved, etcetera.

22 So, that's -- it's actually one of the --
23 an item I believe the Consumer Advocate,
24 Mr. Buckley had asked, you know, "Were there

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 any structural changes the Company was
2 considering?" The Company is looking at the
3 possibility of bringing some structure like
4 that we use in New Hampshire for G1 customers
5 for Non-G1 customers. And we would combine
6 that with some sort of rate-smoothing
7 mechanism, if we were to try to bring a
8 proposal to go forward with that.

9 But our view is that, based on the
10 experience we've seen over time, in the long
11 run, that yields you a lower price than, you
12 know, purchasing under a full-requirement
13 service.

14 Q Okay. Thank you. What about the comparison of
15 the G1 customers and the price that G1
16 customers in New Hampshire pay and the price
17 that G3 customers in Massachusetts pay?

18 A (Furino) And I apologize, but I haven't looked
19 very closely at that, but they must move very
20 closely. It's possible that the Fitchburg
21 prices could be lower. We could certainly
22 provide that. We do those same calculations
23 every month for Fitchburg, except we're just
24 using, you know, ISO's capacity charges that we

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 get, as opposed to these adders. So,
2 mechanically, it's just a little different.

3 Q But, if the adder is 60 percent, --

4 A (Furino) Yes. So, what's happening there, in
5 particular, is that we're in an environment of
6 high capacity costs --

7 Q Uh-huh.

8 A (Furino) -- and low summer commodity costs.
9 And it's -- you know, as a winter-constrained
10 system, from a reliability standpoint, that's
11 what really is driving the prices. We tend to
12 see lower commodity prices in the summer. You
13 know, the capacity costs are constant
14 year-round.

15 BY CHAIRMAN HONIGBERG:

16 Q It would seem that, if you're considering
17 making a change in the process to mirror what
18 goes on in Massachusetts, one of the things
19 you're going to want to provide is some
20 historical comparisons. Understanding that
21 past performance is no guarantee of future
22 results, you could at least give some
23 indications of how things might look --

24 A (Furino) Yes.

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 Q -- might have looked had such a process been in
2 place here.

3 A (Furino) Right. And so, we have undertaken to
4 recast, you know, our New Hampshire history
5 using what would be the G1 approach, not the
6 Massachusetts approach. And the reason really
7 is, there are other things going on. So,
8 our -- I'm trying to think of it, the part of
9 the testimony, the -- anyway, so, it impacts
10 the financial parts of things, the lead-lag
11 study, *etcetera*.

12 What happens is, ISO New England is going
13 to bill you like two days after the fact, and
14 they're going to invoice you twice a month --
15 twice a week, you know, throughout the period.
16 Whereas, when you're with a wholesale supplier,
17 you're basically paying the bill at the end of
18 the month after the month of service. So,
19 there's a very big, you know, deferral of
20 payments there that, you know, really matches
21 well with the Company's collections from
22 customers.

23 Also, financial assurance requirements at
24 ISO New England, if the Company jumps in as the

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1 wholesale supplier itself, then, you know, its
2 financial assurance requirements go up. So,
3 there's, you know, a direct financing impact
4 there.

5 So, there are other reasons why it's more
6 than just what -- if you calculate
7 after-the-fact what those costs are. In the
8 case of Fitchburg's large customers, the number
9 of customers that rely on that service varies
10 between three and eight, or something like
11 that, and it's not a large commitment. And
12 these are largely customers who, in my view,
13 have had poor credit over time or for whatever
14 reason are not purchasing from the market.

15 Most of our customers down there are
16 purchasing from the markets, as they are up
17 here. You would see that in that page we
18 referenced.

19 Q Circling back to the communication plan, you
20 spent some time talking about the how and the
21 what you would communicate. I guess I'd also
22 be interested in the who. Do you anticipate
23 different messaging for different types of
24 customers? It seems that the biggest bang for

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1 your buck is with your biggest users, and those
2 are the ones you'd have maybe a different
3 message for than the individual homeowner, like
4 me, I am a default service customer of Unitil.

5 But, I mean, is that part of the thinking
6 as well?

7 A (Furino) You know, at this point, my instinct
8 is that we're trying to communicate with the
9 residential customer, or maybe the Small
10 Business. You know, larger customers do have,
11 you know, more sophisticated opportunities.
12 And not to say that we would necessarily ignore
13 that group. I did mention there are demand
14 response programs that some of them participate
15 in directly.

16 You know, if you're a particularly large
17 customer, you may have a sophisticated buying,
18 you know, process, and you may not even be on
19 default service. It doesn't mean you can't
20 benefit from these kind of technologies.

21 Q Right. And I think all of us could benefit, if
22 the bigger users conserve at the right times,
23 because that would affect, although it's not a
24 huge amount of money, it would affect what gets

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1 allocated to the State of New Hampshire in the
2 long run, would it not?

3 A (Furino) Yes, it would, in terms of -- you
4 know, particularly in terms of transmission.

5 CHAIRMAN HONIGBERG: Right. I think
6 there are benefits to being in touch with all
7 of your customers at every level, even those
8 who are doing things in the competitive market
9 that weren't your default customers, and I
10 think you would probably agree with that.

11 That's all I had. Mr. Epler, do you
12 any further questions for the witness panel?

13 MR. EPLER: Yes, I do.

14 **REDIRECT EXAMINATION**

15 BY MR. EPLER:

16 Q Mr. Furino, just to follow up on a couple of
17 questions that you were asked, to distinguish
18 between what we do for our large G3 customers
19 in Fitchburg and the G1 customers here with
20 UES.

21 Is it correct that the large G3 customers
22 used to be served in the same manner that we
23 now serve the G1 customers for UES?

24 A (Furino) Yes. That's correct.

[WITNESSES: Glover|McNamara|Nawazelski|Furino]

1 Q And the issue was that, as you started to
2 explain, that the number of customers in that
3 customer class became so small that during
4 solicitations it became difficult for the
5 Company to get the kind of response that would
6 indicate that we were getting a market rate?

7 A (Furino) That's correct.

8 Q And so, we then migrated to this -- or, I'm
9 sorry, strike that. We then changed the
10 methodology that we use for providing service
11 to the G3 customers, is that correct?

12 A (Furino) That's correct. Thank you.

13 Q And so, if we were to attempt to do that here
14 in New Hampshire for the G1 customers, the
15 additional costs that you were referencing, in
16 terms of the financial commitments that the
17 Company would have to make, the frequency of
18 payments to ISO New England, if we were to try
19 that in New Hampshire, would such a -- with a
20 larger customer class, like the G1 customers
21 for UES, that that would pose additional costs,
22 and we would not necessarily see the same
23 result that we're seeing in Massachusetts. Is
24 that correct?

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1 A (Furino) I think that's correct. Yes.

2 Q That was kind of a long question, I apologize.

3 CHAIRMAN HONIGBERG: It was led
4 beautifully, though.

5 MR. EPLER: Thank you.

6 BY MR. EPLER:

7 Q And this is to Mr. Furino again. If you have
8 this information, is there any information that
9 you can share regarding UES's historic peak and
10 whether it has changed over time, and how it
11 compares to our neighboring utilities in New
12 Hampshire?

13 A (Furino) Can I take a record request on that?
14 So, what I can say is we were very recently
15 studying this data and this question, and I
16 don't happen to have the printout in front of
17 me. UES's peak demands over the last eight
18 years have been fairly steady. And it appears
19 that the balance of New Hampshire's peak demand
20 has grown over the last several years.

21 We're still studying the data. And so,
22 it's a little preliminary. But those are the
23 comments I could offer at this time.

24 Q And would you characterize UES's service

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1 territory, particularly the Seacoast, as
2 growing?

3 A (Furino) I would, yes.

4 Q Okay. Mr. Furino, when you discussed the
5 methodology we use to provide service to the G3
6 customers, you mentioned the 10 percent adder
7 that the Company applies. Do you happen to
8 know what the Company does with that 10 percent
9 adder? How it accounts for that, in terms of
10 its -- what use the Company puts that 10
11 percent to?

12 A (Furino) Well, that 10 percent becomes part of
13 the retail rate that we charge the large
14 customer in Fitchburg. And the revenue that
15 comes in, when that customer pays, goes into
16 the annual reconciliation to cover all of those
17 gas costs. So, on the cost side, Fitchburg is
18 paying its ISO New England bill. And so, all
19 of -- both of those revenues and costs are
20 going into an annual reconciliation, which is
21 common among all customers in Fitchburg.
22 Unlike here, we have a Non-G1 and a G1. It's
23 common in Fitchburg.

24 Q So, in other words, that 10 percent is not a

1 profit margin to the Company?

2 A (Furino) No. The Company has absolutely no
3 profit margin on that.

4 MR. EPLER: That's all I have. Thank
5 you.

6 CHAIRMAN HONIGBERG: All right. If
7 there's nothing else, then I -- I'm correct
8 there's no other witnesses, right?

9 MS. AMIDON: Correct.

10 CHAIRMAN HONIGBERG: All right. You
11 all can probably stay where you are, because it
12 won't be long from here.

13 Without objection, we'll strike ID on
14 Exhibits 1 and 2. Exhibits 3 and 4 we'll hold
15 open as record requests.

16 Anything else we need to do before
17 summing up?

18 *[No verbal response.]*

19 CHAIRMAN HONIGBERG: I'll just note,
20 we do not need to have the answers -- the
21 responses to the record requests before we
22 issue a decision. And I do understand that
23 this is a short turnaround, correct?

24 MR. EPLER: Yes.

1 CHAIRMAN HONIGBERG: All right.

2 Mr. Buckley, why don't you start us off.

3 MR. BUCKLEY: Thank you. The Office
4 of the Consumer Advocate appreciates the
5 Company's offer to work with the parties to
6 review the lead-lag study moving forward in the
7 future. And looks at the instant Petition as
8 presenting just and reasonable rates, and
9 recommends their approval by the Commission.

10 CHAIRMAN HONIGBERG: Thank you, Mr.
11 Buckley. Ms. Amidon.

12 MS. AMIDON: Thank you. First of
13 all, just for the record, I just want to
14 recognize that the Company does a very
15 straightforward, easy-to-understand filing. I
16 don't understand some of the numbers myself,
17 but, generally, it's a quality job, and I just
18 wanted to thank the Company for continuing to
19 make an effort to do that.

20 Having reviewed this filing, Staff
21 concludes that the solicitation, evaluation,
22 and bid selection was done appropriately and
23 consistent with the prior Commission orders.
24 And that the selection is a reflection -- of

1 the winning bidders is a reflection of the
2 competitive market. And that the resulting
3 costs to recover the cost of the supplier
4 contracts through rates result in just and
5 reasonable rates. And so, we would recommend
6 that the Commission approve the filing
7 according to the timelines requested by the
8 Company.

9 We also recommend that the Company's
10 lead-lag study be allowed to go into effect for
11 rates developed in connection with this filing.
12 And if the review of the OCA and Staff results
13 in any changes to the lead-lag study or
14 anything that requires a reconciliation, we
15 would recommend a reconciliation in the next
16 filing, if that's the result.

17 That's what I have. Thank you.

18 CHAIRMAN HONIGBERG: Thank you,
19 Ms. Amidon. Mr. Epler.

20 MR. EPLER: Yes. Thank you. I will
21 just point the Commission to the relief
22 requested in our Petition.

23 I did just want to make the following
24 informal offer. I think that the discussion

1 about the markets and so on is helpful, and
2 it's clear that there's an interest on the part
3 of the Commission in developments. Sometimes I
4 personally find that the strictures of a formal
5 hearing are sometimes not necessarily
6 completely conducive, though, to a full
7 discussion of that.

8 So, I just want to make an offer that
9 we would be happy to open up in a tech session,
10 perhaps in a less formal atmosphere, to have a
11 more thorough discussion of these issues with
12 the Commission, obviously, invite the OCA, and
13 make it available to the public and so on.

14 But, if there's any interest in doing
15 that, I know your schedules are pretty tight,
16 there's a lot going on. But, if that -- if you
17 do have interest in that, we'd be happy to try
18 to work with you and have that happen.

19 CHAIRMAN HONIGBERG: Thank you,
20 Mr. Epler. I will agree with you there is
21 interest here in that subject. It's been a
22 topic of discussion with other utilities, the
23 other EDCs. And it comes up at every event
24 these days. We're talking about the New

1 England market generally, and what goes into
2 the varying components of the rates.

3 So, you know, we'll talk with our
4 Staff, and there will be some communication.
5 We'll see what makes the most sense going
6 forward. But we appreciate the offer.

7 And I'll echo what Commissioner
8 Giaimo said, we appreciate Mr. Furino being
9 here to answer these questions, because we, as
10 you said, are interested.

11 Anything else we need to do then?

12 *[No verbal response.]*

13 CHAIRMAN HONIGBERG: All right. We
14 will adjourn, take the matter under advisement,
15 issue an order as quickly as we can,
16 understanding the schedule. So, we are
17 adjourned.

18 ***(Whereupon the hearing was***
19 ***adjourned at 2:50 p.m.)***