

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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Concord, New Hampshire

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RE: DE 18-035
UNITIL ENERGY SYSTEMS, INC.:
2018 Default Service.
(For the period beginning
December 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:
D. Maurice Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Paul B. Dexter, Esq.
Richard Chagnon, Electric Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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LINDA S. McNAMARA

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
5	Unitil Energy Systems, Inc. 2018 Default Service filing, including Petition, Tariff Pages, Direct Testimony of Lisa S. Glover, with attachments, & Direct Testimony of Linda S. McNamara <i>[REDACTED - For Public Use]</i>	5
6	Unitil Energy Systems, Inc. 2018 Default Service filing, including Petition, Tariff Pages, Direct Testimony of Lisa S. Glover, with attachments, & Direct Testimony of Linda S. McNamara {CONFIDENTIAL & PROPRIETARY}	5

P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We are here this
3 morning in docket 18-035, which is Unitil's
4 Default Service solicitation docket. And we're
5 here to consider the results of their
6 solicitation for the six months beginning
7 December 1st of 2018.

8 Before we do anything else, let's
9 take appearances.

10 MR. EPLER: Good morning,
11 Mr. Chairman and Commissioners. Gary Epler,
12 appearing on behalf of Unitil Energy Systems.
13 Thank you.

14 MR. KREIS: Good morning,
15 Commissioners. I am D. Maurice Kreis, doing
16 business as Don Kreis. I am the Consumer
17 Advocate. I am here on behalf of the
18 residential utility customers of this fine
19 investor-owned utility.

20 MR. DEXTER: Good morning,
21 Commissioners. Paul Dexter, on behalf of the
22 Commission Staff. And joining me today is Rich
23 Chagnon from the Electric Division.

24 CHAIRMAN HONIGBERG: I see that there

{DE 18-035} {10-03-18}

1 are witnesses who have been prepositioned. Are
2 there any preliminary matters we need to deal
3 with before the witnesses are sworn in?

4 Mr. Epler.

5 MR. EPLER: Yes, Mr. Chairman. As
6 our usual practice, if we could have premarked
7 two exhibits. The redacted version of the
8 Company's filing I believe will be "Exhibit
9 Number 5".

10 MS. DENO: Correct.

11 MR. EPLER: And the confidential
12 version premarked as "Exhibit Number 6".

13 (The documents, as described,
14 were herewith marked as
15 **Exhibit 5** and **Exhibit 6**,
16 respectively, for
17 identification.)

18 CHAIRMAN HONIGBERG: Anything else?

19 MR. EPLER: No.

20 CHAIRMAN HONIGBERG: All right.

21 Would you swear in the witnesses please.

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

1 CHAIRMAN HONIGBERG: Mr. Epler.

2 MR. EPLER: Thank you.

3 **LISA S. GLOVER, SWORN**

4 **LINDA S. McNAMARA, SWORN**

5 **DIRECT EXAMINATION**

6 BY MR. EPLER:

7 Q Ms. Glover, can you please state your full name
8 and your position with the Company?

9 A (Glover) My name is Lisa Glover, and I'm a
10 Senior Energy Analyst.

11 Q And, Ms. McNamara, can you do the same, your
12 full name and your position with the Company?

13 A (McNamara) My name is Linda McNamara, and I am
14 a Senior Regulatory Analyst.

15 Q Ms. Glover, if you could please turn to what's
16 been premarked as "Exhibit Number 6", which is
17 the confidential version of the filing. And if
18 you can turn to the Table of Contents. And
19 just briefly, looking at the stamped Pages 0015
20 through 00152, have they been prepared by you
21 or under your direction?

22 A (Glover) Yes, they have.

23 Q And do you adopt this prefiled testimony and
24 exhibits -- and schedules as your testimony in

[WITNESS PANEL: Glover|McNamara]

1 this proceeding?

2 A (Glover) Yes, I do.

3 Q I'm sorry. I forgot to ask you if have any
4 changes or corrections?

5 A (Glover) No changes or corrections.

6 Q Thank you. Ms. McNamara, can you also turn to
7 the Exhibit Number 6, and again looking at the
8 Table of Contents, the stamped Pages 00153
9 through 00194, have these been prepared by you
10 or under your direction?

11 A (McNamara) Yes.

12 Q And do you have any changes or corrections?

13 A (McNamara) No.

14 Q And do you adopt these as your -- this prefiled
15 testimony and schedules as your testimony in
16 this proceeding?

17 A (McNamara) I do.

18 MR. EPLER: Thank you very much. The
19 witnesses are available for cross-examination.
20 Thank you.

21 CHAIRMAN HONIGBERG: Mr. Kreis. Off
22 the record.

23 *[Brief off-the-record discussion*
24 *ensued.]*

[WITNESS PANEL: Glover|McNamara]

1 MR. KREIS: Good morning, witnesses.

2 **CROSS-EXAMINATION**

3 BY MR. KREIS:

4 Q Would it be fair to say that, if a person like
5 me thought that these filings were of a notably
6 high quality, with respect to their clarity and
7 precision and depth, I would have the two of
8 you to thank?

9 A (Glover) Yes.

10 A (McNamara) Thank you.

11 A (Glover) Thank you.

12 Q I have just a few questions I think. And I am
13 looking at Exhibit 6, but I believe that I will
14 be able to avoid asking any questions that will
15 raise any confidentiality issues.

16 Just generally, and I guess I'm looking
17 now at Page 6 of Ms. Glover's testimony, which
18 is Bates Page 022, that testimony notes that
19 the pricing for the small and medium classes,
20 which are the ones I'm interested in, are
21 20 percent higher than they were a year ago.
22 Could you talk briefly about what accounts for
23 that 20 percent increase? I'm pretty sure this
24 is a question for Ms. Glover.

[WITNESS PANEL: Glover|McNamara]

1 A (Glover) It is. So, a year ago, being the same
2 winter period a year ago, 2017, starting
3 December 1st, the NYMEX prices, which are a
4 portion of the energy price that is built into
5 the price that we get from the supplier, the
6 energy portion of the bid is higher this time
7 over the previous period. And that could be an
8 indication of an expectation of a colder winter
9 this year, or it could be a supply issue,
10 depending on what the suppliers who bid into
11 this are looking forward at for the upcoming
12 winter.

13 Q Do you have a sense of which of those things is
14 the predominant factor?

15 A (Glover) Well, not knowing exactly what they
16 built into their bids, you know, bids included
17 an element of risk, they include an element of
18 non-energy pricing, which includes capacity
19 prices, also includes an energy portion as
20 well.

21 Q On the next page of your testimony, which is
22 Bates Page 026 [023?], you noted that the
23 "Bidder response for this solicitation was up
24 over the prior solicitation." Do you have a

[WITNESS PANEL: Glover|McNamara]

1 theory about why that is the case?

2 A (Glover) Well, during each solicitation period
3 we do continue to reach out to bidders. Very
4 often we'll get interest from bidders that will
5 say that, for whatever reason, they're not able
6 to participate in this procurement, and so we
7 follow up with them prior to the next
8 procurement. And we just may have had an
9 instance where we had bidders last year who did
10 indicate they were going to follow through this
11 year and did follow through.

12 Q On the next page of your testimony, which is
13 Bates Page 024, you characterized in a few
14 places some of the answers that you got from
15 various bidders who chose -- potential bidders
16 who chose not to bid. And there are references
17 to staffing difficulties and other issues. To
18 what extent do you think those explanations are
19 credible?

20 A (Glover) I would be speculating on that.

21 Q Indeed.

22 A (Glover) I can tell you that we -- it is a
23 reason that we've heard the last probably two
24 or three solicitations from a couple of

[WITNESS PANEL: Glover|McNamara]

1 bidders.

2 Q That reason being difficulties in staffing?

3 A (Glover) Staffing and timing. Uh-huh.

4 Q So, this question is in earnest. Is it
5 actually possibly true that, given the nature
6 of this particular solicitation, the staffing
7 capacity of bidders is actually causing bidders
8 who would otherwise bid to say "All right, we
9 will take a pass on bidding on the Unitil
10 Default Service"?

11 A (Glover) I couldn't say for sure.

12 Q But you included that in your testimony.

13 So, --

14 A (Glover) Well, I didn't -- but not necessarily
15 the size. Is that what you're asking? The
16 size of the bid that we would be asking them
17 for being not worth their time? You know, we
18 had a number of bidders that felt it was worth
19 their time. So, I wouldn't want to say that
20 for those other bidders that gave us those
21 reasons that that's, you know, their main
22 reason why.

23 Q I guess the real question becomes, is this
24 enough of a problem to consider doing something

[WITNESS PANEL: Glover|McNamara]

1 other than what has been done to date, to
2 assure that future solicitations will be
3 sufficiently robust, to make sure that what
4 consumers receive is a true -- a price that
5 truly reflects what the market will bear for
6 the cost of default service?

7 A (Glover) We can certainly take that back and
8 follow up with those entities and find out more
9 directly whether that is, you know, a factor, a
10 credible factor.

11 Q Presumably, you would do that anyway without my
12 asking that?

13 A (Glover) Of course.

14 Q Moving forward into the filing, Ms. Glover, I
15 guess this might a good time to ask, are you
16 familiar with Senate Bill 365?

17 A (Glover) Yes.

18 Q Could you comment on what effect you think
19 Senate Bill 365 will have on the next and
20 future default service solicitations that
21 Unitil will conduct?

22 WITNESS GLOVER: Mr. Epler.

23 MR. EPLER: To the extent you can
24 answer the question, please go ahead. I will

[WITNESS PANEL: Glover|McNamara]

1 certainly have some comment afterwards, but I
2 don't object to the question.

3 **BY THE WITNESS:**

4 A (Glover) I'm not actually prepared to answer
5 the question. I think we are going to address
6 it later on. So that, to your point, we know
7 that there may or may not be an impact to it,
8 and we are looking into it. But we're not --
9 I'm not prepared to put anything on the record
10 at this point about the direct effect.

11 BY MR. KREIS:

12 Q Okay.

13 A (Glover) Is that fair enough?

14 Q I think I heard you and/or Mr. Epler say that
15 he plans to address it?

16 A (Glover) That is correct. He plans to address
17 it.

18 Q That is perfectly --

19 A (Glover) I'm not well prepared to directly the
20 question.

21 Q Fair enough.

22 A (Glover) Okay.

23 Q I think at this point I might be moving into
24 the part of the filing that Ms. McNamara is

[WITNESS PANEL: Glover|McNamara]

1 responsible for. And the first question has to
2 do with Bates Page 174, which is Schedule
3 LSM-2, marked as "Itemized Costs for Non-G1
4 Class Default Service Charge". And I have
5 pretty simple and a straightforward question
6 about that page. It's marked "Confidential".
7 Why is it confidential?

8 A (McNamara) The items that are under Columns (a)
9 and (b) are the dollars that we'd be paying for
10 the default service price by the -- for the
11 Residential class and then the G2 and Outdoor
12 Lighting class. And by dividing those numbers
13 by the purchases, which are provided on the --
14 I believe the page before that, Bates Page 173,
15 you can arrive at the winning bid price. The
16 other items that have been marked as
17 "Confidential", as I describe in my testimony,
18 are not actually confidential. However, if you
19 don't redact other information, you can very
20 easily do the math to back into the bid price.

21 Q Okay. Thank you. Moving forward now to
22 Schedule LSM-6, which is on Bates Page 181,
23 that's a page that lists "Internal
24 Administrative Costs Associated with Default

[WITNESS PANEL: Glover|McNamara]

1 Service". My first question then, I apologize
2 for my ignorance, but these are, as I
3 understand it, these are projections of the
4 future administrative costs that will be
5 incurred?

6 A (McNamara) They are not.

7 Q These are actual costs?

8 A (McNamara) They are actual costs in the sense
9 that the overhead rate that is used in this is
10 an actual overhead rate. That was from 2017.
11 And the labor rates that are used, found on
12 Bates Page 182, are also actual, and, as noted,
13 from as of September 1, 2018.

14 Q Why are there costs associated with business
15 development included in the internal
16 administrative costs?

17 A (McNamara) I would have to go back and review
18 DE I think it was 05-064 where this was
19 developed. But my expectation was that that --
20 I'm sorry, which line are you looking at?

21 Q Well, the schedule doesn't have line numbers on
22 it.

23 A (McNamara) Oh. Okay.

24 Q But "Business Development" is the third item up

[WITNESS PANEL: Glover|McNamara]

1 from the bottom. And just to sort of move
2 things along, if the answer is that you "don't
3 know" or if the answer is "this was covered all
4 in a previous docket", those are --

5 A (McNamara) No. My --

6 *[Court reporter interruption -*
7 *multiple parties speaking.]*

8 BY MR. KREIS:

9 Q Those are okay answers.

10 A (McNamara) My expectation that was when this
11 was developed, again, which was a long time
12 ago, that this was in relationship to bids that
13 would go out to our large customers, the G1
14 customers. As shown on Line 2 under the
15 "Business Development", all eight hours for
16 that department are under the "G1 Class"
17 column.

18 Q And those are non-residential customers?

19 A (McNamara) Correct.

20 MR. KREIS: Those are all the
21 questions I have. Thank you.

22 CHAIRMAN HONIGBERG: Mr. Dexter.

23 MR. DEXTER: Thank you. Good
24 morning.

[WITNESS PANEL: Glover|McNamara]

1 BY MR. DEXTER:

2 Q I want to pick up where the Consumer Advocate
3 questioned earlier about the process that you
4 mentioned, and I guess I would refer you to
5 Bates 023. You mentioned, on Bates 023, that
6 "Bidder response for this solicitation was up
7 over the prior solicitation." Were you
8 referring to the prior solicitation immediately
9 prior or the one that related to this same
10 winter season from last year?

11 A (Glover) Immediately prior.

12 Q Do you know how the response was in comparison
13 to the last year's winter solicitation?

14 A (Glover) I do.

15 Q And could you tell us what that is?

16 A (Glover) The same.

17 Q The same --

18 A (Glover) Oh. It was less. I apologize. So, a
19 year ago I believe it was slightly less for the
20 Non-G1.

21 Q So, the -- I'm sorry, let me try to rephrase
22 the question. As compared to the solicitation
23 from the winter last year, was the response --
24 were there more responses this year versus last

[WITNESS PANEL: Glover|McNamara]

1 year or fewer responses or the same?

2 A (Glover) Let me refresh my memory.

3 Q Okay.

4 CHAIRMAN HONIGBERG: Mr. Dexter, just
5 so it's clear, and I think you clarified it
6 right at the end, you want to know whether
7 there are more or less or the same number of
8 companies that bid, right?

9 MR. DEXTER: Yes.

10 CHAIRMAN HONIGBERG: You're not
11 looking for the amounts of their bids, you're
12 just looking for the number of bidders?

13 MR. DEXTER: That's correct.

14 **BY THE WITNESS:**

15 A (Glover) Trying to remember where to find it.
16 Oh, here we are. A year ago we had more.

17 BY MR. DEXTER:

18 Q And on the next page, you mentioned that you
19 heard from one supplier that there was "too
20 much financial risk due to the uncertainty of
21 winter electric prices". Could you explain why
22 this bidder might think or do you think that
23 winter electric prices are more riskier than
24 summer electric prices?

[WITNESS PANEL: Glover|McNamara]

1 A (Glover) Well, with winter pricing, obviously,
2 if we get a polar vortex type issue of very
3 cold prices and they have bid in a price that
4 might perhaps not cover what their risk factor
5 was, they could potentially be not recovering,
6 from their perspective, the amount of revenue
7 that they were expecting. It's, obviously, a
8 business decision from their end. It could be
9 a large company, it could have been a smaller
10 company that wasn't willing to take that risk
11 over the winter period, because there is
12 uncertainty. As we've seen in the past,
13 sometimes those prices go super high, and
14 they're bidding in over, you know, a period of
15 time, they try and spread that risk out over
16 the six months. And if the prices are
17 extremely high, for example, they may have not
18 built that risk into their price.

19 Q And does the -- the prices tend to increase as
20 weather gets colder?

21 A (Glover) The price is fixed for the month. For
22 each month, they bid in a fixed price. So,
23 we're still going to be paying them their fixed
24 price. But, on the other end, there may be

[WITNESS PANEL: Glover|McNamara]

1 other costs that they're going to have to pay,
2 besides just energy, such as ancillary
3 services, that they have built in. But they're
4 still going to have to turn around and pay ISO
5 for those prices -- or, those costs from their
6 end, that they have already built into their
7 fixed price on our end.

8 Q Okay. So, I guess my overall question on the
9 long paragraph at the top of Bates 024 was
10 whether or not Unitil has any concerns over the
11 process as to how it's laid out in achieving
12 market price default service?

13 A (Glover) I would say we don't have any
14 concerns.

15 Q So, you have confidence that the -- that the
16 solicitation that was done that's the subject
17 of this case produced reasonable and
18 market-based rates?

19 A (Glover) Yes, I do.

20 Q Okay. So, I wanted to refer to Bates Page 007
21 for a moment, which is the Petition in this
22 case. And I'll just read this. It says, on
23 Bates 007, that "A redline version of the final
24 Power Supply Agreements with the winning

[WITNESS PANEL: Glover|McNamara]

1 bidders is provided in the confidential
2 attachment Tab A to Schedule LSG-1." And am I
3 correct that I would find that redline version
4 beginning at Bates Page 081?

5 A (Glover) That's correct.

6 Q And could you explain what this is redlined --
7 it's redlined, but what's it redlined from?
8 What's the base and what are the changes?

9 A (Glover) This version is redlined against the
10 Power Purchase Agreement amendment that we
11 provided to each one of the bidders. So, it's
12 a standard amendment.

13 Q And I notice on Bates Page 082 that Section
14 4.2(g) seems to have been dropped in. It's a
15 fairly significant amendment, at least
16 sizewise. Do you know what this amendment
17 deals with?

18 A (Glover) So, this amendment --

19 Q Or, this section? I'm sorry.

20 A (Glover) Yes. This amendment was dropped in as
21 a change from their initial Power Purchase
22 Agreement that they had set up with us several
23 years ago. And our standard agreement is
24 slightly different that we've provided to each

[WITNESS PANEL: Glover|McNamara]

1 one of the bidders. And in this case, the
2 winning bidder has negotiated with our other
3 contracts person who worked with the bidder to
4 make an amendment to the clause that was in
5 their original Power Purchase Agreement.

6 Q Okay.

7 A (Glover) So, if I could just --

8 Q Sure.

9 A (Glover) Because their Power Purchase Agreement
10 is somewhat dated, and the one that we put out
11 on the website and provide to all our bidders
12 has probably, over the course of several years,
13 gone through some iterations, the existing
14 Power Purchase Agreement that we have with this
15 entity is probably slightly different than what
16 we've been providing, you know, for every
17 procurement. And whoever was negotiating this
18 contract this time around decided that this
19 section was something that they wanted changed
20 and put into their amendment to reflect perhaps
21 the most recent information about ancillary
22 services with the ISO-New England and what that
23 covers.

24 Q Okay. So, I'm just trying to understand what's

[WITNESS PANEL: Glover|McNamara]

1 going on. So, my understanding is that later
2 on in the package there's a standard offer
3 contract, is that a fair assessment, of what
4 starts on Bates --

5 A (Glover) 102?

6 Q -- 102?

7 A (Glover) That's our standard agreement.

8 Q Okay.

9 A (Glover) And during the course of the
10 procurement process, we invite bidders to come
11 back with us if there is anything in here that
12 they would prefer to negotiate with us. Every
13 entity has their own business rules, the things
14 that they'd like to see changed. So, we
15 utilize our attorneys, and they may go back and
16 forth and decide to change some of the clauses
17 and the language within the standard agreement.

18 Q Okay. And in this instance, it appears to me,
19 and you can correct me if I'm wrong, that this
20 particular bidder who is the winning bidder
21 elected to or negotiated to get a different
22 Section 4.2 in, versus the standard agreement
23 provision on Page 109. Is that fair?

24 A (Glover) That's correct.

[WITNESS PANEL: Glover|McNamara]

1 Q Okay. So, having established that then, could
2 you tell us what this clause is all about and
3 whether or not you'd view this change as
4 significant?

5 A (Glover) I don't believe we categorize this as
6 "significant". What I would need to check on
7 is whether it's a standard definition from
8 ISO-New England.

9 Q Can you tell the Commission the general nature
10 of the charges that are being discussed in this
11 section?

12 A (Glover) The charges have to do with the
13 provision of ancillary services, which is a
14 non-energy portion of the bid price that is
15 embedded in the price that they provide to us.

16 Q And I think I heard you say that you don't
17 believe that this change is significant?

18 A (Glover) Correct.

19 Q That's correct? Okay.

20 A (Glover) This is basically saying that
21 ancillary services are the responsibility of
22 the bidder.

23 Q Okay.

24 A (Glover) Of the supplier, not as us as the

[WITNESS PANEL: Glover|McNamara]

1 buyer.

2 Q Okay. So, I wanted then to flip back to Bates
3 021, which is your testimony. You mentioned on
4 the bottom of Bates 021 that one of the
5 qualitative criteria that you apply in
6 evaluating bids is "the willingness to extend
7 adequate credit to UES to facilitate the
8 transaction". Can you describe this credit
9 arrangement between UES and the bidder?

10 A (Glover) There are occasions where some bidders
11 would wish for us to have a guarantee in place,
12 because, obviously, we are owing them money.
13 On the other side, we are expecting them to
14 deliver energy to us. So, at any one time,
15 there could be, depending on how big the
16 contract is, a significant amount of money that
17 has yet to be paid for the power they have
18 supplied to us. And there are cases where some
19 bidders, during the course of the procurement
20 process, we talk with them about whether they
21 would expect us to provide them a guarantee.

22 Q And was that the case in this case?

23 A (Glover) I don't believe so, but I would have
24 to double check.

[WITNESS PANEL: Glover|McNamara]

1 Q So, this has to do with the -- basically, the
2 time between the services provided by the
3 bidder versus the time when Unitil pays for it?

4 A (Glover) Right.

5 Q There is some sort of payment terms, I imagine?

6 A (Glover) Yes. We pay within 20 days.

7 Q Twenty days.

8 A (Glover) Yes. And then we settle three months
9 later for final loads, for load that was served
10 three months prior.

11 Q And you don't think there are any provisions in
12 the contract that's -- I'm sorry. You don't
13 think there are any provisions in the contract
14 that's presented here that require any
15 additional actions by Unitil to assure credit,
16 is that right?

17 A (Glover) They would not be in the contract.
18 They would, however, be in, let's see, I
19 believe we do provide this information. Let me
20 just double check.

21 So, we do provide in this the proposal
22 submission forms that every bidder sends to us,
23 and this is confidential information.

24 Q Uh-huh.

[WITNESS PANEL: Glover|McNamara]

1 A (Glover) But, in this case, let's just -- I
2 think I can more directly answer your question.

3 So, on Bates Page 067, under "Non Price
4 Terms", there is a question that asks whether
5 they extend sufficient financial credit to us
6 to facilitate the transaction.

7 Q Okay. Thank you. I see that.

8 A (Glover) Okay.

9 Q Moving to Bates Page 022, you indicate, and I'm
10 paraphrasing, but that these bids reflected an
11 increase -- well, I'm actually quoting, "an
12 increase in capacity prices brought on by the
13 need to replace retiring generators". Could
14 you give more specifics about the "retiring
15 generators" that you reference here?

16 A (Glover) So, back when they were doing bids for
17 FCA 9, the market clearing price was
18 significantly higher over FCA 8. And ISO-New
19 England had indicated that there were a number
20 of generators retiring, which is reducing the
21 capacity, therefore increasing the forward
22 capacity clearing price for FCA 9. And those
23 capacity prices are a portion of the bid prices
24 that we get from suppliers. And those will

[WITNESS PANEL: Glover|McNamara]

1 become a greater proportion of the bid price
2 that we get when the capacity prices are
3 higher. So, we do typically see, when capacity
4 prices increase and decrease, that the portion
5 of the bid price related to non-energy will ebb
6 and flow along with the capacity prices.

7 Q Okay. So, the information about "retiring
8 generators" came from ISO, I think is what you
9 said?

10 A (Glover) That's correct.

11 Q Okay. And later on in that same paragraph you
12 mentioned that the FCA price for FCA 10 is
13 going to be lower than it was for FCA 9.

14 A (Glover) Correct.

15 Q Is that true?

16 A (Glover) Yes.

17 Q Now, that's stated as a known quantity. Is
18 that known or is that an estimate?

19 A (Glover) That is known.

20 Q It is known.

21 A (Glover) Yes. An auction has happened. So, we
22 would expect, when we get bid prices for the
23 period beginning June 1st, 2019, that we would
24 see the portion that's not energy-related to go

[WITNESS PANEL: Glover|McNamara]

1 down, reflecting lower capacity prices.

2 Q And when would that show up in a default
3 service filing before the Commission?

4 A (Glover) It would show up for our next filing,
5 for the period beginning June 1st, 2019. So,
6 March or April of next year.

7 Q So, it would be the very next filing?

8 A (Glover) Yes.

9 Q And for the new people in the room, such as
10 myself, "FCA" stands for?

11 A (Glover) Forward Capacity Auction.

12 Q Thank you. Could you describe how Unitil meets
13 its RPS, Renewable Portfolio Standard,
14 obligations?

15 A (Glover) Yes. We put an RFP out generally
16 twice a year to solicit for renewable energy
17 certificates to meet our RPS requirement. So,
18 we'll purchase those from bidders usually at
19 the best price, the lowest price that we can
20 get. And in between, we may be approached by
21 entities we currently have relationships with
22 that may have RECs they would be looking to
23 sell. And we'd negotiate with them, based on
24 what we see is market price, because we do get

[WITNESS PANEL: Glover|McNamara]

1 confidential market pricing from marketers of
2 renewable products out in the New England area.
3 And if it's advantageous for us to do so,
4 compared to what the market price is or what
5 the alternative compliance price is, we would
6 purchase those RECs to meet our obligations.

7 Q And that's what was presented in this case,
8 what you just described, correct?

9 A (Glover) That's correct. That's our standard
10 procedure, yes.

11 Q Has that standard procedure been used in
12 previous default service filings at the
13 Commission?

14 A (Glover) Yes.

15 Q Okay. So, could we turn to Bates 049 and 050
16 please. So, I see these pages are actually
17 confidential. So, I'll see if I can ask my
18 questions without revealing anything.

19 So, I'm interested in the comparison that
20 would compare this winter's solicitation to
21 last winter's solicitation. And I think that's
22 Bates 048 and Bates 050, is that right?

23 A (Glover) Yes.

24 Q So, turning to Bates 049, towards the bottom

[WITNESS PANEL: Glover|McNamara]

1 right-hand corner there is a line that says
2 "Final Bid Price versus Calculation Result".
3 And there's a percentage there that's
4 confidential. Do you see that?

5 A (Glover) Yes.

6 Q Could you tell me what that percentage is
7 intended to represent?

8 A (Glover) So, that percentage is basically
9 showing that, if we had the same ratio of NYMEX
10 prices from the prior bid period, and used that
11 same ratio to the current bids that we have,
12 then that number tells us how far off we are to
13 the proportion of prices that are energy versus
14 non-energy. So, in other words, the greater
15 the ratio that we see on here, the greater the
16 proportion of the energy component of the
17 price.

18 Q Right. And you said that in your testimony.
19 But what's the significance of that, whether or
20 not the proportion of the price is energy or
21 non-energy? How does that play into the
22 overall bid selection?

23 A (Glover) The origin of these tables predates
24 me, but I believe it had something to do with a

[WITNESS PANEL: Glover|McNamara]

1 request to show whether bidders were actually
2 utilizing a component of energy that we could
3 mark. In other words, so we look at the NYMEX
4 prices as something in the future that we could
5 kind of point to and say "does this bid make
6 sense based on what we're seeing for NYMEX
7 prices?" So, when we get our bids in, we can
8 look and say "Okay. Well, we know what the
9 NYMEX prices are. We know what they were last
10 year. How is that bid in comparison to what we
11 saw a year ago or the prior period?"

12 Typically, it's more advantageous to look
13 at a year ago, because it's the same period.
14 It's a winter over a winter. When you're
15 looking at the prior period, it's a summer
16 period, NYMEX prices are generally much lower.

17 So, it's kind of telling us, "if we got
18 these same bid prices a year ago, how does that
19 compare to the NYMEX prices we also saw a year
20 ago?"

21 Q Okay. And Bates 048 deals with the Non-G1
22 customers, which are your smaller customers,
23 correct?

24 A (Glover) That's correct.

[WITNESS PANEL: Glover|McNamara]

1 Q All right. And so, then, if I were to jump to
2 Bates Page 050, this deals with the larger
3 customers, right?

4 A (Glover) No. This is also Non-G1. And this is
5 using the NYMEX natural gas prices.

6 Q Oh, I'm sorry. Right.

7 A (Glover) Which is a little less clear, to be
8 honest, because, I mean, natural gas prices
9 obviously figure into the cost of energy
10 production. How much it actually factors into
11 the bid prices, I'm not entirely sure it's all
12 that clear for us.

13 Q Okay. So, I wanted to turn to the rates
14 portion of the filing. And, Ms. McNamara,
15 could you just point out for me in the filing
16 what actual rates are being proposed here?
17 What is it that you're asking the Commission to
18 approve?

19 A (McNamara) The tariff pages that we have
20 proposed with the rates, they are not Bates
21 stamped, but they begin after what is Bates
22 stamp Page 010.

23 For the Residential class, it is -- I
24 don't know if everyone's there -- \$0.11689 per

[WITNESS PANEL: Glover|McNamara]

1 kilowatt-hour, total Default Service price.
2 And for the G2 and Outdoor Lighting, it's
3 \$0.10598 per kilowatt-hour.

4 Q And those appear at the bottom of that page
5 that you reference, correct?

6 A (McNamara) That is correct.

7 Q Right. So, all the information up above is
8 more just information that you need to build
9 those proposed rates, is that true?

10 A (McNamara) That is true. The Default Service
11 charge is comprised of two components, the
12 power supply and RPS. The top box represents
13 the power supply, which we do separately for
14 the Residential class and the G2/Outdoor
15 Lighting class. And then, the middle box
16 represents RPS, which is applicable to the
17 entire Non-G1 class.

18 Q Thank you. So, if we can turn to Bates Page
19 169 please. And this looks a lot like the page
20 we were just talking about. Maybe it's the
21 same information, is that --

22 A (McNamara) It is.

23 Q It is the same information. Okay.

24 A (McNamara) This is used just as an exhibit, so

[WITNESS PANEL: Glover|McNamara]

1 that it can be redlined, which is found on Page
2 170, Bates stamp Page 170.

3 Q Okay. So, Line 17 talks about a reconciliation
4 for the Renewable Portfolio Standard Charge.
5 Do you see that?

6 A (McNamara) Yes, I do.

7 Q And in the far right-hand corner, it's a figure
8 of \$821,000. Could you explain what that is?

9 A (McNamara) The Company reconciles its Default
10 Service charges, both power supply and RPS,
11 once a year, in the spring filing. And in
12 order to spread the total reconciliation amount
13 over the year, it allocates it between the
14 periods based on estimated purchases.

15 So, in this case -- it ends up being
16 roughly half, but, in this case, it's \$821,000.
17 In the spring filing, it was probably very
18 much -- oh, actually, we can see it on the next
19 page, excuse me. It was 801,000. That amount
20 is, I believe, reconciling the 2016 RPS period,
21 which concluded in July 1, 2017 for compliance
22 payments, and then the reconciliation of it
23 takes place, compared to what we had included
24 in rates.

[WITNESS PANEL: Glover|McNamara]

1 Q Okay. That's what I was trying to get at.

2 A (McNamara) Yes.

3 Q So, what actually is being reconciled? I see
4 where the amounts come from. But if you could
5 just, I know you got to it --

6 *[Court reporter interruption.]*

7 BY MR. DEXTER:

8 Q If you could just explain what's being
9 reconciled please.

10 A (McNamara) The amount that we include in rates
11 is based off of estimates, estimated purchases,
12 the purchase cost, the percent of each -- I'm
13 sorry, I wanted to find the schedule for you.

14 Q Sure.

15 A (McNamara) I believe it's Schedule LSG-4. Yes.
16 It's Bates Page 149 and 150, 149 shows the
17 Non-G1 class. In the far right, "RPS Cost",
18 that amount is an estimate. That's the amount
19 that goes into developing the RPS charge. Once
20 those numbers are actual, we reconcile it.

21 A (Glover) Would you like me to speak a little
22 bit more to those costs, because I can probably
23 help you with that?

24 Q Sure.

[WITNESS PANEL: Glover|McNamara]

1 A (Glover) So, when we develop these forecasts of
2 the costs that go into the rate, we use sales,
3 and sales are a forecast. And so, very often
4 what we will see is the forecast and the actual
5 sales will change. So, that's one thing that
6 will impact the cost going forward. The other
7 thing that will impact the cost is what we
8 actually pay for the RECs themselves.

9 So, when we make these assumptions, such
10 as in these tables, we're looking at, for
11 example, Class I RECs, and the price that we
12 see there is a market price. The actual price
13 for ACP is significantly higher. This is our
14 best guess, our estimate of what we're seeing
15 for projections for 2019 for this price. And
16 these prices may go up or down, depending on
17 the supply and demand of the RECs in the
18 market. So, there are cases where we may make
19 an estimate of what we're going to pay for
20 RECs, and that could turn out to be either too
21 high or too low.

22 Q Right. So, sticking with Bates 149, which I
23 think is what you were talking about.

24 A (Glover) Yes.

[WITNESS PANEL: Glover|McNamara]

1 Q I think, if I understand what you're saying,
2 Column 7, I'm not sure why it's labeled
3 "Column 7", but there's a "7" on top, it says
4 "Non-G1 Sales (Megawatt-hours)". That's an
5 estimate, is that correct?

6 A (Glover) Correct. That's based on a forecast
7 that we get from our company forecasters.

8 Q Sure. And then, you mention "Class I". So,
9 there's a column marked, Column 2, ==

10 A (Glover) Yes.

11 Q -- "Class I", there's actually two of them, I
12 guess. But I'm looking at the one under the
13 middle -- in the middle, where the prices are
14 "\$4.00" and "\$8.00" and "\$8.00" and "\$8.00".

15 A (Glover) Correct.

16 Q Those are estimates, correct?

17 A (Glover) Yes. Those are based on the market
18 prices that we're seeing right now.

19 Q Okay. How about the percentages in the first
20 block? Are those estimates or are those known?

21 A (Glover) No. Those are -- those have already
22 been released for the 2019 requirements for RPS
23 standards.

24 Q And if I understand this, those percentages

[WITNESS PANEL: Glover|McNamara]

1 represent the amount of your load that you have
2 to serve with RECs pursuant to the system?

3 A (Glover) Default Service sales.

4 Q Okay. So, then, flipping back to Bates 169,
5 where we were talking about the \$821,000
6 figure, which is in parentheses. Does that
7 essentially represent an over-collection?

8 A (McNamara) That is right. Sometimes in the
9 past, I just wanted to add, that not only are
10 the prices estimated, but, as Ms. Glover
11 pointed out, those percentages that were in
12 that first box, on Page 149, they're actual
13 now, but were forecast in the spring, and could
14 change.

15 A (Glover) Oh. Those percentages did change,
16 yes, for Class I, from the prior filing.

17 Q So, in this filing, they're known. But what
18 you're telling me I think is that, when you
19 were here six months ago, they would have been
20 estimates at that time?

21 A (Glover) I believe they were known. They were
22 known then. But, as I recall, there was a
23 change to the percentage for Class I, between
24 that filing and this filing.

[WITNESS PANEL: Glover|McNamara]

1 Q Okay. But they're known, for purposes of
2 today --

3 A (Glover) They're absolutely known, yes. Those
4 percentages are generally known. What's not
5 known in a lot of cases, when we're filing, is
6 the next year's alternative compliance price.

7 Q And now, turning to Bates Page 173. This is
8 the schedule that calculates the rates and the
9 costs that are being recovered, correct?

10 A (McNamara) This is calculating the Residential
11 and the G2/Outdoor Lighting power supply
12 portion of the Default Service rates.

13 Q Okay. And if I look at Page -- I'm sorry,
14 Line 2, it says "Total Costs (Page 2)", and
15 there is a -- I don't believe this is
16 confidential, there's a series of numbers there
17 that add up to about \$26 million, correct?

18 A (McNamara) Correct.

19 Q And then, if I were to go to the next page,
20 could you show me where on the next page those
21 figures show up?

22 A (McNamara) Referring to Bates Page 174, right
23 in the middle of the page, "Total Costs
24 Allocated to the Residential Class and

[WITNESS PANEL: Glover|McNamara]

1 G2/Outdoor Lighting Class". The first three
2 boxes are for the Residential class. And you
3 can see the amount of the \$25,916,000.

4 Q Right. And I see that. And those seem to be
5 made up of the two boxes prior to that, which I
6 believe are marked "confidential", correct?

7 A (McNamara) Correct.

8 Q Could you tell me why the two building blocks
9 of this amount are confidential but the sum is
10 not?

11 A (McNamara) The first block is directly above
12 it, and that was the piece that, if you divided
13 by purchases, which is provided on the previous
14 page, Bates Page 173, you could determine the
15 winning bid price.

16 Q Okay. I'm sorry. You actually already
17 answered this question for the Consumer
18 Advocate. I understand that now. Thanks.

19 I'd like to turn to the rate impact pages
20 now, and in particular Bates 188. Could you
21 look at the bottom box on the page, and there's
22 a line about six lines up that says
23 "Distribution Charge". And it's zero for this
24 class.

[WITNESS PANEL: Glover|McNamara]

1 A (McNamara) Yes.

2 Q Could you explain why the distribution class
3 for this -- distribution charge for this class
4 is zero?

5 A (McNamara) Bates Page 188 is looking at our G2
6 rate class. And our base distribution rate for
7 that class is zero.

8 Q Are they billed completely on Demand charge?

9 A (McNamara) Demand, customer charge, and --

10 Q So, there's no --

11 A (McNamara) Correct. Correct.

12 Q Okay. There's no volumetric charge then for
13 that?

14 A (McNamara) Not for that class.

15 Q Not for that class, okay.

16 MR. DEXTER: Thank you. That's all
17 the questions I have.

18 CHAIRMAN HONIGBERG: Before we go to
19 Commissioner Bailey, I'm going to go off the
20 record for two reasons.

21 *[Brief off-the-record discussion*
22 *ensued.]*

23 CHAIRMAN HONIGBERG: Let's take a
24 five-minute break for Mr. Patnaude's shoulder.

[WITNESS PANEL: Glover|McNamara]

1 *(Recess taken at 11:02 a.m.*
2 *and the hearing resumed at*
3 *11:13 a.m.)*

4 CHAIRMAN HONIGBERG: Commissioner
5 Bailey.

6 CMSR. BAILEY: Thank you.

7 BY CMSR. BAILEY:

8 Q Can we look at Bates Page 048? I know Mr.
9 Dexter asked some questions about this. But my
10 question is, do you think that the ratio of
11 final bids to NYMEX ISO is reasonable in this
12 solicitation?

13 A (Glover) Yes.

14 Q Okay. And then, have you looked at the
15 difference between non-winter rates, from June
16 through November, and winter rates, for your
17 December through May solicitation, over periods
18 of time?

19 A (Glover) Yes. We have done that.

20 Q And is the gap increasing? By "gap", I mean
21 the difference between the winter price and the
22 non-winter price, is that getting bigger?

23 A (Glover) The gap increases, what we are seeing,
24 based recently on those higher capacity prices.

[WITNESS PANEL: Glover|McNamara]

1 So, in June 2017, we saw that piece that was
2 non-energy really shoot up compared to what
3 we would normally see. Before that, it was
4 pretty stable. And the only ebb and flow that
5 we would see would be based on the potential
6 energy prices that they were forecasting for
7 the future for that period.

8 Q Okay. So, I think I've asked you this before,
9 but I'm not positive. You know the other
10 utilities have split their winter months up.
11 And I think you told me that you were reviewing
12 whether that had a real impact or not, is that
13 right, something like that?

14 A (Glover) I believe we did look at that the last
15 procurement period, and determined it really
16 had no impact at all for us.

17 Q And do you know what the price of Eversource's
18 solicitation is for the same period? I mean,
19 their from July 1st through January 31st. So,
20 they built January and February up.

21 A (Glover) I didn't look at that this time, no.

22 Q It's 9.4 cents. That's significantly lower
23 than your price. Can you -- would you be
24 willing to consider changing your solicitation

[WITNESS PANEL: Glover|McNamara]

1 to break those months up?

2 A (Glover) Just based on this one difference?

3 Q No. But, I mean, I think maybe look at the
4 prices that the other two utilities are getting
5 for the periods. And I guess you would have to
6 compare probably the overall price for the
7 year. But I don't think that your non-winter
8 price is much better than their second period
9 price. I don't know. Could you do that kind
10 of analysis?

11 A (McNamara) I have looked at Unitil versus
12 Liberty. And I've done that over the last,
13 well, since December 2015 through now. And I
14 don't, of course, have Liberty's most current,
15 because they haven't filed yet.

16 But, looking at that period and looking at
17 the residential rate on a bill basis, Unitil's
18 has, in total, been actually slightly less over
19 that, I guess, three-year period, from, like I
20 said, December 2015 through the most recent
21 summer.

22 To say what's going to happen with their
23 next filing, their default service filing, I
24 don't know when they come in, next month maybe,

[WITNESS PANEL: Glover|McNamara]

1 I don't know how that will impact it.

2 But, over the last three years, in total,
3 Unitil has been slightly lower by keeping these
4 rate periods the way they have been.

5 Q That's right. Eversource didn't have a
6 solicitation prior to recently. And Liberty --
7 Liberty and Unitil were about the same, even
8 though Liberty split the winter period up, but
9 you guys didn't.

10 A (McNamara) Right.

11 Q So, I think, you know, keep an eye on
12 Eversource and do some analysis --

13 A (Glover) We can do that analysis with
14 Eversource.

15 Q Okay. I mean, we only have one solicitation
16 really to go by, --

17 A (Glover) Right.

18 Q -- because this was their first full six-month
19 period solicitation.

20 A (Glover) Okay.

21 Q But it does -- it does cause me pause that the
22 price that they got for half of the winter
23 months is so much better than what you got for
24 this six-month period.

[WITNESS PANEL: Glover|McNamara]

1 A (Glover) Well, our six-month period is the full
2 winter months as well.

3 Q Right.

4 A (Glover) Right.

5 Q That's my point.

6 A (Glover) Yes. We'd have to wait and see what
7 their price is for the next other half of that.

8 Q Correct.

9 A (Glover) So, yes. We will undertake that same
10 analysis, just like we did for Liberty, going
11 forward, so we can see whether we can do the
12 same comparison and see how that's shaking out
13 for us compared to them.

14 CMSR. BAILEY: Great.

15 WITNESS GLOVER: Yes.

16 CMSR. BAILEY: Thank you. That's all
17 I have.

18 CHAIRMAN HONIGBERG: Commissioner
19 Giaimo.

20 CMSR. GIAIMO: Good morning.

21 *[Short pause.]*

22 CMSR. GIAIMO: This is a game of
23 chicken. Good morning.

24 WITNESS GLOVER: Good morning.

[WITNESS PANEL: Glover|McNamara]

1 WITNESS McNAMARA: Good morning.

2 BY CMSR. GIAIMO:

3 Q I'll ask the obligatory question I think I've
4 asked numerous times in the past. What, if
5 anything, have you done with respect to
6 mitigating capacity costs?

7 A (Glover) Since our last discussion, there has
8 been more outreach with our customers. So,
9 during the summer period, this past summer,
10 we've reached out to our customers, provided
11 customer education to them. We were utilizing
12 social media to let customers know that there
13 was hot days coming up, how they could conserve
14 energy, giving them a little background about
15 what happens when they're using energy during
16 peak pricing periods.

17 As far as programming, our department, in
18 particular, has not undertaken anything like
19 that. We would be working with energy
20 efficiency.

21 Q Do you know when the capacity --

22 *[Court reporter interruption.]*

23 BY CMSR. GIAIMO:

24 Q -- capacity tags, the capacity, what determines

[WITNESS PANEL: Glover|McNamara]

1 the residential or the customers' capacity
2 charges?

3 A (Glover) You mean when they change with ISO?

4 Q Right.

5 A (Glover) Or when they change over on June 1st?
6 Is that --

7 Q No. When the capacity determination occurs?
8 So, do you see my --

9 A (Glover) So, for our residential customers, we
10 use an average for each one of those groups.
11 And I would have to go back and talk with the
12 people who are -- I know that we have been
13 looking more closely at our capacity tags, so
14 that each customer's peak usage more aligns
15 with when the peak occurs, so that we can more
16 specifically address that the capacity tags
17 that we're using for that customer class is
18 closer to what it should be.

19 Q And that's what I'm getting to. And I think
20 the hope and desire would be to, when the
21 system hits its peak, to make sure that the
22 capacity tag is as low as possible.

23 A (Glover) Correct.

24 Q Yes.

[WITNESS PANEL: Glover|McNamara]

1 A (Glover) That's correct.

2 Q And so, efforts are underway?

3 A (Glover) Efforts are underway, yes. We have
4 been definitely undertaking those efforts.

5 Q Great. Thank you. So, my main question was
6 going to be what Commissioner Bailey asked with
7 respect to contemplating shifting the timing of
8 the solicitation. It sounds like you don't see
9 necessarily a problem, but you'll keep your eye
10 on it, and --

11 A (Glover) We're getting the message from the
12 Commission that that is something you
13 definitely want us to consider. So, I will
14 bring it back to our management. Sure. Yes.

15 Q This is an inquisitive question. Has analysis
16 been done with respect to what -- what costs
17 will be to the consumer if you provided -- if
18 default service was, in fact, a real-time
19 product or a day-ahead product?

20 A (Glover) I don't know if we've done that.
21 Certainly not in a way for me to answer the
22 question, whether it would be a positive or a
23 negative. I'm sure there's been some
24 number-crunching, but I don't know what the

[WITNESS PANEL: Glover|McNamara]

1 results would that -- what the results of that
2 would be.

3 Q It would be an interesting information point to
4 compare past solicitations.

5 A (Glover) Yes.

6 Q Okay.

7 A (Glover) I agree.

8 Q So, I'm going to draw your attention to
9 Page 11, and whoever wants to answer it can
10 answer it. And the answer could easily be "It
11 is what it is", and that's just what it is,
12 that's what it is.

13 A (McNamara) What page?

14 A (Glover) I'm sorry. What page?

15 Q On Bates 011. I'm just having trouble
16 understanding or jibing some of these numbers.
17 So, I'll just start with the question of the
18 6.4 percent line loss -- losses.

19 *[Chairman and Commissioners*
20 *conferring.]*

21 BY CMSR. GIAIMO:

22 Q Okay. The page that follows Bates 010, which I
23 foolishly thought was Page 11. The 6.4 percent
24 loss, that's transmission and distribution

[WITNESS PANEL: Glover|McNamara]

1 losses?

2 A (McNamara) That number comes, yes, from the
3 tariff.

4 Q Okay. And it's different for each rate class.
5 So, the 6.4 percent would be for residential,
6 and the commercial/industrial would be slightly
7 lower?

8 A (McNamara) The residential, commercial, and the
9 large customers, they all have their own loss
10 factor in the tariff.

11 Q Right.

12 A (McNamara) For purposes of determining the
13 single Non-G1 default service, we commingled
14 those classes and came up with, you know, a
15 number that represents those as an entirety.

16 Q So, they do vary?

17 A (McNamara) Correct.

18 Q Great. Thank you. Okay. So, again, I just
19 want to make sure I understand and can jibe
20 some of those numbers.

21 Intuitively, I would expect Line 8 to
22 start high in the winter and, as the winter
23 months go by and into the shoulder months, we'd
24 see a lower number and a flattening in the

[WITNESS PANEL: Glover|McNamara]

1 shoulder months. And that's what I see on Line
2 16 is -- that's what I see on Line 16. But, on
3 Line 8, I don't see that. I see a pretty high
4 tick-up again in May. So, that didn't make
5 sense to me. And again, getting back to my
6 earlier comment that you might respond "it is
7 what it is", but I was wondering if you might
8 have any indication on why that might be?

9 And the other thing that I found
10 interesting is, the February number is actually
11 lower, slightly lower than the March number.
12 And intuitively, that didn't make sense either.
13 So, --

14 A (Glover) We do see the bids come in that way.

15 Q Uh-huh.

16 A (Glover) Where the month of February does see a
17 dip, and then in May it goes up. So, that's --
18 it is how the bids have been coming in. And I
19 don't know if they're just trying to spread a
20 little bit of the costs out to a shoulder month
21 and take a little bit of the heat off, that one
22 month which might lower their bid just enough
23 to perhaps win the bid. I'm not sure what that
24 strategy is, but that is what we see.

[WITNESS PANEL: Glover|McNamara]

1 Q Okay. But it's different between the two
2 classes. The G2 and the OL class is consistent
3 or intuitive as to what I thought it would be,
4 but the Residential class is not that
5 situation. And again, I'm not asking you to
6 get into the head of your bidder, and again,
7 the response could be "it is what it is". But
8 it's just I wanted to get some insight, if you
9 had any?

10 A (Glover) I only know that I can tell you from
11 the -- the supplier prices that we get in, how
12 that translates to Outdoor Lighting, because
13 they're not necessarily a large component.

14 A (McNamara) I'm not sure where the bidding
15 prices are in the filing.

16 A (Glover) Oh. The bidding prices are on Bates
17 Page 048 and 049, I think you've got your hands
18 on them, the confidential.

19 You're just asking how those translate
20 into the rates, kind of looking -- yes.

21 MR. EPLER: Mr. Chairman?

22 CHAIRMAN HONIGBERG: Mr. Epler.

23 MR. EPLER: If I could just direct
24 this line of questioning, because it may give

[WITNESS PANEL: Glover|McNamara]

1 some insight.

2 If you could turn to Bates stamp 040,
3 and you'll see the different bids there. And
4 some of them come through more along the lines
5 that would be anticipated, in terms of the
6 difference between the peak months and the
7 shoulder months. But it just so happens that
8 the winning bid in this instant didn't follow
9 that, but when you add it up was still the
10 lowest bid.

11 So, that's just -- I would guess,
12 looking at this, that's just based on how they
13 bid and how they calculated it.

14 CMSR. GIAIMO: That's helpful. And I
15 believe that was getting to Ms. Glover's
16 comment.

17 WITNESS McNAMARA: Thank you. That
18 was the schedule I was looking for.

19 BY CMSR. GIAIMO:

20 Q Back on what may or may not be Bates 011.
21 Maybe if you could explain the bump, the
22 doubling in Line 23 with respect to the RPS
23 obligation, from how that change happens on
24 January '19, and if that's anything more than

[WITNESS PANEL: Glover|McNamara]

1 the increase in the RPS associated with I guess
2 the Class I bump-up of 0.9 percent in the
3 requirement?

4 A (Glover) I can tell you offhand that the Class
5 I requirement, which is the largest, the price
6 that we used for our assumption for the market
7 price is twice what it was for December.

8 Q Okay.

9 A (Glover) So, the 2019 projection price for the
10 market is twice as high.

11 Q So, on Bates 022, you discuss the 20 percent
12 increase. And in response to the Consumer
13 Advocate, who asked about the 20 percent
14 increase, I thought I heard Mrs. Glover
15 suggest -- Ms. Glover suggest that there are
16 various aspects that represent -- that are
17 responsible for the 20 percent increase:
18 Higher commodity price, risk, weather, and
19 capacity, the capacity costs?

20 A (Glover) Correct. So, we would expect the
21 capacity prices the same as it was the last
22 period. So, the NYMEX price over the prior
23 period is higher.

24 Q The NYMEX price is higher?

[WITNESS PANEL: Glover|McNamara]

1 A (Glover) Yes, from a year ago. It's about
2 20 percent higher from a year ago.

3 Q And that considers -- that includes the
4 capacity elements?

5 A (Glover) The NYMEX price does not.

6 Q Does not. So, just the NYMEX price -- the
7 NYMEX price increase was 20 percent by itself?

8 A (Glover) Yes. The NYMEX prices for energy.

9 Q Right.

10 A (Glover) Uh-huh.

11 Q And then, you're going to layer on a 33 percent
12 increase from last year in the capacity cost,
13 which was \$9.55 a kilowatt-hour month, to 7 --
14 or, I'm sorry, from 7.02 to 9.55?

15 A (Glover) It was, yes, 7.02 for 2017, and then,
16 in 2018, it went up.

17 Q Yes. June --

18 A (Glover) Yes. I'm sorry. June 2018, it's
19 still up, yes.

20 Q Yes.

21 A (Glover) From last summer.

22 Q And June 1st, 2019 --

23 A (Glover) '19 goes down --

24 Q -- it goes back -- it actually coincidentally

[WITNESS PANEL: Glover|McNamara]

1 goes back down to 7.03.

2 A (Glover) Pretty much the same thing, yes.

3 CHAIRMAN HONIGBERG: You guys need to
4 stop talking over each other --

5 WITNESS GLOVER: I'm sorry.

6 CHAIRMAN HONIGBERG: -- or Mr.
7 Patnaude is going to injure his other shoulder.

8 BY CMSR. GIAIMO:

9 Q Okay. So, when we're here next time, this time
10 next year, we will likely see numbers that are
11 consistent with the 2017/2018 numbers of 7.02,
12 because we're going back to that price? That's
13 the clearing price for FCA 10?

14 A (Glover) Yes. Notwithstanding whatever NYMEX
15 prices are, we would expect that non-energy
16 piece to go back down.

17 CMSR. GIAIMO: Thank you. That's all
18 the questions I have.

19 CHAIRMAN HONIGBERG: I just have a
20 few questions.

21 BY CHAIRMAN HONIGBERG:

22 Q First, the RPS reconciliation that you talked
23 about, Ms. McNamara, of \$1.6 million total, you
24 split roughly half, do you know the reason why

[WITNESS PANEL: Glover|McNamara]

1 there was a 1.6 over-collection? Was this --
2 was that the last year that the Commission
3 reduced the Class III obligation from 8 percent
4 down to about 2 percent?

5 A (Glover) That's what we were discussing,
6 because that was in 2016.

7 Q This is the 2016 reconciliation.

8 A (Glover) Yes. And because they cross years,
9 because the procurement time that we buy them
10 goes into July of the next year. So, it could
11 be hanging over from there. We would have to
12 confirm that. But that's what we were
13 discussing.

14 Q That was my guess.

15 A (Glover) Yes.

16 Q Okay.

17 A (Glover) Yes.

18 Q And since the reconcil -- I'm sorry -- since
19 the Class III obligation was not reduced in
20 subsequent years, you wouldn't expect to see
21 this level of over-collection --

22 A (Glover) Right.

23 Q -- in this coming spring, correct?

24 A (Glover) Correct.

[WITNESS PANEL: Glover|McNamara]

1 Q Okay. With respect to the schedule that you're
2 on, refresh my memory, are you doing this
3 solicitation on the same schedule as Fitchburg?

4 A (Glover) Yes. So, when we go out -- when we go
5 out to do the solicitation for these
6 procurements, we are doing both our service
7 territories.

8 Q And Commissioner Giaimo asked you about how it
9 would work if default service were on a
10 day-ahead or real-time pricing. You can
11 envision howls of outrage from your customers
12 if we went in that direction, right?

13 A (Glover) It could -- it could go very wrong on
14 cold snaps.

15 Q That said, if customers don't want any
16 fluctuations in their rate, they can go out
17 into the competitive market, right?

18 A (Glover) Sure.

19 Q And a whole bunch of your commercial and
20 industrial customers do that, don't they?

21 A (Glover) They do.

22 Q Do you know roughly what percentage of your --

23 A (Glover) I do.

24 Q -- is migrated off? It's probably in here

[WITNESS PANEL: Glover|McNamara]

1 someplace.

2 A (Glover) It is. It's on Bates stamp Page 147.
3 And the bottom table shows us how much
4 competitive generation sales are a percentage
5 of total sales. And on Bates Page 148 is the
6 percentage of customers that are served by
7 competitive generation. So, for our large
8 class, for example, almost 78 percent are being
9 served by third party suppliers. For our
10 residential customers, it doesn't fluctuate
11 much. We're roughly around 11 percent. And
12 that's pretty much where we bounce around, 11
13 to 12 percent.

14 CHAIRMAN HONIGBERG: Okay. That's
15 all I had. Thank you very much.

16 WITNESS GLOVER: You're welcome.

17 CHAIRMAN HONIGBERG: I'm looking
18 forward to hearing Mr. Epler's explanation of
19 what they expect of Senate Bill 365.

20 Do you have any further questions for
21 your witnesses, Mr. Epler?

22 MR. EPLER: No, I do not.

23 CHAIRMAN HONIGBERG: All right. Is
24 there anything we need to do before the parties

[WITNESS PANEL: Glover|McNamara]

1 sum up?

2 *[No verbal response.]*

3 CHAIRMAN HONIGBERG: All right.
4 Without objection, we'll strike ID on Exhibits
5 5 and 6.

6 And hear from the parties in
7 summation. Mr. Kreis, why don't you start us
8 off.

9 MR. KREIS: Thank you. I think I
10 shocked the witnesses by saying something nice
11 about their filing when I started
12 cross-examining them. But I was in earnest. I
13 believe that this filing is notable for its
14 clarity. And I believe that it demonstrates
15 that this was a successful default service
16 procurement. And the Commission should
17 therefore approve the resulting rates as just
18 and reasonable and in the public interest.

19 That said, based on the questions I
20 asked, the questions Staff asked, and the
21 questions the Commissioners asked, I think
22 there are ongoing questions lingering out there
23 about not just this utility's procurement of
24 default service, but all of the utilities'

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1 procurement of default service. And this might
2 be, and if it is not we are getting close to, a
3 juncture where some sort of renewed generic
4 inquiry into how we as a state are acquiring
5 default service might be in order. Because the
6 last thing I think any of us want are failed
7 default service procurements.

8 And situations like the one the
9 Chairman just alluded to, where customers are
10 essentially naked in the wholesale market, and
11 twisting in the wind when it gets really cold
12 in January and we see price blips like the one
13 we saw on Labor Day. That would make a very
14 unhappy Labor Day for consumers, I should
15 think, with the real-time price of electricity
16 zapping up there at \$2,600 a megawatt-hour.

17 So, with that suggestion that maybe
18 we are nearing the point at which a generic
19 inquiry is in order, that all of us, meaning
20 the utilities, the Consumer Advocate, and the
21 Staff could participate in, I urge the
22 Commission to approve the Company's Petition in
23 this filing.

24 CHAIRMAN HONIGBERG: Mr. Kreis, do

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1 you remember the last time we had an
2 all-utilities discussion about default service
3 procurement? It seems to me it was within the
4 last three years anyway.

5 MR. KREIS: Might well have been.
6 But I'm guessing it was before my tenure,
7 because I don't remember participating in such
8 a discussion.

9 CHAIRMAN HONIGBERG: Mr. Epler, do
10 you recall?

11 MR. EPLER: I believe it was in 2015.

12 CHAIRMAN HONIGBERG: That would be
13 earlier than the last three years, wouldn't it?
14 Yes. Okay.

15 Mr. Dexter.

16 MR. DEXTER: Thank you. Staff has
17 reviewed the filing thoroughly, and our
18 recommendation is that the Commission approve
19 the proposed rates. We believe that the
20 solicitation, the evaluation, and the process
21 were done in a manner consistent with past
22 orders. And we believe the resulting rates are
23 market-based.

24 I did want to address one lingering

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1 issue from the prior phase of this docket,
2 which was the spring solicitation. Staff --
3 I'm sorry, Unutil had filed a lead/lag study.
4 And since the close of the last phase of this
5 proceeding, Staff has reviewed the lead-lag
6 study and concluded that, in its view, it was
7 conducted in a manner consistent with previous
8 studies, and that the results, which were
9 incorporated into this filing, are acceptable
10 for use in this filing.

11 CHAIRMAN HONIGBERG: Thank you, Mr.
12 Dexter.

13 Mr. Epler.

14 MR. EPLER: Thank you, Commissioners.
15 First, just to address the question as to the
16 impact of Senate Bill 365 on our solicitations
17 going forward. We don't anticipate that it
18 will have an effect on the solicitations
19 themselves. They will be, assuming no other
20 change, they will be undertaken as they
21 normally have been undertaken. And we don't
22 anticipate that this would have a -- that 365
23 would have an impact upon our suppliers or
24 potential suppliers. Because it's our

[WITNESS PANEL: Glover|McNamara]

1 understanding that charges that would arise
2 under the provisions of 365 will be recovered
3 from all customers, not just default service
4 customers.

5 So, we don't anticipate an impact on
6 the solicitation. We do think that there will
7 be some increase in cost to all customers. We
8 haven't really nailed that down quite yet. But
9 we are looking at it. And some of it depends
10 upon the interpretation of Senate Bill 365, as
11 to whether or not you consider, at the time
12 you're making the purchase from the entities
13 that you're required to make the purchase,
14 whether you're purchasing capacity or not, or
15 just energy. And that depends on how you
16 interpret the bill.

17 And since this, the impact will come
18 to UES with its next solicitation, which will
19 be in six months, I anticipate that some of
20 those questions will be resolved in the interim
21 with some of the other utilities in the state.

22 CHAIRMAN HONIGBERG: What's the
23 effective date of the law?

24 MR. EPLER: September 13th. And we

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1 were in the -- we had already received
2 indicative bids on September 11th. And by the
3 plain language of the bill, it talked about
4 "prior to each of its next six sequential
5 solicitations". So, since we had already had
6 indicative bids, we could not fulfill that
7 requirement in the legislation.

8 CHAIRMAN HONIGBERG: And Liberty --
9 Liberty doesn't have any of the affected
10 entities in its jurisdiction, is that right?

11 MR. EPLER: That's my understanding.
12 Unitil has one.

13 CHAIRMAN HONIGBERG: So, I think the
14 next time this is going to get presented or the
15 first time it's going to get presented is when
16 Eversource is here later this year?

17 MR. EPLER: That's my understanding,
18 yes.

19 CHAIRMAN HONIGBERG: Thank you for
20 that.

21 MR. EPLER: Okay. And the next
22 issue, the question of solicitations and how we
23 undertake them, it is my recollection that we
24 looked at this in 2015, I think as a

[WITNESS PANEL: Glover|McNamara]

1 consequence of the price spikes in the Winter
2 of 2014, the last time there was the polar
3 vortex. And there are a couple of
4 considerations, and they're sometimes at odds
5 with each other, at least from our perspective.
6 And that is whether or not we, as a state, we
7 want to provide default service that has a
8 smoother rate over time, or something that's
9 more -- that fluctuates more according to the
10 season.

11 The other considerations we're
12 looking at in both the Grid Modernization
13 Working Group proceeding and the Net Metering
14 docket, we're looking at Time-of-Use rates.
15 So, we're talking about fluctuating rates in
16 there. And so, you know, it really depends on
17 what qualities the Commission and the parties
18 are looking for in terms of default service.
19 There is -- there are competing ways of
20 providing default service that could possibly
21 give benefits to customers, for example, the
22 way we procure service -- default service for
23 our large customers provides a fluctuating
24 rate, but it's also a rate that's a lot

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1 cheaper. So, for our Large Customer class, we
2 have, consistently over time, provided some of
3 the lowest rates in the state, actually, in the
4 region, because of how we procure it. But it
5 is a rate that does fluctuate over time, month
6 to month it varies. And in fact, you don't
7 know what the rate will be until after the
8 month passes.

9 So, there are competing
10 considerations. And it may well be, as the
11 Consumer Advocate suggests, it may well be time
12 to have some kind of a proceeding, formal or
13 informal, where we can once again discuss those
14 considerations, and whether it's an opportune
15 time to change how we procure service.

16 Other than that, I don't think I have
17 anything to add, other than what's in the
18 relief requested in the Petition.

19 Thank you.

20 CHAIRMAN HONIGBERG: All right.

21 Thank you all.

22 With that, we will close the hearing,
23 take the matter under advisement, and issue an
24 order quickly, as we know we are obligated to

[WITNESS PANEL: Glover|McNamara]

1 do. Thank you all.

2 *(Whereupon the hearing was*

3 *adjourned at 11:45 a.m.)*

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[WITNESS PANEL: Glover|McNamara]