

1 **STATE OF NEW HAMPSHIRE**
2 **PUBLIC UTILITIES COMMISSION**

3
4 **July 19, 2019** - 12:03 p.m.
5 Concord, New Hampshire

NHPUC 2AUG19pm1:14

6
7 **RE: DE 19-108**
8 **EVERSOURCE ENERGY:**
9 **Petition for Adjustment to Stranded**
10 **Cost Recovery Charge for effect on**
11 **August 1, 2019.**

12
13 **PRESENT:** Chairman Martin P. Honigberg, Presiding
14 Commissioner Kathryn M. Bailey
15 Commissioner Michael S. Giaimo

16 Sandy Deno, Clerk

17 **APPEARANCES:** **Reptg. Eversource Energy:**
18 Matthew J. Fossum, Esq.

19 **Reptg. Residential Ratepayers:**
20 Brian D. Buckley, Esq.
21 James Brennan, Finance Director
22 Office of Consumer Advocate

23 **Reptg. PUC Staff:**
24 Paul B. Dexter, Esq.
 Richard Chagnon, Assistant Director/
 Electric Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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 DAVID F. BIDMEAD**

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We are here in Docket DE 19-108, which is Eversource's Stranded Cost Recovery Charge docket, a hearing on the merits.

Let's take appearances.

MR. FOSSUM: Good afternoon, Commissioners. Matthew Fossum here for Public Service Company of New Hampshire, doing business as Eversource Energy.

CHAIRMAN HONIGBERG: I said "afternoon", didn't I, when I came in?

MR. FOSSUM: I think you did.

CHAIRMAN HONIGBERG: The stenographer says I did, it must be true.

MR. BUCKLEY: Good afternoon, Mr. Chairman and Commissioners. My name is Brian D. Buckley. I am the Staff Attorney with the New Hampshire Office of the Consumer Advocate. To my left is Mr. James Brennan, Director of Finance with that same office. And we are here representing the interests of residential ratepayers.

MR. DEXTER: Good afternoon. Paul

1 Dexter, Staff attorney, appearing on behalf of
2 the Commission Staff.

3 CHAIRMAN HONIGBERG: All right. And
4 how are we proceeding, Mr. Fossum?

5 MR. FOSSUM: As with the TCAM hearing
6 that was just completed, the Company has a
7 panel, though it will be a smaller panel, to
8 present and to discuss the filing of the
9 Company's request.

10 CHAIRMAN HONIGBERG: All right. Why
11 don't we have the witnesses move up to the
12 witness box. You can tell us about exhibits.

13 MR. FOSSUM: Okay. Thank you. So, I
14 spoke with the Clerk during the break, and we
15 have asked for four exhibits to be premarked
16 for identification. They are -- number "1" is
17 the Company's June 6th filing in this
18 proceeding. Premarked as "Exhibit 2" is the
19 Company's July 3rd update. As "Exhibit 3"
20 is -- so, there were two filings yesterday, on
21 July 18th. "Exhibit 3" is the larger packet,
22 which is a resubmission, with correction, of
23 the July 3rd materials. And as "Exhibit 4" for
24 identification is another item yesterday, a

[WITNESS PANEL: Menard|Bidmead]

1 small four-page document with a set of charges
2 to it. And our witnesses will be speaking to
3 each of those.

4 CHAIRMAN HONIGBERG: All right. If
5 there's nothing else, Mr. Patnaude, would you
6 swear the witnesses in please.

7 (Whereupon **Erica L. Menard** and
8 **David F. Bidmead** were duly sworn
9 by the Court Reporter.)

10 CHAIRMAN HONIGBERG: Mr. Fossum.

11 MR. FOSSUM: Thank you.

12 **ERICA L. MENARD, SWORN**

13 **DAVID F. BIDMEAD, SWORN**

14 **DIRECT EXAMINATION**

15 BY MR. FOSSUM:

16 Q Beginning with Ms. Menard, would you please
17 state your name, your position -- your place of
18 employment, your position, and your
19 responsibilities for the record in this
20 proceeding?

21 A (Menard) Good afternoon. My name is Erica
22 Menard. I'm the Manager of Revenue
23 Requirements for New Hampshire. I'm employed
24 by Eversource Energy Service Company. My

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[WITNESS PANEL: Menard|Bidmead]

1 address is 780 North Commercial Street, in
2 Manchester, New Hampshire.

3 In my position, I'm responsible for the
4 implementation and calculations of revenue
5 requirements associated with distribution
6 rates, Transmission Cost Adjustment Mechanism,
7 Stranded Cost reconciliation charges, and
8 Energy Services charges for Public Service
9 Company of New Hampshire.

10 Q And, Mr. Bidmead, could you also please state
11 your name, place of employment, position, and
12 responsibilities for the record?

13 A (Bidmead) My name is David Bidmead. And my
14 business address is 107 Selden Street, Berlin,
15 Connecticut. I'm employed by Eversource Energy
16 as a Senior Revenue Requirements Analyst for
17 New Hampshire.

18 My responsibilities include preparing or
19 reviewing the calculation of New Hampshire
20 revenue requirements for Eversource, as well as
21 the filings associated with PSNH's ES, SCRC,
22 and TCAM rates.

23 Q Thank you. Ms. Menard, back on June 6th, and
24 included in what has been premarked for

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[WITNESS PANEL: Menard|Bidmead]

1 identification as "Exhibit 1", did you submit
2 testimony and various exhibits?

3 A (Menard) Yes, I did.

4 Q And that testimony and those exhibits, were
5 those prepared by you or at your direction?

6 A (Menard) Yes, they were.

7 Q And do you any -- excuse me -- any changes or
8 updates to that testimony this morning?

9 A (Menard) I do not have any changes to that
10 testimony, but it was a preliminary rate filed.
11 On July 3rd, we filed an updated rate, which
12 I'm sure you will get to next.

13 Q Okay. And so, subject to the caveat you've
14 just given, would you have any -- would you
15 adopt that testimony as your own?

16 A (Menard) Yes.

17 Q Now, fast-forwarding to what you had just
18 mentioned, on July 3rd, and in what has been
19 premarked for identification as "Exhibit 2",
20 did you submit testimony and exhibits?

21 A (Menard) Yes, I did. So, historically, we
22 would just file a technical statement updating
23 the rate, and compare the updated rate to the
24 preliminary rate. And after a discussion

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[WITNESS PANEL: Menard|Bidmead]

1 between Staff and myself, we determined that
2 was confusing to Commissioners and to everybody
3 when trying to explain the update, compared to
4 the preliminary, compared to current rates.
5 So, it was determined to just file updated
6 testimony with the revised updated rates.

7 Q And, Mr. Bidmead, that updated testimony in
8 Exhibit 2, that was filed jointly with
9 yourself, is that correct?

10 A (Bidmead) Yes.

11 Q Now, for both of you, was that testimony
12 prepared by you or at your direction?

13 A (Menard) Yes.

14 A (Bidmead) Yes.

15 Q And do you have any changes or updates to that
16 specific testimony this morning -- or, this
17 afternoon?

18 A (Menard) No.

19 Q But is that -- is that testimony and that
20 information also subject to an additional
21 update?

22 A (Menard) Yes. There was an additional update
23 on July 18th.

24 Q Thank you. Again, subject to that caveat that

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[WITNESS PANEL: Menard|Bidmead]

1 you've just given, would you adopt that
2 testimony as your own?

3 A (Menard) Yes.

4 Q And now, finally, on July 18th, did you both
5 submit joint testimony and attachments in what
6 has been premarked as "Exhibit 3"?

7 A (Menard) Yes.

8 A (Bidmead) Yes.

9 Q And was that testimony prepared by you or at
10 your direction?

11 A (Menard) Yes.

12 A (Bidmead) Yes.

13 Q Do you have any changes or updates to that
14 testimony this morning?

15 A (Menard) No.

16 A (Bidmead) No.

17 Q Or, I guess "this afternoon". I keep messing
18 that up. And would you adopt that as your
19 sworn testimony in this proceeding?

20 A (Menard) Yes.

21 A (Bidmead) Yes.

22 Q And for purposes of this proceeding, is the
23 information in what has been marked as "Exhibit
24 3" that you've just spoken about, is that the

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[WITNESS PANEL: Menard|Bidmead]

1 information that you would rely upon in
2 requesting the Commission's decision today?

3 A (Menard) Yes, it is.

4 A (Bidmead) Yes.

5 Q With that said, we'll go through, could you
6 please explain, understanding that it's in the
7 testimony itself, but could you please explain
8 the Company's request in this testimony and, to
9 the degree necessary, point out what changes
10 necessitated the submission of what is included
11 in Exhibit 3?

12 A (Menard) I'll address first the revisions that
13 were made. As has been a longstanding history,
14 there is a technical session held after the
15 filing is made for the stranded cost filing.
16 The Company participated in a technical session
17 with Staff and OCA as part of the TCAM and SCRC
18 filings. And as a result, there were some
19 minor typographical errors that were noted.
20 Those were corrected in the testimony, in
21 various places throughout the testimony.

22 However, as a result of going through some
23 of the exhibits in more detail, it was
24 determined that the megawatt-hour sales

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[WITNESS PANEL: Menard|Bidmead]

1 forecast that was utilized as the basis for
2 setting the rates was utilizing an incorrect
3 period. So, we adjusted that period. So, the
4 original filing used a July 2019 through
5 December 2019 time period. It was updated to
6 reflect an August through -- August 2019
7 through January 2020 period.

8 As a result of that change, various items
9 changed throughout the testimony and exhibits.
10 The actual rates changed slightly and the rate
11 exhibits changed slightly. So, as a result of
12 that change, we felt it was best to just file
13 new testimony, so everyone was working with the
14 most correct information.

15 To address your question of why we're here
16 and what we're requesting, so, in the updated
17 July 18th filing, we calculated updated average
18 SCRC rates, including a RGGI adder, consistent
19 with past practice.

20 The preliminary rates were calculated as
21 follows, and I'll go slow, because I'm going to
22 list a bunch of numbers: So, for Rate R
23 customers, the request is 1.882 cents, as
24 compared to the current average rate of 1.522

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[WITNESS PANEL: Menard|Bidmead]

1 cents per kilowatt-hour; for Rate G customers,
2 the request is 1.674 cents per kilowatt-hour,
3 as compared to the current rate of 1.415 cents
4 per kilowatt-hour; the request for Rate GV
5 customers is 1.433 cents per kilowatt-hour, as
6 compared to the current average rate of 1.198
7 cents per kilowatt-hour; for Rate LG customers,
8 the request is 0.480 cents per kilowatt-hour,
9 as compared to the current average rate of
10 0.420 cents per kilowatt-hour; and for Rate OL
11 and EOL customers, the request is 1.685 cents
12 per kilowatt-hour, as compared to current
13 average rates of 1.72 cents per kilowatt-hour.

14 In addition, for the RGGI adder, we
15 calculated a RGGI adder rate of negative 0.13
16 cents per kilowatt-hour, as compared to the
17 current rate of negative 0.134 cents per
18 kilowatt-hour.

19 So, we were asking for those rates to be
20 approved, as well as any reconciliations from
21 prior year calculations that are included in
22 those rates.

23 Q And in the hopes of anticipating another
24 question, could you very briefly explain the

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[WITNESS PANEL: Menard|Bidmead]

1 significant or the major reasons for the
2 requested change in the SCRC rate?

3 A (Menard) Yes. The overall increase is about
4 \$10.3 million, mainly due to above-market costs
5 related to Burgess and Lempster; and about \$3.4
6 million related to inclusion of the CSL
7 Contract Settlement; an increase in the RRB
8 Part 1 RRB costs, about \$2.4 million; and the
9 inclusion of -- or, the higher ISO-New England
10 and residual generation O&M costs of about a
11 million dollars.

12 Q And are those increases offset by any other --
13 any decreases, any significant decreases?

14 A (Menard) Yes. Those higher costs are offset by
15 lower under recovery of about a million
16 dollars, which is due to some pension credits
17 and property tax credits; and higher energy
18 service REC revenue transfers of a million
19 dollars; and some various other true-up and
20 credits that were received.

21 Q Thank you. I would like you to turn to, in
22 Exhibit 3, beginning on Bates Page 034. And
23 could you please explain what is shown on Bates
24 Page -- beginning on Bates Page 034 and

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1 continuing over to 037?

2 A (Menard) Yes. On Bates Page 034, this is the
3 comparison of rates for Residential Rate Class
4 R. And this is a comparison of rates to be
5 effective August 1st, 2019, as compared to
6 current rates in effect as of February 1st.
7 And this exhibit, similar to what was shown in
8 our TCAM hearing, is the impact of all changes
9 to rates that are effective on August 1st. So
10 that includes the distribution change, the
11 transmission change, the Energy Service charge
12 change that was previously approved, as well as
13 the Stranded Cost Recovery Charge in
14 Column (E), which is the subject of this
15 docket.

16 On Bates Page 035, this is a similar
17 schedule for an average residential customer,
18 comparing the rates to go into effect
19 August 1st against the rates that were in
20 effect a year ago.

21 And then, on Bates Pages 036 and 037,
22 these are what is fondly known as the "bingo
23 sheets". And these are the rate changes as
24 expressed as a percentage of the total delivery

[WITNESS PANEL: Menard|Bidmead]

1 revenue for each class, on Page 036, which does
2 not include Energy Service. And on Bates Page
3 037 is that same percentage change including
4 the Energy Service change.

5 Q Thank you. Do you have in front of you what
6 has been premarked for identification as
7 "Exhibit 4"?

8 A (Menard) Yes, I do.

9 Q Would you please explain what it is that's
10 shown -- well, before I do that, I'm going to
11 back up.

12 The pages that you were just explaining,
13 Bates Pages 034 to 037, are those essentially
14 identical to the same pages and the same -- and
15 the information that was provided in the TCAM
16 docket as was discussed this morning?

17 A (Menard) Yes. They are the same.

18 Q Okay. Thank you. Turning now to Exhibit 4.
19 Could you please explain what is shown on this
20 exhibit, and also, during that, appreciate an
21 explanation of why it was submitted separately?

22 A (Menard) Yes. So, this exhibit was submitted
23 as a result of our technical session
24 discussion. There was some confusion about,

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[WITNESS PANEL: Menard|Bidmead]

1 you know, the average rates that are shown in
2 the actual filing, and how those translated to
3 the specific rates that will be shown in the
4 tariff. So, this exhibit was put together,
5 consistent with what is shown in the TCAM
6 hearing, but this is just for the Stranded Cost
7 rates.

8 So, Page 1 of Exhibit 4 shows the
9 comparison of the current rates that were
10 effective on February 1st, compared to the
11 proposed rates that will be effective on
12 August 1st. And these are by the specific rate
13 classes that are shown in the tariff.

14 The Page 2 is a calculation of how we take
15 the average rates that are calculated as part
16 of our filing and convert those into a rate
17 adjustment factor, which are then applied to
18 the various specific rate under that class.

19 Finally, on Page 3, this exhibit shows the
20 SCRC rates by rate class, including and
21 excluding the RGGI refund.

22 Q Thank you. Given your explanation, and looking
23 most particularly at the information provided
24 in Exhibits 3 and 4, is it the Company's

[WITNESS PANEL: Menard|Bidmead]

1 position that the rates, as updated and
2 proposed and shown in Exhibit 3 and 4, are just
3 and reasonable rates?

4 A (Menard) Yes.

5 Q And it is those rates that are -- that the
6 Company is requesting be approved, is that
7 correct?

8 A (Menard) Correct.

9 MR. FOSSUM: Thank you. That's what
10 I have for direct.

11 CHAIRMAN HONIGBERG: Mr. Buckley.

12 MR. BUCKLEY: Thank you, Mr.
13 Chairman.

14 **CROSS-EXAMINATION**

15 BY MR. BUCKLEY:

16 Q Ms. Menard, you read earlier from it sounded
17 like the table at the top of Bates Page 005 to
18 detail the various SCRC changes for the various
19 classes. Is that correct?

20 A (Menard) Yes.

21 Q For one of those classes, the change is
22 different than all of the others. Is that
23 correct?

24 A (Menard) That is correct, the OL/EOL.

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[WITNESS PANEL: Menard|Bidmead]

1 Q And why is that?

2 A (Menard) That is just how the rates are
3 calculated. I don't have a specific answer to
4 that. It's just the -- I guess if we go to --
5 I'll find the reference.

6 So, the mechanics behind that rate you can
7 see on -- in Exhibit 6, on Page 2, you can see
8 that the --

9 MR. FOSSUM: Could I just clarify, we
10 don't have an "Exhibit 6". Could you --

11 WITNESS MENARD: Oh. What's the last
12 one?

13 MR. FOSSUM: Exhibit 4.

14 WITNESS MENARD: Four? Exhibit 4,
15 Attachment 6.

16 MR. FOSSUM: Very good.

17 **CONTINUED BY THE WITNESS:**

18 A (Menard) Exhibit 4, Page 2, you'll see the
19 "Outdoor Lighting Service". You'll see the
20 current rate in Column (A). And then you'll
21 see the updated rate in Column (C). And that
22 adjustment factor is what is applied to the
23 Outdoor Lighting class.

24 The calculations for that Outdoor Lighting

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[WITNESS PANEL: Menard|Bidmead]

1 class and how we develop that rate, that
2 "0.1685", is shown in Bates Page 018, in the
3 "Rate OL Stranded Cost" column. And that class
4 only gets a half a percent of the change for
5 SCRC. And those percentages are all outlined
6 in the methodology for how SCRC rates are
7 calculated, or how costs are allocated.

8 BY MR. BUCKLEY:

9 Q And so, my understanding of what you're
10 suggesting is that the fact that the OL/EOL
11 rate actually goes down, while all of the
12 others are going up in this filing, is related
13 to the allocation from the settlement agreement
14 for divestiture?

15 A (Menard) Those percentages are what was defined
16 in the settlement agreement. So, when we take
17 the costs, the stranded costs, and then we
18 allocate it to the rate classes, OL has only
19 half a percent, as outlined in the divestiture
20 agreement.

21 Q Is it possible there's something I'm missing
22 here? Because it seems to me as if you can't
23 have both a negative and a positive spread
24 amongst the classes, you would only have one or

[WITNESS PANEL: Menard|Bidmead]

1 the other, based on the -- my vague
2 recollection of the divestiture agreement
3 itself.

4 A (Menard) Could you restate your question?

5 Q Is it possible there is some other factor in
6 there, other than the allocation set forth in
7 the divestiture agreement that is leading to
8 this negative and positive?

9 A (Menard) Well, so, the computation of the rate
10 uses the megawatt-hour sales for that class as
11 well. So that could be the other piece that
12 you're, I think, interested in.

13 Q Ah. Okay. I think I see what you are talking
14 about. So that would be another factor that
15 could lead to, in the instance where there is a
16 reconciliation included, a negative for that
17 rate, if there is either less or more usage for
18 those OL and EOL customers than anticipated?

19 A (Menard) Mr. Bidmead is going to help me out
20 and explain this a little bit.

21 A (Bidmead) Subject to check, and we can follow
22 up on this. So, all the costs are split out
23 based on the percentages that Ms. Menard
24 pointed out due to that settlement. But, since

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[WITNESS PANEL: Menard|Bidmead]

1 this is a reconciliation -- I'm sorry, it's an
2 update filing. So, we take where we are
3 over/under, and then we apply it. Again, we're
4 applying an over/under, which is revenue
5 compared to costs, and then spreading it across
6 those percentages.

7 But I'm thinking that the revenue itself
8 doesn't follow that pattern of 0.5 percent of
9 total SCRC revenue. I'm not 100 percent sure,
10 and I think we can follow up pretty easily on
11 this. And I think that's why that happens, is
12 because, if the revenue isn't following the
13 same pattern, in general, but then you're going
14 to take an over/under that just nets the two,
15 and then apply the whole net against the
16 percentage, I think it's going to skew it.
17 Since this is just 0.5 percent, it's almost not
18 applying anything of the over/under because
19 it's so small. But we can look at that. I
20 think that's what's happening.

21 CHAIRMAN HONIGBERG: It sounds like
22 an offer to provide additional information in
23 writing. Mr. Buckley, would you agree that
24 that is what it sounds like?

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[WITNESS PANEL: Menard|Bidmead]

1 MR. BUCKLEY: I agree, yes.

2 CHAIRMAN HONIGBERG: And you want to
3 have a record request to have the Company
4 provide a written answer to the question that
5 you've asked that isn't just Mr. Bidmead's best
6 guess as he sits here?

7 MR. BUCKLEY: I think that would be
8 very helpful. Yes, Mr. Chairman.

9 CHAIRMAN HONIGBERG: Mr. Fossum, that
10 would be Exhibit 5. Do you have an
11 understanding of what the question is?

12 MR. FOSSUM: My understanding, and
13 what I'm trying to get scribbled down here, is
14 a request for us to explain how the Company
15 calculated the proposed OL/EOL rate, and why
16 that rate decreases at a time when the other
17 proposed rates increase.

18 CHAIRMAN HONIGBERG: That sounds
19 right. Mr. Buckley?

20 MR. BUCKLEY: Yes. I'd say that's
21 accurate.

22 *(Exhibit 5 reserved)*

23 CHAIRMAN HONIGBERG: Mr. Buckley, you
24 may continue.

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1 BY MR. BUCKLEY:

2 Q So, Attorney Fossum asked about some of the
3 primary drivers of this -- largely this
4 decrease or increase, rather, in the overall
5 Stranded Cost Recovery Charge. And can you
6 just recap what your answer was very briefly?

7 A (Menard) Certainly. You can also see this on
8 Bates Page -- on Bates Page 006, there's a
9 table that outlines the reasons for the
10 increases and decreases. And I reviewed the
11 highest causes of that increase and decrease.

12 In the "Part 2 Costs" area, that one of
13 the highest increases is due to above-market
14 IPP and PPA costs, due to Burgess and Lempster.

15 Q So, I'd like to drill just very briefly into
16 those above-market costs.

17 A (Menard) Yes.

18 Q If I could ask you to turn to Bates Page 022.

19 A (Menard) I'm there.

20 Q Now, on Bates 022, it seems like it puts forth
21 some of the more granular components of what
22 might relate to those SCRC Part 2 costs. Is
23 that correct?

24 A (Menard) Yes.

[WITNESS PANEL: Menard|Bidmead]

1 Q And at Bates 22, Line 15, there seems to be
2 quite a bit of variability. Is that -- would
3 that be accurate to say? Moving from one month
4 to the next, the value can be anywhere from
5 around 1,672, to something as high as 8,166
6 million?

7 A (Menard) There are certain items that cause
8 that variability. The biggest item is Line 7,
9 which is the "Burgess Above and Below Market
10 Costs". And there are some other items in
11 there that are one-time adjustments, such as on
12 Line 14, that "CSL Contract Settlement". That
13 was an item that was ordered in Order
14 Number 27,038, was that we included that back
15 into SCRC. It was removed as part of that
16 proceeding. It was added back in after that
17 order was issued.

18 So, those are some of the reasons that
19 caused that variability.

20 Q And with regard to the Line 7, the "Burgess
21 Above or Below Market Costs", would it be
22 accurate to say there is slightly more
23 explanation of that on the following page,
24 which would be Bates 023?

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[WITNESS PANEL: Menard|Bidmead]

1 A (Menard) Yes.

2 Q Now, can you tell me, it appears that every few
3 months there's a rather large above-market cost
4 associated with Burgess. I'm looking at, I
5 think, maybe Lines 7 through 9 or so. Can you
6 explain those to me?

7 A (Menard) Those are RECs that we receive from
8 Burgess, and those are delivered on a quarterly
9 basis.

10 Q Ah, I see. So that is -- that may have to do
11 with a great degree of the variability, is what
12 you're saying, in that SCRC 2 value?

13 A *(Witness Menard nodding in the affirmative).*

14 MR. BUCKLEY: We already had some
15 discussion of the fondly referred to "bingo
16 sheet" at Bates Page 054 with Mr. Fossum. So,
17 I think that will forgo that line of
18 questioning. And hand it over to Attorney
19 Dexter.

20 CHAIRMAN HONIGBERG: Mr. Dexter.

21 MR. DEXTER: Thank you.

22 BY MR. DEXTER:

23 Q So, I just want to understand what rates are at
24 issue here. And I want to turn to Exhibit 4.

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[WITNESS PANEL: Menard|Bidmead]

1 It's labeled "Page 1 of 3". And there are
2 rates for all the different classes down the
3 right-hand corner, labeled "Proposed Rates" for
4 effect. Is that what's proposed in this case?
5 A (Menard) In this case, similar to TCAM, we're
6 proposing the average rates, and the
7 calculations associated with those, and the
8 RGGI adder rates. The Exhibit 4, Page 1, shows
9 the impact on the individual rate classes as a
10 result of those average rate changes. So,
11 Page 1 will be the change to the tariff pages.
12 Q And are these rates on Page 1 including or
13 excluding the RGGI credit?
14 A (Menard) They are including the RGGI credit.
15 And you can see, on Page 3 of that exhibit, in
16 Column (G), the total SCRC.
17 Q Right. Those rates are the same as Column (B)
18 on Page 1, correct?
19 A (Menard) Right.
20 Q So, is there a column here on Page 3 that's
21 excluding RGGI?
22 A (Menard) That would be Column (E).
23 Q Column (E).
24 A (Menard) Yes.

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[WITNESS PANEL: Menard|Bidmead]

1 Q And then, what's Column (B)?

2 A (Menard) Those are the rates that were effect
3 in February of 2019. Those are the current
4 rates. (E) through (G) are the proposed rates.

5 Q Very good. So, then going back to --

6 CHAIRMAN HONIGBERG: Can I get a
7 clarification real quick here?

8 Mr. Dexter, I understood your
9 question to be asking about the RGGI "adder",
10 and I think the answers are coming back about
11 the RGGI "refund". And I'm not sure, maybe I
12 misunderstood what's happening.

13 MR. DEXTER: My understanding was
14 that the RGGI adder is a negative, as proposed.
15 So, maybe I'm not using the best terminology.

16 CHAIRMAN HONIGBERG: Well, it may
17 just be the way that the exhibits are labeled.

18 Mr. Fossum, you looked like you were
19 ready to clarify this for me or set me
20 straight?

21 MR. FOSSUM: Yes. Mr. Dexter is
22 correct. The RGGI adder is the addition of a
23 credit, which results in a refund.

24 CHAIRMAN HONIGBERG: So, what appears

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[WITNESS PANEL: Menard|Bidmead]

1 on this schedule as the "refund" is the
2 "adder"?

3 MR. FOSSUM: Correct.

4 CHAIRMAN HONIGBERG: Fair enough.
5 You may proceed.

6 MR. DEXTER: Which schedule now --

7 WITNESS MENARD: And that's how I was
8 answering it. I think that we were talking the
9 same.

10 CHAIRMAN HONIGBERG: Yes. You were
11 on -- she was talking about Page 3, and then
12 clarifying for you that the two sets of columns
13 were current versus proposed. And that's when
14 I realized I was confused.

15 MR. DEXTER: Okay.

16 BY MR. DEXTER:

17 Q All right. And then, just to trace this
18 through to the impacts, if I were to compare
19 Exhibit 4, Page 1's rate for the residential
20 customer, it's \$0.016 -- I'm sorry, 1764. Let
21 me say that again: \$0.01764. Does that rate
22 tie over to Bates 034, in Exhibit 2?

23 A (Menard) Yes, it does. In Column (E), on
24 Line 24. And it is also on Bates Page 035,

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1 Column (E), on Line 24 as well.

2 CHAIRMAN HONIGBERG: Mr. Dexter, are
3 you looking at Exhibit 2 or Exhibit 3? Because
4 you should be looking at Exhibit 3.

5 MR. DEXTER: Yes. Now I see it on
6 Exhibit 3. Thank you.

7 BY MR. DEXTER:

8 Q And for this component, the Stranded Cost
9 component, on Bates 034, if I jump down to the
10 bottom right-hand corner, am I reading this
11 correctly that the Stranded Cost component is
12 increasing by 26 percent?

13 A (Menard) Yes.

14 Q And the reasons for that increase are what you
15 outlined with Mr. Fossum and the Consumer
16 Advocate?

17 A (Menard) Correct.

18 Q So, just a question about the costs themselves.
19 It appears that the -- that the costs are
20 divided into categories "Part 1" and "Part 2",
21 is that right?

22 A (Menard) Yes. That's correct.

23 Q And the Part 1 costs for which you're seeking
24 recovery are roughly \$60 million -- I'm sorry,

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[WITNESS PANEL: Menard|Bidmead]

1 \$62 million? And I'm looking at Bates 018 in
2 Exhibit 3.

3 A (Menard) Yes, that's correct, 62 million.

4 Q And the Part 2 costs, which are the Burgess and
5 Lempster, which include the Burgess and
6 Lempster costs, those are shown on Line 2,
7 correct? They're roughly \$43 million?

8 A (Menard) Yes. They are included in --

9 *[Court reporter interruption.]*

10 **BY THE WITNESS:**

11 A (Menard) They are included in Part 2.

12 CHAIRMAN HONIGBERG: Off the record
13 real quick.

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

16 BY MR. DEXTER:

17 Q And in your explanation of the increases, did
18 any of those increases relate to Part 1 costs
19 or were they all related to Part 2 costs?

20 A (Menard) Yes. There was about \$2.4 million
21 that was related to Part 1 costs. And the
22 reason for that is, when the February rate was
23 developed, it utilized, in February of 2019, it
24 utilized the RRB rate that was to go into

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[WITNESS PANEL: Menard|Bidmead]

1 effect in February of 2019.

2 However, so, come to today, we're doing a
3 reconciliation with the actual costs, we
4 replaced the forecast with the actuals. So, in
5 February, we used the actual RRB costs and the
6 actual sales. And the result of that was about
7 \$2 million. So that was largely the reason for
8 the change in the RRB costs.

9 The reason the RRB rate was different in
10 the forecast to the actual is because of the
11 way RRB costs are applied, they're done on a
12 one-month lag. When the February rate was
13 developed for SCRC, it didn't factor in that
14 lag. And the RRB rates have since decreased,
15 and therefore that is decreasing -- that is
16 causing the higher cost that we need to
17 collect from -- that we actually need to
18 collect from customers as a result of Part 1
19 costs.

20 Q And concerning the Burgess and Lempster costs,
21 I think the Consumer Advocate had pointed you
22 to a schedule that detailed those costs, that
23 was Bates 023?

24 A (Menard) Yes.

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[WITNESS PANEL: Menard|Bidmead]

1 Q And it appears that the stranded costs, the
2 \$42 million is largely made up of the
3 difference between Burgess contract prices and
4 Burgess market prices, correct?

5 A (Menard) Correct.

6 Q And how are those two amounts determined,
7 contract price and market price?

8 A (Menard) The contract price is the amount that
9 we are contractually obligated to buy the
10 megawatt-hour output. And in the February
11 rate, the difference between what was set in
12 the February rate and today's August update is
13 the price that that energy is valued on
14 increased. It was initially indexed to a
15 Schiller wood price in that February filing.
16 The index price has changed now in the August
17 filing. So, the actual contractually obligated
18 price has changed in the forecast.

19 In addition, the next line, which is
20 the -- so, we purchase the energy at that
21 contract price, and we then sell that energy
22 back into the market at market price. And
23 those market prices have dropped from the
24 original forecast in February.

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[WITNESS PANEL: Menard|Bidmead]

1 Q And what -- I'm sorry.

2 A (Menard) And those two factors are causing the
3 increase.

4 Q So, what led to the change in the index in the
5 contract?

6 A (Menard) I believe it was due to the
7 divestiture. They changed the index price. We
8 didn't have Schiller wood costs anymore. So,
9 they changed it to a Burgess wood cost index.

10 Q And that was pursuant to the terms of the
11 contract?

12 A (Menard) Yes, subject to check.

13 Q And are the market prices that are listed on
14 Exhibit 2, at least for the actual months, are
15 those subject to any sort of interpretation or
16 are they -- are they verifiable market prices?

17 CHAIRMAN HONIGBERG: Mr. Dexter, just
18 to be clear, you're referencing Page 23 of
19 Exhibit 3?

20 MR. DEXTER: Correct.

21 BY MR. DEXTER:

22 Q The first four months, February, March, April,
23 and May, are all depicted as actual, and then
24 the rest are estimates. I'm just wondering how

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[WITNESS PANEL: Menard|Bidmead]

1 those actuals are determined, if there's any
2 sort of judgment, or it's -- when you're
3 dealing with the market, or are those based on
4 verifiable numbers?

5 A (Menard) Those are based on verifiable numbers.
6 We sell that money back -- we sell that
7 revenue -- energy back into the market, and we
8 would have ISO bills to support those costs.

9 Q And what's the term of the Burgess contract, in
10 terms of years? How long will this go on for?

11 A (Menard) I don't recall the terms. We can take
12 a record request for the details.

13 CHAIRMAN HONIGBERG: You don't need
14 to do that. We have all of the information
15 about the Burgess agreement in-house. If the
16 Staff needs it, the Staff can find it.

17 MR. DEXTER: Absolutely.

18 BY MR. DEXTER:

19 Q So, I wanted to turn to Bates 019 for a moment.
20 And I'd like to talk about Line 7, which is a
21 depiction of sales. Again, we've got four or
22 five months estimate and -- I'm sorry, they're
23 all estimates -- four or five months actual,
24 and then the rest are estimates. Do you see

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[WITNESS PANEL: Menard|Bidmead]

1 that?

2 A (Menard) Yes, I do.

3 Q Could you tell me how the sales forecast is
4 developed?

5 A (Menard) Sales forecasts are typically
6 developed based on historical performance of
7 the classes, as well as factoring in weather
8 adjustments and any other known adjustments
9 that impact those megawatt-hour sales.

10 MR. DEXTER: And I'd like to
11 distribute an exhibit, a document I'd like to
12 ask it to be marked as an exhibit for
13 identification. I apologize for not doing this
14 before the hearing. But, with the two hearings
15 back-and-back, I just neglected to do it.

16 What it is is an exhibit -- it's the
17 corresponding exhibit from DE 18-182, which
18 shows the actual and estimated revenue forecast
19 last year. And I had some questions for the
20 witnesses about some differences.

21 CHAIRMAN HONIGBERG: Go ahead. This
22 will be "Exhibit 6".

23 (The document, as described, was
24 herewith marked as **Exhibit 6** for

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[WITNESS PANEL: Menard|Bidmead]

1 identification.)

2 [Atty. Dexter distributing

3 documents.]

4 BY MR. DEXTER:

5 Q Now, if I were to compare the actual results on
6 Exhibit 3, Line 7. Exhibit 3, Bates 019,
7 Line 7. Do you know if those actuals came in
8 higher or lower than the forecast from last
9 time?

10 A (Menard) Can you repeat the question?

11 Q Yes. Let me break it down a little bit. So,
12 again, Bates 019, the columns for February,
13 March, April, and May, on Line 7, show actual
14 sales, correct?

15 A (Menard) Correct.

16 Q Have you gone back and compared how those
17 actual sales came in as compared to what was
18 forecasted in the corresponding proceeding last
19 year?

20 A (Menard) For the February update? For the
21 February rate? Is that what you're referring
22 to? Because this exhibit that you provided is
23 the forecast. You can see February through May
24 forecast.

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[WITNESS PANEL: Menard|Bidmead]

1 Q Right. So, taking February, for example,
2 on the exhibit that I handed out,
3 Exhibit 4 [Exhibit 6?], --
4 A (Menard) Yes.
5 Q -- that shows sales of 628 million megawatts,
6 correct?
7 A (Menard) Yes.
8 Q And Exhibit 3 shows actual sales of
9 613 million megawatts, correct?
10 A (Menard) Yes.
11 Q Which are lower?
12 A (Menard) Correct.
13 Q Okay. And if we go to the next month, the
14 actual sales came in lower than what was
15 forecasted, correct?
16 A (Menard) Correct.
17 Q And the same is true for April and May,
18 correct?
19 A (Menard) Yes.
20 Q Okay. Now, if I jump over to the last column,
21 which shows the "Total for the Period", last
22 year was forecasted 7.77 million
23 megawatt-hours. And this year, if I go to the
24 corresponding page -- column on Page Bates 019,

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1 it's essentially the same total. There's some
2 minor difference. But it's still 7.7 million
3 megawatt-hours, correct?

4 A (Menard) Correct.

5 Q So, my question is, given that the actuals for
6 the first four months of 2019 have come in
7 lower than forecast, and given that the total
8 for the period hasn't changed for the forecast,
9 was there any thought given to updating -- or
10 what thought went into the forecasted numbers
11 that are shown for June through January on
12 Bates 019?

13 A (Menard) I think this is largely due to the
14 timing of when forecasts are developed
15 internally within the Company. And we used
16 a -- to answer your question, no, we did not
17 adjust the sales forecast to account for what
18 was seen in February through May.

19 Q Okay. But the numbers on Bates 019 for the
20 forecasted months all appear to me to be higher
21 than what was forecasted last time. Is that
22 right?

23 A (Menard) Yes.

24 Q Yes?

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[WITNESS PANEL: Menard|Bidmead]

1 A (Menard) Yes.

2 Q Okay. So, is the forecasting done, you said
3 something about "timing of forecasts". Can you
4 indicate when the forecasts are done for the
5 sales forecast?

6 A (Menard) I believe they're done twice a year.

7 Q And do you know when the forecast was done for
8 Bates 019?

9 A (Menard) I don't have that right with me.

10 CHAIRMAN HONIGBERG: But the answer
11 is "recently", right?

12 WITNESS MENARD: Yes. Sure.

13 CHAIRMAN HONIGBERG: Because it has
14 actual numbers for May, right?

15 WITNESS MENARD: We updated the
16 forecast with actuals.

17 CHAIRMAN HONIGBERG: But the forecast
18 sheet we're talking about here, which is Bates
19 Page 019 of Exhibit 3, has actuals for May. It
20 had to have been done recently, right?

21 WITNESS MENARD: Correct. I think
22 what Attorney Dexter is asking about is the
23 forecast period, June through January, correct?

24 MR. DEXTER: Yes.

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1 BY MR. DEXTER:

2 Q My question was, their forecasts, you said, are
3 done twice a year?

4 A (Menard) Yes.

5 Q And then I asked you "when was the forecast
6 that's depicted on Bates 019 done?" And,
7 right, by implication, that would only be June
8 through January.

9 A (Menard) Right.

10 Q And your answer was you didn't know?

11 A (Menard) Correct.

12 Q And then the Chairman asked you "was it
13 recently?" And I'm not sure you answered his
14 question.

15 A (Menard) I don't know the timing of the
16 forecast that we utilized to include in this
17 rate filing.

18 Q Okay. But was it done -- was a new forecast
19 done since Exhibit 4 [Exhibit 6?] was done last
20 year?

21 A (Menard) Yes.

22 CHAIRMAN HONIGBERG: Okay. Let me
23 stop you there, Mr. Dexter, because I'm not
24 sure. You continue to say that what's been

[WITNESS PANEL: Menard|Bidmead]

1 marked as "Exhibit 6", the most recently marked
2 exhibit, which I think you just said was "4",
3 but it's "6", it was filed in a docket in
4 January of this year. It is not from a year
5 ago. It's from six months ago.

6 I don't know when it was prepared,
7 but I'm guessing it was prepared not long
8 before that filing. Do you know, Ms. Menard?

9 WITNESS MENARD: I think they're
10 typically done April and November, subject to
11 check. But there's two times a year when
12 they're refreshed.

13 CHAIRMAN HONIGBERG: But given that
14 the numbers for the remainder of this year on
15 Exhibit 3 are different from the numbers that
16 are -- that are in the same months --

17 WITNESS MENARD: Yes.

18 CHAIRMAN HONIGBERG: -- on Exhibit
19 4 [Exhibit 6?], it was done since then?

20 WITNESS MENARD: It was refreshed,
21 correct. Yes.

22 CHAIRMAN HONIGBERG: Does that get
23 you where you want to be, Mr. Dexter? It may
24 make the forecasting worse. But does it get

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[WITNESS PANEL: Menard|Bidmead]

1 you where you want to be for the purposes of
2 your questions?

3 MR. DEXTER: Yes. But I think,
4 following my lead, you also referred to it as
5 "Exhibit 4", and it's Exhibit 6 you were
6 talking about.

7 CHAIRMAN HONIGBERG: It's Exhibit 6.
8 See what you've done to me?

9 MR. DEXTER: Yes. Can I consult with
10 Mr. Chagnon for a moment?

11 (Atty. Dexter and Mr. Chagnon
12 conferring.)

13 BY MR. DEXTER:

14 Q So, I guess jumping to the bottom line then,
15 that given that the actuals have come in lower,
16 why do you think the forecast for the remaining
17 months, June through January, has come in
18 higher than the last forecast?

19 A (Menard) We utilized the forecast that was
20 available to us. So, I can't say why the
21 recent months weren't factored in. You know,
22 these months may not have been known when the
23 forecast was developed. Presumably, a refresh
24 later in this year would incorporate recent

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[WITNESS PANEL: Menard|Bidmead]

1 impacts of lower actual sales.

2 Q Okay. I just had one other topic I think that
3 I wanted to look at. I wanted to go to Bates
4 021 for a minute. Could you explain what --
5 could you explain what Bates 021 is showing?

6 A (Menard) Mr. Bidmead is going to help assist
7 with this piece.

8 A (Bidmead) So, Bates Page 021 is trying to give
9 an estimate of where -- of what the fund
10 balance would be on January 31 of 2020. So
11 Column A is 55,839,000. It comes from Bates
12 Page 027, in the last column. Okay, so that --
13 that has the cumulative RRB bank funds activity
14 to that point. In the bank balance, at that
15 point in time, January 31, 2019, is 55,839,000.
16 It's carried forward to Bates Page 021 in the
17 first column. Then, in the second column,
18 we're going to add the forecasted remittances
19 for the year February 1st, 2019 through
20 January 31, 2020. And then, we're going to --
21 then to subtract out the principal payments and
22 interest payments that are scheduled to be made
23 during the same time. And then, there are also
24 ongoing costs and interest earned, "ongoing

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[WITNESS PANEL: Menard|Bidmead]

1 costs" being like -- these are administrative
2 fees, like legal fees or audit fees, rating
3 agency fees. And the interest is pretty much
4 the interest of dividends in the bank account.

5 So, Columns E and G are partial, just like
6 the rest of ELM/DFB-1, it's part actual/part
7 forecast for that 12-month period. So, Column
8 H gives you an idea of where we expect the fund
9 balance to be on that specific date,
10 January 31, 2020.

11 Q And does that fund balance then factor onto
12 Bates Page 020, where you sort of detailed the
13 \$62 million costs that are being recovered as
14 Part 1 costs?

15 A (Bidmead) No. Actually, it's the reverse. The
16 "62,500" on Bates Page 020 is part of the
17 calculation on Bates Page 021. It's in Column
18 B. So, in a year's time, that's the money that
19 we're looking to collect from customers, adding
20 it to what we collected last year, or up until
21 that point, and then we expect to make the
22 payments, interest and principal, at Columns C
23 and D. And then, the costs we expect to incur,
24 and then the interest we expect to earn, gets

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[WITNESS PANEL: Menard|Bidmead]

1 you to that bank balance, again, in Column H.

2 Q And can I gather from that that none of that
3 affects the rates that are proposed in this
4 case?

5 A (Bidmead) Well, the 62,500,000, on Page 3, is
6 the Part 1 costs you find on Bates Page 018, --

7 Q Right.

8 A (Bidmead) -- in Line 1.

9 Q Right. That's what affects the rates, is the
10 62.5 million?

11 A (Bidmead) Correct.

12 Q Not these balances that are shown on Bates 021?

13 A (Bidmead) No.

14 Q Okay.

15 A (Menard) The only impact it would have would be
16 the fund and the balances available to meet the
17 principal payments factors into the need to
18 adjust the RRB rate itself. So, if, coming up
19 close to the principal payment, if it is
20 determined that there is -- funding is going to
21 be short, the RRB rate may be adjusted.

22 Q The RRB rate on Bates 020?

23 A (Menard) Correct.

24 Q Okay. And finally, Bates 022 [021?] shows

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[WITNESS PANEL: Menard|Bidmead]

1 forecast -- I think this is forecasted ongoing
2 costs of "\$813,000", and the footnote says
3 that's for "trustees" and "administrative"
4 costs. But flipping forward to Bates 027, the
5 actual period for August 1st through
6 January 1st -- I'm sorry, August 1st, 2018 to
7 January 31st, 2019 shows "\$12,000". Do you
8 know why they would be so different?

9 A (Bidmead) I'm not -- not having all the bank
10 statements in front of me, I'm not sure. But,
11 if you look on Bates Page 026, the data that's
12 on -- so, the data that's on Bates Page 027
13 pretty much is a partial year. So, if you look
14 on Bates Page 026, you'll see that there is a
15 one-month lag. So, the activity we have going
16 on is going only from June '18 to January '19
17 for this Page 27. So, there might be some
18 costs that happen in between January and May in
19 a typical year that wouldn't get captured on
20 Page 27, because, you know, we wouldn't have
21 any activity, the bonds didn't get issued until
22 May.

23 MR. DEXTER: Okay. That's all the
24 questions Staff has.

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[WITNESS PANEL: Menard|Bidmead]

1 CHAIRMAN HONIGBERG: Commissioner
2 Bailey.

3 CMSR. BAILEY: Good afternoon.

4 BY CMSR. BAILEY:

5 Q Can you look on Bates Page 003 please, of
6 Exhibit 3. And this is the part of the
7 testimony where you explain new costs in the
8 Part 2 stranded costs. And you say they
9 include "the costs of retained power
10 entitlements". Can you explain to me what that
11 is? It's on Line 15.

12 A (Menard) Well, the -- so, this section is
13 talking about, after divestiture, how costs
14 would be included into SCRC that previously
15 would have been in Energy Service. So, there
16 would have been -- I'm assuming "power
17 entitlements" would be if we had any contracts
18 or things like that that carried over, they
19 would be recovered through SCRC. I don't know
20 the exact definition of what was contemplated
21 when this language was put into that agreement.

22 Q This is your testimony.

23 A (Menard) I know. It was taken from the
24 restructuring settlement.

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[WITNESS PANEL: Menard|Bidmead]

1 Q Okay. So, you're not -- the testimony is not
2 that there are new costs of retained power
3 entitlements included in Part 2 that we're
4 considering today?

5 A (Menard) No. This is the types of -- so, this
6 is talking about things that were in Energy
7 Service, could have gone to SCRC. So, it says
8 "as part of the divestiture...Part 2
9 incorporates new costs".

10 We don't have any new costs related to
11 power entitlements. We don't have any new
12 costs related to unsecuritized prudently
13 incurred decommissioning. These are just items
14 that could be put into Part 2.

15 Q Okay.

16 A (Menard) But they're not included in this.

17 Q In this filing?

18 A (Menard) Correct.

19 Q Okay. How about the costs for the mercury
20 abatement at Schiller?

21 A (Menard) So, the -- I think it was \$44 million
22 that was securitized as part of the settlement
23 agreement, as part of the securitization
24 docket. Any costs, and we provide monthly

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[WITNESS PANEL: Menard|Bidmead]

1 updates to the Commission on where that project
2 stands. I believe those estimated costs are
3 around \$48 million at this point. Those
4 additional costs are not in stranded costs, the
5 stranded cost filing. Those will be subject to
6 a reconciliation filing that we will file later
7 in this year.

8 Q Is the mitigation project complete?

9 A (Menard) Yes.

10 Q So, you know that that's going to be the cost,
11 48 million?

12 A (Menard) I think there's still some final
13 invoices that are outstanding. So, that's the
14 current final estimate.

15 Q Okay. Can you help me? I think you tried to
16 explain this, and I didn't quite get it. I
17 understand the RRB charge is what we're
18 collecting from customers to pay the --

19 A (Menard) Principal.

20 Q -- principal, interest, and fees. But you said
21 that the "RRB costs are forecasted to be
22 higher". When you say the "RRB costs", is that
23 the principal, interest, and fee costs?

24 A (Menard) No. Those costs are -- the principal

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[WITNESS PANEL: Menard|Bidmead]

1 is fixed. The fees are generally known, they
2 could vary. So, those payments are generally
3 fixed. It's more the costs we collect from
4 customers to pay those principal amounts,
5 because sales could be higher or lower. Based
6 on what actually happens, we may not collect as
7 much to cover those costs. So, we would have
8 to increase the collections from customers.

9 So, that's what I was referring to, when
10 the costs, the RRB costs, the Part 1 costs went
11 up, it was because we didn't collect as much
12 from customers, because we had a different rate
13 forecasted than actually happened.

14 Q Okay. So, the costs really haven't changed?

15 A (Menard) Correct.

16 Q The charge to recover the costs --

17 A (Menard) The Part 1 costs.

18 Q Needs to --

19 *[Court reporter interruption.]*

20 BY CMSR. BAILEY:

21 Q So, the costs haven't increased. But the
22 charge needed to recover the costs needs to
23 increase?

24 A (Menard) Correct.

[WITNESS PANEL: Menard|Bidmead]

1 Q Okay. And then there was some discussion about
2 "February" and a "lag". Can you go over that
3 again?

4 A (Menard) Sure. So, I'll show you an exhibit.
5 If you go to Bates Page 020.

6 Q Okay.

7 A (Menard) I'll just take an example of the
8 Residential class. For February of 2019, there
9 is a rate of "1.338". In the February filing,
10 the rate that was used was 0.948. And that
11 0.948 rate that was used was the expected RRB
12 rate that was set in the February filing. But
13 the way that RRB costs are collected from
14 customers is it's based on their actual
15 remitted -- their collected amounts, which is a
16 one-month lag. So, the rate that should have
17 been applied was the rate in effect through
18 February, because it's for January bills.

19 So, there's a one-month lag. So, we
20 really should have had the rate in effect in
21 January in the "February" column. But we had
22 the February rate, which you see in the next
23 month, which is March, we had that rate in
24 there. So, as a result of that, it was a

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[WITNESS PANEL: Menard|Bidmead]

1 higher rate -- I'm sorry, a lower rate
2 initially in February, which means we weren't
3 collecting enough from customers.

4 Q Okay.

5 A (Menard) It's a little bit of a confusing --

6 Q I think I understand what you mean. Do you
7 remember a question that Mr. Buckley asked you,
8 and we were looking at a schedule that had sort
9 of lumpy out-of-market payments every quarter?
10 I can't find that schedule. Can you point that
11 out to me?

12 A (Menard) It's on Bates Page 023.

13 Q Well, I have that dog-eared, and I can't find
14 what I'm looking for. So, in here, one of the
15 things you pointed out was the \$3.4 million
16 contract recovery cost. I don't see that.

17 A (Menard) Oh. That is on Page 22. Sorry, I
18 thought you were referring to the other
19 lumpiness.

20 Q I thought it was the schedule that was showing
21 the over-market costs, and that, you know, they
22 ranged from -- oh, this is the one -- 236,000
23 to 9.1 million. Oh, yes. And so, Line 14,
24 3.4 million. And I understand what that's

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[WITNESS PANEL: Menard|Bidmead]

1 about. But I just want to make sure it's not
2 counted twice. So, this table -- can you
3 explain to me what this table is?

4 A (Menard) On Bates Page 022?

5 Q Yes. Bates Page 022.

6 A (Menard) So, this -- this table is for Part 2
7 costs. And it is -- it is the rate period
8 February 2019 through January 2020. So,
9 actuals are updated for February through May,
10 and then any revised estimates are included for
11 June through January.

12 So, back in April, we received an order
13 that basically approved the inclusion of the
14 CSL contract costs. Those had previously been
15 removed from SCRC, in -- oh, sorry -- ES. And
16 therefore, the inclusion of those was put back
17 in as a result of that order into the stranded
18 costs.

19 Q Okay. So that was an actual cost in April, and
20 we're setting rates now for August through
21 January. So, is that part of the true-up?

22 A (Menard) Yes. It's part of -- it's a 12-month,
23 yes, it's part of the 12-month rate. The last
24 six months or, sorry, June through January are

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[WITNESS PANEL: Menard|Bidmead]

1 revised forecasts. So, it's still in, we
2 include the 12 months, the entire year.

3 Q Okay. Can we look at Bates Page 015? And on
4 Line 12, "Returned on Stranded Thermal Assets".
5 Does that mean "Return on Stranded Thermal
6 Assets"?

7 A (Menard) Yes.

8 Q Okay. The "return on the stranded thermal
9 assets", what is that? You sold all your
10 thermal assets, right?

11 A (Bidmead) So, they were sold in the month of
12 January, but they weren't securitized until
13 May. So, the April -- so, we still were
14 earning a return January, February, March, and
15 April, until the securitization. So, that's
16 the April piece. January, February, March,
17 would go into the Energy Service, till it ended
18 on 3/31, got transferred to the stranded costs.

19 Q But that was last year, right?

20 A (Bidmead) Oh, yes. I'm sorry, that's in the
21 2018. That's shown on -- that's on the
22 ELM/DFB -- I'm sorry, I'll just give you the
23 page. You're correct. It's in the true-up
24 6-month -- 12-month period. Sorry about that.

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[WITNESS PANEL: Menard|Bidmead]

1 Q No, that's okay. I just -- so, are we still
2 paying for a return on stranded thermal assets?

3 A (Bidmead) No. So, that just showed up on Bates
4 Page 028, Line 14, just one month, in April.

5 A (Menard) So, there's two pieces going on.
6 There's the reconciliation of prior costs that
7 get included in this rate, in the August rate
8 update, as well as the current costs, current
9 forecasted costs. So that stranded thermal
10 asset cost that you're talking about was part
11 of the prior year reconciliation amount.

12 Q So, what you're saying is that we under
13 collected the return on investment for thermal
14 assets that were in your inventory in January,
15 February, and March of 2018, by \$2.2 million,
16 which you're going to collect now?

17 A (Menard) They weren't included anywhere. The
18 return was not included.

19 Q Okay. How about on Lines 7 and 8, on Bates
20 Page 015, "including ongoing costs associated
21 with the hydro units"? Those were ultimately
22 sold in 2018 as well, right?

23 A (Menard) Yes. So, again, on Bates Page 028,
24 Line 12, the assets were sold, and any residual

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[WITNESS PANEL: Menard|Bidmead]

1 costs are included in stranded cost rates in
2 Part 2. And so, you can see, on Line 12,
3 there's two items in here, but there's residual
4 expense related to the hydro units, as well as
5 some ISO-New England costs. So, you can see
6 these costs occurred in 2018, and they also are
7 continuing through 2019 as well. There are
8 additional -- there are legal fees that are
9 still being paid. These are not part of the
10 securitization amount. So, there's some legal
11 fees. There's credits, we receive credits for
12 things like property taxes. There's some
13 pension credits. Various things like that are
14 in residual costs.

15 Q So, through January of 2019, the Company needed
16 to collect an additional \$711,000 in Part 2
17 stranded costs for hydro assets?

18 A (Menard) Yes. That's a piece of it. But
19 that's probably the largest piece of the
20 \$711,000.

21 Q Well, Line 12 is just about the hydro assets?

22 A (Menard) There's some ISO-New England costs in
23 there as well, --

24 Q What kind of --

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[WITNESS PANEL: Menard|Bidmead]

1 A (Menard) -- lumped together.

2 Q What kind of ISO-New England costs? Are they
3 related to hydro?

4 A (Menard) No. No. They're not related to
5 hydro, I don't believe.

6 Q So, why would you put those together? I don't
7 understand what they are then.

8 A (Menard) They were -- I don't know, this is how
9 the schedule had been filed in the past. So, I
10 don't know why they were both included in there
11 together.

12 Q Could you maybe break those out for me in a
13 record request?

14 A (Menard) Certainly.

15 Q And let me know if there are any additional
16 hydro or thermal -- return on thermal assets
17 that we're going to continue to see, or if this
18 is it?

19 CHAIRMAN HONIGBERG: Mr. Fossum, do
20 you understand the record request?

21 MR. FOSSUM: I think so. It sounded
22 sort of compound there. I think --

23 CMSR. BAILEY: I apologize.

24 MR. FOSSUM: -- there may be two,

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[WITNESS PANEL: Menard|Bidmead]

1 there may actually be two questions in there.

2 CHAIRMAN HONIGBERG: All right.

3 We'll make it two record requests, Exhibits 7
4 and 8.

5 MR. FOSSUM: And so, if I'm
6 understanding the question, then 7 would be to
7 break down the -- what is shown on Bates Page
8 028, Line 12, into the component portions of
9 the ISO-related costs and the hydro-related
10 costs.

11 CMSR. BAILEY: Yes. And if you could
12 explain what the ISO-related costs are.

13 WITNESS MENARD: And I just also want
14 to refer you to Bates Page 022. So, the Bates
15 Page 028 is the 2018 true-up. Bates Page 022
16 is the 2019 costs. And you will note, on Line
17 11, there are still costs that are continuing.
18 And we did not include a forecast for those
19 costs, but I know that costs are going to
20 continue.

21 CMSR. BAILEY: All right. So, if you
22 could explain that, and the breakdown between
23 the "ISO Other" and the "Residual Hydro".

24 CHAIRMAN HONIGBERG: Well, I think

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[WITNESS PANEL: Menard|Bidmead]

1 we've decided that 7 is the breakdown between
2 Residual and the ISO. And 8 is going to be,
3 what, a projection of the expected costs going
4 forward, an explanation of what those costs
5 are?

6 MR. FOSSUM: Well, I guess I would be
7 looking to -- I had actually heard a question
8 about the "stranded thermal assets" in there.

9 CMSR. BAILEY: Yes. That was --

10 MR. FOSSUM: So, I guess, if I'm
11 understanding, so, Question 7 would be
12 effectively, if I may, what is shown on Bates
13 Page 028, Line 12, break down those between
14 their constituent parts, explain what is
15 included in each of those, the Hydro and the
16 ISO. And explain whether and to what degree
17 additional costs will be incurred or are
18 expected to be incurred?

19 CMSR. BAILEY: Well, rather than
20 that, then do the same breakdown for the
21 information on Line 11, on Bates Page 022.

22 MR. FOSSUM: Okay.

23 CMSR. BAILEY: And then, whether
24 there are additional ongoing costs related to

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[WITNESS PANEL: Menard|Bidmead]

1 hydro O&M?

2 MR. FOSSUM: And that is all -- all
3 of that is within Question 7, am I correct?

4 CHAIRMAN HONIGBERG: Okay.

5 *(Exhibit 7 reserved)*

6 CHAIRMAN HONIGBERG: And then there
7 was a question about the thermal assets?

8 CMSR. BAILEY: Yes. And I just want,
9 you know, sort of similar information about the
10 thermal assets. Whether we're going to
11 continue to see a return on stranded thermal
12 assets? Or whether --

13 MR. FOSSUM: As Ms. Menard just
14 pointed out, what is shown on Bates 028 is the
15 prior period.

16 CMSR. BAILEY: Right.

17 MR. FOSSUM: And Bates 022 is going
18 forward. There is no line that I'm aware of on
19 Bates 022 for the return on stranded thermal
20 assets. So, it's possible that question is
21 already answered, unless I'm getting ahead of
22 myself.

23 WITNESS MENARD: Yes. It was a
24 finalized amount.

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[WITNESS PANEL: Menard|Bidmead]

1 MR. FOSSUM: So, --

2 CHAIRMAN HONIGBERG: I think we may
3 not have an 8 then.

4 MR. FOSSUM: So, we can provide an
5 answer, but it sounds like the answer will be
6 "none".

7 CMSR. BAILEY: I can see that from
8 these two sheets.

9 BY CMSR. BAILEY:

10 Q Ms. Menard, you're testifying that Line 14, on
11 Bates Page 028, is the final settlement of the
12 return on the thermal assets from the stranded
13 costs?

14 A (Menard) Yes.

15 CMSR. BAILEY: Okay. So, we don't --

16 CHAIRMAN HONIGBERG: So, we don't
17 need 8.

18 MR. FOSSUM: All right. So, I will
19 take the three and four sort of subparts of 7
20 and answer those.

21 CHAIRMAN HONIGBERG: Thank you.

22 CMSR. BAILEY: Okay. Thank you.

23 That's all I have.

24 CHAIRMAN HONIGBERG: Commissioner

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1 Giaimo.

2 CMSR. GIAIMO: I think I have just a
3 few questions, and they should be relatively
4 quick.

5 BY CMSR. GIAIMO:

6 Q On Page 16, there begins a discussion around
7 Line 12 with respect to RGGI and RGGI proceeds.
8 And I'll read what it says: "Eversource is
9 requesting approval of the updated August 1st,
10 2019 RGGI rate provided in this filing of
11 negative 0.130 cents per kilowatt-hour as
12 compared to the current rate of negative 0.134
13 cents". Why is that? Why is the credit less
14 than it currently is, when RGGI proceeds seem
15 to be going up?

16 A (Menard) So, for the February rate, we used a
17 forecast, and in the August rate updated that.
18 And so, I think it's just the impact of
19 updating those numbers that results in that,
20 that credit change.

21 A (Bidmead) Are you referring -- I'm sorry. Are
22 you referring to anything that happened in June
23 of this year, when you said "prices are going
24 up"?

[WITNESS PANEL: Menard|Bidmead]

1 Q I seem to recall that the prices have been
2 clearing the auctions in the past -- the RGGI
3 auctions, in the past few auctions, have gone
4 up gradually. And if that is the case, I
5 wonder why now it looks like the actual credit
6 is going down?

7 A (Bidmead) I was just going to say that, when we
8 filed this, we didn't have June in time for
9 that. So, we didn't -- if anything happened in
10 June, like the last auction result we used was
11 the \$5.27 in March, and we just used that flat,
12 because that's the last thing we know. So, if
13 June went up, it wouldn't be reflected in this
14 filing. But --

15 A (Menard) So, you can see, when you compare
16 what's on Bates Page 033 with 031, you can see
17 the impact of the clearing price increasing.
18 On Line 2, on each page, it goes from "\$3.79" a
19 ton in March of 2018, to where we're currently
20 forecasting it to be, the "\$5.27" a ton. So,
21 we used that same clearing price throughout
22 this forecast. We didn't change that. The
23 only change would be any updated sales figures
24 that we've utilized.

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[WITNESS PANEL: Menard|Bidmead]

1 Q Okay.

2 CMSR. BAILEY: Can I ask a follow-up
3 on that?

4 CHAIRMAN HONIGBERG: Uh-huh.

5 BY CMSR. BAILEY:

6 Q So, on Bates Page 033, it shows the actual was
7 "\$5.35", the clearing price. And then -- oh,
8 it does say "actual" for March is "5.27". So,
9 it increased in that period?

10 A (Bidmead) Yes.

11 Q And that's the number that you used for the
12 RGGI refund amount?

13 A (Bidmead) Yes.

14 CMSR. BAILEY: Okay. Thank you.

15 BY CMSR. GIAIMO:

16 Q There is legislation, and I'm not sure if it's
17 passed into law yet, that would actually modify
18 the RGGI credit significantly. My
19 understanding is it would -- it could take away
20 the residential rebate. So, if that were the
21 case, in this situation, we wouldn't see a
22 credit this time next year, is that correct?

23 A (Menard) That would be correct.

24 Q Okay. Thank you. My last question is a

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[WITNESS PANEL: Menard|Bidmead]

1 reference to Page 028. And I'm actually
2 looking at Exhibit 2, but I think that point is
3 moot, it's the same as it would be in Exhibit
4 3. And my question stems around, basically,
5 the fact that it seems to me that, on average,
6 the over-market rate for Burgess is somewhere
7 in the three and a half million per month
8 range. So, I guess I'm looking for affirmation
9 that that's correct. And then I'm wondering if
10 you know how much money has been paid in
11 over-market contractual obligations?

12 A (Menard) So, to answer your first question that
13 you asked, "is that true, the three and a half
14 million dollars?" Yes, that's reflected here,
15 as to what we're seeing for over-market.

16 What we've paid through the end of June,
17 the Cumulative Reduction Fund is
18 \$95.155 million. And we anticipate another six
19 and a half million dollars to be added by the
20 end of November, which is the end of the
21 contract year six.

22 CMSR. GIAIMO: Thank you. Thank you
23 for that information. That's it.

24 CHAIRMAN HONIGBERG: I don't have any

[WITNESS PANEL: Menard|Bidmead]

1 questions that haven't been answered.

2 Mr. Fossum, do you have any follow-up
3 for your witnesses?

4 MR. FOSSUM: No, I do not. I had one
5 question, but it's gotten taken care of.

6 So, if I may just take a moment to go
7 over the record requests that I believe are
8 outstanding to get confirmation before we
9 complete. I understand we have two.

10 Being held as "Exhibit 5" is the
11 question from the OCA to explain the
12 calculation of the EOL/OL rate, and why that
13 rate is decreasing, while others are
14 increasing.

15 And being held as "Exhibit 7" is the
16 breakdown of the information that's shown on
17 Bates Page 028, Line 12, and Bates Page 022,
18 Line 11, relating to the ISO and hydro O&M
19 costs. Specifically, a breakdown between those
20 two categories of costs, and then within each
21 an explanation of what they are and what they
22 would be expected -- what they are expected to
23 continue at in the future.

24 CHAIRMAN HONIGBERG: That sounds

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1 good. Thank you.

2 All right. Without objection, we'll
3 strike ID on Exhibits 1, 2, 3, 4, and 6.

4 If there's nothing else, the parties
5 can sum up. And we'll start with Mr. Buckley.

6 MR. BUCKLEY: Thank you, Mr.
7 Chairman.

8 The OCA reviewed the Company's
9 Petition requesting adjustment to its Stranded
10 Cost Recovery Charges, as amended by what is
11 now identified in the record as "Exhibit 3".
12 But we observed that, as a result of discussion
13 today, several open questions remain pending
14 record requests, including those relating to
15 the Outdoor Lighting rate and a breakdown of
16 the hydro O&M costs -- and O&M costs.

17 While our concerns relating to these
18 issues are somewhat alleviated by the Company's
19 commitment to provide the information
20 requested, and the assurance that these rates
21 are subject to reconciliation in future
22 proceedings, we currently take no position on
23 the Commission approval of the Company's
24 requested relief.

1 CHAIRMAN HONIGBERG: Mr. Dexter.

2 MR. DEXTER: Thank you.

3 Based on the review that Staff's
4 done, and in large part on the update that was
5 provided as a result of the technical session,
6 which is in Exhibit 3, Staff would recommend
7 approval of the rates as laid out in Exhibit 3.

8 We would request that the Company, in
9 its next filing, look further into the
10 questions we raised about the forecasts that
11 are -- sales forecasts that are presented, and
12 how those sales forecasts are or should be
13 informed by recent actual information.

14 Thank you.

15 CHAIRMAN HONIGBERG: Mr. Fossum.

16 MR. FOSSUM: Thank you very much.

17 I will also say that the Company
18 clearly supports the rates that are shown and
19 described, both in Exhibit 3 and Exhibit 4, and
20 believes those rates are just and reasonable
21 and ought to be approved.

22 We are, as we point out, I believe,
23 in Exhibit 2 and 3, we are working on updating
24 and improving our filings, to make sure that

1 the review is both comprehensive and efficient.
2 And so, with that in mind, for the future, for
3 example, we would include the information in
4 Exhibit 4 in an initial filing.

5 Likewise, we are open to doing as the
6 Staff has suggested, and looking into how
7 forecast information might better be used. And
8 we can certainly discuss those issues going
9 forward.

10 With that said, I'd just reiterate
11 that the Company supports the filing, and the
12 rates as shown in this filing. And we would
13 request that they be approved in time for
14 implementation on August 1st.

15 CHAIRMAN HONIGBERG: All right.
16 Thank you all.

17 With that, we will close the record,
18 with the exception of the record requests that
19 are Exhibits 5 and 7. Adjourn the hearing,
20 take the matter under advisement, and issue an
21 order as quickly as we can. Thank you.

22 ***(Whereupon the hearing was***
23 ***adjourned at 1:46 p.m.)***