

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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February 14, 2020 - 10:07 a.m.
Concord, New Hampshire

RE: DE 20-005
EVERSOURCE ENERGY:
Audit of Divestiture-Related Costs.
(Prehearing conference)

PRESENT: Chairwoman Dianne Martin, Presiding
Cmsr. Kathryn M. Bailey
Cmsr. Michael S. Giaimo

Jody Carmody, Clerk

APPEARANCES: Reptg. Eversource Energy:
Daniel P. Venora, Esq.
Jessica A. Chiavara, Esq.

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
F. Anne Ross, Esq.
Richard Chagnon, Asst. Dir./Electric
Karen Moran, Director/Audit Division

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

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ORIGINAL TRANSCRIPT

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P R O C E E D I N G

1
2 CHAIRWOMAN MARTIN: Happy Valentine's
3 Day.

4 Okay. We're here this morning in
5 Docket DE 20-005, I think that's the first time
6 I've had to say "20", for a prehearing
7 conference regarding the PSNH motion for
8 commencement of audit of divestiture-related
9 costs.

10 Let's take appearances please.

11 MR. VENORA: Good morning,
12 Commissioners. Dan Venora, from the law firm
13 Keegan Werlin, on behalf of Eversource Energy.
14 Joined at counsel's table by Jessica Chiavara
15 of the Company.

16 MR. KREIS: Good morning. I'm D.
17 Maurice Kreis, the Consumer Advocate, here on
18 behalf of the residential customers of
19 Eversource. With me today is Jim Brennan, our
20 Director of Finance.

21 MS. ROSS: Good morning,
22 Commissioners. Anne Ross, Staff attorney. And
23 with me today is Rich Chagnon, Assistant
24 Director of the Electric Division, and Karen

1 Moran, Director of the Audit Division.

2 CHAIRWOMAN MARTIN: Okay. Thank you
3 I think we'll just get started with the
4 preliminary statements please.

5 MR. VENORA: Thank you. Good
6 morning. Dan Venora --

7 *[Court reporter interruption and*
8 *brief off-the-record discussion*
9 *ensued.]*

10 MR. VENORA: Well, thank you. I
11 appreciate the opportunity to speak with you
12 briefly this morning.

13 This, as you noted, that we're here
14 today on the Company's motion that was filed on
15 November 27, 2019, requesting the Commission to
16 initiate an audit of the Company's RRB
17 transaction and the total divestiture-related
18 costs, to enable the recovery of those costs.
19 I just have some brief remarks to provide some
20 context, because there's kind of a long history
21 that led us to this point.

22 And, as we indicate in our filing,
23 the motion was the culmination of a long
24 process that was originally set in motion by

1 the enactment in 1996 of House Bill 1392, which
2 was an act restructuring the electric utility
3 industry in New Hampshire. That law began
4 about a quarter century of activity,
5 litigation, course changes, reconsiderations
6 that ultimately led to the Commission's
7 Divestiture Order in 2016.

8 The Divestiture Order approved the
9 PSNH Restructuring and Rate Stabilization
10 Agreement and related settlements. And, in
11 doing that, the Divestiture Order directed the
12 Company to begin the propose of divesting its
13 generation assets, which was contemplated by
14 state law and subject to certain conditions
15 delineated in the settlement agreements and in
16 the Divestiture Order. That Divestiture Order
17 followed legislative enactments in 2015 and
18 prior, that found that the divestiture of the
19 Company's generation plants and securitization
20 to be in the public interest; and directed the
21 Company -- the Commission to administer the
22 sale process.

23 Subsequently, the Commission retained
24 J.P. Morgan Securities as its auction advisor,

1 this was in September 2016, and it opened a
2 docket at that point to administer the auction
3 process. This was the docket in which the
4 Company -- the Commission would ultimately
5 determine the details of the divestiture
6 process and how it would exercise its oversight
7 role.

8 Late in 2016, the Commission then
9 issued two orders that set the auction process
10 in motion. It first determined that the
11 removal of the two mercury boilers at Schiller
12 Station should go forward, which was a
13 recommendation of J.P. Morgan to facilitate the
14 auction process. And it also, secondly,
15 approved the design of the auction process that
16 had been recommended by J.P. Morgan, and that
17 enabled the auction process to commence. And
18 the Company worked closely with the Commission
19 and J.P. Morgan throughout that time.

20 The auction process was conducted,
21 and just to kind of -- and then, in late 2017,
22 the Commission then issued two orders. It
23 issued its order approving the sale of the
24 fossil fuel plants and also the hydroelectric

1 generating plants. And, when it approved the
2 sales, the Commission stated that it would
3 consider the amount and recovery of any
4 resulting stranded costs in the pending docket
5 on securitization, which was Docket DE 17-096,
6 and that would occur following the two
7 closings.

8 So, the Commission, in that docket,
9 issued its Finance Order approving the
10 Company's securitization, and it ordered that
11 the Commission's Audit Staff, after issuance of
12 the RRBs pursuant to the Finance Order and the
13 sale of the generation assets "shall engage in
14 an audit of the RRB Transaction process, and
15 the various amounts included in the
16 determination of the principal amount
17 financed", and that order, that's what leads us
18 here today, that was the genesis of today's
19 motion, because of the subsequent events.

20 We had the closing of the sale on the
21 fossil plants in January 2018 and the closing
22 on the sale of the hydro plants in August 2018.
23 The Company has since calculated the final
24 amounts -- the amounts of closing proceeds for

1 each sale and has presented these costs in its
2 motion. The Company issued its RRBs pursuant
3 to the Finance Order in May of 2018. And,
4 lastly, the Company completed its work to
5 remove the mercury boiler units at Schiller
6 Station on March 31, 2019, and in so doing has
7 developed the full accounting and full
8 documentation for all of the project's costs,
9 the costs that were incurred to complete the
10 removal.

11 And just to conclude, and as stated
12 in our motion, the Company's
13 divestiture-related costs were incurred as
14 anticipated, consistent with the governing law,
15 the Commission's orders, and the approved
16 settlements on divestiture. And, for these
17 reasons, the divestiture-related costs should
18 be deemed reasonable and prudent and eligible
19 for recovery as proposed.

20 The Company looks forward to
21 supporting the Commission and its Audit Staff
22 in this process, and as it has done throughout
23 the divestiture and auction process.

24 Thank you.

1 CHAIRWOMAN MARTIN: Thank you. Mr.
2 Kreis.

3 MR. KREIS: Thank you. Good morning.
4 Happy Valentine's Day to everybody in the room.
5 I offer the following valentines to my friends
6 at Eversource.

7 The Company made its filing and
8 styled it as a "Motion for the Commencement of
9 an Audit", and, of course, the Commission
10 conducts audits all the time through its Audit
11 Division. But you made clear in your Order of
12 Notice, at Page 2, that, and I'm reading now,
13 "this docket will determine the full amount of
14 prudently incurred stranded costs resulting
15 from divestiture." That, in the opinion of the
16 Office of the Consumer Advocate, requires an
17 adjudicative proceeding. And I infer that the
18 Commission agrees with me, because it issued an
19 order of notice, and set up today's event as a
20 "prehearing conference".

21 The appropriate process to follow,
22 from here to the end of this docket, is by
23 following the contested case rules in the Puc
24 200 rules, because there are issues here that

1 go beyond the financial verification process
2 that the auditors will engage in, and, of
3 course, those issues relate to prudence.

4 Just by way of example, the Company
5 is requesting \$4.4 million in cost recovery in
6 connection with its mercury boiler Units 1 and
7 2 removal project at Schiller Station beyond
8 what it securitized, and there are genuine
9 questions about the prudence of that
10 \$4.4 million expenditure. And it is quite
11 possible that the OCA will need to ask you to
12 require the shareholders of Eversource to bear
13 all or at least some, if not all, of those
14 costs. That's just one issue.

15 So, my main point here is that we
16 certainly support the Company's request that
17 you move forward with an audit, but we request
18 the right to be heard, to cross-examine the
19 Company, and to present evidence and argument
20 ultimately about the prudence of the additional
21 sum, on top of the hundreds of millions of
22 dollars that customers have already borne in
23 recoverable costs associated with divestiture
24 in this proceeding.

1 Thank you.

2 CHAIRWOMAN MARTIN: Thank you.

3 Ms. Ross. And can I ask that you also, if you
4 weren't planning to, address the issue just
5 raised by the OCA?

6 MS. ROSS: Yes. I will.

7 CHAIRWOMAN MARTIN: Thank you.

8 MS. ROSS: So, first of all, Staff
9 does not have a position on the Company's
10 filing. We intend to wait until we receive the
11 results of the audit before we begin reviewing
12 the expenditures for prudence.

13 We do support the OCA's position that
14 the consideration of prudence, as it relates to
15 this filing, should be an adjudication. And we
16 believe that the issuance of an order of notice
17 was appropriate, and does signal that this will
18 be a matter that's adjudicated.

19 What we propose is that, following
20 the prehearing conference this morning, the
21 parties meet in a technical session to flesh
22 out the audit schedule, and then the subsequent
23 discovery schedule relating to any of the
24 prudence issues. But the Staff believes that

1 it will be a more meaningful review of the
2 prudence issues when we have verified numbers
3 from the audit process.

4 So, we would suggest that this is a
5 two-stage process: The first being the
6 commencement and completion of the traditional
7 Staff audit, probably without extensive
8 involvement of the parties. Followed by the
9 second stage, which is the prudence inquiry,
10 based on the audit numbers, to get behind those
11 numbers and determine whether the actions that
12 produced the numbers were prudent, in, as an
13 example, the Schiller clean-up involved
14 significant costs beyond the original
15 estimates, and also involved an OSHA complaint
16 against the contractor who was doing the
17 clean-up, and subsequent delay in the clean-up
18 process to address safety issues that had been
19 examined.

20 So, there are things that occurred as
21 a result of the divestiture that were not
22 anticipated, and it will need to be looked
23 into.

24 CHAIRWOMAN MARTIN: Thank you. Mr.

1 Venora, would you like to weigh in on that
2 issue?

3 MR. VENORA: Sure. We agree that, in
4 our motion, we did ask for a determination of
5 prudence. And we anticipated that that would
6 occur through an adjudicative process. So, we
7 do agree with the OCA and Staff on those
8 points.

9 And, as well as the general framework
10 of the process, in terms of having an audit
11 occur, and then followed by discovery and the
12 other steps in the adjudicatory process.

13 CHAIRWOMAN MARTIN: Okay. Thank you.
14 And I believe it was noticed that there would
15 be a technical session. Is everybody prepared
16 for that?

17 MR. VENORA: Yes.

18 CHAIRWOMAN MARTIN: Okay. All right.
19 Thank you.

20 Then, are there any other issues we
21 need to address before you go to that session?

22 MR. VENORA: None from the Company's
23 perspective.

24 CHAIRWOMAN MARTIN: Okay. Thank you.

1 Then, we are adjourned.

2 *(Whereupon the prehearing*
3 *conference was adjourned at*
4 *10:19 a.m., and a technical*
5 *session was held thereafter.)*

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