STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 16, 2020 - 10:06 a.m.

[Remote Hearing conducted via Webex]

RE: **DE 20-054**
EVERSOURCE ENERGY:
2020 Default Service Solicitation.
(Hearing regarding the period of Aug. 1, 2020 through Jan. 31, 2021)

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

Jody Carmody, Clerk
Eric Wind, PUC Remote Hearing Host

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

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Lynn Fabrizio, Esq.
Richard Chagnon, Asst. Dir./Electric
Stephen Eckberg, Electric Division

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

I N D E X

PAGE NO.

WITNESS PANEL: ERICA L. MENARD
FREDERICK B. WHITE

* * *

CLOSING STATEMENTS BY:

E X H I B I T S

EXHIBIT NO.	**D E S C R I P T I O N S**	**PAGE NO.**
1	Petition for Adjustment to Energy Service Rate for Effect on August 1, 2020, consisting of the Testimony of Frederick B. White, with attachments, and the Testimony of Erica L. Menard, with attachments *(06-11-20)* **{CONFIDENTIAL & PROPRIETARY}**	*premarked*
2	Petition for Adjustment to Energy Service Rate for Effect on August 1, 2020, consisting of the Testimony of Frederick B. White, with attachments, and the Testimony of Erica L. Menard, with attachments *(06-11-20)* *[REDACTED - For PUBLIC Use]*	*premarked*

P R O C E E D I N G

CHAIRWOMAN MARTIN: Okay. Thank you, Mr. Wind. Good morning, everyone. We're here this morning in Docket DE 20-054, which is the Eversource 2020 Energy Service Solicitation proceeding for the period beginning August 1st, 2020.

We need to make some necessary findings, because we are having a remote hearing. As Chairwoman of the Public Utilities Commission, I find that due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic, and in accordance with the Governor's Emergency Order Number 12 pursuant to Executive Order 2020-04, this public body is authorized to meet electronically.

Please note that there is no physical location to observe and listen contemporaneously to this hearing, which was authorized pursuant to the Governor's Emergency Order. However, in accordance with the Emergency Order, I am confirming that we are utilizing Webex for this hearing. All members of the Commission have the ability to communicate contemporaneously during this hearing through this platform. And the public has access to contemporaneously listen and, if necessary, participate. We previously gave notice to the public of the necessary information for accessing the hearing in the Order of Notice.

If anybody has a problem during the hearing, please call (603)271-2431. In the event the public is unable to access the hearing, this hearing will be adjourned and rescheduled.

Okay. A couple ground rules: Make sure that you mute yourself if you're not talking. Mr. Wind will also help us keep on top of that. If you need to be recognized, please put your hand up, unless you're making an objection. If you're discussing confidential information, please be sure to let me know first, so that we can clear the virtual hearing room. If you're going to point to it, just point everyone to the document and page number where the information is contained, rather than actually identifying the confidential information. Please speak slowly, and leave time for others to consider a response before proceeding.

Okay. Let's start the meeting by having the Commissioners identify themselves. When each Commissioner states their presence, please also state if there is anyone else with you in the room, and identify them.

My name is Dianne Martin. I'm the Chairwoman of the Public Utilities Commission. I am in my home, in Deerfield, New Hampshire. And there is no one else with me.

Commissioner Bailey.

CMSR. BAILEY: Hi. I'm Commissioner Kathryn Bailey. I'm in my home, in Bow, New Hampshire. And there's no one in the room with me.

CMSR. GIAIMO: Good morning. Mike Giaimo, Commissioner, here at the PUC Offices, in Concord. And there's no one in my office with me.

CHAIRWOMAN MARTIN: Okay. Thank you. Let's take appearances now, starting with Mr. Fossum.

MR. FOSSUM: Good morning, Commissioners and others. My name is Matthew

Fossum. I am here this morning on behalf of Public Service Company of New Hampshire, doing business as Eversource Energy. I'm at my home, in Bow. And there is no one present with me.

CHAIRWOMAN MARTIN: Mr. Kreis.

[Short pause.]

CHAIRWOMAN MARTIN: Mr. Kreis, are you having trouble?

MR. KREIS: Can you folks hear me?

CHAIRWOMAN MARTIN: We can.

MR. KREIS: Okay. I'm sorry. The Webex was not letting me unmute myself.

I am D. Maurice Kreis, the Consumer Advocate, here on behalf of the residential utility customers.

CHAIRWOMAN MARTIN: Thank you. Ms. Fabrizio.

MS. FABRIZIO: Good morning. Lynn Fabrizio, on behalf of Staff today. And with me virtually are Rich Chagnon, the Assistant Director of the Electric Division; and Steve Eckberg, Utility Analyst with the Electric Division. I am located currently in my office at the PUC, in Concord. And nobody is with me.

CHAIRWOMAN MARTIN: Okay. Thank you.

For exhibits, I have Exhibits 1 and 2 prefiled and premarked for identification. Anything else on exhibits, Mr. Fossum?

MR. FOSSUM: Not that I'm aware of. We are only intending to use Exhibits 1 and 2. And I would say primarily Exhibit 1 would be what we would refer to, noting, of course, that that is the confidential version. And, to the extent we discuss confidential issues, we will need to address those appropriately at that time.

CHAIRWOMAN MARTIN: Okay. Thank you.

And I note for the record that Eversource has designated certain information as confidential according to the rules, and we will treat that as confidential today.

Any other preliminary matters that any party wishes to raise at this point?

[No indication given.]

CHAIRWOMAN MARTIN: Okay, seeing none. Mr. Patnaude, could you swear in the witnesses please.

(Whereupon ***Erica L. Menard and Frederick B. White*** were duly sworn by the Court Reporter.)

CHAIRWOMAN MARTIN: Okay. Mr. Fossum.

MR. PATNAUDE: You're on mute.

MR. FOSSUM: I knew I was on mute, obviously.

We have two witnesses. I'll begin with, just to keep things simple, I'll begin with Ms. Menard.

ERICA L. MENARD, SWORN

FREDERICK B. WHITE, SWORN

DIRECT EXAMINATION

BY MR. FOSSUM:

Q Ms. Menard, could you please state your name and position and responsibilities for the record?

A (Menard) My name is Erica Menard. And I'm the Manager of Revenue Requirements for New Hampshire. I'm employed by Eversource Energy Service Company. And my address is 780 North Commercial Street, in Manchester, New Hampshire.

Q And, Ms. Menard, did you file testimony in what has been included as Exhibits 1 and 2 back on June 11th?

A (Menard) Yes.

Q And was that testimony prepared by you or at your

direction?
A (Menard) Yes, it was.
Q Do you have any changes or updates to that testimony today?
A (Menard) No, I do not.
Q And do you adopt that testimony as your testimony for this proceeding?
A (Menard) Yes, I do.
Q Okay. Then, I'll turn to Mr. White and I'll go through the introductions.
Mr. White, could you please state your name and position and responsibilities for the record?
A (White) My name is Frederick White. I'm a Supervisor in the Electric Supply Department of Eversource Energy Service Company. Our group provides analytical support for procurement of energy service, in meeting the Company's RPS obligations, and ongoing activities of IPPs and PPAs.
Q Thank you. And, Mr. White, did you also file testimony and exhibits in what has been included in Exhibits 1 and 2 back on June 11th?
A (White) Yes.

Q And was that testimony prepared by you or at your direction?
A (White) Yes.
Q Do you have any changes or updates to that testimony this morning?
A (White) I have none.
Q And do you adopt that testimony as your sworn testimony for this proceeding?
A (White) Yes.
Q All right. Thank you. Staying with Mr. White then.
Could you very briefly explain the solicitation that the Company undertook that is under -- that is part of your testimony and is underlying the request before the Commission this morning?
A (White) Sure. We issued an RFP on May 7th requesting supply for the Large and Small Customers for the six-month term beginning August 20th -- August 2020. It was for full requirements supply without RPS obligations, which are managed separately by the Company. We asked to procure for Large Customers in one tranche, and in four equal 25 percent tranches

for Small Customers. We requested offers due on June 9th. We received and evaluated those offers on the 9th.

All bidders had been prequalified with regard to their standing at ISO, prior experience with the Company, and all had posted the necessary credit arrangements. The offers received were in line with price expectations, and were satisfactory compared to proxy price ranges that we had established on the day of the -- on the due date.

We met with senior management on June 9th, and they approved the winning offers and winning suppliers, and executed Transaction Confirmations with three winning suppliers on June 10th.

The solicitation was conducted consistent with past practices and with Commission requirements. It's described in further detail in testimony, which was filed on June 11th.

A couple of notes -- a couple of notes. This solicitation included one supplier that had not previously participated in PSNH procurements. And proxy prices that we established now utilize only results from our New Hampshire solicitations. There were no -- we did not alter proxy price range calculations to account for the COVID-19 pandemic.

The end result, and what's proposed for Commission approval, is that Hydro-Quebec US supply Large Customers, and Con Edison and NextEra share in providing supply for Small Customers, again, for August 2020 through January 2021 delivery term.

That's all I have.

Q Thank you, Mr. White. Ms. Menard, could you then -- could you explain, understanding what's already covered in testimony, could you please explain how the Company took the results of the solicitation that Mr. White just spoke about and developed its rate proposal that is before the Commission this morning?

A (Menard) Yes. Consistent with the Settlement Agreement from Docket 17-113, we took the results of the RFP that Mr. White spoke of and added some administrative general costs and RPS costs to get the retail rate. There's two different rate calculations.

As you'll see in Attachment ELM-1, on Page 1, that provides the Energy Service rate calculations for the Small Customer class. And, again, that includes any RFP results for the RPS compliance, updated administrative costs, and reconciliation of prior period Energy Service costs and any over/under recoveries.

On Page 2, in that same exhibit, is the Large Customer class, same application of the RFP results, add-on RPS costs, administrative costs, and any prior period over/under recoveries.

Q Thank you. In light of that, could you just, understanding that it's in the testimony, could you just describe the rates, the specific rates that are proposed for approval this morning?

A (Menard) Yes. For the Small Customer class, the weighted average fixed rate for the six-month period August 2020 through January 2021 is 7.068 cents per kilowatt-hour. And this compares to the current rate of 8.306 cents per kilowatt-hour, which is approximately a 15 percent decrease from current rates.

For the Large Customer class, those are

monthly prices, and they range from 6.025 cents through 9.267 cents per kilowatt-hour.

Q Thank you. Could I have you, Ms. Menard, turn to Bates Page 122. Are you there?

A (Menard) Yes. I'm there.

Q Could you please explain what is shown and demonstrated on Bates Page 122 and the two pages that follow?

A (Menard) Yes. So, on Bates Page 122 is the comparison of rates for a Residential Service customer, a Rate R customer. And the first page compares rates that are being proposed August 1st, in this filing, with the current rates. And it shows three different average customer usages: A 550 kilowatt-hour month, 600 kilowatt-hour month, and a 650 kilowatt-hour a month customer. And the only rate being proposed in this filing is the Energy Service rate. So, it shows the comparison of the change in the Energy Service component itself, which is roughly a 14.9 percent decrease compared to February of 2020 rate. And then, the impact of the change as a percentage of total bill, which is roughly six and a half percent decrease.

The next page, Bates Page 123, is that same comparison that we just described for a residential customer, but the period is comparison of the proposed August 2020 rate with the rate one year prior, that was effective August 1st, 2019. And there is several components that have changed since then. But the Energy Service component is roughly a 19.9 percent decrease from one year ago, for just that component, and roughly 8.7 percent decrease for a total bill.

And, then, finally, on Bates Page 124, the third page in that exhibit, this is the impact of the Energy Service change as a percentage of the total bill for each of the classes.

Q Thank you. And, just for clarification, this analysis accounts for the Energy Service change proposed in this filing. Are there other rate changes that will need to be accounted or proposed rate changes that would need to be accounted for for effect on August 1st?

A (Menard) Yes. The Stranded Cost Recovery Charge will also change effective August 1st, as well as the Transmission Cost Adjustment Mechanism. We have made an initial filing, a preliminary filing for the SCRC rate. That will be updated in July, closer to the hearing time. And the TCAM rate will also be presented in July as well.

Q Thank you. Now, Ms. Menard, are there any significant or noteworthy changes in this rate filing, as compared to prior Energy Service filings, that the Commission should be aware of?

WITNESS MENARD: I just want to -- I don't know if it's me, but I see I'm missing a lot of faces. Is that just me?

MR. FOSSUM: I can still see everybody.

CHAIRWOMAN MARTIN: And I can still see everybody.

WITNESS MENARD: Okay. I'll continue to talk.

BY THE WITNESS:

A (Menard) Yes. There are two significant changes that I'd like to point out in this rate filing.

The first is that there is a separate line item showing net metering costs. And you can see those on Bates Pages 104 and 105, Line 3, on each of those pages. And, beginning in

February 2020, the Company will be transferring net metering costs to the Part 2 stranded cost rate. And there's two reasons for this. First, I describe this in testimony on Bates Pages 091 and 092. And the reason behind it is the -- in the 2015 PSNH Restructuring and Rate Stabilization Agreement, part of the divestiture process, the costs associated with IPPs were to be recovered through Part 2 stranded costs. And the definition of "IPP cost" is it includes the cost of LEEPA facilities as defined in RSA 362-A, Section 9, which governs net metering. Therefore, the Company is aligning net metering costs in the stranded cost rate, where they should have properly been allocated beginning in April of 2018.

The second reason is moving these net metering costs out of the Energy Service rate allows that to be more closely aligned with the pure market rate, which is really the intent of the Energy Service rate. And then, also having net metering costs in the stranded cost rate allows for that to be -- those costs to be recovered from all customers, rather than just

Energy Service company -- Energy Service customers, excuse me.

It was the Company's intention to move those costs back in April of 2018. However, it was just an oversight. So, the Company is now rectifying that issue in this rate filing, and those costs are being moved beginning February of 2020, which aligns with the SCRC rate period.

And the second new item that I would like to call attention to is the inclusion of a new exhibit, which is Attachment ELM-3, on Bates Pages 108 through 121. And that exhibit is the Lead/Lag Study that was updated for this rate filing.

Back in the 2017 Annual Reconciliation, Eversource had included a lead/lag study in that calculation of the working capital allowance. That methodology was approved and authorized in April of 2019, in Order 26,237. And that lead/lag analysis has been updated for this current period and is now being incorporated into the Energy Service rate calculation, in both the reconciliation period and the forecast period.

So, those are the two items that I

wanted to point out.

BY MR. FOSSUM:

Q Thank you. I have just one more question for each of you. I'll start with Ms. Menard.

Ms. Menard, is it your position, and the Company's position, that the rate proposal before the Commission this morning is a just and reasonable rate?

A (Menard) Yes.

Q And, Mr. White, for you, is it likewise your position, and the Company's position, that the solicitation was open and fair and appropriately run, and that the resulting rates are just and reasonable?

A (White) Yes.

MR. FOSSUM: Thank you. I have nothing else for direct.

CHAIRWOMAN MARTIN: Thank you. Mr. Kreis.

MR. KREIS: Okay. Can everybody hear me okay?

CHAIRWOMAN MARTIN: Yes.

MR. KREIS: I apologize to the Commission. For some reason, Webex does not like to unmute me, and I always have to hit that button numerous times. I'm not sure why that is.

I just have a few questions. And I am going to try to follow the excellent example set by the witnesses, who have been speaking very slowly. So, I've been able to understand everything that they have said, especially Ms. Menard. And I actually don't have any questions for Mr. White today, because this looks to be like a nominal Default Service procurement for the Company, and that, I think, is good news.

And I just have a few questions for Ms. Menard. I want to focus on the testimony she just gave about net metering.

CROSS-EXAMINATION

BY MR. KREIS:

Q It would be fair to say, Ms. Menard, would it not, that moving net metering costs out of default Energy Service and into the Stranded Cost Charge is good for residential customers of Eversource, correct?

A (Menard) I would agree with that statement.

Q And could you remind the Commission why that is a favorable and reasonable change, from the perspective of residential customers?

A (Menard) From my perspective, the Energy Service rate is largely residential customers, due to migration. Therefore, when these net metering costs are included in Energy Service, residential customers are shouldering those costs for the most part.

By moving these to the Stranded Cost rate, there's -- it's a nonbypassable charge, therefore it's borne by all customers, not just residential customers.

Q Is it fair to say that this change will also need to be approved by the Commission in the upcoming SCRC reconciliation docket?

A (Menard) It will appear also in the SCRC docket, yes.

Q Just hypothetically, what would happen if the Commission didn't approve that change when it looks at the SCRC?

A (Menard) Then, it would be a reconciling item next time around.

Q And it would probably appear back here in the default Energy Service Reconciliation, yes?

A (Menard) Yes.

Q Okay. I want to focus on the second of the two things that you identified as things that are different in this filing as compared to previous filings. And you referred the Commission to a bunch of -- well, I think it was ELM-3, if I'm not -- yes, ELM-3 is a new attachment to your semi-annual filing?

A (Menard) Correct.

Q Are there any substantive changes that one might focus on or is this just a different and maybe more thorough way of conveying information to the Commission?

A (Menard) As compared to what was included in the 2017 Annual Reconciliation, is that what you're referring to?

Q Yes.

A (Menard) Yes. It's a very similar format. There's probably a little bit more detail, I think, than what was in the 2017 Annual Reconciliation. But it's largely the same information.

Q And working capital costs are -- they have always been included in part of the cost of providing default energy service to customers, correct?

A (Menard) Back when we owned generation, working capital was a component of Energy Service, yes.

Q Okay. But how about in the previous default Energy Service Reconciliations that have taken place after divestiture?

A (Menard) It was included in the 2017 and 2018, and then it was not included in the previous two, since 20 -- I'll say in the past two cycles, working capital has not been included in the Energy Service rates.

Q Why? Why not?

A (Menard) I think it was just we were working through, we needed the approval of the methodology. We received that approval in April of 2019. And then, I think it was just an oversight that it wasn't included in the August 2019 and February 2020 rate filings.

Q Okay. Could we, just by way of wrapping up, take a quick look at Bates Page 107?

A (Menard) Yes.

Q Could you just briefly explain what Bates Page 107 communicates?

A (Menard) Yes. This page is the reconciliation of RPS revenues and expenses, for the time period

August 2019 through July 2020.

Q So, in other words, this spreadsheet explains or breaks out how you determined what default Energy Service customers would have to pay in order for PSNH to comply with the Renewable Portfolio Standard with respect to default service?

A (Menard) Yes.

Q Okay. And these questions, my next couple of questions are really proposed in earnest. I'm really just trying to make sure I understand how this works. And I would like you to take me through the "Actual May 2020" column. And I'm really only focusing on that column because it's the last month for which we have actual data. So, I'm just using it as kind of an example.

And it would really help me if you just went right down that row and explained what each of those numbers is, and how -- well, what each of those numbers is, and how it relates to the other numbers?

A (Menard) Sure. For Line 1, "RPS Revenues", those are the revenues that are collected through the Energy Service rates that are attributed to the RPS portion of the Energy Service rates.

Q Okay.

A (Menard) So, we take the energy sales, multiply it by that rate, and those are considered the revenues. "RPS Expense" -- sorry?

Q Sorry. I just interrupted you unnecessarily.

A (Menard) "RPS Expense" is Line 2, is the estimated cost of compliance according to the RPS requirement. So, we have various classes, I, II, III, IV. And, based on sales, we have to meet our obligation. So, that's what that "RPS Expense" line is.

And then, Line 3 is the "Return on Working Capital Requirement". So, we are calculating the portion as described in that new exhibit we were talking about with the Lead/Lag Study. We take the annual RPS requirement, and we calculate a working capital component, a return on working capital for each month.

Q Can I just interrupt you for a second?

A (Menard) Yes.

Q So, that number, "32", is in brackets. That means that it's a negative number. Do I have that right?

A (Menard) Yes.

Q And that is --
A (Menard) Yes. So, --
Q Okay. I'm sorry.
A (Menard) So, for RPS, because the compliance year is really, you know, for 2019, you don't have to actually comply until July of 2020. So, there's this longer lead time with RPS than for purchased power expense. So, we take an estimate of the midpoint in the year, and compare that to the revenues that we're taking in from customers, but you compare that to when you actually have to either pay a supplier for RPS, you know, we do make some purchases for RPS compliance, and then the remainder is paid through the ACP, the Alternative Compliance Payment.
So, what this is saying is, we're taking in revenues from customers, but we're not having to pay the compliance until a longer time after we collect that. So, we're essentially -- customers are -- we're holding on to that money to make that future payment, so customers get the benefit of that back. So, that's what that negative in brackets means.
Q So, in general, is it fair to say that, on this

chart, those negative numbers are all adjustments that are in favor of customers?

A (Menard) Yes.

Q Great. Okay. Let's keep going down that column then.

A (Menard) Okay. And then, Line 4 is the "(Over)/Under Recovery" for that month. So, you would compare -- you would add up Lines 2 and 3, so those would be your expenses, and you compare that to the revenue you took in. So, anything in the brackets would be an over recovery, meaning you've collected more revenues than you paid out in expense.

CHAIRWOMAN MARTIN: Can I interrupt for a brief moment? I apologize. Can we take a brief five-minute recess, so Commissioner Giaimo can investigate the bad smell in his office?

MR. KREIS: No objection from the OCA.

CHAIRWOMAN MARTIN: Okay. We will return at 10:46, it looks like, unless there's a bigger problem.

[Recess taken at 10:42 a.m. and the hearing resumed at 10:50 a.m.]

CHAIRWOMAN MARTIN: Let's go back on

the record.

Mr. Kreis, you were in the midst of asking some questions. I don't know if you recall where you were?

MR. KREIS: I recall exactly where I was.

CHAIRWOMAN MARTIN: Perfect.

BY MR. KREIS:

Q And I was asking Ms. Menard to go down the "Actual May 2020" column, in Page 4 of Attachment ELM-2, which appears at Bates Page 107. And I think I managed to get her all the way to Line 5, which is a number of "negative 8,229", expressed in hundreds of thousands of dollars.

A (Menard) Yes. Am I unmuted?

Q Yes. We can hear you.

A (Menard) Okay. All right. Okay. So, Line 5 is the monthly over/under recovery cumulative beginning balance. And, so, if you were to start at the 07/31/2019 over recovery of "8,907", and then you add each of the monthly over/under recoveries to that, you get your beginning balance and your ending balance. So, it just kind of accumulates.

Q So, that's basically a account that your default service customers have with you as a credit, and they're earning the prime rate on that credit that they have with PSNH, correct?
A (Menard) Yes. You could call it that, yup.
Q And the prime rate is the result of some ancient settlement agreement in which I did not participate, because it was before I became Consumer Advocate, yes? Not "ancient", obviously, but --
A (Menard) I would say it was probably the result of the Settlement Agreement, when the new Energy Service construct and SCRC constructs were put in place, in 2017.
Q Yes.
A (Menard) I could confirm that. But, yes.
Q Point being, it doesn't need to be litigated, and I should avoid any temptation to litigate that here?
A (Menard) Oh. Okay. Yes. Agreed.
Q I thought you might agree to that proposition.
A (Menard) Okay. So, Line 5 and 6 are just the beginning and ending monthly balances. Line 7 is the average of those two above. And then, Line 8

is the "Accumulated Deferred Income Tax", and that accounts for timing differences between book and income taxes. And --

Q So, that is, if I'm looking at this correctly, and going down to Line 9, you're subtracting Line 9 from -- I'm sorry, I'm getting old and having a hard time reading line numbers. It looks like you're subtracting Line 8 from Line 7 to get Line 9?

A (Menard) Yes.

Q So, why is that a subtraction problem?

A (Menard) "Why is it a subtraction?" Is that your question?

Q Yes. As I understand, I always thought that Accumulated Deferred Income Tax has to do with timing differences in potential tax liabilities of the utility. And, so, basically, you're charging today's ratepayers for today's tax liabilities, even though those tax liabilities are deferred, for purposes of the Company's actual tax return into the future. But, here, it looks like you're taking a sum of money that is basically on account with your customers, and you are taking money away from them to account for

Accumulated Deferred Income Taxes. And I confess that I don't understand why that is?

A (Menard) Okay. So, this section, 7 through 11 lines, is really to calculate the carrying charge. That's what this is doing, the carrying charge on that deferral. So, the Accumulated Deferred Income Tax, so, you're removing that, because you don't want to -- and the ADIT can go both ways. It could be a positive or a negative, depending on the over/under recovery. So, you remove that timing difference, and then you calculate your carrying charge on that average monthly balance, without the ADIT included. So, that's all that's doing.

Q Okay. Though, why is it deducted from the carrying charge though?

A (Menard) Because ADIT is amounts that we collect from ratepayers that we don't immediately pay. So, it's considered cost-free capital. So, you don't calculate the return on that ADIT amount.

Q Okay. That was the part I wasn't understanding.

A (Menard) Okay.

Q It's deducted because it's cost-free capital.

A (Menard) Yes.

Q So -- but to whom is it cost-free?
A (Menard) To customers. So, you're not -- you're not -- so, the carrying charge is -- so, in an over-collection situation, which we have here, the customers have paid more than we had taken in, customers had paid more than the expenses. So, we've over-collected. And, so, when we calculate the carrying charge, we are returning that, I guess, giving them a credit for that over-collection.
I don't know if I'm explaining it clearly.
Q But we are talking here about money that the Company has collected from customers, that customers will need to be credited back with, in some fashion or another, depending on how this reconciles forward. And it doesn't affect any customer tax liability, correct?
A (Menard) No. It's the Company.
Q So, I guess I don't understand the adjustment for Accumulated Deferred Income Tax then. And I'm wondering if there's anything else you can tell me to help me understand that, since I'm supposed to ask questions and not make statements during

cross-examination?

A (Menard) I don't -- I don't know what more to say than just to say that it's -- it can go either way. So, when we're calculating -- when we're removing that ADIT to calculate the carrying charge, that's what this is doing, is it's calculating the carrying charge on that deferral amount. So, the Company has either collected too much or too little money to pay whatever the expense is, but there still is an expense to pay. And, so, we don't want to charge customers additional interest for that over-collection. So, it's a credit back to customers.

Q Okay. That's the end of your answer, I take it, Ms. Menard, I assume?

A (Menard) Yes.

MR. KREIS: Okay. Thank you. Madam Chairwoman, I have no further questions at this time.

CHAIRWOMAN MARTIN: Okay. Thank you. Ms. Fabrizio.

MS. FABRIZIO: Thank you, Madam Chair.

So, I have just a couple of sort of recap questions for Ms. Menard. So, I think I'd like to ask those first, and then I'll turn to Mr. White. Okay?

BY MS. FABRIZIO:

Q Ms. Menard, we've just been looking at your Schedule ELM-2, at Page 4, Bates Page 107. And this schedule provides the forward-looking costs of RPS compliance, along with the reconciliation of past RPS costs, is that correct?

A (Menard) Yes. There's two months of estimates.

Q And the information provided on this exhibit shows that the Company is returning a prior year over-collection of RPS compliance costs of roughly 8.9 million, is that correct?

A (Menard) Correct.

Q So, is it accurate to conclude that, as a result of the reconciliation process, customers will pay only actual RPS compliance costs?

A (Menard) So, the prior -- the prior period over-collection -- so, when you're setting a rate, you're comparing the revenues that you collect with the expenses that you incur. Back in June of 2019, there was a retirement of some old vintage RECs. And, so, those retired RECs were apportioned to Energy Service and to stranded costs. And, so, there was an adjustment made for those, for that retirement, in June of 2019, which contributed to the over-collection. So, that carries forward, because you're continually carrying forward the over-/under-collection. And, when you set the rate, you're trying to -- you're trying to get that over-/under-collection to essentially zero. You're trying to make sure that your rate aligns with your previous and your future expenses.

So, this, this exhibit on 107, is showing the prior period balance, and then the current twelve-month reconciliation. And shows, at the end of those twelve months, an over-collection of $8.9 million, which then means that the "RPS Reconciliation Factor", on Line 14, is a credit back to customers, to give that over-collection back, to reduce that RPS rate.

Q Thank you. That's helpful.

A (Menard) Okay.

Q And we've looked at also your Attachment ELM-4, at Pages 1 and 2. This provides a comparison of proposed rates for effect August 1st and current rates, as well as rates that were in effect a year ago, is that correct?

A (Menard) Yes.

MS. FABRIZIO: Okay. Thank you. That's all I have for Ms. Menard.

CHAIRWOMAN MARTIN: Okay. Thank you. Commissioner Bailey.

CMSR. BAILEY: Thank you.

BY CMSR. BAILEY:

Q Ms. Menard, I want to follow up a little bit with the question that Mr. Kreis was asking you. So, can you go back to Bates Page 107 please?

A (Menard) Yes.

Q Can you tell me what the purpose of Line 11, the "Monthly Carrying Charge", is?

A (Menard) The "Monthly Carrying Charge" is the cost of -- when the revenues and expenses don't align perfectly, there's either, you know, the Company is carrying the cost of paying those costs or the customer is, has paid too much. And, so, that carrying charge is really trying to pay for the cost of carrying that obligation.

Q Okay. So, if customers have paid too much, then it's a credit, the carrying charge is a credit back to customers for, basically, the Company

borrowing that money from customers?
A (Menard) Correct.
Q And, if the customers have not paid enough, then customers pay the Company to pay off the expense in advance of collecting the money?
A (Menard) Correct.
Q Okay. So, for ADIT, if you have over-collected for ADIT, why wouldn't customers get a credit back for that carrying costs? I don't understand why ADIT is in this line, is in this calculation either way?
A (Menard) Okay. How do I explain this?
Q Well, let's look at it the other way. If customers -- if there was an under-collection for ADIT?
A (Menard) Yes.
Q Would customers be expected to pay a carrying cost for that under-collection?
A (Menard) No. Because ADIT is removed from the over-/under-collection, it's not included in the amount that either the Company or customer is charging for the -- for covering that over/under recovery.
Q So, why is that included then in this? Why do

you even put that line in this table?

A (Menard) It's a standard item in ratemaking, is to remove that, that timing difference between book and income taxes. So, that timing difference sometimes creates a source of funds that need to be considered in financing that deferral, or sometimes it's an outflow of funds.

Q But there's never a carrying cost associated with it?

A (Menard) Correct.

Q Okay. You said in your testimony, and in your live testimony, that beginning in February 2020, you will be recovering the net metering costs from the Stranded Cost charge. And February 2020 has already occurred, so that I'm confused by that statement.

A (Menard) It's in the reconciliation that's in stranded costs.

Q Okay.

A (Menard) So, you reconcile the previous twelve months. So, it's getting included in that.

Q So, by reconciling the previous twelve months, the previous twelve months from February of 2020?

A (Menard) The reconciliation, so, in this Energy

Service, the reconciliation period is August 2019 through July 2020. And stranded costs, I forget off the top of my head, but it's -- I believe it's the same time period.

Q So, I'm still -- I still don't get what you mean by "February of 2020" then. Beginning February 2020, so, are you going to reconcile from February 2020 to July 2020 for this year?

A (Menard) So, the rate period, you know, we set rates in August and February. And, so, the beginning of the stranded cost rate period would have been February of 2020, and then the next one will be in August of 2020. So, that was the intent of saying, you know, we are reconciling, you set the rates in advance, and then you come back in your next rate and you true it up. So, when we had that rate period beginning in February 2020, that was the time period we said would make the most sense to move these costs. Beginning February 2020, it goes into the reconciliation period. So, you're always reconciling the rate that you set against the actual costs.

Q When did you set the rate? You're asking to set the rate now, right?

A (Menard) Going forward for -- so, now we're asking to set the rate beginning August, so that August rate includes the historical over/under recoveries that develop as a result of your rate not being perfectly aligned with your actual costs. So, that gets folded in, and then you make a forecast going forward, from April forward -- or, I'm sorry, from August forward, as to what you think the costs will be in the next rate period.

Q Okay. Let's try to use a real example.

A (Menard) Okay.

Q So, the net metering costs, where is that shown? In which table?

A (Menard) Bates Page 104.

Q Right. I was thinking "$4 million", okay. So, you have $4 million that you need to recover in rates. Is that right?

A (Menard) Yes.

Q Just over 4 million?

A (Menard) Yes.

Q And you're proposing to recover that beginning in February?

A (Menard) No. So, if you are looking at Line 3, from August 2019 through January of 2020?
Q Okay.
A (Menard) Those are the actual net metering costs for that time period. Had we continued to keep those net metering costs within the Energy Service rates, February through May would have been filled out. And, then, presumably an estimate for June or July, but, typically, we had not estimated, we had not forecasted net metering expenses.
Q Okay. So, you've collected 4.2 million already. That's not the actual cost. That's what you collected between August and January. Is that right?
A (Menard) Yes.
Q Okay. And then, do you know what the costs are beginning in February?
A (Menard) Yes. You want me to find them?
Q Well, yes. Okay. Now, I see that you haven't collected them in the Energy Service rate, right? That's what this is telling me?
A (Menard) Yes. So, --
Q Beginning as of February. But you've included

those costs?
A (Menard) Yes.
Q And you're going to -- and you're going to collect those, you're going to reconcile that by putting it in the Stranded Cost Recovery Charge?
A (Menard) Yes.
Q Okay. So, you stopped collecting net metering costs beginning in February 2020 in the Energy Service rate?
A (Menard) Yes.
Q Okay. Are there other nonbypassable charges that you could put it in, besides the Stranded Cost Recovery rate?
A (Menard) That is our only nonbypassable.
Q Okay. So, that's why you chose that one?
A (Menard) Yes.
Q All right. Is there any definitional problem?
A (Menard) No. Actually, it's perfectly aligned with stranded costs, because it's an over-market cost. And it is a cost that we do pay to -- you could define these as "independent power producers". So, that is where, like I said, these net metering costs were intended to be in stranded costs as per the 2015 Settlement

Agreement. It just was an oversight that they weren't moved over until now.

Q Okay. All right. Thank you. Mr. White, on Bates Page 045, you say the "Class I transfer price" --

CHAIRWOMAN MARTIN: Commissioner Bailey?

CMSR. BAILEY: Yes.

CHAIRWOMAN MARTIN: Can I interrupt for a moment? Ms. Fabrizio had her hand up.

CMSR. BAILEY: Oh. Sure.

MS. FABRIZIO: And, sorry. I apologize. I'm not yet quite familiar with this process in these video Webexes.

I did have some additional questions for Mr. White. But it sounded like I was done, I think, when I was finished with Ms. Menard.

So, at any point, whatever makes the most sense, I'd still like to ask a few questions of him.

CHAIRWOMAN MARTIN: Commissioner, would you like Ms. Fabrizio to go now?

CMSR. BAILEY: I would. Thank you.

CHAIRWOMAN MARTIN: Okay. Go ahead.

MS. FABRIZIO: Thank you.

BY MS. FABRIZIO:

Q Mr. White, I'd like to -- first of all, good morning.

A (White) Good morning.

Q I'd like to turn to your testimony at Bates Page 008 and 009. And this is going back to Exhibit 1 again. If I could just sort of recap what you're discussing here at this point in your testimony.

You talk about how enough New Hampshire auctions have now been held with the Company, and therefore the Company is now using New Hampshire specific data to develop its proxy supplier prices, which is one of the tools the Company uses to assess bids that it receives for its default service solicitation.

Is that an accurate recap?

A (White) Yes.

Q Thank you. And, previously, the Company has used historical factors from other jurisdictions to help develop high and low factors, thereby develop an expectation of bid levels, is that correct?

A (White) Yes. When wholesale procurements of energy service supply began in April of 2018, we had no direct experience of procurements for New Hampshire load. So, we utilized what we had experienced in Massachusetts and Connecticut, with regard to suppliers' winning offers.

So, we kind of borrowed that information and applied it in New Hampshire. Always believing that a better situation would be to use exclusively New Hampshire results, because although the processes are very similar, there are always unique aspects in a supplier's view of operating in New Hampshire -- or, delivering in New Hampshire, versus Connecticut or Massachusetts.

So, we feel we've built up enough New Hampshire exclusive experience, and are now utilizing only those results to develop our proxy price ranges.

Q Thank you. And were there any new bidders that participated in the process this time around?

A (White) We had one new supplier who executed a Master Power Supply Agreement in June, posted required credit. We investigated and discussed their -- what we knew of them in interactions in

New England through ISO-New England. And, based on that information, they also qualified, they did submit offers responding to the RFP.

Q Thank you. And were the winning bids from companies that Eversource had previously contracted with or were there new winners this time?

A (White) We have done -- we had prior experience for them providing wholesale requirement -- full requirements supply for all three bidders. One supplier had not delivered in New Hampshire, but we had experience with their providing wholesale supply in Connecticut. So, we did have experience with all three winners.

Q Thank you. And were the winning bids the lowest prices submitted or did consideration of non-price factors result in the selection of other bids?

A (White) Winning offers were chosen based on price. They're all the lowest price offers. Suppliers were deemed equivalent, if you will, and qualified based on all other factors. Credit being the other primary one, and some of the experiential attributes that I spoke of a minute ago. They were all deemed qualified and equivalent in other aspects.

Q Thank you. And did any of the bidders who were selected to provide energy request any changes be made to the Company's Master Power Supply Agreement?

A (White) I would describe them as "mostly editorial". When we negotiate, there are unique aspects in every MPSA. I don't believe any supplier has signed the version -- off-the-shelf version. There are always nuances that a supplier, you know, we go back and forth negotiating updates, provisions, and some of the language. And the MPSAs are reviewed by our group, in regard to wholesale activities in ISO-New England markets. It goes through a full legal review from a contract language standpoint, and it goes through our Credit Department. And changes requested by suppliers are either accepted --

[Court reporter interruption due to inaudible audio.]

CHAIRWOMAN MARTIN: Can you hold up for a minute? Mr. Patnaude?

MR. PATNAUDE: He keeps breaking up. I'm having trouble following.

CHAIRWOMAN MARTIN: Yes. I noticed. Let's go off the record.

[Brief off-the-record discussion ensued.]

CONTINUED BY THE WITNESS:

A (White) Okay. Changes to the Master Supply Agreement that are requested by suppliers are reviewed by the Treasury Credit Department, it goes through a legal review, and it goes through the Electric Supply Group with regard to wholesale market interactions, and what any requested changes would imply in that regard.

So, the other thought process that goes into this review is that, when it's all said and done, any requested changes or approved changes cannot advantage or disadvantage other suppliers who have already executed MPSAs. So, in our view, all the executed agreements are equivalent, with regard to the interactions among all the suppliers.

BY MS. FABRIZIO:

Q Thank you. Let's see. Moving back to your testimony on Bates Page 009 of Exhibit 1, in Lines 16 to 18, you state here that "The company views the winning offers for both Large and Small customers, when compared to projected price ranges, as reasonable and acceptable." And then, you underscore the statement again later, on Bates Page 010, Lines 27 to 28, by concluding that the current solicitation was a successful one that "resulted in reasonable market-based energy supply rates", is that correct?

A (White) Yes. That's correct.

Q And does that reflect your position today?

A (White) It does.

Q Thank you. And could you recap generally what you've relayed in your testimony on Bates Page 009, Line 20, through Bates Page 010, Line 23, the Company's approach to meeting its Renewable Portfolio Standard or RPS requirements, just briefly? Thanks.

A (White) Well, for all but Class I RECs, we make procurements for the RECs to meet our forecasted REC obligations. So, for Classes I-thermal through Class IV, we make purchases. And we either -- we periodically run RFPs or we make direct purchases through the generators or we make purchases through the broker markets in a bilateral fashion. So, we forecast requirements, and we go in the market. And, philosophically, it's kind of dollar-cost averaging, we don't -- we make purchases spread out over time during the compliance year, and into the next year, when RECs continue to be traded for the prior calendar year.

With regard to Class I, we have standing purchase power agreements under which we purchase Class I RECs. And, currently, those purchases under the PPA have exceeded the requirements needed to meet energy service REC obligations. So, in accordance with the Settlement Agreement, Class I RECs are transferred from those purchase power agreements to Energy Service to meet the compliance requirement. And that's done at the current market value for Class I RECs.

The rest of those PPAs and the Class I RECs not used for Energy Service compliance really stay in the SCRC book of business, if you will.

MS. FABRIZIO: Thank you. I keep reaching for my mute button. Thank you. That's all the questions I have for Mr. White.

CHAIRWOMAN MARTIN: Okay. Thank you. Back to Commissioner Bailey.

CMSR. BAILEY: Thank you. That's a great place to segue, Ms. Fabrizio.

BY CMSR. BAILEY:

Q Mr. White, can you look at Bates Page 025 please? And, in your testimony, in your written testimony, you say that you, as you just discussed with Ms. Fabrizio, that the transfer price is the current market price, and that is shown not confidential on this page. Right? For Class I-thermal, Class II -- well, Class I, actually, is the one that you're giving the transfer price for, right?

A (White) That's correct.

Q So, can you verify what that price is right now?

A (White) $40.75 per REC.

Q And how did you determine that that was the market price?

A (White) We get broker quotations, broker sheets, for closing prices from the prior day. So, very similar to energy prices, when we establish our proxy price, we get closing prices, in this case, from June 8th, one day before offers are due on the 9th.

Similarly, we get REC price market reports from closing prices on June 8th. We have two sources. And we base these market prices on those broker quotations. And we look at basically utilize all the information provided from both sources, and average things to arrive at a accumulated average number.

Q So, the accumulated average number, market price for Class I RECs, is $40.75. And for what period will that apply?

A (White) That will apply for August 2020 -- well, the 40.75 is a 2020 market price. You can see, in the next column, the quoted prices are 35.50 in 2021. So, the transfer price would be $40.75 for August through December of 2020, and 35.50 for January of '21.

Q Okay. And the price under the contract that you pay for this, do you remember what that is off the top of your head?

A (White) For Burgess, I believe it's -- I have it here, give me one second -- 57.26, $57.26 per REC. For Lempster, it's $10 per REC.

Q So, if the market price is $40, and you're paying Lempster 10, do customers get any credit for that difference?

A (White) No. The credit of the 10, I guess, offsets the 57.26. All of that remains in SCRC. And, in the terms of the Settlement Agreement, it was deemed appropriate that Energy Service customers would pay a then current market price. Again, similar to the base Energy Service rate, again, why we don't feel net metering costs belong in the Energy Service rate, one of the aspects -- one of the good aspects would be that it is a fair representation of market prices against which the remaining retail market and so forth would do business against.

So, 40.75 is the current quoted value for RECs. And we believe it's appropriate that that is the proper RPS component to go into the ES rate, so that it accurately reflects a current market price for full requirements service.

Q So, if you're collecting $40.75 per REC, and you're only paying $10 per REC, for the Lempster

REC, why wouldn't that offset some of the stranded costs?

A (White) Oh, it does offset stranded costs.

Q Okay.

A (White) The benefit of the $10 doesn't show up in ES. But that full $40.75 is credited against SCRC rates.

Q Okay. And, on the flip side, the difference between $40.75 and the amount that you pay Burgess, $57.26, customers pay for that difference in stranded costs?

A (White) Correct.

Q And do you have to buy -- I think you said you buy more RECs from Burgess than you need, is that correct?

A (White) Yes. The combined volume of Class I RECs from Burgess and Lempster exceed the Class I requirement for Energy Service.

Q Do you try to sell those extra RECs?

A (White) We do. We sell the surplus RECs in the market.

Q And have you been successful in selling all of the surplus?

A (White) Yes. We have.

Q Okay.
A (White) And our philosophy is to try to, within a compliance year, make all those transactions within that compliance year, so that we essentially balance -- we sell all the surplus, holding only what we need for Energy Service compliance. So, we are -- our approach is not to carry forward, as I'm sure you know, RECs can be carried forward for the full compliance in future years. But, to keep things within the current rate period and compliance period, we try to minimize the carryforward aspect, and not just for Class I, for all the classes.
Q Okay. And, if you sell them for less than the market price that you're collecting, does that add to the stranded costs?
A (White) Yes.
Q And, if you sell them for greater than the market price that you're collecting, does that reduce the stranded costs?
A (White) Yes.

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

CHAIRWOMAN MARTIN: Commissioner

Giaimo.

CMSR. GIAIMO: Thank you. We'll start with Mr. White, and then move to Ms. Menard. Can I just see a head shake that people can hear me?

[Multiple indications given.]

CMSR. GIAIMO: Okay. Thank you.

BY CMSR. GIAIMO:

Q Mr. White, in your testimony, you reference that "approximately 44 percent of Eversource's total distribution load" is with competitive supply. Off the top of your head, can you break that down by class?

A (White) Somewhat from recollection, I would say that 80 percent of residential customers remain on Energy Service; probably around 45 percent of commercial customers remain on Energy Service; and I'm going to say about 10 percent of industrial customers remain on Energy Service.

Q Okay. And that's fair. I'm going to switch to Ms. Menard. Is this part of the reason why that imbalance in utilization of competitive supply, is that what justifies putting costs in the SCRC?

MR. PATNAUDE: You're on mute.

CHAIRWOMAN MARTIN: Mr. Patnaude?

MR. PATNAUDE: She's on mute.

CHAIRWOMAN MARTIN: Ms. Menard, I think you're on mute. Thank you, Mr. Patnaude.

BY THE WITNESS:

A (Menard) Could you ask that question again?

BY CMSR. GIAIMO:

Q You were talking about the reason why certain elements need to be in SCRC. Specifically, we were talking about net metering. And your comment, I believe, was "the reason why it should be in the SCRC is so that it's nonbypassable and flows through to all ratepayers, irrespective of whether or not they take default service."

A (Menard) Yes.

Q So, I'm just trying to connect dots here, and say the discrepancy between residential and C&I utilization of suppliers gets to the very discussion you had earlier?

A (Menard) Yes. Yes. As Mr. White was saying, and I have the numbers somewhere, I can't find them right now, but, roughly, he was saying is about accurate, in that there has been a large exodus of the larger customers to competitive supply. So, that leaves the majority of those taking

Energy Service being residential customers.

Q Thank you. Back to Mr. White. Mr. White, you mentioned something about the experience of one of the suppliers -- or, let me say that differently. That one of the suppliers had no specific New Hampshire default service solicitation experience, and they had never won a previous New Hampshire bid. Had they won a Connecticut bid? It sounded like you said that you knew that they had done business in Connecticut, but had they won, like, a CL&P bid?

A (White) Yes, they have.

Q Okay. Thanks. Mr. White, what does it tell you that there was a different winner in each -- in the C&I category, as well as in multiple tranches within the residential category?

A (White) I would say it's representative of a good level of participation in the solicitation. I would say that it represents that prices were somewhat clustered and close to one another, such that, for the winning offers, there was more than one supplier, and I'm referring to the Small. That probably covers it.

Q Okay. Thank you. Did the Company consider the effect that COVID had on supplier bids? Was the Company view that maybe COVID would reduce the demand for electricity, which would increase the amount of supply and result in lower costs? Was there more uncertainty associated with it, so maybe there was more risk premium added? Or, was the effect generally negligible?

A (White) We, of course, don't know exactly what suppliers did do. In discussions with suppliers leading up to their presenting their offers, discussions about the pandemic were almost exclusively focused on the Large Customer Group. That seemed to be where their concerns lay. We interpreted that as impacting possibly both participation and price.

Again, we don't know, but that -- they seemed to be mostly concerned about the Large Group. I would expect that, across the board, including small, they incorporated something with regard to the pandemic in their risk profiles built into their offers.

Nevertheless, I don't know that we noticed it, necessarily, except perhaps with regard to participation. I would point out, as I mentioned in my opening remarks, that we did not adjust our proxy prices in any way to account for impacts of the pandemic. It was a straight utilization of winning offers from prior solicitations that, obviously, had none of those effects. And offers still came in very reasonably within those proxy ranges.

We have had discussions with our load forecasting experts within the Company. And they have seen what they believe to be effects from the pandemic. Loads are overall down slightly, you know, 2 percent. Residential loads are up, in the 10 percent range. And commercial/industrial loads are down 10 to 15 percent.

Nevertheless, it's their view that, with reopening, the economy getting going again, that those percentages may revert -- those changes may revert back to normal as we go forward. They didn't feel there was enough -- enough data points to make an adjustment to the Company's forecast at this time. But they are watching it and will produce a new forecast this fall, at which time they will incorporate as --

based on what they see over a longer time period, and, you know, the impact of the pandemic on the economy and the recession that we're evidently currently in.

Q Thank you, Mr. white. I just want to make sure I understand that the request is having an order no later than Thursday, two days from now. Is that still the case?

A (White) Yes.

Q Okay. Mr. White, is it fair to say that the Large Customer class supplier response was better than in recent prior -- in recent prior solicitations? Or, consistent with, would that help? Consistent with prior experiences with respect to solicitation in the Large Group category?

A (White) Yes. We believed it was a good price that was offered, based on our evaluation of the supplier and the offered prices.

Q Okay. Mr. White, you had a discussion with Commissioner Bailey about the REC market. And you had the current prices, and I'm on Page 25 of your testimony, or --

A (White) Okay.

Q Is it fair to say that the classes are below the ACP level -- below ACP levels with respect to what the current market value is?
A (White) Yes, it is.
Q Does that suggest more supply than demand?
A (White) I would say that's what it suggests, yes.
Q And I just want to make sure I understand this right. You do not, as a general rule, bank RECs?
A (White) That's correct. There has been some holdover in the past of some of that. But, as I mentioned, our approach is to not carry forward.
Q So, as a sophisticated utility, who's been doing this a while in multiple jurisdictions, I'm wondering if there's a lost opportunity there? But you can comment on that or you can just --
A (White) Yes. I think, potentially, that's true. With opportunity, comes risk. And I guess we've taken the approach that current ratepayers would cover current activity for that compliance year. So, trying to keep things contemporaneous, and not borrow from one period to support a future period.
Q That's reasonable. Thank you. Okay. Ms. Menard, I have a couple questions for you, if

that's -- so, I don't want to belabor the question of the net metering, but I do want to make sure I understand it.

So, the $4.2 million that you reference on Page 90 of your testimony, and I can wait till you get to that.

A (Menard) Yes.

Q Okay. So, does that only represent the six-month period of August 1 to February 1?

A (Menard) Yes.

Q Okay. And then you -- and then, from that, from February 1st, it goes into the SCRC. So, we'll see the costs for February 1st through July 31st in the SCRC filing that's forthcoming?

A (Menard) Yes.

Q Okay. Is it fair to say that it -- that the magnitude would be something similar, if it was 4.2 million in the first six months, that we will see a similar bill for the next six months?

A (Menard) That's fair to say. I would say, historically, we have not forecasted net metering expense, which contributes to the under recovery here. So, we had only included actuals through May. But I would -- I would agree with you that it would probably, you know, half a year at 4.2, a full year would probably be about double.

Q Okay. And is it a fair indication that there is a large amount of development in the solar rooftop world?

A (Menard) There has been an increasing amount of it over the past few years. And I think that was part of the oversight initially was it wasn't as large, and then over time it has grown to a larger amount.

Q And the 0.2 million reference for the C&I customers, this gets back to the discussion we were just having a couple of minutes ago, right? That the relatively nominal or small amount of C&I on default service produces the number of 0.2, which dwarfs the number paid by residential?

A (Menard) Yes. The way that we had allocated net metering costs in the Energy Service rate was to take the total cost, and then allocate it based on the sales for each of the two classes. So, the smaller class had a larger percentage of sales than the large class, so they got allocated different percentages.

Q And, in the next filing, the SCRC filing, we will see, again, getting to the point made earlier, we'll see an equitable or a distribution where it's nonbypassable, so all customers will be paying a comparable amount?

A (Menard) Yes. It will follow the allocation percentages that are set forth in the SCRC rate.

CMSR. GIAIMO: Okay. I want to thank both the witnesses for their time. That's all the questions I have.

WITNESS WHITE: May I make a follow-up comment please?

CHAIRWOMAN MARTIN: Is it in response to Commissioner Giaimo?

WITNESS WHITE: Yes.

CHAIRWOMAN MARTIN: Yes.

WITNESS WHITE: Commissioner Giaimo, we had a discussion about supply and demand in the RECs markets. And I think it might be somewhat misleading, because what I'd like to add is that we have found insufficient supply available in the Class I-thermal markets.

CMSR. GIAIMO: Okay.

WITNESS WHITE: In all other classes, our experience has been supply exceeds demand, but not for Class I-thermal. We have not been able to find sufficient to meet the requirements.

I just don't want the record to be misleading.

CMSR. GIAIMO: Thank you. That's an important distinction. And it's also -- it was a good clarification, specifically with respect to the Class III as well. So, thank you for answering that, for providing that information.

CHAIRWOMAN MARTIN: Okay. I have a couple questions.

BY CHAIRWOMAN MARTIN:

Q First, for Ms. Menard, this is following up on Commissioner Giaimo's question relating to the net metering oversight.

I heard you mention "oversight" a couple of times in your testimony, first, related to net metering, second, related to working capital. And you started to describe why there was an oversight related to net metering. Can you explain further that oversight and working capital oversight? It's really a three-part question. Essentially, why did it happen? And what are you doing to avoid that kind of oversight in the future? And does anything need to be done to rectify the oversight?

A (Menard) Well, I'll take net metering first. I can't -- honestly, I can't speak to why it didn't happen. I wasn't here at the time. But I understand that it was intended to happen. But I think there are a lot of changes happening at the same time. We had moved to a new Energy Service construct. And the net metering costs are a little bit difficult to gather. So, I imagine that it was -- it was intended to get to moving these costs, and it just -- it didn't happen.

When I took over the job, I was told that, you know, it was something that we needed to do. And it just took us a little bit of time to put everything in place, to make sure we got all the costs, to properly move them to the Stranded Cost rate.

You're second question about the working capital, I think, during the time period where the 2017 Reconciliation -- Annual Reconciliation was occurring, there was some discussions back and forth between the Company and Staff on the Lead/Lag Study. Once the order was finalized, it was April of 2019. And then, it -- I can't say as to why it didn't happen in the next. So, April would have been into the August 2019 rate. But Rich Chagnon, of Staff, did prompt us to make sure we did include it in this filing.

So, again, I think it's just there's lots of things to include and exclude. And any time something's different, it just took us a little bit of time to get all the pieces together to put it in place.

And I think you had a third one. "How do we make sure that this doesn't happen in the future?" You know, I think those are the only items that were open that needed to be addressed. And I don't know of any others that we had on our radar that needed to be adjusted.

Q Okay. And my last question was, were there impacts of those oversights that need to be rectified somehow?

A (Menard) Okay. So, for net metering, we're recovering those costs either way, either in the Energy Service rate or in the Stranded Cost rate. So, there wasn't anything missed, in terms of cost recovery. The only thing missed would be who is -- which customer classes we are recovering those costs from.

For the working capital, if we were to go back into, you know, we could all pick a point in time as to when we wanted to go back and recover working capital costs, the missed costs or missed credits would have been for the 2019 time period, prior to August of 2019, because we are including -- we are going back in this rate to August 2019.

Q Okay. Thank you. I had a question, this is probably for Mr. White, about the evaluation criteria. One of those is to describe the risk -- is the risk relative to price and ability to serve the load. Can you give me more information about that criteria and how it's applied?

A (White) I believe that -- I would say that relates to the experiential attributes that we talked about. Should there be a supplier, we haven't had this occurrence, but if there was a supplier who had had a credit event at ISO-New England, or we had -- whether it be administrative or delivery event during a period of time when they were delivering full requirements service. If there had been something that would need to be incorporated into our evaluation of that supplier, and whether accepting a supply from them might add risk for customers, that would be where we would have to evaluate, let's say, their price was lower, but we felt there was some risk in accepting it. That's where those types of things would come into play.

I think it would be somewhat judgmental. That's why we meet with senior management on the results of these RFPs. We haven't -- I guess the short answer is, we haven't been put in a position where it's been necessary to incorporate that thinking into the final evaluation of bidders. As I said, they have all -- everyone we've dealt with, nobody really has any black marks against them. So, it's always come down to price alone as the deciding criteria.

But those are the types of -- that's the thinking process that would go into that kind of risk/reward evaluation.

Q Okay. Thank you. The last question relates to Ms. Menard. You mentioned that you add the administrative and general costs to get to the retail price. Can you just describe what is included in that?

A (Menard) Yes. There's -- I'm sorry. If you were to look at Bates Page 106, there's four key items in that. "Internal Company Administrative" costs: So, labor associated with running the RFP process; getting the bids, evaluating the bids, the contracts. That would be included in the "Internal Company Administrative" line.

Then, there's the "Bad Debt Expense", that's apportioned to the Energy Service rate. That is currently set at 65 percent, which is set from the last rate case, in DE 09-035.

Going forward, in our current rate case, there is a proposal to change that to 47.7 percent. And it's just based on the allocation of sales.

And the next item is "Company Usage", which is usage for Company facilities. And that again was set forth in the 2009 rate case, that's about $115,000 a month, a credit of.

And then, there's the -- there's $10,000 a year that's allocated to Energy Service from the PUC assessment, the quarterly assessments.

So, that's what makes up administrative and general expenses.

CHAIRWOMAN MARTIN: Okay. Thank you for that.

And back to Mr. Fossum, do you have any redirect?

MR. FOSSUM: Thank you. And, no, I do not.

CHAIRWOMAN MARTIN: Okay. Before we go to closing statements, we will strike ID on exhibits. Exhibits 1 and 2 are admitted as full exhibits.

Anything else that we need to do?

[No verbal response.]

CHAIRWOMAN MARTIN: All right. Let's go to closing statements, starting with Mr. Kreis please.

MR. KREIS: Thank you, Chairwoman Martin. I just have a few points to make in closing.

The first thing I would like to do is fall on my sword, with respect to taking net metering costs out of the Energy Service rate and putting it into the Stranded Cost Charge where it belongs, an adjustment that is favorable to residential utility customers. I apologize, because, in a better world, it really would have been my responsibility, and that of my office, to raise this issue with the Commission and with the Company. And, had we done so, it would have resulted perhaps in this adjustment or change taking place earlier. And, so, I want to apologize for that.

With respect to the other issue that the Company identified, and that Chairwoman Martin was just talking about, that has to do with changes in the way the Default Service rate is calculated, the one having to do with working capital, I personally find it disconcerting that Eversource believes that it can come back every time it does one of these and sort of refine its accounting methodology to account for mistakes or clarifications that it has discovered along the way.

And, therefore, I think the Company should consider -- or, the Commission, that is, should consider disallowing this particular adjustment, as a way of setting an example and putting utilities on notice that they really have a responsibility to get this right in the first instance.

And, finally, I have a similar position with respect to deducting accumulated deferred income taxes from the RPS balance for purposes of calculating the carrying charges. I was really glad to hear Commissioner Bailey pick up on that line of questioning that I raised. This may be because I'm a lawyer, and not a tax accountant, but I don't think the Company made a convincing case for the way it handles that. And I think, again, that the Commission should disallow it.

Subject to those issues and adjustments, I believe that the latest default Energy Service procurement was conducted in an appropriately rigorous and fair way. The results of that procurement were competitive and reasonable vis-a-vis the market. The Company should approve -- or, the Commission, that is, should approve the results of the default service solicitation, and it should approve the resulting rates as consistent with the statutory just and reasonable standard.

Thank you.

CHAIRWOMAN MARTIN: Thank you, Mr. Kreis. Ms. Fabrizio. You're on mute.

MS. FABRIZIO: I think I hit the mute button.

Staff has reviewed the Company's filing in this proceeding, and determined that the Company conducted the solicitation and selection of winning bids for default Energy Service, in compliance with the Settlement Agreement and process approved by the Commission in Docket 17-113, in Order Number 26,092.

Staff believes the Company's selection of the winning suppliers is reasonable and based on a competitive procurement. As a result, we think the resulting rates are just and reasonable.

In addition, the Company has appropriately included in its filing the calculation of a cash working capital requirement, developed using a lead/lag study based on 2019 data. That calculation and the Lead/Lag Study are included with the testimony of Ms. Menard. Now, Staff had anticipated this inclusion based on Ms. Menard's prior testimony in Docket DE 19-082.

Based on what we've heard today, Staff would like an opportunity to investigate further the issue of including ADIT as part of the Energy Service rate as discussed today. That appears to be a relatively novel issue. And we would like the opportunity to perhaps recommend an adjustment in the next filing, if needed, or possibly a disallowance, as has been suggested by other participants today.

That said, Staff supports the filing and recommends that the Commission approve Eversource's Petition and proposed rates.

Thank you.

CHAIRWOMAN MARTIN: Thank you. Mr. Fossum.

MR. FOSSUM: Thank you.

I mean, I guess I'll begin at the end,

and say it's the Company's position that both the procurement, method, and practice, as well as the resulting rates, are just and reasonable and appropriate. And we believe should be approved as they have been filed.

Relative to -- I guess I'll address the two items. Relative to the ADIT and its inclusion or exclusion in that calculation, I think, you know, we don't, obviously, agree that it should be disallowed. As Ms. Menard testified, this is a -- it's a standard method of ratemaking to account for this timing difference in setting rates.

That said, we understand the Staff's position and desire to investigate it further. And we would certainly participate and be as helpful as we can in an investigation. We, I think, have the same goal in mind, in that we are all looking to assure that these calculations are done accurately and appropriately. But we do not support a disallowance and would argue against that.

As to the other issue that the OCA has raised, regarding the cash working capital and the way that that is done, you know, I guess it's one of those "things happen". This is an issue that it did -- should have been perhaps incorporated earlier. But, as Ms. Menard noted, we didn't -- we received an order in April of 2019 describing how that was to be done. It's accounted for, in this filing, as of August. So, unless I'm mistaken, I believe that we're talking about a relatively short period where there was a potential issue here. And I don't think it's anything that justifies a disallowance. So, we would also argue against that.

I guess I'll wrap up where I began. I believe that the rates that we have presented for the Commission's approval are just and reasonable, and we would ask that they be approved as filed.

CHAIRWOMAN MARTIN: Okay. Thank you, everybody. I think that's all we have to do for today.

So, we'll close the record. And we are aware of the timetable here. So, we will issue an order as soon as we possibly can.

And the hearing is adjourned. Have a

good day.

(Whereupon the hearing was adjourned at 12:07 p.m.)