

1 STATE OF NEW HAMPSHIRE  
2 PUBLIC UTILITIES COMMISSION  
3

4 December 10, 2009 - 10:57 a.m. DAY 1  
5 Concord, New Hampshire

6 RE: DE 09-180  
7 PUBLIC SERVICE OF NEW HAMPSHIRE:  
8 Proposed 2010 Default Energy  
9 Service Rate.

10 PRESENT: Chairman Thomas B. Getz, Presiding  
11 Commissioner Clifton C. Below  
12 Commissioner Amy L. Ignatius

13 Sandy Deno, Clerk

14 APPEARANCES: Reptg. Public Service of New Hampshire:  
15 Gerald M. Eaton, Esq.

16 Reptg. TransCanada Power Marketing:  
17 Douglas L. Patch, Esq. (Orr & Reno)

18 Reptg. Freedom Logistics & Halifax-American:  
19 James T. Rodier, Esq.

20 Reptg. Residential Ratepayers:  
21 Meredith Hatfield, Esq., Consumer Advocate  
22 Kenneth E. Traum, Asst. Consumer Advocate  
23 Office of Consumer Advocate

24 Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Steven E. Mullen, Asst. Dir. - Electric Div.

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

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                                 DAVID A. ERRICHETTI

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1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning  
3 again. We'll open the docket in DE 09-180. On  
4 September 24, 2009, Public Service Company of New  
5 Hampshire filed a petition to establish its Default Energy  
6 Service rate for effect with service rendered on or after  
7 January 1, 2010. An order of notice was issued on  
8 October 5 setting a prehearing conference for October 19.  
9 On November 4, a secretarial letter was issued approving a  
10 procedural schedule, culminating in a hearing on the  
11 merits for this morning.

12 Can we take appearances please.

13 MR. EATON: For Public Service Company  
14 of New Hampshire, my name is Gerald M. Eaton. Good  
15 morning.

16 CHAIRMAN GETZ: Good morning.

17 MR. PATCH: Good morning. Douglas  
18 Patch, from the law firm of Orr & Reno, on behalf of  
19 TransCanada. And, with me this morning are Michael Hachey  
20 and Cleve Kapala.

21 CHAIRMAN GETZ: Good morning.

22 MR. RODIER: Mr. Chairman, Jim Rodier  
23 for Freedom Energy Logistics and Halifax-American Energy  
24 Company.

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1 CHAIRMAN GETZ: Good morning.

2 MR. RODIER: Thank you.

3 MS. HATFIELD: Good morning,  
4 Commissioners. Meredith Hatfield, for the Office of  
5 Consumer Advocate, on behalf of residential ratepayers.  
6 And, with me from the Office is Ken Traum.

7 CHAIRMAN GETZ: Good morning.

8 MS. AMIDON: Good morning. Suzanne  
9 Amidon, for Commission Staff. And, with me today is Steve  
10 Mullen, who is Assistant Director of the Electric  
11 Division.

12 CHAIRMAN GETZ: Okay. Good morning.  
13 There's one preliminary matter that I wanted to address.  
14 I understand there's a general understanding among the  
15 parties on the way we're going to proceed this morning.  
16 But, Mr. Patch, I want to ask a question about your motion  
17 for administrative --

18 (Microphone noise)

19 MR. PATCH: Is that me? Sorry.

20 CHAIRMAN GETZ: -- your motion for  
21 administrative -- to take administrative notice of the  
22 record in docket DE 07-108. And, there's a couple of  
23 issues. First, our Rule Puc 203.27 speaks to taking  
24 administrative notice, "the relevant portion of the record

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1 of other proceedings before the Commission." So, I was  
2 looking for a response on are there portions of that  
3 record that you're seeking to introduce? And, we have one  
4 very practical concern is, to the extent that there's a --  
5 there were a appeal of this case, would the expectation be  
6 that the entire record from that docket be part of the  
7 record on appeal? And, I guess the question would be,  
8 what would the Supreme Court think of that? So, does it  
9 take notice of the decision in that case, in which case,  
10 you know, we really can just cite to it? Or, is there  
11 testimony perhaps you wanted to use to impeach a witness?  
12 So, if you could just maybe give us some parameters to  
13 what the request is seeking.

14 MR. PATCH: Yes. Thank you, Mr.  
15 Chairman. In the motion, I think we had -- well, first of  
16 all, we had contacted the parties to see if there would be  
17 any objection to that. And, as a result of those  
18 contacts, we had limited it to the exhibits, the  
19 transcript, and the orders. And, I don't think I'm  
20 missing anything there. But, I think, from TransCanada's  
21 perspective, the main thing is the plan itself, which was  
22 filed, would have been an exhibit, there was a March 28th  
23 supplement to the plan that was filed, March 28th of '08,  
24 and then there are the Commission orders. And, those are



1     probably the primary things that we would have concern  
2     with. So, if you were concerned about too large a record  
3     going to the Supreme Court, in the event that were to  
4     happen, I mean, those are the things that we care about  
5     the most.

6                     CHAIRMAN GETZ: Well, I guess that's the  
7     one side of it, is how -- is what the practical impact  
8     would be. And, I guess the other side of it is from the  
9     perspective of the rule, the relevant portions. So, your  
10    position essentially is all the exhibits, testimony,  
11    transcript, and orders are the relevant portions?

12                    MR. PATCH: Well, I mean, I guess I'm  
13    modifying that position a little bit today so it would be  
14    helpful to the Commission, by saying the plans, the filing  
15    of March 28th in 2008, which was a supplemental to the  
16    plan, and the orders of the Commission would be sufficient  
17    from our perspective. The other parties might feel that  
18    they needed more than that, I don't know. But -- and our  
19    motion was broader than that, but I'd be happy to narrow  
20    it down.

21                    CHAIRMAN GETZ: Well, I guess the  
22    question is, practically, why would you need the orders?  
23    You can always cite to the orders. So, really, what  
24    you're looking for is the plan and the supplement to the

1 plan?

2 MR. PATCH: Yes.

3 CHAIRMAN GETZ: Does anybody else have  
4 anything on this issue?

5 MR. EATON: No, your Honor. I think --  
6 I think that's acceptable to PSNH. And, --

7 CHAIRMAN GETZ: Well, I think you had  
8 agreed to the larger set of documents, and I assume you --

9 MR. EATON: Yes. But those are -- I  
10 just want, for clarification, those are Exhibits 1 and 2  
11 in that docket, as my records reflect. The plan that was  
12 filed in September is Exhibit 1 and the supplement is  
13 Exhibit 2.

14 CHAIRMAN GETZ: All right. Anything  
15 further on that?

16 (No verbal response)

17 CHAIRMAN GETZ: All right. Hearing  
18 nothing, thank you, Mr. Patch. Mr. Eaton, are you ready  
19 to proceed?

20 MR. EATON: Well, maybe we need some  
21 clarification from the Commission. We had proposed and  
22 told the other parties, we have not necessarily gotten  
23 agreement, that we would go ahead with our direct  
24 examination, using the initial filing and the November

1 11th testimony and the December 7th update. But we  
2 reserve the rebuttal testimony, to put that on after  
3 Mr. Hachey testifies, because the rebuttal testimony is  
4 rebutting Mr. Hachey's testimony. And, we feel we should  
5 be able to go after him. Of course, there would be  
6 cross-examination of the rebuttal testimony. If that's  
7 the way the Commission wants to proceed, but other parties  
8 may want to comment on that proposal.

9 CHAIRMAN GETZ: Any objection to that?

10 MR. PATCH: Mr. Chairman, TransCanada  
11 would object to that. It's our feeling that the three  
12 testimonies are all so interrelated it would be difficult  
13 for us on cross-examination to sort of limit our first  
14 round of cross on the first testimony to just the first  
15 two testimonies, and then save any questions that relate  
16 to the rebuttal for the separate testimony by Mr. Baumann,  
17 the panel or whatever. I just think, administratively,  
18 it's inefficient to do it that way. So, we would object  
19 to that.

20 CHAIRMAN GETZ: Mr. Rodier.

21 MR. RODIER: Mr. Chairman, I feel the  
22 same way, but for perhaps a slightly different reason. If  
23 Public Service puts in all their testimony -- by the way,  
24 I have an agreement with Mr. Patch that I'm going to

1 cross-examine PSNH before he does. But my point is, if  
2 all of their testimony is in, I can do all of my  
3 cross-examination, and then, you know, if it's convenient  
4 or -- in the situation, depending on how it looks, I would  
5 then be able to leave. So, for my own like selfish point  
6 of view, I would like to do it all at once, and then I can  
7 decide how to apportion, you know, my time for the rest of  
8 the day. Thank you.

9 CHAIRMAN GETZ: Thank you. Anyone else  
10 have anything on this issue? Ms. Hatfield.

11 MS. HATFIELD: I'm just wondering if  
12 there might be a way to satisfy both parties, and allow  
13 cross on PSNH's panel on all three things that they filed,  
14 the original, the update, and the rebuttal, but then allow  
15 PSNH to go last, to call their panel again, if they need  
16 to. Because I agree, it would be difficult to kind of  
17 divide up the cross, because it is interrelated.

18 CHAIRMAN GETZ: Mr. Patch?

19 MR. PATCH: Mr. Chairman, could I just  
20 say one more thing? And, that is, I mean, it's my  
21 understanding that, generally, on direct, the Commission  
22 at least frowns upon, you know, sort of leading the  
23 witness and asking for a summary of their testimony and so  
24 forth. So, the real point is to make the person available

1       for questions from the Commissioners or cross-examination.  
2       So, I'm not sure what benefit there is because of that and  
3       having him testify separately. Unless I'm  
4       misunderstanding how the Commission generally approaches  
5       this.

6                               (Chairman and Commissioners conferring.)

7                               CHAIRMAN GETZ: The way the testimony  
8       developed in this case is it was not really consistent  
9       with the November 4 secretarial letter, and that's partly  
10      because of the bunch of motions that were filed and our  
11      suspension of the proceeding. So, in the first instance,  
12      there really wouldn't have been a rebuttal witness  
13      contemplated. But, having said that, I think what we'll  
14      do is allow cross, and then I think it's somewhat  
15      consistent with what Ms. Hatfield suggested, allow  
16      cross-examination in the first instance of the PSNH  
17      witnesses on all of the testimony. And, then, to the  
18      extent that you would like to recall your rebuttal witness  
19      after the other witnesses have gone forward, then we'll  
20      entertain your request.

21                              MR. EATON: That's fair. Thank you.

22                              CHAIRMAN GETZ: All right. Is there  
23      anything else?

24                              (No verbal response)

[WITNESS PANEL: Baumann|Errichetti]

1 CHAIRMAN GETZ: Hearing nothing, then,

2 Mr. Eaton.

3 MR. EATON: I would like to call Robert

4 A. Baumann and David A. Errichetti to the stand please.

5 (Whereupon Robert A. Baumann and

6 David A. Errichetti were duly sworn and

7 cautioned by the Court Reporter.)

8 ROBERT A. BAUMANN, SWORN

9 DAVID A. ERRICHETTI, SWORN

10 DIRECT EXAMINATION

11 BY MR. EATON:

12 Q. Mr. Baumann, will you please state your name for the  
13 record.

14 A. (Baumann) My name is Robert Baumann.

15 Q. For whom are you employed and what is your position?

16 A. (Baumann) I'm employed by Northeast Utilities Service  
17 Company, provides services to all the operating  
18 companies of Northeast Utilities, one being Public  
19 Service Company of New Hampshire. I'm the Director of  
20 Revenue, Regulation and Load Resources. And, part of  
21 my responsibilities is to provide testimony in support  
22 for all the operating companies with respect to  
23 generation and other rate recovery issues in all three  
24 jurisdictions.

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[WITNESS PANEL: Baumann|Errichetti]

1 Q. Mr. Errichetti, would you please state your name for  
2 the record.

3 A. (Errichetti) My name is David A. Errichetti. I work  
4 for Northeast Utilities Service Company in the  
5 Wholesale Power Contracts Department. And, my title is  
6 Manager of Generation Resource Planning.

7 MR. EATON: Would it be helpful if Mr.  
8 Mr. Errichetti moved his microphone a little bit closer?

9 CHAIRMAN GETZ: It would.

10 WITNESS ERRICHETTI: Better?

11 BY MR. EATON:

12 Q. Mr. Baumann, have you previously testified before this  
13 Commission?

14 A. (Baumann) Yes.

15 Q. Mr. Errichetti, have you previously testified before  
16 this Commission?

17 A. (Errichetti) Yes.

18 Q. Do you have in front of you a document under my cover  
19 letter dated September 24th, 2009?

20 A. (Baumann) Yes.

21 Q. Could you please describe that document.

22 A. (Baumann) That document has a cover letter and my  
23 testimony in support of the initially filed Energy  
24 Service rate that would be effective January 1st, 2010.

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[WITNESS PANEL: Baumann|Errichetti]

1 That rate specifically in the filing is 9.31 cents per  
2 kilowatt-hour.

3 Q. Did you prepare testimony that's contained in that  
4 document?

5 A. (Baumann) Yes.

6 Q. And, do you have any corrections to make to that  
7 testimony?

8 A. (Baumann) No.

9 Q. And, is it true and accurate to the best of your  
10 knowledge and belief?

11 A. (Baumann) Yes.

12 MR. EATON: Can we mark that as "Exhibit  
13 1" for identification?

14 CHAIRMAN GETZ: So marked.

15 (The document, as described, was  
16 herewith marked as Exhibit 1 for  
17 identification.)

18 BY MR. EATON:

19 Q. Next, gentlemen, I'd like you to look at a document  
20 that's entitled "Supplemental Prepared Testimony of  
21 Robert A. Baumann". Do you have that in front of you,  
22 Mr. Baumann?

23 A. (Baumann) Yes.

24 Q. When was that filed?

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[WITNESS PANEL: Baumann|Errichetti]

1 A. (Baumann) That was filed on November 23rd, 2009.

2 Q. And, could you please explain what's contained in that  
3 document.

4 A. (Baumann) That document updated and highlighted one  
5 specific topic, and that being migration, the current  
6 migration levels and its impacts on the Energy Service  
7 rate. And, it presented more detail in support of the  
8 Company's proposal for the consideration of two  
9 specific methods, a Method 1 and a Method 2, for  
10 addressing the current rise in the Energy Service rate  
11 associated only with migration.

12 Q. Is this testimony true and accurate to the best of your  
13 knowledge and belief?

14 A. (Baumann) Yes.

15 Q. And, if you were asked those questions today on direct,  
16 you'd answer correctly -- I mean, you'd answer the same  
17 way?

18 A. (Baumann) Yes.

19 MR. EATON: Could we have this marked as  
20 "Exhibit 2" for identification?

21 CHAIRMAN GETZ: So marked.

22 (The document, as described, was  
23 herewith marked as Exhibit 2 for  
24 identification.)

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[WITNESS PANEL: Baumann|Errichetti]

1 BY MR. EATON:

2 Q. Now, gentlemen, I'd like you to look at a document that  
3 has my cover letter of December 7th, 2009. I wondered  
4 if you would recognize that document?

5 A. (Baumann) Yes. That document is an update to the  
6 originally filed calculation of the Energy Service rate  
7 from September 24th filing, and that was updated for  
8 more current cost and price data, as well as it rolled  
9 in a couple extra months of actual data, specifically  
10 September and October actual data results that were not  
11 available in September. And, in that document, there  
12 is a proposed traditional Energy Service rate of 9.21  
13 cents per kilowatt-hour.

14 Q. Do you have any corrections to make to that filing?

15 A. (Errichetti) Yes. Yes.

16 Q. Could you please explain those.

17 A. (Errichetti) In the technical statement, second to last  
18 page of the filing, there is a table that shows forward  
19 electricity prices for delivery in Massachusetts hub.  
20 In the far right-hand column, the percent changes for  
21 all hours, there was an error in the calculation, and  
22 I'd like to just quickly run through the changes: The  
23 "3.5" in January and February should have been "4.0".  
24 The "negative 1.1" in May --

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[WITNESS PANEL: Baumann|Errichetti]

1 Q. May I interrupt you?

2 A. (Errichetti) Yes.

3 MR. EATON: Mr. Chairman, would it be  
4 better if we had these marked and the Clerk would make  
5 these changes in the exhibit, because we haven't marked  
6 them yet for identification?

7 CHAIRMAN GETZ: Yes, that would be fine.

8 MR. EATON: So, I'd ask that this filing  
9 be marked as "Exhibit 2" for identification, subject to  
10 the corrections that Mr. Errichetti is going to make.

11 WITNESS ERRICHETTI: Exhibit 3.

12 CHAIRMAN GETZ: Exhibit 3.

13 MR. EATON: Exhibit 3, I'm sorry.

14 CHAIRMAN GETZ: So marked.

15 (The document, as described, was  
16 herewith marked as Exhibit 3 for  
17 identification.)

18 BY MR. EATON:

19 Q. I'm sorry for interrupting, Mr. Errichetti. Could you  
20 continue?

21 A. (Errichetti) You want me to finish, at least for the  
22 discussion, putting this into the record?

23 Q. Yes.

24 A. (Errichetti) Okay.

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[WITNESS PANEL: Baumann|Errichetti]

1 Q. Could you continue with your corrections to that table  
2 on the next to the last page.

3 A. (Errichetti) All right. May was "negative 1.1", it  
4 should be "negative 1.2".

5 Q. I'm sorry. Could you start from the beginning, because  
6 the Clerk did not have the document in front of her.

7 A. (Errichetti) Okay. All right. January, the "3.5"  
8 should be "4.0". February, the "3.5" should be "4.0".  
9 March and April are fine. May, the "negative 1.1"  
10 should be "negative 1.2". The "negative 2.2" should be  
11 "negative 2.5". The "negative 1.0" should be "negative  
12 1.2", that applies to the next month as well. The  
13 "negative 1.5" in September should be "negative 1.7".  
14 The "negative 4.5" should be "negative 4.8". The  
15 "negative 5.7" should be "negative 6.0". The "2.6"  
16 should be "3.0". And, the "negative 0.6" is good.  
17 And, that was the only correction.

18 Q. With those corrections, do you adopt this exhibit and  
19 the technical statement at the end as your testimony?

20 A. (Baumann) Yes.

21 A. (Errichetti) Yes.

22 Q. Thank you. And, finally, gentlemen, there are no other  
23 corrections to make to Exhibit 3?

24 A. (Errichetti) No.

[WITNESS PANEL: Baumann|Errichetti]

1 A. (Witness Baumann shaking head in the negative.)

2 Q. Finally, I'd like you to look at a document with a  
3 cover letter signed by myself on December 8th, 2009.  
4 Could you please describe that document.

5 A. (Baumann) This document is rebuttal testimony of myself  
6 and Mr. Errichetti, in response to TransCanada's  
7 testimony filed in this proceeding.

8 Q. And, is it true and accurate to the best of your  
9 knowledge and belief?

10 A. (Baumann) Yes.

11 A. (Errichetti) Yes.

12 Q. Do you have any corrections to make to this testimony?

13 A. (Baumann) No, we don't.

14 CHAIRMAN GETZ: Gentlemen?

15 BY MR. EATON:

16 Q. So, let me ask again, are there any corrections to make  
17 to the rebuttal testimony?

18 A. (Baumann) Is there a deletion?

19 Q. Yes.

20 A. (Baumann) Yes. Waiting for that shoe to drop.

21 Q. Could you explain what you would like to delete from  
22 this testimony.

23 A. (Baumann) If you could turn to Page 5 please.

24 Q. Yes.

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[WITNESS PANEL: Baumann|Errichetti]

1 A. (Baumann) At the bottom of the page, on the last  
2 paragraph, in the middle of that paragraph, the  
3 sentence that begins with "Indeed", and ends with  
4 market". We'd like to strike that sentence from our  
5 testimony.

6 Q. With that correction, do you adopt this as your own  
7 testimony?

8 A. (Baumann) Yes.

9 A. (Errichetti) Yes.

10 MR. EATON: I'd like that marked as  
11 "Exhibit 4" for identification.

12 CHAIRMAN GETZ: So marked.

13 (The document, as described, was  
14 herewith marked as Exhibit 4 for  
15 identification.)

16 MR. EATON: For the record, I'm showing  
17 the Clerk the sentence that Mr. Baumann just described  
18 that he would like stricken from his testimony.

19 CHAIRMAN GETZ: Thank you.

20 BY MR. EATON:

21 Q. Mr. Baumann, could you briefly describe what PSNH is  
22 proposing for a Stranded -- I'm sorry, a Default Energy  
23 Service rate for effect on January 1st, 2010.

24 A. (Baumann) What we have filed in the December 7th filing

{DE 09-180} [Day 1] {12-10-09}

[WITNESS PANEL: Baumann|Errichetti]

1 is a proposed Energy Service rate of 8.96 cents per  
2 kilowatt-hour. Just to back up, the current rate today  
3 is 9.03 cents. The September filing, the rate went to  
4 9.31 cents per kilowatt-hour. And, then, in the  
5 December filing, the comparable rate went to 9.21 cents  
6 per kilowatt-hour, just slight modifications in some  
7 costs and the sales levels. The 9.21 cents, we propose  
8 to the Commission that two items be removed from that  
9 9.21 cent rate, and be moved to the Stranded Cost  
10 Recovery Charge and, ultimately, the TCAM charge.  
11 Specifically, the two cost items we propose to move  
12 would be \$12.5 million associated with the renegotiated  
13 agreement with the former Bio-Energy facility, and  
14 approximately \$1.4 million associated with VAR, V-A-R,  
15 costs, uplift costs, that are currently being recovered  
16 in the ES. And, we would propose, because they are  
17 network reliability type of costs, that they should be  
18 recovered in the TCAM. If you take those two items and  
19 remove them from your -- from the proposed rate of 9.21  
20 cents, it comes down to what we would propose to be  
21 8.96 cents per kilowatt-hour.

22 This is what has been referred to as  
23 "Method 2" in our testimony. And, it's a proposal to  
24 recover the costs, these two particular costs, in what

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[WITNESS PANEL: Baumann|Errichetti]

1 we believe is the proper recovery mechanism. It was  
2 really precipitated by the questions that were being  
3 raised with the Energy Service rate as we've had  
4 migration hit the PSNH system, and customers have begun  
5 to choose an alternative supplier, we have seen, purely  
6 because of migration, an increase in the Energy Service  
7 rate. We then started scrubbing the numbers a little  
8 closer and found these two items that we believe and we  
9 propose to be moved today, to at least move the Energy  
10 Service rate to a lower level where we believe it  
11 should be at.

12 And, the Method 1 that we proposed to be  
13 considered by the Commission was really a method that,  
14 in simplicity, would identify a level of costs that was  
15 created simply by migration and the energy rate  
16 dropping. And, we believe that this was an unintended  
17 consequence of restructuring and what has developed in  
18 the rate setting process. But, in my -- in our updated  
19 testimonies, we recommended that that issue continue to  
20 be looked at in the near future. And, we were hopeful  
21 that we could possibly, either in this docket or in a  
22 separate docket, adjudicate that issue and discuss it  
23 among all the parties, and bring forth to the  
24 Commission a proposal in the future that might mitigate

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[WITNESS PANEL: Baumann|Errichetti]

1 the migration impact on the Energy Service rate to a  
2 position where we think would be more equally  
3 beneficial to all customer classes.

4 We believe today that, because of  
5 migration, the customers that have not migrated are  
6 being unduly burdened with what I will call  
7 "sustaining" the PSNH supply portfolio that is there  
8 for supplying customers and they're in support of all  
9 customers as a supply of last choice, if you will.  
10 And, we believe there's a cost associated with that  
11 that certain customers have been able to avoid because  
12 of playing by the rules, if you will. But that those  
13 costs are all now being borne by Energy Service  
14 customers that remain with PSNH.

15 So, that's essentially our proposal.  
16 And, you know, a deviation from what has been  
17 traditionally filed with the Commission. We don't  
18 think we could solve Method 1 in this proceeding, we  
19 don't think there's enough time. We think it's far too  
20 complicated. But we do propose at least to take a  
21 small step forward in Method 2 by removing those two  
22 items, specifically the Bio-Energy and the VAR support,  
23 from the current rate. The SCRC would be increased  
24 immediately on 01/01/10 with the ES. Whereas TCAM

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1 would be increased for VAR support on July 1, when we  
2 change the TCAM rate. As a result of that, there will  
3 be a slight underrecovery for six months in the TCAM  
4 charge, because you would not be collecting any VAR  
5 support in Energy Service beginning January 1st. But  
6 then you would begin collecting it on July 1st of 2010,  
7 with a six month underrecovery of approximately  
8 \$700,000. Thank you.

9 Q. Would you briefly describe your rebuttal testimony.

10 A. (Baumann) Our rebuttal testimony that was filed on  
11 behalf of myself and Mr. Errichetti really addresses  
12 some points that were raised in the TransCanada  
13 testimony that was filed in this docket. And, we filed  
14 that testimony on December 8th, 2009, in response to  
15 their testimony.

16 Q. Do you have anything to add to your testimony?

17 A. (Baumann) No.

18 Q. Mr. Errichetti?

19 A. (Errichetti) No.

20 MR. EATON: The witnesses are available  
21 for cross-examination.

22 CHAIRMAN GETZ: All right. Thank you.

23 Mr. Rodier.

24 MR. RODIER: Thank you. Good morning.

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[WITNESS PANEL: Baumann|Errichetti]

1 WITNESS BAUMANN: Good morning, Mr.

2 Rodier.

3 WITNESS ERRICHETTI: Hello.

4 CROSS-EXAMINATION

5 BY MR. RODIER:

6 Q. Let me try to establish some basics here at the outset.

7 I heard you just say the proposed Energy Service rate,

8 I'll call it the "ES rate", I think you call it the "ES

9 rate" from time to time, don't you?

10 A. (Baumann) Yes.

11 Q. Okay. So, the ES rate, without the two adjustments

12 that you just described I think under Method 2, would

13 have been approximately -- would be approximately 9.2

14 cents per kilowatt-hour for 2010?

15 A. (Baumann) Right, 9.21 cents per kilowatt-hour.

16 Q. I said "approximately 9.2", okay? Now, one of the

17 major issues here that you talked about the migration,

18 that revolves around the relationship or the

19 differential between the Energy Service rate and the

20 market price, is that correct?

21 A. (Baumann) Yes.

22 Q. Okay. So, if the ES rate for 2010 is approximately 9.2

23 cents, would you agree with me, just for sake of

24 discussion, that we could estimate the market price for

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[WITNESS PANEL: Baumann|Errichetti]

- 1           2010 at approximately 8 cents per kilowatt-hour?
- 2    A.   (Errichetti) I don't know how you connect the two.
- 3    Q.   There is no connection. Let me just ask it this way
- 4           then. Would a market price for 2010 of 8 cents per
- 5           kilowatt-hour, would that be roughly correct to use for
- 6           our discussion here today?
- 7    A.   (Errichetti) I don't know.
- 8    Q.   Okay. So, if you don't know what the market price is,
- 9           how do we know that the Energy Service rate is above
- 10          the market price?
- 11   A.   (Errichetti) In the calculation that we did to
- 12          approximate the Method 1, we modeled using the ES model
- 13          the cost to serve all the distribution load. And, we
- 14          estimated the marginal cost to serve that load at about
- 15          6.8 cents a kilowatt-hour at the PTF, which is low 7's
- 16          at the customer meter, not including risk, profit, that
- 17          sort of thing.
- 18   Q.   Okay.
- 19   A.   (Errichetti) So, I'm in the low 7's --
- 20   Q.   Okay.
- 21   A.   (Errichetti) -- with my model, which isn't a model of
- 22          retail pricing. It's just a model of the wholesale
- 23          market at the margin.
- 24   Q.   Okay. That didn't include losses, is that correct?

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1 A. (Errichetti) No. It does include losses from PTF to  
2 the customer meter.

3 Q. Okay.

4 A. (Errichetti) It doesn't include the kind of risk  
5 premiums that I would think a marketer builds in.

6 Q. So, if I said it's approximately 8 cents per  
7 kilowatt-hour at retail for 2010, I wouldn't -- I  
8 probably might even be a little high?

9 A. (Baumann) Not necessarily. It would depend on the  
10 amount of premium that would be built in for risk, as  
11 well as the profit levels that a third party may --

12 Q. Okay. So, then, let's go back and let's use your  
13 number, with the caveats that you just used or stated  
14 on the record, Mr. Errichetti. You said you're in the  
15 "low 7's" at the customer's meter, excluding market  
16 risk and something else?

17 A. (Errichetti) Profit.

18 Q. Profit. Okay. All right. Can I ask you to look at  
19 Freedom Data Request Number 1. Not just the request,  
20 but the request and the response. And, would you let  
21 me know when you have it.

22 MR. RODIER: Mr. Chairman, would it be  
23 possible to get some water? I don't know if that's a  
24 custom that's changed over the years here.

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1 CHAIRMAN GETZ: We'll ask the Clerk when  
2 she returns.

3 MR. RODIER: Thank you.

4 WITNESS BAUMANN: We have the data  
5 request, Mr. Rodier.

6 BY MR. RODIER:

7 Q. Okay. And, is it the first response or is it the  
8 second response?

9 A. (Baumann) Well, we have -- we have the first, and the  
10 F-01, so that would be the second.

11 Q. Okay.

12 A. (Baumann) Is that what you were referring to, the  
13 second response?

14 Q. Yes. Okay. So, let's just look at the second response  
15 then.

16 A. (Baumann) Is this the response that says "no"?

17 Q. That's correct.

18 A. (Baumann) Thank you.

19 Q. Would you please read the question and the answer  
20 please.

21 A. (Baumann) "Does PSNH agree with the following  
22 statement: "Murray said PSNH rates are higher than  
23 market rates because the Company locked into multiple  
24 year contracts to buy power to meet the 40 percent of

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1 customer demand it historically hasn't been able to  
2 satisfy with its own generation. Those contracts  
3 extend through 2010, he said."

4 Q. And, your response was that --

5 A. (Baumann) "No", we don't agree.

6 Q. Okay. Let me just clarify then, when it seems to be  
7 that Murray, and who is "Murray"? When we talk about  
8 "Murray", who are we referring to?

9 A. (Baumann) Martin Murray is an employee of Public  
10 Service Company of New Hampshire. He's in the  
11 Communication Department with PSNH.

12 Q. Okay.

13 MR. EATON: Excuse me. Could Mr. Rodier  
14 authenticate this statement, that it was said by Martin  
15 Murray and where it was quoted?

16 CHAIRMAN GETZ: Mr. Rodier.

17 MR. RODIER: I think PSNH knows well  
18 what its progeny is or providence is. But it was -- I  
19 guess it was in the Union Leader. I mean, I'm  
20 representing that that's a quote that was published in an  
21 article in either the Union Leader or the Monitor. If  
22 public Service has any information that that's not  
23 something that was reported by the media, I'd be very  
24 happy to hear it.

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[WITNESS PANEL: Baumann|Errichetti]

1 CHAIRMAN GETZ: But it's your  
2 representation that you composed this interrogatory or  
3 data request based on a newspaper article that you  
4 personally observed?

5 MR. RODIER: Sure. And, I'll tell you  
6 what I'll do. I will go back and get the whole article,  
7 and I will late file it with the Commission.

8 CHAIRMAN GETZ: Okay.

9 MR. RODIER: How would that be?

10 CHAIRMAN GETZ: That would be fine.

11 MR. RODIER: Okay.

12 BY MR. RODIER:

13 Q. Now, taking then this quote at face value, would it be  
14 fair to characterize Mr. Murray's statement to the  
15 media in the following way: That the reason that the  
16 Energy Service rate is above the market price is  
17 because PSNH locked into a purchase that would carry  
18 through the year 2010, locked it in at a price that's  
19 above market?

20 A. (Baumann) No. We don't -- We don't agree with this  
21 statement.

22 Q. I'm asking you is that the -- I'm sorry, I didn't mean  
23 to interrupt. But is that a fair characterization of  
24 what he said?

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[WITNESS PANEL: Baumann|Errichetti]

1 A. (Baumann) I'm not going to characterize what he meant  
2 here. Mr. Murray is not a technical expert --

3 Q. Okay.

4 A. (Baumann) -- in this area. And, for me to try to  
5 characterize something from a corporate communication  
6 individual who talked to someone in the press, who got  
7 quoted, I don't even know if the quote is accurate, to  
8 tell you the truth.

9 Q. Okay. Whether he was quoted accurately, you mean?

10 A. (Baumann) I said "I don't know if the quote was  
11 accurate." I don't even know where the quote is from.

12 Q. Did you or any of your subordinates contact him asking  
13 for an explanation?

14 A. (Baumann) Not to my knowledge, no.

15 Q. Okay. Well, then, let's move on. And, you're saying,  
16 your testimony is, what you're saying is that the ES --  
17 the difference between an ES -- the ES rate and the  
18 market price is not due to a bilateral purchase made,  
19 locked in at a price for the purchase above current  
20 market prices, the purchase being for the year 2010.  
21 That's your testimony? That that's not the reason?

22 A. (Baumann) The Energy Service rate is at this time above  
23 market.

24 Q. Right.

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[WITNESS PANEL: Baumann|Errichetti]

- 1 A. (Baumann) And, within the Energy Service rate, we have  
2 a bundle of costs that relate to our own generation and  
3 outside purchases, which at the time when they were  
4 purchased was a small percentage of our requirement.  
5 And, taken as a whole, that bundled cost, which is  
6 resulting in our Energy Service rate, is above market  
7 at this time.
- 8 Q. I'm trying to get at the reasons for it. Is one of the  
9 reasons, at least can you concede one of the reasons is  
10 this bilateral purchase for the year 2010?
- 11 A. (Baumann) Yes.
- 12 Q. Oh. Okay. So, we're here with the situation where  
13 you've had all this migration as a result of ES being  
14 above the market price, and part of this situation, at  
15 least part of it is a result of a bilateral purchase of  
16 energy above current market prices, is that correct?
- 17 A. (Baumann) That's one of many of the reasons, yes.
- 18 Q. Okay. Do you happen to know, can you quantify it at  
19 all, what is the magnitude of these above-market costs  
20 for this bilateral purchase for 2010?
- 21 A. (Errichetti) Well, that value changes daily as the  
22 market changes, and the impact on the rate changes  
23 daily as migration changes. So, at the time that those  
24 purchases were entered into, they represented 2 percent

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1 of PSNH's forecasted need for 2010, and about 5 percent  
2 of the amount of energy that needed to be bought to  
3 manage the gap for 2010. Since that time, PSNH's sales  
4 forecast has dropped 8 percent for 2010, and migration  
5 has further eroded the amount of load needed to be  
6 served in ES.

7 So, when you ask the question, we  
8 entered into a bilateral purchase at a particular point  
9 in time to manage an energy requirement at a future  
10 point in time, and the market has since moved, and the  
11 market moved down subsequently. It's a constant moving  
12 target.

13 Q. Okay.

14 A. (Errichetti) But what we can say is that the price we  
15 paid is higher than where the market is now. And, by  
16 the end of 2010, they may not be.

17 Q. Did you pay about nine and a half cents per  
18 kilowatt-hour for this energy that we're talking about?

19 A. (Errichetti) In that neighborhood.

20 Q. Okay. And, the current, would you agree with me -- was  
21 that a block of energy, by the way?

22 A. (Errichetti) Meaning?

23 Q. Doesn't include capacity or ancillaries or --

24 A. (Errichetti) It's energy.

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[WITNESS PANEL: Baumann|Errichetti]

- 1 Q. It's energy only?
- 2 A. (Errichetti) Yes.
- 3 Q. Do you look at -- for example, do you get quote sheets
- 4 from energy brokers, like ICAP Energy?
- 5 A. (Errichetti) We receive those, and we also just follow
- 6 NYMEX.
- 7 Q. Okay. Now, I looked this morning, and you could buy a
- 8 block for 2010 for a little over six cents. Does that
- 9 sound about right to you?
- 10 A. (Errichetti) What time period?
- 11 Q. 2010.
- 12 A. (Errichetti) Peak? Off peak? All hours?
- 13 Q. All hours.
- 14 A. (Errichetti) You said "around six cents"? What was the
- 15 number?
- 16 Q. Well, I'll tell you what I'll do.
- 17 A. (Errichetti) I would have thought a little lower, for
- 18 around all hours.
- 19 Q. 2010, all hours, \$51.
- 20 A. (Baumann) Excuse me, Mr. Rodier. Is that for -- Is
- 21 that today, that document?
- 22 Q. Yesterday's, I think.
- 23 A. (Baumann) Yesterday's?
- 24 MR. RODIER: May I hand this to the --

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[WITNESS PANEL: Baumann|Errichetti]

1 CHAIRMAN GETZ: Please.

2 MR. RODIER: Maybe this would be of  
3 assistance to Mr. Errichetti.

4 MR. EATON: Could you say where it's  
5 from?

6 BY MR. RODIER:

7 Q. Does this document look familiar, Mr. Errichetti?

8 A. (Errichetti) What you handed?

9 Q. Yes.

10 A. (Errichetti) It's the sort of thing I've seen, yes.

11 Q. Okay. This is -- I'll represent to you this is from  
12 ICAP Energy. This was the quotes that they sent out  
13 yesterday afternoon. And, you're familiar with ICAP  
14 Energy?

15 A. (Errichetti) Yes.

16 Q. Do you ever purchase wholesale power through them, by  
17 the way?

18 A. (Errichetti) Personally? Or NU?

19 Q. NU.

20 A. (Errichetti) Or PSNH?

21 Q. Any of the above.

22 A. (Errichetti) Yes.

23 Q. Okay. Would you look in the right-hand column, "NEPOOL  
24 flat". Would you agree with me that's the average of

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[WITNESS PANEL: Baumann|Errichetti]

- 1 on peak and off peak? That's an "all hours" number?
- 2 A. (Errichetti) That's the price for all hours.
- 3 Q. "All hours" number. And, when you run your eye down
- 4 the "NEPOOL flat" column for calendar '10, what do you
- 5 -- what do you see for the entire year for the --
- 6 what's the quoted amount?
- 7 A. (Errichetti) "51.375".
- 8 Q. That's dollars per megawatt-hour.
- 9 A. (Errichetti) Yes.
- 10 Q. That would be 5.1 cents per kilowatt-hour?
- 11 A. (Errichetti) Yes.
- 12 Q. Okay. So, do you think that's representative of, this
- 13 ICAP quote, of what the market price, as we're here
- 14 today, is?
- 15 A. (Errichetti) As of yesterday afternoon or, really,
- 16 yesterday morning, yes.
- 17 Q. Okay.
- 18 A. (Errichetti) Not this morning.
- 19 Q. This is what you could buy it at?
- 20 A. (Errichetti) You could buy something. I don't know how
- 21 deep the market is.
- 22 Q. Okay.
- 23 A. (Errichetti) But you could buy hopefully something.
- 24 Q. Okay. This is -- Would you call this a "standard

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[WITNESS PANEL: Baumann|Errichetti]

- 1 product"?
- 2 A. (Errichetti) This, what you're referring to here on the
- 3 ICAP sheet?
- 4 Q. Yes.
- 5 A. (Errichetti) Yes.
- 6 Q. It's not a one off individually negotiated deal like
- 7 you sometimes do. This is a -- what is it, a standard
- 8 30 megawatt block?
- 9 A. (Errichetti) No. It's -- I'm not sure what the minimum
- 10 block that gets traded at these prices.
- 11 Q. Okay.
- 12 A. (Errichetti) But it's 50 megawatts, 100 megawatts.
- 13 Q. Okay. So, all I'm trying to get at here is just some
- 14 basic facts. So, you bought at nine and a half for
- 15 2010 --
- 16 A. (Errichetti) We bought a number similar to this number
- 17 at the time that we bought it.
- 18 Q. Right.
- 19 A. (Errichetti) We did not pay more than what this sheet
- 20 said on the day we bought it, and we probably didn't
- 21 pay less. We bought at the market on the day.
- 22 Q. I fully agree. You paid nine and a half, and that
- 23 number now is around 5.1, is that correct?
- 24 A. (Errichetti) We paid -- it was around nine and a half

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[WITNESS PANEL: Baumann|Errichetti]

- 1 at the time.
- 2 Q. Okay. And, while we're at it, so I don't have to come
- 3 back to this, would you look out for calendar year
- 4 2015. And, do you see it?
- 5 A. (Errichetti) Yes.
- 6 Q. Okay. What is the price for a block of power, for a
- 7 block of energy in calendar year 2015?
- 8 A. (Errichetti) For what time period?
- 9 Q. A block for all hours for year 2015.
- 10 A. (Errichetti) All hours, it says "\$69.41".
- 11 Q. Okay. So, even in another five years, this is saying
- 12 that the price -- market price for energy only, that's
- 13 an important distinction, energy only is seven cents,
- 14 is that correct, what this sheet is saying?
- 15 A. (Errichetti) For all hour strip.
- 16 Q. Right. Yes.
- 17 A. (Baumann) Excuse me. Based on this chart, as of
- 18 yesterday, in the market, that's correct, Mr. Rodier.
- 19 Q. Okay.
- 20 A. (Errichetti) This morning, in the USA Today, they're
- 21 predicting a higher-than-average hurricane season for
- 22 2011 -- or, for 2010.
- 23 Q. Okay.
- 24 A. (Errichetti) That alone could dramatically change this

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[WITNESS PANEL: Baumann|Errichetti]

1 curve.

2 Q. I'm sure.

3 A. (Errichetti) And, also, I would be remiss if I didn't

4 remark that you've been looking at "all hours",

5 assuming that the purchase we made was for all hours.

6 That may or may not be a correct assumption.

7 Q. Okay. Now, I understand that you get your information

8 on forward market prices from USA Today or is it Time

9 Magazine that you get a quote, you quoted in a data

10 response, Mr. Baumann?

11 CHAIRMAN GETZ: Do you have a data

12 response that you're citing him to?

13 MR. RODIER: I don't have it with me.

14 BY THE WITNESS:

15 A. (Baumann) In TransCanada Set 2, Question 3, there is a

16 quote from Time Magazine, but I thought your question

17 was "did we refer to Time Magazine in relationship to

18 our pricing?" That's why we were confused.

19 BY MR. RODIER:

20 Q. Well, you used Time Magazine for the basis for your

21 natural gas forecast, didn't you?

22 A. (Errichetti) No. That's just -- That's just a piece of

23 public press --

24 Q. Oh.

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[WITNESS PANEL: Baumann|Errichetti]

1 A. (Errichetti) -- that was about.

2 Q. Okay.

3 A. (Errichetti) Just like my quote from USA Today, I just  
4 happened to be reading it at the motel this morning.  
5 And, my reaction was "Oh, great. They're talking about  
6 higher-than-normal hurricane activity for 2010. What's  
7 that going to do to gas prices today?"

8 Q. Right.

9 A. (Baumann) Well, and, Mr. Rodier, while you're on this,  
10 this request you just sent me to, now, if you go to  
11 Page 2 of that request that's attached to the request,  
12 there's a monthly Henry Hub spot price graph. And, if  
13 you look at that graph, the price for a thousand cubic  
14 feet of gas historically, from the beginning of '97,  
15 has really been all over the place.

16 Q. Yes.

17 A. (Baumann) And, I think it accentuates what perhaps Mr.  
18 Errichetti and I haven't eloquently put forth. And,  
19 that is, as of yesterday, prices are what they are. As  
20 of tomorrow, events in the world can drastically change  
21 those prices.

22 Q. Right.

23 A. (Baumann) So, if you're looking out into 2015 at 60 to  
24 70 cents a -- or, \$70 a megawatt-hour, that, tomorrow

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[WITNESS PANEL: Baumann|Errichetti]

1 or a week from tomorrow, that \$70 might be \$270.

2 Q. Sure. It could be --

3 A. (Baumann) We just don't know.

4 Q. It could be 50?

5 A. (Baumann) It sure could. And, if we had a crystal  
6 ball, or if anyone had a crystal ball and knew what it

7 was going to be, then we probably would be working  
8 somewhere else and making a lot of money.

9 Q. But at least we can agree, I think, that the numbers on  
10 that ICAP sheet, that's what the pros are saying, that  
11 their livings -- living are based upon making these  
12 trades, that's what the market is saying it's worth in  
13 2015?

14 A. (Errichetti) And, the exact same pros were saying  
15 whatever we paid on the day that we bought back in  
16 2006, '07, '08, this year, 2003, I mean, the pros  
17 change their minds every day.

18 A. (Baumann) I'm not sure what you mean by "pro".

19 Q. Okay. Look, I appreciate that clarification. And, I  
20 heard what you said. I want to move on here since time  
21 is precious. I guess what I'm trying to get at here,  
22 Mr. Baumann, you don't think we're in a situation  
23 that's going to endure where the ES rate is above the  
24 market price, do you? You say in your testimony, I

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[WITNESS PANEL: Baumann|Errichetti]

1 believe, "it's going to be short-lived", "it could well  
2 be short-lived."

3 A. (Baumann) No, that's not what I said.

4 Q. What did you say?

5 A. (Baumann) In my testimony, I said that "it may be  
6 short-lived." But I certainly would not try to predict  
7 the future, because the future, as we have seen in the  
8 energy markets over the last decade, has been extremely  
9 difficult to predict.

10 Q. Okay.

11 A. (Baumann) Back when we were purchasing power in 2008,  
12 and oil had run up to \$140 a barrel, there were pros  
13 saying it was "going to 200", and there were pros that  
14 were saying it was "going to drop back down".

15 Q. Right.

16 A. (Baumann) And, you know, sometimes these pros are right  
17 and sometimes they're wrong. It's just -- it's a  
18 defined item in the market. It's a piece of  
19 information. And, you have to look at that information  
20 and assess its --

21 Q. Sure.

22 A. (Baumann) -- its worth, if you will, at that point in  
23 time.

24 Q. Yes. What it is is, you know, if you're bullish on the

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[WITNESS PANEL: Baumann|Errichetti]

1 market, you buy at nine and a half; if you're bearish  
2 and you think it's overblown, you don't -- you don't  
3 pay that. That's what it comes down to, right?

4 A. (Errichetti) As I mentioned earlier, the purchases we  
5 made represented approximately 5 percent of the energy  
6 requirement that we needed to buy based on our need  
7 assessment at that time.

8 Q. Right.

9 A. (Errichetti) So, I would not say that we were in any --  
10 we were bullish or bearish. We were building a  
11 portfolio of supply to meet an anticipated need.

12 Q. Okay. And, again, we can't put a number on the kind of  
13 dollars that we're talking about here, I guess, is what  
14 you've told me, is that correct?

15 A. (Baumann) A number on what, Mr. Rodier?

16 Q. What kind of dollars of impact on the ES rate this --  
17 you agree there was an above-market purchase at nine  
18 and a half cents. There's no way to quantify what --

19 MR. EATON: I object. I object. He's  
20 characterizing it as an "above-market purchase", and Mr.  
21 Errichetti said it was "bought at market".

22 MR. RODIER: When I use "above-market",  
23 I mean, I think it's pretty clear it's above current  
24 market prices. Mr. Chairman, I'm just trying to see if

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[WITNESS PANEL: Baumann|Errichetti]

1       they, you know, --

2                       CHAIRMAN GETZ: Well, I think you've  
3       clarified your point. So, if we can proceed with the  
4       question.

5                       MR. RODIER: Okay.

6       BY THE WITNESS:

7       A.   (Errichetti) We -- I guess the way you could answer  
8       this question is to say the Bio-Energy replacement  
9       contract is in the December 7th filing as being  
10       12.5 million over market, based on the market price,  
11       the ICAP sheet, if you will, that we used to do the  
12       December 7th filing. And, one could calculate the  
13       market value of the strips using that same day's price.

14       BY MR. RODIER:

15       Q.   Okay.

16       A.   (Errichetti) It would be, in fact, different than what  
17       you handed me here this morning. And, my point to your  
18       question is, can I tell you what the value, you know,  
19       the over market value of that contract is? No,  
20       because, as we go through 2010, the actual prices will  
21       be different than what's on this ICAP sheet or as the  
22       November 30th prices that we used for the December 7th  
23       filing.

24       Q.   Right. But you could do an estimation of it using the

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[WITNESS PANEL: Baumann|Errichetti]

1 same methodology used to quantify the Bio-Energy  
2 above-market cost, couldn't you?

3 A. (Errichetti) Yes.

4 Q. Well, why don't we do that.

5 MR. RODIER: Mr. Chairman, could I ask  
6 if I could have the Commission order the Company to  
7 provide that calculation, only if you think it might be  
8 useful to you?

9 CHAIRMAN GETZ: Well, let me make sure I  
10 understand what's your request. Is your request that  
11 they, as I take what Mr. Errichetti is saying, is you can  
12 reconcile after-the-fact what the over market portion was.  
13 Are you suggesting that they forecast in 2010 based on  
14 what the ICAP sheets say or what the one estimate of what  
15 the over market might be for 2010?

16 MR. RODIER: I think that's what they  
17 did for Bio-Energy, if I understood the response.

18 MR. EATON: And, there's a distinction,  
19 because the Bio-Energy contract is now reported publicly.  
20 And, we have filed a Motion for Protective Order that we  
21 not disclose the terms and conditions of our purchases.  
22 And, the condition of the intervention of all of the  
23 competitive suppliers is that they would not have access  
24 to confidential information.

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[WITNESS PANEL: Baumann|Errichetti]

1 CHAIRMAN GETZ: Well, let's break it  
2 into two pieces then. In terms of putting aside the issue  
3 of confidentiality, is there any objection or concern  
4 about putting that number together, making that forecast,  
5 and putting it in the record? I assume that's a fairly  
6 straightforward --

7 WITNESS ERRICHETTI: It's the same  
8 calculation as the Bio-Energy calculation.

9 MR. EATON: No, there's no objection.

10 MR. RODIER: Okay. I'll move on, Mr.  
11 Chairman.

12 MR. EATON: It's Exhibit 5?

13 CHAIRMAN GETZ: Five, we will reserve  
14 for the record response. Yes. Let's reserve -- I'm  
15 sorry, Exhibit 5 for that data -- the record response.  
16 But we also -- I guess we'll save Exhibit 6, I guess, Mr.  
17 Rodier, you said you could provide the newspaper article  
18 that has the reference to a quote from Mr. Murray?

19 MR. RODIER: And, it's the quote  
20 contained in Freedom Data Request Number 1. Thank you.

21 (Exhibit 5 and Exhibit 6 reserved)

22 BY MR. RODIER:

23 Q. Mr. Baumann, did you have something to add?

24 A. (Baumann) I just wanted to ask, are we using the prices



[WITNESS PANEL: Baumann|Errichetti]

1 on this sheet or --

2 Q. It's the same methodology as Bio-Energy.

3 A. (Baumann) Right. But as of what day? Bio-Energy we  
4 had to do a week ago.

5 Q. Well, let's --

6 A. (Baumann) I'm just asking.

7 Q. How about the day when you do the calculation?

8 A. (Errichetti) Well, it won't be comparable to the other  
9 numbers, like Bio-Energy.

10 Q. Okay.

11 CHAIRMAN GETZ: Let's use the same date  
12 as the other calculation.

13 MR. RODIER: Okay.

14 WITNESS BAUMANN: There you go.

15 MR. RODIER: Thank you.

16 WITNESS BAUMANN: Thank you.

17 BY MR. RODIER:

18 Q. Mr. Baumann, I want to -- one other thing I want to ask  
19 you about. PSNH did have a pretty good run for a  
20 number of years where the ES rate was lower than the  
21 market price, correct?

22 A. (Baumann) Well, I'm not sure, your characterization  
23 "pretty good run", what that means. But PSNH's ES rate  
24 was significantly below market, yes.

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[WITNESS PANEL: Baumann|Errichetti]

- 1 Q. And, the larger customers stayed with you, because  
2 their option would have been, where the market price  
3 was greater than the ES rates, it wouldn't make  
4 economic sense to leave?
- 5 A. (Baumann) Sure. I agree.
- 6 Q. Okay. Now, what I want to ask you then, what is the  
7 consequence of, if they stayed with Public Service,  
8 then you have to buy the power to serve those  
9 customers, don't you?
- 10 A. (Baumann) Yes.
- 11 Q. And, you're buying at a price that's above the ES rate,  
12 the average ES rate?
- 13 A. (Baumann) No, not necessarily.
- 14 Q. I thought, in our question here, we've established that  
15 the market price was greater than the ES rate?
- 16 A. (Errichetti) When? Time period? In the past or  
17 present or future?
- 18 Q. I am talking about the past here. You want to pick --  
19 if you want to pick 2006, you can.
- 20 A. (Baumann) Well, in 2008, when we made the purchase that  
21 Mr. Errichetti referred to, that was about 2 percent of  
22 our requirements, --
- 23 Q. Yes.
- 24 A. (Baumann) -- the market -- it was purchased at the

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[WITNESS PANEL: Baumann|Errichetti]

1 market. In today's market, that's higher than today's  
2 market.

3 Q. Right. Right. Here's what I'm -- let me just tell you  
4 what I'm trying to get at here, see if we can move this  
5 along. You don't have enough generation to serve all  
6 your load. So, if the customers that can swing back  
7 and forth, if they stay with Public Service, you have  
8 to buy that power, correct?

9 A. (Baumann) We have an obligation to serve those  
10 customers, yes.

11 Q. Right. And, I'm saying, for a long period, a pretty  
12 long period of time, the price that you had to pay for  
13 that power in the past was higher than the ES rate?

14 A. (Errichetti) The marginal cost in ES was higher than  
15 the average.

16 Q. Right. And, if these customers stayed with you,  
17 assuming that they're on the margin, because they could  
18 come and go, then their marginal cost of serving them  
19 was higher than the -- what did you say, the average ES  
20 cost?

21 A. (Errichetti) Well, it's kind of iterative, but let's  
22 must just talk generally.

23 Q. Okay. So, in other words, under this scenario where  
24 they stayed with you, where the market prices were

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[WITNESS PANEL: Baumann|Errichetti]

1 higher than the ES rate, it increased the ES rate for  
2 all customers, including the small customers, didn't  
3 it?

4 A. (Baumann) I mean, if the margin is above the average,  
5 then that would increase the overall average rate.

6 Q. Right. Did anybody ever say "Oh, my God, the large  
7 customers are increasing the ES rate for the smaller  
8 customers, we've got to do something about it"?

9 A. (Baumann) Well, all customers at that point stayed with  
10 PSNH.

11 Q. Right. Right. But, because the large customers  
12 stayed, I think we just established that it raised the  
13 ES rate for all customers, particularly the smaller  
14 customers.

15 A. (Errichetti) Well, there's nothing -- there's nothing  
16 PSNH is doing to hold onto small customers.

17 Q. I'm just asking you a question. Can you agree with  
18 that, that it raised the rate for the smaller  
19 customers?

20 A. (Errichetti) No, it raised the rate for all customers.

21 Q. Does that include the smaller customers?

22 A. (Errichetti) Yes.

23 Q. Okay. So, we have a situation now, when they leave, it  
24 raises the ES rate for the smaller customers; they

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[WITNESS PANEL: Baumann|Errichetti]

1 stay, it raises the rate for all customers, including  
2 smaller customers.

3 A. (Baumann) No, I don't agree with that characterization.  
4 If large -- If any customer stays with the Energy  
5 Service rate and they make a decision to stay with the  
6 rate, that's their preference, regardless of what the  
7 market is.

8 Q. Right.

9 A. (Baumann) If any customer leaves, and in this situation  
10 the larger customers have left, that has had an impact  
11 on the Energy Service rate, in effect, raising that  
12 rate for the customers who --

13 Q. Right.

14 A. (Baumann) -- are really unable to leave at this point  
15 and, in particular, the residential and the small --  
16 smaller customers, smaller business customers.

17 Q. Right. Now, in your testimony, you say if once again  
18 the currents flip, the market price is greater than the  
19 ES rate, the large customers come back, and you say  
20 it's going to increase the ES rate for the captive  
21 customers. Don't you say that in your testimony?

22 A. (Baumann) No. Well, I say half of that. I say that,  
23 if the market rates drop -- or, excuse me, if the  
24 market rates go up in our discussion in the testimony,

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[WITNESS PANEL: Baumann|Errichetti]

1       that large customers would certainly look at that and  
2       would choose the most economic and advantageous rate  
3       for them to pay. And, they would either stay with  
4       their third party supplier or they would come back to  
5       Energy Service. I do not say that that would drive the  
6       Energy Service rate up. And, in effect, actually, if  
7       they came back, it would drive the Energy Service rate  
8       down, because the result of them leaving has driven the  
9       Energy Service rate up. So, if they came back, it  
10      would mathematically have an impact of driving the ES  
11      rate down.

12    Q.    Okay.

13    A.    (Baumann) Hope you're laughing with me and not at it.

14    Q.    Now, look at Page 4 of your testimony please, Line 6.

15    A.    (Baumann) Which testimony, sir?

16    Q.    Oh, I'm sorry. I'm looking at the November 30 -- the  
17      November 23rd edition. I guess that's Exhibit 2, Page  
18      4, Line 6.

19    A.    (Baumann) So, this is the supplemental testimony?

20    Q.    Yes.

21    A.    (Baumann) And, I'm sorry, Mr. Rodier, what page was  
22      that?

23    Q.    Page 4.

24    A.    (Baumann) Yes, I'm there.

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[WITNESS PANEL: Baumann|Errichetti]

1 Q. Now, on Line 6, let me read it: "If market prices in  
2 the future increase once again over the ES rate level,  
3 PSNH expects that some or all of these customers on  
4 third party supply would migrate back to PSNH's ES  
5 default rate." Did I read that correctly?

6 A. (Baumann) Yes, sir.

7 Q. Okay. So, you're saying some or maybe even all would  
8 go back. And, then, as a result of that, you'd be  
9 "required to secure supply in a rising market for these  
10 returning customers." Okay. And, you're saying --  
11 you're saying that does not -- would not harm the  
12 smaller customers?

13 A. (Baumann) No, I'm simply saying what the words say.  
14 That they would -- we, PSNH, would have to go out and  
15 secure a generation source to supply those customers in  
16 a rising market.

17 Q. At a marginal cost higher than the average cost?

18 A. (Baumann) It depends on where the market is.

19 Q. Okay. Just above that here, moving along, Page 4, Line  
20 1, and let me read it: "While we do not have a  
21 long-term forecast of ES rates, we do not believe the  
22 past 18 months is an accurate indicator for long-term  
23 prices and the dynamic energy markets have supported  
24 this time and again." So, you don't believe that the

[WITNESS PANEL: Baumann|Errichetti]

- 1 past 18 months is an accurate indicator for long-term  
2 prices, correct?
- 3 A. (Baumann) That's what it says.
- 4 Q. So, does that mean you don't believe in the prices that  
5 we saw in the ICAP quote sheet?
- 6 A. (Baumann) I believe they are the prices in that quote  
7 sheet on that particular day that some "pro" has, --
- 8 Q. Right.
- 9 A. (Baumann) -- in using your words, put together.
- 10 Q. Okay.
- 11 A. (Baumann) But, as we saw in that graph, in the response  
12 to that data request we were talking about about 15  
13 minutes ago, the energy markets have been extremely  
14 dynamic.
- 15 Q. Okay.
- 16 A. (Baumann) And, what I mean "dynamic", they have gone  
17 way up and way down in short periods of time.
- 18 Q. Okay.
- 19 A. (Baumann) Historically, over the past, say, three,  
20 four, five, six, ten years.
- 21 Q. Okay. So, the ICAP sheet is an accurate indicator of  
22 what the market is saying the prices are for 2015.  
23 That's not the same as it would be an accurate  
24 indicator of what they actually turn out to be?

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[WITNESS PANEL: Baumann|Errichetti]

- 1 A. (Errichetti) Or what they were saying three weeks ago  
2 or what they will be saying four weeks from today.
- 3 Q. Okay. But these prices have been relatively stable, in  
4 the 6 cent range, for a long period of time, haven't  
5 they?
- 6 A. (Errichetti) I truly don't know, --
- 7 Q. Okay.
- 8 A. (Errichetti) -- (a) what you mean by "long term" and  
9 (b) I haven't been looking at 2015.
- 10 Q. Okay. Let's get into just a little bit here and try to  
11 wrap things up, what if we're into a chronic situation  
12 here where ES rate is above the market price for a long  
13 period of time.
- 14 A. (Baumann) A "chronic situation"?
- 15 Q. Chronic, meaning "enduring". Okay?
- 16 A. (Baumann) So, you're assuming market prices remain low?
- 17 Q. Yes. If the ICAP -- along the lines of what the ICAP  
18 quotes are, okay? I'm just wondering what that may  
19 cause? You could have a lot of defections, you could  
20 have a lot of migration, couldn't you?
- 21 A. (Baumann) I don't know. That would be up to the  
22 customer. You could certainly paint any scenario you  
23 want when you have migration, but you have to assume  
24 then there will be suppliers that will want to supply

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[WITNESS PANEL: Baumann|Errichetti]

- 1           and --
- 2   Q.   Right.  Now, are you concerned about the bigger picture
- 3           here?  You ever give any thought to the position you
- 4           could be in in a situation that's just not going to go
- 5           away?  You want me to repeat the question?
- 6   A.   (Baumann) No, I know the question.  I mean, our concern
- 7           here today in this docket is that the Energy Service
- 8           rate is increasing for a captive class of customer, if
- 9           you will, that have not migrated.
- 10  Q.   So, you may not be looking just for a short-term
- 11           solution for 2010, you may be looking for a longer term
- 12           one?
- 13  A.   (Baumann) Well, we believe Method 1 that we set forth
- 14           in our testimony is a method that should be looked at
- 15           very closely in the upcoming months as a --
- 16  Q.   Right.
- 17  A.   (Baumann) -- and, out of that review, you know, you put
- 18           a lot of smart people together and hopefully we'd come
- 19           up with a good solution that we could present to the
- 20           Commission.
- 21  Q.   Now, on Line 1, Page 4 of Exhibit 2, you say you "don't
- 22           have a long-term forecast of ES rates," correct?
- 23  A.   (Baumann) That's correct.
- 24  Q.   Did I hear somebody just mention an "ES model"?

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[WITNESS PANEL: Baumann|Errichetti]

1 A. (Errichetti) It's a one-year, we use it to -- it's what  
2 we use in this proceeding to calculate the next year's  
3 rate.

4 Q. Okay. Is there a corporate model by which you folks at  
5 NU sort of forecast where your rates are going in the  
6 future?

7 A. (Baumann) Yes, we have -- we have one-year budgets and  
8 five-year forecasts.

9 Q. Okay. You have five-year forecasts of revenues and  
10 rates?

11 A. (Baumann) Yes.

12 Q. Would that contain the ES rates?

13 A. (Baumann) It would contain an assumption for energy  
14 costs, and what we do in our corporate models, for  
15 budgeting purposes, is we equate the energy revenues  
16 with the energy costs. So, we really -- it could be at  
17 a point in time, but we don't do a rigorous analysis  
18 and say "this is what the rates are going to be for,  
19 say, a price of energy type of a situation." We just  
20 -- We really, for budget purposes, because you're  
21 really budgeting out what your earnings are going to be  
22 in the future, and the assumption is that these costs  
23 are fully tracked and one-for-one.

24 Q. Okay.

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[WITNESS PANEL: Baumann|Errichetti]

1 A. (Baumann) So, revenues are just, in effect, squeezed or  
2 plugged into equally expenses.

3 Q. So, it's not like the rate case planning you have to do  
4 for base rates, it's different because there's  
5 trackers?

6 A. (Baumann) That's correct.

7 Q. Okay. I understand. Now, do you have a notion of  
8 where the ES rates might be going?

9 MR. EATON: Mr. Chairman, we're trying  
10 to set a 2010 rate here. And, I don't know where this is  
11 going or why it's important as to setting a rate for 2010.  
12 I've let Mr. Rodier go on. But this is -- this doesn't  
13 seem to be terribly relevant to how we set a rate for  
14 2010.

15 MR. RODIER: I think the issue is  
16 clearly much broader than that, Mr. Chairman. We're  
17 talking about whether the natural gas prices are going to  
18 endure. Whether we're talking -- well, let me put it this  
19 way. The Commission is going to have to make a decision  
20 here and handle this as an issue, okay? Are you going to  
21 make the decision based upon 2010 or are you going to take  
22 a look at the bigger picture and have that in mind when  
23 you make a decision as to whether you're going to do  
24 anything, and, if you're going to do something, what it

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[WITNESS PANEL: Baumann|Errichetti]

1 might be. Clearly, the -- let's just look at the question  
2 on Line 15 to Page 3. "Does PSNH believe the current drop  
3 in load obligation due to migration will continue long  
4 term?" I'm not the one that's raised the issue about  
5 "long term". I'm just trying to cross-examine on his  
6 testimony.

7 Having said that, as usual, I'm always  
8 happy to abide by any decision of the Commission.

9 (Chairman and Commissioners conferring.)

10 CHAIRMAN GETZ: Mr. Rodier, I think, in  
11 light of the Method 1 that's been suggested as a possible  
12 method going forward, we'll allow you some further  
13 latitude along this line. So, if you could restate your  
14 question for the witness, then we'll proceed.

15 BY MR. RODIER:

16 Q. I think I asked you if you had any notion of where the  
17 ES rate was going?

18 A. (Baumann) No. Not in the long term, because I don't  
19 have a notion as to what the market price is going to  
20 do in the long term.

21 Q. Yes.

22 A. (Baumann) Or migration.

23 Q. Well, is there anything out there that we do know that  
24 could come along in a few years that would affect the

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[WITNESS PANEL: Baumann|Errichetti]

- 1 ES rate?
- 2 A. (Baumann) In what way? Market pricing?
- 3 Q. You can't think of anything that might come along in
- 4 2012 that could increase the ES rate or reduce it?
- 5 Okay.
- 6 A. (Errichetti) You mean, like natural disasters?
- 7 Q. Look, I'll drop the line of question, line of
- 8 questioning. I don't want to wear out my welcome. So,
- 9 I have one last area. You say the smaller customers
- 10 are "captive" pretty much, they don't have options,
- 11 don't you, in your testimony?
- 12 A. (Baumann) I said that, "at the present, it doesn't
- 13 appear that there's a lot of customers that have
- 14 options."
- 15 Q. Okay. Now, I'm looking at your -- TransCanada's data
- 16 responses and they say "there's 161,000 residential
- 17 customers in Connecticut that have gone to the
- 18 competitive market." Did you see that response?
- 19 A. (Baumann) In what state?
- 20 Q. Connecticut.
- 21 A. (Baumann) Connecticut. Subject to check, if that's
- 22 what they said.
- 23 Q. Okay. So, you don't know how many customers have
- 24 migrated to the -- smaller customers have migrated to

{DE 09-180} [Day 1] {12-10-09}

[WITNESS PANEL: Baumann|Errichetti]

- 1 the competitive market in Connecticut?
- 2 A. (Baumann) No.
- 3 Q. Okay. So, subject to check, let's go with the
- 4 "161,000", of which CL&P has probably got 140,000 of
- 5 those, okay, given the size of your service territory?
- 6 A. (Baumann) I'm sorry, 140 of 160?
- 7 Q. Yes. I'm just saying CL&P is very large; UI is very
- 8 small.
- 9 A. (Baumann) CL&P is about 75 percent of the load in
- 10 Connecticut. I don't what their proportionate
- 11 residential/commercials is, compared to, say, United
- 12 Illuminating or other utilities.
- 13 Q. Okay. My point is, just looking at the bigger -- where
- 14 would this lead? Is there any reason why this couldn't
- 15 happen in New Hampshire?
- 16 A. (Baumann) I don't know, Mr. Rodier.
- 17 Q. You don't know of any reason why it couldn't?
- 18 A. (Baumann) I really don't think I'm prepared to address
- 19 this issue.
- 20 Q. Okay. Who's got their eye on the ball at NU, as far as
- 21 the bigger picture is concerned? Is that some other
- 22 department?
- 23 A. (Baumann) "Bigger picture", could you be more specific?
- 24 I'm sorry.

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[WITNESS PANEL: Baumann|Errichetti]

- 1 Q. Yes. Well, I'm just trying to just, you know, to  
2 conclude this cross-examination, and I'm just wondering  
3 what happens in New Hampshire, if the time comes when  
4 the residential customers migrate as well? Where does  
5 that leave you with this overhang of -- what did you  
6 call it? You called it the "sustainable" PSNH  
7 portfolio, is that the word that you used?
- 8 A. (Baumann) Doesn't sound like me.
- 9 Q. All right. I wrote it down. Let me -- I didn't write  
10 it down. Sorry. You've got this portfolio, you talk  
11 about the fixed costs here that don't change when  
12 customers leave, correct?
- 13 A. (Baumann) I'm sorry, I didn't get the question.
- 14 Q. Your testimony, the theme is you talked of the fixed  
15 costs that don't change when customers migrate,  
16 correct?
- 17 A. (Baumann) There are costs that remain, yes.
- 18 Q. I mean, that's the whole theme of your testimony?
- 19 A. (Baumann) Yes.
- 20 Q. Okay. So, what happens if the smaller customers leave?  
21 Do we get into a upward spiral or a downward spiral,  
22 where the ES rate could just absolutely go to 30 cents  
23 a kilowatt-hour? Have you given that any thought?
- 24 A. (Baumann) Again, I'm not -- I am not prepared today to

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[WITNESS PANEL: Baumann|Errichetti]

1           testify to that type of a hypothetical.

2    Q.    Okay.   Okay.   But let me just conclude then on this  
3           note.   You haven't done any analysis or evaluation at  
4           NU as to why, in Connecticut, you've had this big slug  
5           of migration and you've had none in New Hampshire?   I  
6           mean, leading to the inquiry of what could happen in  
7           New Hampshire?

8    A.    (Baumann) Yes.   You want my opinion on why there's been  
9           known migration in Connecticut?

10   Q.    New Hampshire, you mean?

11   A.    (Baumann) In Connecticut.   You talked about  
12           "Connecticut migration".

13   Q.    I'm happy to -- I'm interested in your opinion.

14   A.    (Baumann) Well, my testimony was very clear.   It said  
15           that customers migrate (a) when it's economically  
16           beneficial.   We believe that that's a big thing, and I  
17           think you'd agreed with that.

18   Q.    Yes.

19   A.    (Baumann) And, secondly, there is an ability to  
20           migrate.

21   Q.    Right.

22   A.    (Baumann) And, in Connecticut, Connecticut customers,  
23           because of the unprecedented market decline in market  
24           prices --

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[WITNESS PANEL: Baumann|Errichetti]

1 Q. Right.

2 A. (Baumann) -- over the short-term period, the last 12 to  
3 18 months, there is enough margin out there that  
4 suppliers are able to offer customers lower rates than  
5 what they would pay if they stayed on, in Connecticut,  
6 the Standard Service or, in New Hampshire, the Energy  
7 Service. That's why there's migration. Customers  
8 choose the economic path that's most beneficial.

9 Q. Right. Could happen in New Hampshire, couldn't it?

10 A. (Baumann) You're asking me to predict the future. I  
11 don't know what the future is.

12 Q. Well, I'm not asking you to predict the future. I'm  
13 asking if there could be residential migration in New  
14 Hampshire, particularly if the ES rate is going to  
15 continue to be above the market price?

16 A. (Baumann) It's allowed by law.

17 Q. Okay.

18 A. (Baumann) So, you can paint any hypothetical you want,  
19 and which is your right to do. But, if it's allowed by  
20 law right now, it could happen. Even if it's not  
21 allowed by law right now, the laws could change. So,  
22 certainly.

23 MR. RODIER: I appreciate your  
24 responses. Thank you.

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[WITNESS PANEL: Baumann|Errichetti]

1 WITNESS BAUMANN: Thank you, Mr. Rodier.

2 CHAIRMAN GETZ: Mr. Rodier, how much  
3 cross do you have?

4 CMSR. BELOW: You mean "Patch".

5 CHAIRMAN GETZ: Mr. Patch?

6 MR. PATCH: It's kind of hard to  
7 estimate. I would guess somewhere between one and two  
8 hours total.

9 CHAIRMAN GETZ: Okay. Then, let's -- I  
10 think we should take a lunch recess at this time then.  
11 Yes, we'll take the lunch recess and we'll resume at 1:15.

12 (Whereupon a lunch recess was taken at  
13 12:22 p.m. and the hearing reconvened at  
14 1:26 p.m.)

15 CHAIRMAN GETZ: Okay. Good afternoon.  
16 We will resume the hearing in docket DE 09-180. And, turn  
17 to Mr. Patch.

18 MR. PATCH: Thank you, Mr. Chairman. It  
19 might be helpful if we had marked for identification,  
20 since I'm going to have a few questions about the  
21 attachments, the prefiled testimony that Mr. Hachey  
22 submitted. And, I have a couple of extra copies here.

23 CHAIRMAN GETZ: Okay. We'll mark  
24 Mr. Hachey's testimony for identification as Exhibit

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[WITNESS PANEL: Baumann|Errichetti]

1       Number 7.

2                               (The document, as described, was  
3                               herewith marked as Exhibit 7 for  
4                               identification.)

5                               MR. PATCH:   Anyone else need a copy?

6                               (Mr. Patch distributing documents.)

7       BY MR. PATCH:

8       Q.   Mr. Errichetti, if I could begin with you.  Were you  
9            the person responsible for answering at least some of  
10           the data requests in this proceeding that pertained to  
11           purchased power decisions?

12      A.   (Errichetti) Yes.

13      Q.   And, I'm going to focus on Q-TC-022.  That's the first  
14            set of data requests from TransCanada.  And, it's  
15            MEH-2.  It's the second attachment to Mr. Hachey's  
16            prefiled testimony.  And, if I understand correctly,  
17            the response to the question about "whether PSNH  
18            followed the exact process outlined in the Least Cost  
19            Plan" was essentially "no", that you didn't follow  
20            that?

21      A.   (Errichetti) The question was, "did we do what the  
22            narrative said in the Least Cost Plan?"  And, the  
23            answer was "no", we did not do what the narrative said.

24      Q.   And, as I understand it, you did not prepare the

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[WITNESS PANEL: Baumann|Errichetti]

- 1 response that's marked as "MEH-1", which is Q-TC-015,  
2 in which the answer to a very similar question was "did  
3 you follow the Least Cost Plan?" The answer was "yes".  
4 Is that fair to say, that's the answer and also that  
5 you weren't the one that prepared that response?
- 6 A. (Errichetti) I'm trying to find in my backup  
7 Mr. Hachey's testimony to find the response.
- 8 Q. Want me to show you a copy?
- 9 A. (Errichetti) No, I have it. I just have to get to it.
- 10 Q. Okay.
- 11 A. (Errichetti) I believe Question 15 is speaking to the  
12 portion of the supplemental filing in the Least Cost  
13 Integrated Resource Plan that refers to PSNH's  
14 flexibility in meeting the procurement needs. So, I  
15 think what happened is 15 is answering the question  
16 "did we comply with the Least Cost Plan?" And, the  
17 answer is "yes." And, your question was "did we  
18 specifically follow the narrative that was in the same  
19 supplement?" And, the answer was "no." I personally  
20 don't have any problem reconciling the two responses.
- 21 Q. Okay. Well, let's look at that a little further then.  
22 You're familiar, I assume, with the Least Cost Plan  
23 that's the subject of those questions?
- 24 A. (Errichetti) I've reviewed the portions that I think

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[WITNESS PANEL: Baumann|Errichetti]

1           were relevant to these questions, yes.

2                       MR. PATCH: And, Mr. Chairman, I have an  
3       excerpt from that plan, rather than provide the whole  
4       plan, I've got Pages 87 to 91, which I'd like to hand out,  
5       if I could.

6                       (Mr. Patch distributing documents.)

7       BY MR. PATCH:

8       Q. And, if you'd look at Page 87 of that plan. And, if  
9       you'd look at the bottom of the page, the very last  
10      paragraph that carries over onto Page 88, and tell me  
11      if I've read this correctly: "The initial purchase  
12      targets are typically established in March or April of  
13      the prior year. The purchase plan is reviewed with  
14      PSNH's management and a procurement schedule is  
15      developed that typically calls for purchasing to be  
16      conducted in multiple phases during May through the  
17      filing date of the final rate forecast, normally in  
18      November." Did I read that correctly?

19     A. (Errichetti) Yes.

20     Q. And, you're saying that's what was not followed?

21     A. (Errichetti) I think the operative word here is  
22      "typical".

23     Q. Do you want to explain that?

24     A. (Errichetti) I think what I'm saying is it's not

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[WITNESS PANEL: Baumann|Errichetti]

1 binding. And, --

2 Q. Go ahead.

3 A. (Errichetti) -- if you continue, it says "This purchase  
4 strategy is subject to continuous internal review and  
5 may be revised to account for market movement, the  
6 availability of supplies, and the forecasted  
7 utilization of Newington, which fluctuates based on the  
8 relative pricing of oil versus purchased power." I  
9 believe that following sentence says that what you do  
10 typically isn't binding, and I think the supplement  
11 that was filed on I believe it was March 20 something,  
12 2008, that's also included as an attachment to your  
13 testimony, or at least has been taken notice of as  
14 Exhibit 2 -- is it Exhibit 2?

15 MR. EATON: In?

16 BY THE WITNESS:

17 A. (Errichetti) It's the Least Cost Plan supplemental  
18 filing. We expanded on what was said here in the  
19 original filing, at the request of the Commission.

20 MR. PATCH: Okay. Well, I have a copy  
21 of that. Maybe it would be helpful if I pass that out and  
22 ask that this be marked as the next exhibit. This is the  
23 March 28th, 2008, DE 07-108 supplement that I think you're  
24 referring to.

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[WITNESS PANEL: Baumann|Errichetti]

1 CHAIRMAN GETZ: Okay. Well, then let's,  
2 this excerpt that you've handed out, beginning on Page 87  
3 of the Least Cost Integrated Resource Plan, we'll mark for  
4 identification as "Exhibit 8". And, we'll mark for  
5 identification as "Exhibit 9" the filing in docket DE  
6 07-108, from March 28, which I believe we discussed  
7 earlier today was the subject matter that we were going to  
8 take administrative notice of, is that correct, Mr. Eaton?

9 MR. EATON: Yes.

10 CHAIRMAN GETZ: And, this is, in effect,  
11 Exhibit 2 from docket DE 07-108?

12 MR. EATON: Yes.

13 (The documents, as described, were  
14 herewith marked as Exhibit 8 and  
15 Exhibit 9, respectively, for  
16 identification.)

17 BY MR. PATCH:

18 Q. So, if I -- go ahead.

19 A. (Errichetti) Well, what I was trying to convey is, at  
20 the top of the second page of Exhibit 9, which is  
21 labeled "Supplement 3 - Supplemental Power Procurement  
22 Strategy, Append the following to the end of Section  
23 V.B.6.2, Page 91", the first paragraph there clearly  
24 says that we're providing an overview of what we did in

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[WITNESS PANEL: Baumann|Errichetti]

1       2007, and that our strategy is constant -- well, I  
2       mean, I could just read it. But it says, you know,  
3       it's indicative of what we're doing, and that we don't  
4       have a prescriptive hedging protocol, and that we  
5       remain flexible in our planning process to respond to  
6       changing criteria and to create benefits for customers.

7                       So, I think the response to TC-015 was  
8       referring to that paragraph, and the response to 22 was  
9       referring to the subsequent discussion where we  
10      explained what we did for 2007.

11    Q.    Okay. Well, let's take a look at what was just marked  
12           as an exhibit, the March 28th letter, and let's look at  
13           Page S3-2. It has a "209" in the bottom right-hand  
14           corner. And, about a third of the way down the page it  
15           talks about the timing of the firm bilateral strip  
16           purchases. And, as you said, this is supposed to be  
17           indicative. And, do I understand correctly?

18    A.    (Errichetti) If you read the passage beneath the  
19           bullets, it says "The above 2000 -- that "The above  
20           summary of 2007 activity provides a specific example of  
21           the general hedging strategy."

22    Q.    Okay. But I understood you, in response to a question  
23           I asked you, to say "okay, we're not firmly bound by  
24           this, but this is indicative of the way we do things."

[WITNESS PANEL: Baumann|Errichetti]

1 Did I misunderstand you?

2 A. (Errichetti) It's indicative of what we were doing at a  
3 point in time.

4 Q. Oh. Okay. So, this -- I mean, this was a plan that  
5 you filed with the Commission, right, a Least Cost  
6 Plan? This is part of that process, right? But you're  
7 saying -- you're saying all it was was a historical  
8 record, it wasn't a plan for the future?

9 A. (Errichetti) Yes.

10 Q. That's what you're saying?

11 A. (Errichetti) This, this discussion here is a summary of  
12 what we did in a prior period. And, in fact, in -- I'm  
13 not sure exactly which response it is, I can -- let me  
14 look. In a response to one of your questions, if I  
15 could find it, you asked for the dates in which we  
16 entered into purchases for 2010.

17 Q. Yes.

18 A. (Errichetti) In that response, there were -- there were  
19 transactions for 2010 identified in early 2008. I just  
20 found it. It's TransCanada-01, TC-021, Supplement 01.  
21 And, I was looking at it, and I realized that we, in  
22 this response, indicated that we had entered into  
23 transactions for 2010 prior to our March -- our March  
24 28th filing that's marked as "Exhibit 9". So, you

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[WITNESS PANEL: Baumann|Errichetti]

1 know, it's like we clearly were describing to the  
2 Department in the Least Cost Plan what we did in an  
3 historical period, to indicate that we actively try to  
4 manage what I'll, for simplicity, refer to as the  
5 "gap". And that, even as we were submitting that  
6 narrative in the Least Cost Plan, we were evolving, we  
7 were changing. We were looking at the future and  
8 acting differently.

9 Q. What's the point of having a planning process, though,  
10 if you're telling the Commission "this is indicative of  
11 what we're doing", but then you don't do what you say  
12 is indicative of what you're doing? Because you seem  
13 to be finding every way you can to try to get out from  
14 under the words you used in the Least Cost Plan.

15 A. (Errichetti) I'm not trying to get out of the words.  
16 What I'm trying to point out is that you're looking at  
17 Passage B, and I'm looking at Passage A. And, I'm  
18 saying that, in the Least Cost Plan, we explained that  
19 at the time we actively manage our procurement needs.  
20 I think, it's maybe a little digression, but, as we  
21 look forward and we contemplate the impact of  
22 migration, I think we, obviously, have to be dynamic  
23 and flexible and creative. Because, if we were to lock  
24 in on what's described in the 2000 [2007?] Least Cost

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[WITNESS PANEL: Baumann|Errichetti]

1 Plan today, I mean, we would be probably over  
2 purchasing, because we don't know where migration is  
3 truly going. We don't know where the market's going.  
4 What's described in the Least Cost Plan for 2007 was  
5 applicable and appropriate under the conditions that we  
6 were experiencing, which was relatively -- relatively  
7 little migration or transient migration, and prices  
8 that were either flat or moving upward. And, it made  
9 sense to make your purchase ahead of time, because you  
10 pretty much had a stable gap. I think, with this  
11 unprecedented recession, and our ES rate being set once  
12 a year, reset once a year, we've ended up with a price  
13 that's out of synch with the market. People are  
14 migrating. They have the right to migrate. I no  
15 longer have a stable, predictable gap. You know, we're  
16 going to have internal discussions about "what does  
17 this mean?" "How do we manage the difference between  
18 our gen and what we think our load is in the future?"  
19 And, I truly don't think that the Commission wants us  
20 wedded to something that was written in 2008 that may  
21 not get rewritten or revised or even thought about  
22 until late 2010, in the next Least Cost Plan cycle.  
23 Q. Are you familiar with the state law that requires a  
24 utility in New Hampshire, in any proceeding that it

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[WITNESS PANEL: Baumann|Errichetti]

1 initiates, to show conformity with the most recently  
2 filed Least Cost Plan, RSA 378:41?

3 A. (Errichetti) I am not intimate with it.

4 Q. Okay.

5 A. (Errichetti) But, having said that, I take the Least  
6 Cost Plan to ask "does the Company think about managing  
7 the difference between its own generation and its load  
8 obligation?" And, the Least Cost Plan clearly says  
9 "yes, we think about it and we deal with it." And, I  
10 think that's the conforming aspect. It's not prescript  
11 -- I mean, the supplemental response says it's not  
12 prescriptive. That's as much a part of what was filed  
13 as the narrative for 2007.

14 Q. It's not prescriptive. So, in other words, you're not  
15 bound by that statute I just cited, and you're not  
16 bound by the words you put in the Least Cost Plan?

17 A. (Errichetti) No, I didn't say anything about the  
18 statute. I said "I don't feel that we're bound by the  
19 narrative that's in the Least Cost Plan supplemental  
20 filing."

21 Q. Do you think you're bound by --

22 A. (Errichetti) Or, in the other part of the original  
23 filing, where I think the supplement was an expanded  
24 discussion.

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[WITNESS PANEL: Baumann|Errichetti]

1 Q. Do you think you're bound by the statute?

2 MR. EATON: I don't think the witness --

3 A. (Errichetti) Well, I'm not a lawyer.

4 MR. EATON: I don't think the witness  
5 should comment on what the statute means.

6 BY MR. PATCH:

7 Q. And, so, the bounds to your procurement practice then,  
8 if I understand you correctly, are not very limited by  
9 the Least Cost Plan. Are they in any way regulated by  
10 your internal procedures?

11 A. (Errichetti) Yes.

12 Q. And, that was the response to -- I think it was in our  
13 first set.

14 A. (Errichetti) Our procurement strategy is reviewed by  
15 senior management, and any purchase decisions are  
16 approved by senior management. And, the procurement  
17 strategy -- I think I said the procurement strategy is  
18 reviewed with management, yes.

19 Q. Okay. And, so, the response that you provided, and we  
20 only received a redacted copy, but the response to, in  
21 the first set, TransCanada's Question Number 13, about  
22 "Please provide copies of any guidelines, standard  
23 operating procedures or other forms of guidance", that  
24 provides guidance to you. So, not much in the Least

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[WITNESS PANEL: Baumann|Errichetti]

1 Cost Plan, not sure about the law, but we follow at  
2 least the guidelines that are -- that are attached to  
3 the answer to Q-TC-013?

4 A. (Errichetti) Which I also believe provide a framework  
5 for managing procurement, yes.

6 MR. PATCH: Okay. Mr. Chairman, I'd ask  
7 that this be marked as an exhibit. Now, as I indicated, I  
8 don't have the unredacted copy, only the redacted copy. I  
9 believe the Commission has the unredacted copy. And, I  
10 think it would probably be helpful, if you haven't  
11 already, to look through that. But I would like this to  
12 be marked as an exhibit, if I could.

13 (Mr. Patch distributing documents.)

14 CHAIRMAN GETZ: Well, let me see. We  
15 have the redacted response to TransCanada, Set 1, Question  
16 13. We'll mark that for identification as "Exhibit Number  
17 10". And, we will mark for identification as "Exhibit  
18 Number 11" the unredacted version of that. But, I guess,  
19 just a clarification for the record, Mr. Patch. That  
20 typical of discovery, we haven't seen discovery until it's  
21 proffered as an exhibit.

22 So, with that explanation, we will mark  
23 both of those documents for identification.

24 (The documents, as described, were

[WITNESS PANEL: Baumann|Errichetti]

1                   herewith marked as Exhibit 10 and  
2                   Exhibit 11, respectively, for  
3                   identification.)

4                   CHAIRMAN GETZ: Ms. Hatfield.

5                   MS. HATFIELD: Thank you, Mr. Chairman.

6                   Could I inquire just quickly of Mr. Eaton, just to clarify  
7                   something. The OCA does have the confidential version.  
8                   And, the confidential sections don't have the standard  
9                   marker for noting for the reader when you're going into  
10                  confidential. But it appears that confidential material  
11                  might be underlined. So, I just wanted to inquire of Mr.  
12                  Eaton if I'm reading that properly? And, the  
13                  Commissioners might need to know that as you're reviewing  
14                  it as well.

15                  MR. EATON: Yes. We left in, at the  
16                  suggestion that you've had in the past, we left in the  
17                  left-hand margin a vertical line, and then the text that's  
18                  underlined in the unredacted version is the materials that  
19                  we redacted for the public version.

20                  MS. HATFIELD: Thank you.

21                  CHAIRMAN GETZ: Thank you. Okay,  
22                  Mr. Patch.

23                  MR. PATCH: Okay.

24                  BY MR. PATCH:

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[WITNESS PANEL: Baumann|Errichetti]

1 Q. Mr. Errichetti, in your rebuttal testimony that you and  
2 Mr. Baumann filed jointly, there is a -- I believe it  
3 begins on Page 2, Line 19, and this is I think back to  
4 sort of what you were saying before. Actually, if you  
5 look at Page 2, and you look at the whole Q&A that  
6 begins on Line 8, and then you look down, it carries  
7 over onto the next page, I think the point that you're  
8 making there is that the second passage that you refer  
9 to, as you say at the top of Page 3, "the use of the  
10 word "current" is not trivial; it speaks to the earlier  
11 passage repeated above." And, the earlier passage that  
12 you refer to is from the original Least Cost Plan, is  
13 that correct?

14 A. (Errichetti) No, sir.

15 Q. I'm sorry. The earlier passage is actually from the  
16 March 28th filing?

17 A. (Errichetti) Yes, sir.

18 Q. Now, the second passage that you refer to here at --  
19 beginning on Line 19, at the bottom of Page 2, it says  
20 "The passage in this same supplement that TCPM insists  
21 is the inviolate procurement plan itself leads off by  
22 saying "PSNH's current procurement plan is focused  
23 primarily on the subsequent annual period."" Now,  
24 that's not actually from the March 28th supplement, is

[WITNESS PANEL: Baumann|Errichetti]

1       it? It's actually from the Least Cost Plan itself. If  
2       you look at the excerpt that I handed out, I think that  
3       that language is pretty clearly not as you suggest in  
4       your testimony from the supplement, but it's actually  
5       from the original plan.

6   A.   (Errichetti) Okay. Could you point me to where,  
7       because I may have, in fact -- help me, because I  
8       thought I actually read it in the March 28th filing.  
9       So, if I read it in the other, help me find it.

10  Q.   I'm looking at Page 87 of that excerpt. I'm looking at  
11       the last full paragraph that begins "PSNH's current  
12       procurement plan is focused primarily on the subsequent  
13       annual period." I think that's the exact passage  
14       you're quoting from, is it not?

15  A.   (Errichetti) Thank you.

16  Q.   So, it is. It's from the plan, not from the --

17  A.   (Errichetti) I honestly thought I read it in the March  
18       28th, you're pointing out to me I read it in the other.  
19       Thank you.

20  Q.   So, then, the full -- first full sentence at the top of  
21       Page 3 doesn't really make any sense, does it? Where  
22       it says "The use of the word "current" is not trivial;  
23       it speaks to the earlier passage repeated above - that  
24       PSNH's procurement process is dynamic and changing, not

[WITNESS PANEL: Baumann|Errichetti]

1 static."

2 A. (Errichetti) I guess what I would say is it's still  
3 relevant, because the March 28th supplemental filing  
4 was an expansion and an elaboration on what was in the  
5 original filing. So, I think the general observation  
6 still applies, even if my -- my putting it in context  
7 was flawed because I grabbed the wrong reference.

8 Q. Did PSNH prepare or have prepared a migration forecast  
9 for 2010?

10 A. (Errichetti) We don't forecast migration.

11 Q. You don't. Then, how can you responsibly decide how  
12 much power to purchase and when to purchase it?

13 A. (Errichetti) We do -- well, first of all, we use the  
14 existing migration at the time that we're looking at  
15 the procurement. Secondly, we consider the  
16 implications of procure -- of migration on the  
17 procurement strategy. And, as a consequence, we don't  
18 buy 100 percent of the gap. Now, I think what has  
19 changed dramatically is our perception of what  
20 migration could be.

21 Q. Meaning how much migration?

22 A. (Errichetti) Yes. We don't forecast it, but we're  
23 aware of it. And, it cuts both ways. Right now, the  
24 migration stands at about 27 percent at peak. And, we

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1       aren't a marketing company. So, we don't know what --  
2       and we don't know, and when we ask marketing companies  
3       what their intentions are, we don't get answers. So,  
4       we know at this point there's 26 percent. It could go  
5       to zero, it could go to 100. We really don't know.

6   Q.   So, you're saying, at the time that you made the  
7       purchases that are -- that PSNH proposes to use to  
8       serve ES customers in 2010, you didn't really think  
9       about migration, but you've learned your lesson and  
10      you're going to think about it in the future?

11  A.   (Errichetti) That's not entirely correct. We had  
12      experience with migration. At the time we were  
13      looking, migration was relatively low. The amount that  
14      we purchased, as I indicated earlier, was approximately  
15      5 percent of the 44 percent of our total need that  
16      needed to be bought or needed to be managed, I should  
17      say "managed", not "bought". Between the date --  
18      Between the time that we did that projection and today,  
19      we have experienced the largest recession, short of a  
20      depression, that our country has seen.

21               As I mentioned this morning, I looked,  
22      and the sales forecast that was used when those  
23      purchases were vetted with management and approved is  
24      down 8 percent, and migration is up dramatically. So,

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1 I don't -- we were aware. And, I think to say that we  
2 should have known that we were going to experience an  
3 historic recession and a contraction of the economy, I  
4 don't believe that's reasonable.

5 Q. Back to the 2007 Least Cost Plan, on -- I believe it's  
6 on Page 90, it says "migration activity is more apt to  
7 accelerate during a softening of the energy market."  
8 Does that sound accurate?

9 A. (Errichetti) Sounds accurate.

10 Q. So, essentially, the periods of heavy customer  
11 migration tend to follow periods of high energy prices,  
12 is that fair to say?

13 A. (Errichetti) The passage was referring to the cyclical  
14 nature of migration that we had seen to date, then to  
15 date.

16 Q. So, you disagree with my statement then, that "periods  
17 of heavy customer migration tend to follow periods of  
18 high energy prices"?

19 A. (Errichetti) No, I think -- well, okay, I think what it  
20 really -- what it should have said and didn't say it,  
21 was you -- no, I think that's right. When prices fall  
22 off after the winter, and marketers can offer a lower  
23 price than what we've got in our annual price, the  
24 customers would leave. And, then, when the market

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1 prices turned around, customers who had short-term  
2 contracts came back, because, again, we had an annual  
3 rate. That was the pattern we were seeing.

4 What we have seen since early 2009 is a  
5 completely different form of migration. And, you know,  
6 one could argue that the prices softened, and you would  
7 have thought everybody would have left immediately,  
8 and, actually, it's been a slow trickle, not an  
9 instantaneous move. So, I think we're all learning.  
10 We're learning. This is all new.

11 Q. So, would you agree or disagree then with the statement  
12 that "The fuel price run-up in mid-year 2008", and I'm  
13 taking this from Mr. Hachey's testimony, Page 5, Line  
14 15, "The fuel price run-up in mid-year 2008 clearly  
15 posed significant risk of customer migration in the  
16 event energy market prices softened." Would you agree  
17 with that or disagree with that?

18 A. (Errichetti) As a universal truism?

19 Q. No, it's not universal. It's making specific reference  
20 to you.

21 A. (Errichetti) No, it's a universal truism that if the  
22 Standard Service, the Standard Offer price is on the  
23 wrong side of the market, you're going to get  
24 migration. That's a truism. If you're asking me that

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1 I should, we, PSNH should have known that where prices  
2 had gotten was the top, was the ceiling, that everybody  
3 knew prices was going to fall, I would disagree.  
4 Because people were talking about \$200 a barrel oil,  
5 when it was 140. People weren't saying "It's 140, it's  
6 going to collapse." So, you're looking backward and  
7 saying that. I'm looking forward, and I'm saying  
8 people weren't saying "we were at the top." People  
9 were saying "there was more to go." People were saying  
10 "China has got an insatiable oil demand. And, even if  
11 America slips a little bit, world demand's going to  
12 continue." And, gas was chasing oil.

13 Anyway, it's a universal truism. Yes.  
14 Were we at the top? Were we at the top? Did we know  
15 that that was a high price or a year later could prices  
16 have been double what we were seeing? Anything was  
17 possible.

18 MR. PATCH: Mr. Chairman, I'd ask that a  
19 data response to Q-TC-009, second set, be marked as the  
20 next exhibit. And, I'll hand out copies.

21 CHAIRMAN GETZ: We'll mark for  
22 identification as "Exhibit Number 13" the answer to  
23 TransCanada Interrogatory Set 2, Question 9.

24 MS. AMIDON: Mr. Chairman, is that

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1 number 12 or number 13?

2 CHAIRMAN GETZ: That would be number 13,  
3 because the confidential version of Exhibit 10 is  
4 Exhibit 11, I believe. Is that right?

5 MS. DENO: Eleven is the unredacted.

6 CHAIRMAN GETZ: So, let's review the  
7 bidding. I think we're at Exhibit 12 --

8 MS. AMIDON: Thank you.

9 CHAIRMAN GETZ: -- for the most recent  
10 data request.

11 (The document, as described, was  
12 herewith marked as Exhibit 12 for  
13 identification.)

14 BY MR. PATCH:

15 Q. Mr. Errichetti, you're the person responsible for this  
16 response?

17 A. (Errichetti) Yes.

18 Q. And, I mean, clearly, you know what this is. It's a  
19 comparison of the timing of the bilateral strip  
20 purchases that you actually made for 2010, versus the  
21 timing that was referred to in the least cost planning  
22 docket, is that correct?

23 A. (Errichetti) Yes.

24 Q. And, there's a pretty clear difference between the

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1 methodology that was represented, I think as you said  
2 before, may be indicative of the process in 2007,  
3 versus what was done for 2010. Is that fair to say?  
4 A. (Errichetti) I'm very glad you're bringing this up.  
5 Q. Is that your answer?  
6 A. (Errichetti) Yes.  
7 Q. Okay. So, you admit that there's a pretty clear  
8 difference?  
9 A. (Errichetti) Yes. The response is, in hindsight, what  
10 has turned out to be the case for 2010. Had I done  
11 this same exhibit looking forward, it would have looked  
12 radically different. As I mentioned before, sales are  
13 down 8 percent. Migration is up, well, it's at  
14 27 percent, and it used to be down around 6 percent.  
15 So, as fortune would have it, we stopped buying,  
16 because we said "Whoa, wait a minute. Things are  
17 changing rapidly, and I don't think we should continue  
18 on the path that we were on." If we had continued with  
19 the purchase plan that we were mapping out in 2008,  
20 which, by the way, is only really six months earlier  
21 than the beginning of '09, that 100 percent 15 months  
22 out would have been more like, I don't know,  
23 10 percent. But, instead it's 100 percent, because  
24 it's all we bought.

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1 Q. It's clearly different than what was followed in 2007  
2 though?

3 A. (Errichetti) Because, in 2007, when we were buying in  
4 2006, we didn't experience the kind of migration and  
5 loss of sales that we've experienced in the last, you  
6 know, 18 months.

7 Q. No, but that's not the point, is it? Isn't the point,  
8 you know, the timing of the buying? It isn't so much  
9 about the migration, but that, whether you were going  
10 to have migration or not, the timing --

11 A. (Errichetti) Even if I had --

12 Q. Could I finish my question please. Isn't it more about  
13 the timing of the buying than about the migration?  
14 Because the timing here was clearly significantly

15 different than what was done in 2007 and what was  
16 represented to this Commission as being the plan for  
17 the future.

18 A. (Errichetti) Aside from disagreeing with you with  
19 respect to what the plan might or might not have been,  
20 I think, and this is somewhat speculative, but, if we  
21 had started the purchases in March of -- January to  
22 March of 2009, chances are that would have been the  
23 100 percent value, and that I still would show zeros in  
24 all the nearer months, because migration took off

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1 pretty much in the first quarter of 2009. So, I would  
2 have -- I would have forecasted a gap six months later  
3 than what this reflects. The sales, the new sales  
4 forecast would have come in and said "your load's  
5 gone." Migration would have kicked in and said "you've  
6 got nothing to serve." And, I would have ended up with  
7 100 percent of my purchases all occurring 12 months  
8 earlier than the need. It's very dynamic, it's not  
9 static.

10 Q. I mean, I don't disagree that it's dynamic, not static.  
11 But, if you tell the Commission you've got a certain  
12 plan and a certain methodology that you follow, and

13 then you don't follow it, and then, in retrospect, the  
14 decision that you made clearly was not a good one,  
15 then, you know, how does that benefit PSNH's customers?

16 A. (Errichetti) Well, while I don't agree with much of  
17 what you just said, I will say that stopping the  
18 purchase strategy that was approved by management, by  
19 going back to management and saying "Hey, the  
20 fundamentals are all changing. We should stop buying."  
21 I don't think the Commission would be upset with us  
22 that we didn't buy 500 megawatt-hours per hour, let's  
23 say, when we should have stopped at 100. Or, we didn't  
24 buy 700, because that's what the plan said to do, when,

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1 in reality, we only needed 150. Which is what the plan  
2 that's in the Least Cost Plan would have had us do.

3 Q. But shouldn't the Commission be upset with you because  
4 you ended up buying power that was far more expensive  
5 than the power you would have bought if you bought in  
6 March, if you began in March or April of 2009, as the  
7 Least Cost Plan said? So, shouldn't the Commission be  
8 upset with you because you didn't follow that process,  
9 and, as a result of that, customers are on the hook.  
10 And, if you have it your way, all customers, not just  
11 ES customers, are on the hook for the bad decision you  
12 made?

13 A. (Errichetti) No.

14 Q. Okay. You're familiar, are you not, with the statute  
15 that was cited in the order of notice, and that is the  
16 basis for PSNH being able to recover the costs of  
17 providing Default Service, RSA 369-B:3, IV,  
18 subparagraph (b), subparagraph (1)(a)? Are you  
19 familiar with that?

20 A. (Errichetti) No.

21 Q. Well, that's the one that says "the price of such  
22 default service shall be PSNH's actual, prudent, and  
23 reasonable costs of providing such power as approved by  
24 the Commission." Does that ring a bell?

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- 1 A. (Errichetti) I am aware of that. I've heard it said  
2 many times. I understand PSNH's position as to what  
3 "actual" and "prudent" mean.
- 4 A. (Baumann) Mr. Patch, I --
- 5 Q. What about "reasonable"?
- 6 A. (Errichetti) That too.
- 7 Q. Go ahead, Mr. Baumann.
- 8 A. (Baumann) I was going to say that I'm probably a little  
9 more familiar with that than Mr. Errichetti.
- 10 Q. Okay. That's fine. I'm happy to ask you the questions  
11 I was going to ask about this.
- 12 A. (Baumann) I don't want to encourage you, but go ahead.
- 13 Q. Okay. So, it's clear that the price of the Default  
14 Service has to be those three things. Has to be  
15 "actual", has to be "prudent", has to be "reasonable",  
16 is that fair?
- 17 A. (Baumann) Yes.
- 18 Q. And, as I understand your rebuttal testimony, and I'm  
19 looking at Page 6, Lines 18 to 21, it's your testimony  
20 that "it is impossible to determine whether the cost of  
21 providing Default Service is prudent in advance of the  
22 time the cost is incurred." Is that correct?
- 23 A. (Baumann) Well, we're saying that you don't know what  
24 actual is prior to actual. Certainly, we don't know

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1        what the actual will be tomorrow until tomorrow  
2        happens.

3    Q.   But part of what we're talking about here, aren't we,  
4        are costs that were incurred in 2008?

5    A.   (Baumann) Yes.

6    Q.   So, you know what those are, don't you?

7    A.   (Baumann) Costs incurred in 2008 or are you talking  
8        about the 2008 purchases for 2010?

9    Q.   That's what I'm talking about.

10   A.   (Baumann) Okay. In 2008, we entered into some  
11        contracts for a very small portion of the gap at the  
12        time in 2008. In 2008, there was a very unprecedented  
13        run-up in commodity prices. As Mr. Errichetti  
14        testified before, the \$140 a barrel of oil, there were  
15        pros or experts saying it was going to go to 200,  
16        potentially. So, at the time, the Wholesale Marketing  
17        Group, and I was actually part of those limited  
18        discussions at a time, made a decision with upper  
19        management that they should go out and purchase a very  
20        small portion of the perceived gap at that time. And  
21        that, as they entered into 2009, they recognized that  
22        perceived gap was shrinking, and they backed off and,  
23        in fact, did not purchase in 2009. And, I believe  
24        that, to go to your statute, that that was a

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1 "reasonable" course of action to take. And, I'm glad  
2 they didn't go out in 2009 and purchase more ahead of  
3 the market, because they would have been purchasing for  
4 a gap that ultimately did not occur because of  
5 migration.

6 Q. Of course, if you had followed the timeframes that were  
7 included in the 2007 Least Cost Plan, you would have  
8 had a better sense of what migration was going to  
9 occur, though, right?

10 A. (Baumann) In hindsight -- you know, in hindsight, if  
11 you had -- I mean, if you look at what was going on in  
12 '09, the migration had fallen drastically at the end of  
13 2009 -- or, excuse me, 2008. So, to say that we would  
14 have done something differently, you know, it's -- I  
15 don't think we would have. I think the actions we took  
16 in 2008 were reasonable. We did not go out and  
17 purchase 100 percent of the gap, as perceived in 2008.  
18 We went out and purchased 5 percent of the gap, which  
19 was 2 percent of the overall requirements for PSNH. I  
20 don't think that that's an unreasonable action to take  
21 at the time, at the time that the prices were at an  
22 all-time high, and there were those on the street that  
23 were saying they were going to go up significantly  
24 higher. So, it was part of the hedging strategy. I

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1 think it was reasonable and conservative. And, I think  
2 the fact that it doesn't comply exactly with what you  
3 claim to be the hard-core rules of the Least Cost Plan,  
4 that's because we -- part of our plan is to remain  
5 flexible to that plan. And, that was part of the  
6 flexibility, and it was a very small, conservative  
7 piece that they transacted in 2008.

8 Q. Could we just, because I think it would be helpful to  
9 clarify the record, where you get that 2 percent figure  
10 from? Could you explain that?

11 A. (Baumann) I got it from Mr. Errichetti. I'm sure he  
12 could explain it.

13 A. (Errichetti) In the Summer of 2008, we forecast a 2010  
14 energy requirement of 8,900 gigawatt-hours. If you go  
15 and you look at the supplement to Staff 6, the 2010 --  
16 well, this is sales, so you have to adjust it by BP  
17 [sic], but it's now at 7,800 gigawatt-hours. That's an  
18 8 percent drop in the sales forecast from when we were  
19 developing the procurement strategy for 2010 that led  
20 to these handful of purchases.

21 At that time, we estimated that our own  
22 generation, our purchased power agreements, Vermont  
23 Yankee, the IPPs, the wind project, would supply about  
24 54 percent of that 8,900 gigawatt-hours. The purchases

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[WITNESS PANEL: Baumann|Errichetti]

1       that we've been talking about represent, on energy, and  
2       I'm about to give away something that was kind of  
3       confidential, about 2 percent of that total  
4       requirement, or about 5 percent of that gap. Now, as  
5       I've said, not all that gap was going to be bought, but  
6       we were going to buy a good deal of it before 2010.  
7       And, that's where those numbers are coming from.

8   Q.   So, I mean, those are numbers that weren't provided to  
9       TransCanada because of the confidentiality.

10  A.   (Errichetti) Yes. And, what's happened is, in order to  
11       explain things better, for everyone to better  
12       understand what's going on, things that we would prefer  
13       to keep to ourselves are ending up in the record.

14  Q.   And, so, total purchase numbers you're saying should be  
15       kept confidential. Your customers shouldn't be able to  
16       know those?

17                   MR. EATON: I think he's saying the  
18       2 percent of total purchases --

19                   MR. PATCH: I would ask that the witness  
20       answer, not the attorney.

21                   MR. EATON: Well, he's once again going  
22       after confidential information, which -- and TransCanada  
23       did not file a motion for rehearing of the Commission's  
24       decision to limit them in access to information, and now

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1 he's trying to get it out through cross-examination, and  
2 the witness is trying to be careful.

3 MR. PATCH: Well, Mr. Chairman, if I  
4 could respond.

5 CHAIRMAN GETZ: Well, let me say this.  
6 I think, because we're going down a path that I don't  
7 think we need to. I think your question to the witness  
8 was paraphrasing the witness's response, so I think it's a  
9 proper basis for an objection by counsel. And, counsel  
10 now has gone into a different issue. So, I'd like to get  
11 back to the issues that we need to deal with that's in  
12 this case. So, if you could proceed with your  
13 examination, that would be helpful.

14 BY MR. PATCH:

15 Q. Are we talking basically about a million megawatt-hours  
16 of known purchases?

17 A. (Errichetti) No.

18 Q. Why not?

19 A. (Errichetti) Because it's a lot smaller than that.

20 Q. Explain please.

21 A. (Errichetti) It's -- well, boy. All right. No, it's  
22 not that big. Well, I said 2 percent of 8,900. It's  
23 more on the order of 200 gigawatt-hours, not a million  
24 -- not a thousand gigawatt-hours.

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1 Q. And, let's just be clear, "200" represents what?

2 A. (Errichetti) What do you mean "what's it represent?"

3 Q. Well, what's included?

4 A. (Errichetti) 200 gigawatt-hours.

5 Q. What is --

6 A. (Errichetti) It's an energy strip. We've been talking

7 about energy purchases.

8 Q. Purchased when?

9 A. (Errichetti) In late Summer 2008.

10 Q. Okay. So, it's only that portion of the strips that

11 you're talking about?

12 A. (Errichetti) Those are --

13 Q. You're not talking about --

14 A. (Errichetti) Those are all the strips.

15 CHAIRMAN GETZ: Well, gentlemen, we need

16 to have one person speaking at a time or Mr. Patnaude is

17 not going to be able to get this on a transcript. So,

18 have you completed your answer, Mr. Errichetti?

19 WITNESS ERRICHETTI: Yes.

20 BY MR. PATCH:

21 Q. Okay. Mr. Errichetti, I'm going to direct you to back

22 in the original filing, RAB-2, Page 3, and it's Line

23 24. And, there's a total there for "known energy

24 purchases".

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1 CHAIRMAN GETZ: Can we get that site  
2 again please?

3 MR. PATCH: RAB-2. Attachment -- It's  
4 Page 3 of RAB-2. It's the attachment to the 09/24/08  
5 Baumann testimony. And, it's Line 24, the far right  
6 column, "known purchases", "1,043,289 gigawatt-hours".

7 WITNESS ERRICHETTI: Yes.

8 BY MR. PATCH:

9 Q. Okay. I'm sorry, it's 1,043.289 gigawatt-hours. Those  
10 are the known purchases, right?

11 A. (Errichetti) Yes.

12 Q. Okay. So, can you put that in the context of your  
13 earlier explanation, just so we're clear on the record?

14 A. (Errichetti) The 2 percent that we've been talking  
15 about, the energy strips are in that value. There are  
16 other long-term purchases in that row, because they're  
17 not IPPs, they're not Vermont Yankee, and they're not  
18 owned generation.

19 Q. Okay. Well, let's go back to the response that you  
20 filed where it showed 100 percent of the purchases were  
21 made prior, at least 15 months prior. You know, the  
22 response that I showed you before, I think it was 15,  
23 wasn't it?

24 MR. EATON: Exhibit 12.

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[WITNESS PANEL: Baumann|Errichetti]

1 BY THE WITNESS:

2 A. (Errichetti) That question, that question referred to  
3 bilateral strip purchases, because that's what was  
4 discussed in that part of the supplemental power  
5 procurement strategy.

6 BY MR. PATCH:

7 Q. And, how does that relate to this number that I just  
8 pointed you to on Line 24?

9 A. (Errichetti) It's in there.

10 Q. It's in there. But it's only part of it, you're  
11 saying?

12 A. (Errichetti) Yes.

13 Q. And, what else is in there?

14 A. (Errichetti) Other purchases.

15 Q. Made when?

16 A. (Errichetti) Well, I'd refer you back to, what is it,  
17 TC, and I've lost it again, TC-021, Supplement 1. It  
18 includes purchases from January 2002, October 2007,  
19 January 2008, August 2008, September 2008.

20 Q. Well, aren't the purchases that you're talking about,  
21 that you say are not included, aren't those ones that  
22 were made for 2010 or were they made for some other  
23 purpose?

24 A. (Errichetti) They span 2010. Some are multiyear deals

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1       that go well beyond 2010. Some started before 2010 and  
2       go to 2010. But the question you had asked was, you  
3       know, about bilateral strip purchases.

4   Q.   Okay. Back to the prudence issue that we were talking  
5       about, Mr. Baumann. I have one document I'd like to  
6       have marked as the next exhibit. And, I'd like to show  
7       you an excerpt from it.

8                   MR. PATCH: This is a November 30th,  
9       2009 letter from Terry Large at PSNH, to Robert Scott at  
10      DES.

11                   CHAIRMAN GETZ: Okay. We'll mark this  
12      for identification as "Exhibit 13".

13                   (The document, as described, was  
14                   herewith marked as Exhibit 13 for  
15                   identification.)

16   BY MR. PATCH:

17   Q.   And, I want to direct your attention to a discussion of  
18       the prudence issue that Mr. Large put in this letter.  
19       And, I'm over on -- the pages aren't marked, but it's  
20       the third page. And, it's the first full paragraph,  
21       beginning with the second sentence. And, I'm going to  
22       read this, and I'd ask you if I read it correctly,  
23       first of all. It says "A test for the rationality of a  
24       proposed approach" --

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1 A. (Baumann) Hang on for one second. Is it the second  
2 paragraph?

3 Q. It's the first -- I think it's the first full, maybe  
4 it's the second paragraph, it begins "PSNH contends".  
5 And, it's the second sentence.

6 A. (Baumann) I've got it now. Thank you.

7 Q. Okay. "A test for the rationality of a proposed  
8 approach is the prudence standard to which PSNH is held  
9 by the New Hampshire Public Utilities Commission.  
10 Would the PUC determine that PSNH acted in accordance  
11 with the best interests of its customers if it  
12 purchased higher priced allowances when lower priced  
13 allowances were still viable for compliance purposes?  
14 Would such behavior withstand the scrutiny of  
15 regulators from an economic standpoint? Unjustifiably  
16 costly decisions by a regulated utility would be deemed  
17 imprudent and excess costs disallowed by the PUC." Did  
18 I read that correctly?

19 A. (Baumann) Yes.

20 Q. Is that the right standard that ought to be applied to  
21 the -- to the purchases that were made for the ES rate  
22 for 2010?

23 A. (Baumann) Again, could you -- I'm reading this a little  
24 out of context. What are you saying that this says the

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[WITNESS PANEL: Baumann|Errichetti]

1 standard is?

2 Q. Well, I'm not saying, Mr. Large is saying what the  
3 prudency standard is that PSNH is held to. And, I'm  
4 asking you, is that the standard, the prudency standard  
5 that should be used to assess the purchases that were  
6 made for 2010 for the ES rate?

7 A. (Baumann) I don't think -- I don't think he's talking  
8 about a prudency standard here. I mean, it's --

9 Q. Oh, he isn't? On Line 4, "prudency standard"?

10 A. (Baumann) "A test for the rationality of a proposed  
11 approach is the prudency standard for which we are  
12 held."

13 Q. So, you don't think he's talking about the "prudency  
14 standard"?

15 A. (Baumann) I think he is.

16 Q. Oh, he is.

17 A. (Baumann) But you're asking me if this "defines it"?  
18 And, I don't see him defining it. He gives an example  
19 that, if you were to purchase something at a higher  
20 price than what was available at a lower price, I mean,  
21 when we purchased in 2008, we purchased at market. So,  
22 there wasn't anything available at a lower price. So,  
23 if you want me to try and dovetail into this paragraph  
24 taken out of context, prudency is -- prudency is judged

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[WITNESS PANEL: Baumann|Errichetti]

1 at the time that you -- with the facts and reasonable  
2 facts available at the time. Not two years later in a  
3 hearing room, where somebody says "well, gee, if you  
4 had held off". Well, at the time, it was deemed  
5 prudent by our management to go ahead and purchase a  
6 small portion of our requirements for 2010 in 2008.

7 Q. But, when you say "not two years later in a hearing  
8 room", if I look at your rebuttal testimony at the  
9 bottom of Page 6, Lines 19 to 21, it says "Actual costs  
10 and prudence is determined after-the-fact and any  
11 adjustments as a result of any Commission findings are  
12 included in the reconciliation of actual and estimated  
13 costs." But, I mean, isn't your point here that  
14 prudence ought to be done significantly after-the-fact,  
15 maybe two years later in a hearing room. Shouldn't be  
16 done now. Wasn't that your argument there?

17 A. (Baumann) A finding, an evaluation of prudence, you  
18 have to go through the actual data to get to a prudence  
19 evaluation. I agree with you. What you asked me on  
20 this paragraph in Mr. Large's testimony is -- it says  
21 "if it purchased higher priced allowances when lower  
22 priced allowances were still viable for compliance  
23 purposes." By that, I mean, "still viable", i.e. were  
24 available. And, I think that is -- you know, I don't

[WITNESS PANEL: Baumann|Errichetti]

1 disagree with that. If Mr. Errichetti's testimony  
2 today was "we went out in 2008 and we purchased at  
3 market", that was his testimony, and then he said  
4 "however, there were other things below market that  
5 were available at the time, we just didn't purchase  
6 them." Well, I don't think that would be very prudent,  
7 but that's not what happened.

8 Q. So, the choice of when to buy isn't part of the  
9 prudence determination? Whenever you buy, you just  
10 look at that time and that's it?

11 A. (Baumann) No. You certainly make reasonable purchasing  
12 assumptions at every period of time, every time you  
13 purchase, there's a time involved in it. And, at the  
14 time, in 2008, it was determined that a very small  
15 portion of the need would be purchased ahead.

16 Q. If I understand you correctly, Mr. Baumann, your  
17 recommendation to the Commission here is that it should  
18 consider passing the difference between what Default  
19 Service would have cost with no migration, against what  
20 it is costing or what you would say it is costing with  
21 27 percent migration, that that difference ought to be  
22 part of a nonbypassable charge assessed on all  
23 customers, not just the ES customers, is that correct?

24 A. (Baumann) My testimony said that that is a method,

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1       that's Method 1 that you described, that should be  
2       reviewed in the future and considered. I'm not  
3       recommending that today. But I'm taking the facts as  
4       they stand today and recommending that that's something  
5       that at least should be considered by all parties.

6   Q.   And, I think, in response to a question that we asked,  
7       it was Q-TC-008-02, where we asked "should it be done  
8       in a separate docket", you basically said "no". But I  
9       heard you this morning say that you thought it could be  
10      considered in a separate docket. So, I just want to be  
11      clear about what you're recommending to the Commission.

12  A.   (Baumann) If I recall that request, I think it said  
13      "should it be done here or here", and I said "no, it  
14      doesn't" -- could you refer me to the request?

15  Q.   Yes. It's Q-TC-008-02. And, I have an extra copy.

16                   CHAIRMAN GETZ: Do we really need to go  
17      back through this? And, isn't the question is like "what  
18      are you recommending now?"

19                   MR. PATCH: Yes, that's right.

20  BY THE WITNESS:

21  A.   (Baumann) We're recommending that the Commission defer  
22      review of Method 1 at this time in this docket. And,  
23      we would suggest that either this docket remain open  
24      for all parties to look at this. Certainly, if the

[WITNESS PANEL: Baumann|Errichetti]

1 Commission wanted to open up a separate docket, that  
2 would be fine as well.

3 BY MR. PATCH:

4 Q. Don't you think it would fairer to all parties that  
5 could be affected by that if it were opened as a  
6 separate docket and properly noticed, and anybody who  
7 had an interest in it would have a full opportunity to  
8 participate?

9 A. (Baumann) Again, that would be fine. "Fairer"? It  
10 probably would allow a potential party that missed the  
11 noticing of this docket to get involved, yes.

12 Q. Okay. Thank you. By making this suggestion about what  
13 to do with the -- I guess what you've referred to  
14 alternatively as "fixed costs", or I think you've used  
15 some other phraseology for it, but this 5 percent, I  
16 think, of the total that you want at least the  
17 Commission to consider doing it as a nonbypassable  
18 charge, by making this suggestion, are you telling the

19 Commission that you consider these costs to be stranded  
20 costs that all ratepayers should recover?

21 A. (Baumann) Our testimony says that they are, we believe,  
22 an unintended consequence of restructuring today.  
23 Again, I'm not going to sit here and give an opinion,  
24 excuse me, an opinion as to whether they're stranded

[WITNESS PANEL: Baumann|Errichetti]

1 costs, because that's something that -- and that's why  
2 we've asked to defer this issue, because that is one,  
3 one piece of the puzzle that we would have to look at  
4 and have further scrutiny before we would make a  
5 proposal. And, that's why we didn't make a proposal  
6 for Method 1 at this point, or at least a proposal to  
7 change the rate.

8 Q. So, when you say they're "unintended consequences of  
9 restructuring", I guess you're saying "they're not  
10 stranded costs" or "they are stranded costs"? I was  
11 unclear in your answer.

12 A. (Baumann) I said "I really haven't made that  
13 determination."

14 Q. Okay. You saw Mr. Mullen's testimony on the issue of  
15 stranded costs, did you?

16 A. (Baumann) Yes.

17 Q. Whether this qualifies. Did you agree with his  
18 analysis?

19 A. (Baumann) I'll try to recall his whole testimony.  
20 Would you like me to review it?

21 Q. No, that's okay. Why don't we skip over that. In  
22 terms of the "unintended consequences" portion of your  
23 testimony, as part of restructuring, weren't customers  
24 expected to migrate to competitive suppliers?

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[WITNESS PANEL: Baumann|Errichetti]

1 A. (Baumann) No, I don't think they were "expected to  
2 migrate". There was an expectation that that was a  
3 path that they could take.

4 Q. Wasn't what the New Hampshire law refers to as  
5 "Transition Service" and even "Default Service",  
6 weren't they envisioned as being sort of temporary  
7 fixes, that, ultimately, customers would go to the  
8 market and shop and obtain the best rate they could?

9 A. (Baumann) I think that was, in theory, the grand idea.  
10 And, that, obviously, what many people felt back in the  
11 restructuring days was going to happen quickly didn't  
12 happen. I mean, certainly, restructuring anticipated  
13 the sale of generation. And, you know, to get into a  
14 scenario that Connecticut and Massachusetts, we were  
15 talking about with Mr. Rodier today, to get into that  
16 type of situation, where you're selling your generation  
17 and you go out with just market RFPs for 100 percent of  
18 your load. That didn't happen. The Legislature, I  
19 think, in hindsight, made a correct decision not to  
20 sell PSNH's generation, and saved the customers  
21 hundreds of millions of dollars.

22 Q. When you say "back in the restructuring days", you  
23 don't think we're still in restructuring days, I take  
24 it?

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[WITNESS PANEL: Baumann|Errichetti]

1 A. (Baumann) Back when restructuring was adjudicated and  
2 put forth, and the restructuring legislation was  
3 enacted and followed by all parties.

4 Q. And, much of which is still on the books today and  
5 should be followed by all parties, is that fair to say?

6 A. (Baumann) Well, whatever's on the books today should be  
7 followed, yes.

8 Q. What's your understanding of the term "exit fee"?

9 A. (Baumann) My understanding of "exit fee" is, if you  
10 exit Standard Service or Default Service, that you pay  
11 a fee for such exit in one form or another.

12 Q. And, are you familiar with the provision in New  
13 Hampshire law that Mr. Mullen cited in his prefiled  
14 testimony that said "exit fees are not a preferred  
15 recovery mechanism", he cited to New Hampshire -- a  
16 part of the New Hampshire restructuring?

17 A. (Baumann) I think I've either read it or heard it in  
18 the past, yes.

19 Q. And, so, if the Commission were to approve a  
20 nonbypassable charge to customers who left Default  
21 Service, can you explain to me why that would or would  
22 not be an exit fee?

23 A. (Baumann) I'm sorry. Could you repeat the question.

24 Q. If the Commission were to go along with your

[WITNESS PANEL: Baumann|Errichetti]

1 recommendation that it establish a nonbypassable charge  
2 to customers who leave the Energy Service, the Default  
3 Service being provided by PSNH, can you explain to me  
4 why that would or would not be considered to be an exit  
5 fee?

6 A. (Baumann) Well, first of all, we wouldn't establish a  
7 new rate. And, secondly, it wouldn't just be for those  
8 who left. Again, if you took into consideration Method  
9 1, and removed certain costs from the Energy Service  
10 and put them into a nonbypassable charge, like the  
11 SCRC, all customers would pay for it. Your  
12 definitions, you know, I would say that that would be  
13 more of a cost charged to all customers for the benefit  
14 of backup supply, you know, supplier-of-last-resort  
15 that we've talked about. But, again, that's part of  
16 Method 1, which we're not proposing here today. We're  
17 really just proposing that the Commission look at it in  
18 the future.

19 Q. With regard to your rebuttal testimony, Page 4, Line 9,  
20 as I understand your argument here, it's essentially  
21 that "there would be a significant price premium for a  
22 third party to take on [a] power supply obligation" if  
23 there were an RFP process being used, is that correct?

24 A. (Errichetti) It's what we wrote.



[WITNESS PANEL: Baumann|Errichetti]

- 1 Q. Okay.
- 2 A. (Baumann) Yes.
- 3 Q. But it's not correct or it is correct?
- 4 A. (Baumann) Well, it's our testimony.
- 5 A. (Errichetti) The assumption is it's not a fully
- 6 tracking RFP. With that caveat, we believe there would
- 7 be a significant risk premium built into the price.
- 8 Q. Do you want to amend your testimony to add that to it
- 9 then?
- 10 A. (Errichetti) No, it's in there.
- 11 Q. Okay. Point --
- 12 A. (Errichetti) It says "At [this] time PSNH noted that
- 13 there would be a significant price premium for a third
- 14 party to take on this power supply obligation, assuming
- 15 there was no cost reconciliation process with prudence
- 16 review."
- 17 Q. Okay. So, you're saying the reconciliation process is
- 18 the tracking mechanism?
- 19 A. (Errichetti) Yes.
- 20 Q. Okay. Wouldn't such a premium vary, depending on a
- 21 number of different factors?
- 22 A. (Errichetti) I think I have to say I agree.
- 23 Q. Okay. So, and those factors might be things like which
- 24 class of customers are being put out for an RFP?

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1 A. (Errichetti) I'm thinking more about where market  
2 prices may go, and the willingness of the customer to  
3 go back to -- I mean, go to a third party supply,  
4 etcetera.

5 Q. On Lines 13 and 14 there, I think related to this  
6 argument, you said "suppliers include a profit margin  
7 in the pricing that they submit in response to an RFP,  
8 whereas PSNH does not include any profit in its  
9 purchased power costs." Did I read that correctly?

10 A. (Errichetti) Yes.

11 Q. Are you telling this Commission that, when you go out  
12 and purchase power on the market, there's no profit  
13 built into those purchases?

14 A. (Errichetti) PSNH does not build a profit into those  
15 prices.

16 Q. Okay. Well, but what's the point here? I mean, if  
17 there was an RFP, there would be a profit built in.  
18 There's a profit built in when you go out and purchase  
19 it, isn't there?

20 A. (Errichetti) When we have to buy energy to fill the  
21 gap, we pass that price onto customers  
22 dollar-for-dollar. If we were to go out and require a  
23 third party to supply that gap, they would have to  
24 include, on top of the same market price we pay for

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1       that energy, an additional charge to cover their  
2       profits, to cover their administration, that sort of  
3       thing. So, what I'm saying is, if you -- all else  
4       being equal, if I go to a broker and buy a strip, and  
5       it's \$50, I take the \$50 and I put it into the ES rate  
6       at \$50. If I turn around and ask you to do it, you're  
7       going to build in a profit and you're going to build  
8       in, well, assuming that you took on the risk and you  
9       bought the power supply, you wouldn't necessarily add  
10      anything for volatility, but you do have to consider  
11      the possibility that some of the strip you bought is  
12      surplus to load, and you have to manage the risk of  
13      selling that and losing money and absorbing that into  
14      the price. What I'm saying is, we pass it through  
15      dollar-for-dollar. We think that a third party would  
16      add to it. You want to call it a "risk premium", you  
17      want to call it "profit", if it's both, there's  
18      something there.

19    Q.   Do you ever buy from brokers?

20    A.   (Errichetti) Yes. Well, I don't personally, but PSNH  
21          and NU do, yes.

22    Q.   Isn't there a broker fee on top of whatever underlying  
23          profit there is?

24    A.   (Errichetti) Anybody who buys from a broker pays that,

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[WITNESS PANEL: Baumann|Errichetti]

1 and we pass that through dollar-for-dollar.

2 Q. Well, the "dollar-for-dollar" point, though, if there  
3 was an RFP, obviously, whatever the cost, would be  
4 passed through dollar-for-dollar to customers, right?

5 A. (Errichetti) Yes. But I'm not referring to that. I'm  
6 referring to the third party, who's now providing that  
7 service, has to pay for their service.

8 Q. Well, the broker, you're paying for the broker service,  
9 though, aren't you?

10 A. (Errichetti) Everyone who buys from a broker pays for  
11 the broker. Whether it's PSNH, Freedom, TransCanada  
12 Power Marketing, whoever. If you buy from a broker,  
13 you pay a commission, a transaction fee.

14 Q. There's a cost to PSNH and to PSNH customers, isn't  
15 there, of providing power trading activities? And, I  
16 refer you to the response to Q-TC-012, Set 1.

17 MR. PATCH: And, I'm going to hand out a  
18 copy and ask that it be marked as the next exhibit.

19 WITNESS ERRICHETTI: Could you repeat  
20 the number?

21 MR. PATCH: Q-TC-012, Set 1.

22 CHAIRMAN GETZ: Okay. We'll mark this  
23 for identification as "Exhibit Number 14".

24 (The document, as described, was

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1                               herewith marked as Exhibit 14 for  
2                               identification.)

3   BY MR. PATCH:

4   Q.   This is a question where we had asked you "Please  
5           provide a budget that details the total cost of  
6           providing power trading activities for PSNH." And,  
7           your response?

8   A.   (Errichetti) I still haven't found it.

9   Q.   Do you want me to give you a copy? I have an extra  
10          copy.

11   A.   (Errichetti) Please.

12   A.   (Baumann) That would help.

13                           (Mr. Patch handing document to the  
14                           witnesses.)

15   BY MR. PATCH:

16   Q.   Your response to the data request was "There is no  
17           specific budget item for power trading activities.  
18           However, information related to the services provided  
19           by the Northeast Utilities Wholesale Power Contracts  
20           group for 2008 has been provided in Docket 09-091 in  
21           responses to", and then you list the data requests.  
22           And, at least -- and, those two responses are attached  
23           to what I handed to you and what I've asked to be  
24           marked as an exhibit. So, is this what you would

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1 suggest to the Commission is the budget or the cost to  
2 PSNH ratepayers or some portion of this that details  
3 the total cost of providing power trading activities  
4 for PSNH?

5 A. (Errichetti) This represents the portion of my  
6 department's budget that gets charged off to ES. And,  
7 one of the roles my department plays or serves, or  
8 whatever the right English is, is to purchase power. I  
9 mean, what I'm doing here today is charged to ES.

10 Q. Okay. All right. I'm going to shift to a somewhat  
11 different subject matter. And, Mr. Baumann, I think  
12 you're probably the right person, but, if not, Mr.  
13 Errichetti, you can answer. Is the price of natural  
14 gas, does it have an effect on market prices in New  
15 England?

16 A. (Errichetti) Yes.

17 Q. Significant would you say or --

18 A. (Errichetti) There's a very strong correlation between  
19 gas prices and electric prices most of the time.

20 MR. PATCH: Okay. Well, Mr. Rodier  
21 referred to this this morning, but there was a response to  
22 Q-TC-003, second set. And, this was a data request  
23 related to your statement that "low natural gas prices may  
24 be short-lived". And, you cited an article from Time

[WITNESS PANEL: Baumann|Errichetti]

1 Magazine. I'd like to hand that out to the Commission, if  
2 I could. They're probably two different exhibits. One is  
3 the response to the data request and the other is the Time  
4 Magazine article.

5 (Mr. Patch distributing documents.)

6 MR. PATCH: So, maybe if we mark first  
7 the response to Q-TC-003, second set.

8 CHAIRMAN GETZ: Okay. We'll mark for  
9 identification as "Exhibit Number 15" the response to  
10 TransCanada Request 2-3, and we'll mark the Time Magazine  
11 article as "Exhibit 16".

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

16 BY MR. PATCH:

17 Q. Mr. Baumann, I think you were the responder on this  
18 particular data request. Are you familiar with the  
19 term "shale gas"?

20 A. (Baumann) I have heard the term before. And, they're  
21 finding new shale deposits. But just what I've kind of  
22 read in the headlines.

23 Q. And, do you see anywhere in this Time Magazine article  
24 that it mentioned "shale gas" at all and what impact

[WITNESS PANEL: Baumann|Errichetti]

1           that might have on the price of gas?

2    A.    (Baumann) It may take me a few minutes to read this  
3           whole article, but --

4    Q.    Well, if I represented to you and could you take  
5           subject to check that it isn't mentioned at all in the  
6           article?

7    A.    (Baumann) That it is not?

8    Q.    Is not. Again, subject to check?

9    A.    (Baumann) Certainly, subject to check. I trust you.

10   Q.    And, do you ever read the Wall Street Journal?

11   A.    (Baumann) On occasions, yes.

12                   MR. PATCH: I would like to have marked  
13           as the next exhibit a Wall Street Journal article that was  
14           -- I think it was an op-ed piece, actually, November 2nd,  
15           2009, entitled "America's Natural Gas Revolution", and the  
16           subtitle of "A 'shale gale' of unconventional and abundant  
17           U.S. gas is transforming the energy market." It's by  
18           Daniel Yergin and Robert Ineson.

19                   (Mr. Patch distributing documents.)

20                   CHAIRMAN GETZ: Okay. We'll mark this  
21           for identification as "Exhibit Number 17".

22                   (The document, as described, was  
23           herewith marked as Exhibit 17 for  
24           identification.)

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[WITNESS PANEL: Baumann|Errichetti]

1 WITNESS ERRICHETTI: This is 17?

2 BY MR. PATCH:

3 Q. Have you ever seen this article, Mr. Baumann?

4 A. (Baumann) No.

5 Q. Okay. Well, if I represent to you that this discusses  
6 what is basically a significant change in the  
7 production of natural gas as a result of new techniques  
8 for extracting gas, would you be willing to take that  
9 subject to check?

10 A. (Errichetti) If you're saying this is the article that  
11 Mr. Yergin published that says "shale gas is the new  
12 panacea for energy", that this is the article, then I  
13 guess, subject to checking it out thoroughly, yes.  
14 What I find interesting is shale gas has become the  
15 deep Gulf gas of this decade or the next decade, and  
16 it's the LNG of the last decade. And, it will be very  
17 interesting to see how shale gas really plays out over  
18 the next decade.

19 I've been reading a lot about local  
20 environmental concerns about the fracturing fluids  
21 being spilled and contaminating groundwater, and an  
22 uproar about how the state DEPs, or whatever the proper  
23 term is for a particular state, is managing it. I just  
24 read in SNL tens of thousands of gallons of

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1 hydrochloric acid were spilled, either in Pennsylvania  
2 or New York. And that, you know, they acted swiftly  
3 and quickly to contain it. But, you know, hydrochloric  
4 acid in your drinking supply is not a good thing.

5 So, I've heard, you know, that the Mars  
6 -- is it -- this is the Marcellus, you know, in New  
7 York and Pennsylvania is the panacea. But I think only  
8 time will tell what this really means. I think I'm  
9 answering for Mr. Baumann.

10 Q. Okay. That's fine.

11 A. (Errichetti) But I've been in the industry going on two  
12 and a half -- well, three decades. And, you know, deep  
13 water Gulf was the solution, and then LNG was the  
14 solution. Now, "Marcellius", "Marcellus", or however  
15 you say it, is the solution. I hope they're right.

16 Q. But I think the point here is that this is having an  
17 impact on gas prices, isn't it? Or, do you think it is  
18 or do you think otherwise?

19 A. (Errichetti) I think it's creating -- at the moment,  
20 the euphoria is creating downward pressure. In six  
21 months, if the states decided to ratchet up the  
22 pressure on the fracturing fluids, and there's actually  
23 a halt to drilling until all those rules are ironed  
24 out, you could see a dramatically different outcome of

[WITNESS PANEL: Baumann|Errichetti]

1           this in the near future.

2   Q.   This isn't something that was just talked about in this  
3       Yergin article, though, is it? I've got two other  
4       articles here I can introduce. One from --

5                   CHAIRMAN GETZ: Well, before we go down  
6       that path, Mr. Patch, can we establish what the purpose is  
7       and what the link is to this proceeding?

8                   MR. PATCH: Sure.

9                   CHAIRMAN GETZ: Are you offering this  
10      exhibit in rebuttal to the Company's, you know, reference  
11      in the initial position to the Time Magazine article or  
12      are you offering it for the proof of the facts? I mean,  
13      --

14                  MR. PATCH: Yes.

15                  CHAIRMAN GETZ: -- I need to see the  
16      link.

17                  MR. PATCH: Okay. I think there are a  
18      couple of links, Mr. Chairman. One of them is a statement  
19      by Mr. Baumann that "low natural gas prices may be  
20      short-lived." And, I think, if you read the literature --

21                  CHAIRMAN GETZ: So, that's what you're  
22      offering Exhibit 17 is in rebuttal to that statement?

23                  MR. PATCH: That's right, partly in  
24      rebuttal to that. I think it's also partly to show that

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[WITNESS PANEL: Baumann|Errichetti]

1       there is, and the other two articles I have would show  
2       this as well, going back as far as June of 2008, that  
3       there is other literature out there, other than the Time  
4       Magazine article, that, in fact, provides a much more  
5       comprehensive discussion of what's going on with natural  
6       gas production. And, so, to the extent that they're  
7       relying on the Time Magazine article to support  
8       Mr. Baumann's contention, I think they ought to look a  
9       little further. Because I think these other articles  
10      support the fact that low natural gas prices may be  
11      something that's more than short-lived. I mean, we don't  
12      know, as Mr. Errichetti said, we don't -- certainly don't  
13      know for sure. But, I think, if you look at the  
14      literature, I think if you go to conferences and meetings,  
15      like the BIA conference last week, you'll find, you know,  
16      --

17                   CHAIRMAN GETZ: Yes. But let's get us  
18      back to --

19                   MR. PATCH: Okay.

20                   CHAIRMAN GETZ: -- establishing the  
21      Energy Service rates for 2010.

22                   MR. PATCH: Yes.

23                   CHAIRMAN GETZ: And, what the decision  
24      we have to make in this case right now.

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1                   MR. PATCH: That's right. And, I think  
2           that it was clear as early as 2008, and I think long  
3           before that, that natural gas prices, you know, were  
4           likely to change. I think they should have taken that  
5           into account when they made purchases. I think, in  
6           addition to that, to the extent that they're trying to  
7           represent that this is just a short-term problem, I'm not  
8           sure they're right. I think it may be a longer term  
9           problem. And, so, I think the issue of migration is a  
10          bigger issue than what they may be trying to suggest.

11                   So, that's -- I'm offering it for a few  
12          different purposes, I guess.

13                   CHAIRMAN GETZ: Okay.

14                   MR. PATCH: But, I think, particularly  
15          in rebuttal to the statement about "short-term" -- or  
16          "short-lived", that the "low natural gas prices would be  
17          short-lived."

18                   CHAIRMAN GETZ: Okay. Continue.

19 BY MR. PATCH:

20 Q. I guess I'd like to go back just briefly to the Least  
21      Cost Plan, Page 90. There's a statement there that  
22      "PSNH elected to hedge a portion of the forecasted  
23      supplemental requirement with an energy call option,  
24      rather than with a fixed-price bilateral purchase." Do

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1       you remember that statement or should I direct you to  
2       where it appears?

3   A.   (Errichetti) No, I found it.

4   Q.   Okay. I want to also direct your response to Q-TC-023.  
5       This is marked as "MEH-5". So, it's the fifth  
6       attachment to Michael Hachey's testimony. That  
7       response suggests that a call option is in place, but  
8       hasn't been used. Is that correct? Or, did we misread  
9       that response?

10  A.   (Errichetti) I guess what you can say is the call  
11       option is in place, but it hasn't been triggered. Is  
12       that a better way of saying it?

13  Q.   You tell me.

14  A.   (Errichetti) Well, what I was saying is, we have a call  
15       option in place, but it's not likely to be called.

16  Q.   Your response to Q-TC-013, you provided, again, this  
17       has been marked as an exhibit, and, unfortunately, I  
18       don't remember the number, but that was the redacted  
19       version of the regulated wholesale marketing procedure.  
20       And, in RWM-2, which was part of the attachment, with  
21       regard to a hedging strategy team, there was a  
22       statement, I'm quoting: "This team will develop a  
23       recommendation for power hedging activity to be  
24       utilized in the next ES rate year." Are you familiar

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1 with that?

2 CHAIRMAN GETZ: I will just note, we're  
3 referring to Exhibit 10.

4 MR. PATCH: Okay. Thank you.

5 CMSR. IGNATIUS: Mr. Patch, what page  
6 are you on?

7 CHAIRMAN GETZ: Is it Attachment RWM-2,  
8 and --

9 MR. PATCH: I believe it's Page 1 of  
10 RWM-2.

11 CMSR. IGNATIUS: Thank you.

12 BY MR. PATCH:

13 Q. Where it says "Procedure", on the left, the first full  
14 paragraph, the last sentence. "This team will develop  
15 a recommendation for power hedging activity to be  
16 utilized in the next ES rate year."

17 A. (Errichetti) Yes.

18 Q. Was that ever done?

19 A. (Errichetti) That has been done.

20 Q. Was it done in writing?

21 A. (Errichetti) Was it done in writing?

22 Q. I mean, did you do a memo or how was it accomplished?

23 A. (Errichetti) We have meetings, we have phone calls.

24 When we want to do a purchase procurement, there's a

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1 memo prepared and sent to senior management for their  
2 authorization.

3 Q. So, the answer is, you put it in writing or you didn't?

4 A. (Errichetti) If we're actually going to make a set of  
5 purchase recommendations, that is put in writing,  
6 because it needs to be authorized by management.

7 Q. And, so, was one done for the 2010 ES rates?

8 A. (Errichetti) There were multiple, but one particularly  
9 stands out. The one that was used, the one that  
10 established the purchases that we spent some time  
11 speaking about earlier, yes.

12 Q. When was that done?

13 A. (Errichetti) That was done in the Summer of 2008.

14 MR. PATCH: Mr. Chairman, I'd ask a  
15 record request that PSNH be required to produce that. I  
16 understand that we may not have access to it, but I think  
17 it would be helpful if the Commission could.

18 CHAIRMAN GETZ: Yes. Mr. Errichetti, I  
19 guess I'm somewhat confused about whether -- you said it  
20 would "develop a recommendation for power hedging  
21 activity", I read that to mean that there was a memo  
22 setting forth a practice.

23 WITNESS ERRICHETTI: There is a memo.

24 And, there would have been more for 2010. But, as events

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1 unfolded and we stopped seeking to acquire more power,  
2 there was no need to issue another one. There is a memo  
3 that describes what our procurement plan was, that was  
4 reviewed and approved by senior management. And, we will  
5 provide that to you. But I would very much like to keep  
6 it confidential.

7 CHAIRMAN GETZ: All right. Well, let's  
8 reserve the next exhibit number, 18, for that procedure.

9 (Exhibit 18 reserved)

10 BY MR. PATCH:

11 Q. I'm going to refer you to your rebuttal testimony,  
12 Page 3, Lines 14 to 21. There's a Q&A. And, if I --  
13 I'm going to try to summarize what I think your point  
14 is here. Which is, if you were required to rigidly  
15 adhere to the Least Cost Planning statute that requires  
16 you show conformity with the prior one, then, in  
17 effect, an RFP process wouldn't be allowed to be put in  
18 place until -- to serve load in the 2012 ES, for the  
19 2012 ES load, is that correct?

20 A. (Errichetti) Thinking through the suggestion that was  
21 made in TransCanada Power Marketing's testimony, and  
22 recognizing that the Least Cost Integrated Resource  
23 Plan takes quite a while to get through and a final  
24 order, if a prescriptive procurement plan is needed,

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1       then I think 2012 would be the earliest that you could  
2       change what was in the 2007 approved plan.

3   Q.   You're not arguing, though, are you, that the  
4       Commission is lacking in the authority to require PSNH  
5       to do an RFP, absent the least cost planning statute?

6   A.   (Errichetti) My understanding is that PSNH is supposed  
7       to use its generation to serve its energy service. I  
8       do not believe that there is anything dictating or not  
9       dictating how PSNH goes about supplying the other cost  
10      components of a full requirement power supply. That  
11      there's nothing in the law about how you're supposed to  
12      either manage ISO expenses or how do we purchase  
13      operating reserves or any of those dozen or so  
14      wholesale market full requirement cost components.

15   Q.   There is something in the law, though, isn't there, in  
16      fact, in the law that was cited by this Commission in  
17      the order of notice, 369-B:3, that says it would be  
18      done "in a manner approved by the Commission", which  
19      suggests to me that the Commission has the authority to  
20      decide -- you know, I understand your point about  
21      generation being used, but, obviously, it takes more  
22      than the output from generation to serve customers  
23      under the ES, the Default Service, is that correct?

24   A.   (Errichetti) Am I only answering the last part?

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- 1 Q. No. I kind of put two questions in one. If you want  
2 to put two answers into one, that would be fine, but --
- 3 A. (Errichetti) I think I'm only going to be able to  
4 answer the latter.
- 5 Q. Okay.
- 6 A. (Errichetti) That one's a "yes".
- 7 Q. Okay. But you're not familiar with the statutory  
8 provision I cited?
- 9 A. (Errichetti) No, I -- I mean, generally, that sounded  
10 very much right and what we've been doing since C-Day,  
11 I mean, beyond that first year, I think, where there  
12 was a fixed price.
- 13 Q. I'd just like to return briefly to the issue, the  
14 "2 percent" issue, I guess I'll call it. And, I'm  
15 looking at the response to Q-TC-021, the first set.  
16 And, this is where we had asked --
- 17 A. (Baumann) Mr. Patch, could you just give us a second to  
18 get there?
- 19 Q. Okay.
- 20 A. (Baumann) Thank you.
- 21 A. (Errichetti) 21 or supplement to 21?
- 22 Q. Well, I think it's pretty much -- well, that's a good  
23 question. Okay. It's the supplement. And, this is  
24 the question with regard to RAB-2, "Please provide the

[WITNESS PANEL: Baumann|Errichetti]

1 dates for the purchase of the power that is included in  
2 the columns labeled "Known Purchases" and "Off-peak  
3 Purchases". And, the response, tell me if I'm reading  
4 it correctly, "the known purchases included in the  
5 preliminary ES rate setting -- ES rate setting filing  
6 were made in January '02, October '07, August '08,  
7 September '08", and it says "January '09", but I  
8 believe at the technical session you corrected that to  
9 "January '08". Is that correct?

10 A. (Errichetti) Yes. The last part's "yes".

11 Q. Okay. So, if you're saying it was only 2 percent, are  
12 you saying that a significant portion was made in  
13 January of '02, October of '07? I mean, I just --  
14 we're still trying to understand where the other  
15 purchases came?

16 A. (Errichetti) I think I said a short while ago, this  
17 "known purchase" is a catchall. If it's not own  
18 generation and it's not a PPA and it's not Vermont  
19 Yankee, and it's not a spot purchase, i.e. an LMP  
20 hourly purchase, it's in that row. And, the purchases  
21 that are in that row span that period.

22 CMSR. BELOW: Just to clarify something  
23 you said, "if it's not a PPA", but some of the purchases  
24 in that line item might be PPAs, but not from a QF under

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1 PURPA rates?

2 WITNESS ERRICHETTI: The purchase --  
3 there's two long-term purchases in there, multi,  
4 multiyear. Bio-Energy replacement is in that row in that  
5 filing and Lempster.

6 CMSR. BELOW: And, those might be  
7 purchase power agreements?

8 WITNESS ERRICHETTI: Well, they are. I  
9 mean, they're long-term purchase power agreements.

10 CMSR. BELOW: Okay.

11 WITNESS ERRICHETTI: Yes, you could even  
12 characterize the Bio-Energy replacement purchase as sort  
13 of a PPA. There are two unit contingent purchases that  
14 were entered into that reached through 2010, and then  
15 there were the three strips that we've spent a good deal  
16 of time speaking to.

17 MR. PATCH: Mr. Chairman, could I have  
18 just one minute? I think I'm just about done. Thank you.

19 (Mr. Patch conferring with Mr. Hachey.)

20 MR. PATCH: No further questions. Thank  
21 you very much.

22 CHAIRMAN GETZ: Okay. Thank you. Let's  
23 try to take stock of where we are. Ms. Hatfield, how much  
24 cross do you have?

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1 MS. HATFIELD: I have several follow-ups  
2 from Mr. Patch and Mr. Rodier's testimony -- I mean,  
3 cross, sorry. And, then, I have a few specific questions  
4 about the filing. So, I would hope a half an hour.

5 CHAIRMAN GETZ: Okay. Ms. Amidon?

6 MS. AMIDON: We just have some questions  
7 regarding the technical statement in the December 7th  
8 update. And, I'm thinking maybe 10, 12 minutes.

9 CHAIRMAN GETZ: And, then, redirect, I  
10 guess, Mr. Eaton, whether -- I'm not sure how we're going  
11 to characterize this, is this redirect or rebuttal or an  
12 opportunity for rebuttal later, but are you contemplating  
13 redirect?

14 MR. EATON: I have about a half an hour  
15 at the most.

16 CHAIRMAN GETZ: And, in terms of cross  
17 for Mr. Hachey or Mr. Mullen, do you know what you're  
18 looking at?

19 MR. EATON: No cross for Mr. Mullen, and  
20 probably a half an hour to an hour for Mr. Hachey.

21 CHAIRMAN GETZ: Okay. All right. Well,  
22 I think it's a good time for a recess at this point. So,  
23 let's take about 15 minutes.

24 (Whereupon a recess was taken at 3:11

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1 p.m. and the hearing reconvened at 3:37

2 p.m.)

3 CHAIRMAN GETZ: Okay. We're back on the

4 record in DE 09-180. And, our plan is to go until 5:00

5 today, and then to resume tomorrow at 1:00 in the

6 afternoon. Okay. And, we are up to Ms. Hatfield.

7 MS. HATFIELD: Thank you, Mr. Chairman.

8 Good afternoon, gentlemen.

9 WITNESS BAUMANN: Good afternoon.

10 WITNESS ERRICHETTI: Hello.

11 BY MS. HATFIELD:

12 Q. I wanted to follow up on what I think Mr. Patch just

13 referred to as the "2 percent" issue. And, I was

14 wondering, I would like to have you look at a couple of

15 different things. If you could refer to that data

16 response that he was referring to, which is TransCanada

17 Set 1, Response 21. And, it's the supplemental

18 response.

19 A. (Errichetti) Yes.

20 Q. And, if you could also refer to, this is a confidential

21 response, and I'm not intending to ask any confidential

22 or disclose any confidential information, this is the

23 response to Staff Set 1, Question 13.

24 A. (Errichetti) Got it.

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- 1 Q. And, if you could look at Exhibit 3, which is the  
2 updated filing of December 7th.
- 3 A. (Errichetti) That just got hard. Okay.
- 4 Q. Okay. So, if we start out --
- 5 A. (Errichetti) Where in Exhibit 3 do you want me?
- 6 Q. Okay. If we start out in Exhibit 3 at Attachment  
7 RAB-2, Page 3.
- 8 A. (Errichetti) Okay.
- 9 Q. And, we look at Line 24, which is "Known Purchases",  
10 and on the far right the "Total", and we've heard this  
11 number before, earlier today, that number is "1,043"  
12 gigawatt-hours, is that correct?
- 13 A. (Errichetti) Yes.
- 14 Q. Okay. Now, in your response to TransCanada-01, 021,  
15 that asked you to "provide the dates for the purchases  
16 of the power that is included" in RAB-2 under "Known"  
17 and "Off-peak". So, would it be correct that those  
18 dates that you provide that you discussed earlier, the  
19 January '02 through the September '08, that those  
20 purchases, those total amounts would be reflected in  
21 that 1,043 gigawatt hours?
- 22 A. (Errichetti) That was the intent, yes.
- 23 Q. Okay. And, then, if we look at the confidential  
24 response to Staff 1-13, if we look at the question

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- 1 first, this question -- in this question Staff says  
2 "Please provide a list of the contracts, including the  
3 dates that they were executed, the duration,  
4 contracting party, quantity purchased, and purchase  
5 prices." And, it's referring to RAB-2 --
- 6 A. (Errichetti) Thank you. Go on.
- 7 Q. Okay. Let me just explain, I'm reading it because the  
8 Commission actually, I don't believe, has a copy of  
9 this document, so I do have to give a little more  
10 background. So, that's what it was seeking. It was  
11 seeking details on what is shown in Line 24 and 25 of  
12 RAB-2, Page 3, which is the "Known Purchases". If I  
13 look at the confidential response that you've provided,  
14 with the volumes that you provided or the amounts of  
15 energy and the costs, should those match up with the  
16 total in that column on 24 and 25?
- 17 A. (Errichetti) Should the total which? Megawatt-hours?  
18 Gigawatt-hours? Dollars? I think you just pointed out  
19 something that I miscalculated last night, which is the  
20 "2 percent" should be "6 percent" and the "5 percent"  
21 should be "15".
- 22 Q. So, I think what would be useful is to get that on  
23 paper. So, perhaps we could get -- I could do a record  
24 request for a breakdown of the -- just sort of, I

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1 guess, a revised response to Staff 1-13, understanding  
2 that some of that information will need to be redacted.

3 A. (Errichetti) What exactly are you asking for?

4 Q. Well, what I was thinking is that the "Total" column on  
5 Line 24 of RAB-2, Page 3, should match up with the  
6 totals for both energy and expense in your response to  
7 Staff 1-13, but I don't think it does.

8 A. (Errichetti) Well, the gigawatt-hours do; the expense  
9 doesn't, because Staff 13 didn't calculate a total  
10 expense. And, that the gigawatt-hours are, I believe,  
11 within two megawatt-hours.

12 Q. So, the correction that you just made about the  
13 "2 percent" and the "5 percent", can you talk a little  
14 bit more about that?

15 A. (Errichetti) You see the "206"?

16 Q. I would caution you, though, that --

17 A. (Errichetti) I'm not being specific, I'm just saying  
18 "do you see that number?"

19 Q. Yes.

20 A. (Errichetti) Well, that's where I made my mistake.  
21 And, without getting into specifics, I counted one, I  
22 should have counted all three.

23 CHAIRMAN GETZ: Would it help to have  
24 Ms. Hatfield and Mr. Errichetti or whoever from the OCA

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1 and the Company to talk off-line to -- about a substitute  
2 exhibit and/or updated response, I guess whichever is  
3 appropriate, and we'll reserve Exhibit Number 19?

4 MS. HATFIELD: Absolutely. Thank you.  
5 (Exhibit 19 reserved)

6 CHAIRMAN GETZ: Thank you. Mr. Patch.

7 MR. PATCH: Mr. Chairman, this brings up  
8 I guess more than I anticipated. The motion that PSNH  
9 filed for confidential treatment of the response and our  
10 objection to that, which the Commission has not yet ruled  
11 upon, understanding that we'll be back for another day, if  
12 there is a way for the Commission to address that.  
13 Obviously, if you're going to rule against us, then it  
14 doesn't help us. But I just think it would be helpful, if  
15 possible, for the Commission to address that issue,  
16 because this is, obviously, critical information. We  
17 couldn't ask very intelligent questions about this because  
18 we didn't have the information. Anyway, I'm not asking  
19 for a result right now, I'm just sort of -- I just wanted  
20 to --

21 CHAIRMAN GETZ: But are you asking  
22 because of the statement by Mr. Errichetti that the "2" is  
23 now "6" and the "5" is now "15"?

24 MR. PATCH: Yes.

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1 CHAIRMAN GETZ: I mean, weren't your  
2 questions -- how would they change, given a change in the  
3 number? It seems like you were asking your questions in  
4 kind of a qualitative sense with whatever the numbers  
5 were. If we don't grant your motion, what changes, I  
6 guess is my question?

7 MR. PATCH: I mean, obviously, the  
8 significance of it rises. And, the significance of a  
9 number of issues rises if the number rises. And, I guess,  
10 qualitatively, if you don't grant our motion, maybe it  
11 doesn't. But I just think it sort of points up the fact  
12 that, I mean, I thought we had very good arguments as to  
13 why at least some portion of that response ought to be  
14 made public. And, why, you know, not just us, but  
15 ratepayers ought to be entitled to know that information.  
16 And, I just think the absence of a ruling on it sort of  
17 hinders us from being able to fully pursue some of the  
18 questions that we have.

19 CHAIRMAN GETZ: Well, in absence of a  
20 ruling granting. Okay. All right. We'll take that under  
21 consideration. And, let's proceed with Ms. Hatfield.

22 MS. HATFIELD: Thank you.

23 BY MS. HATFIELD:

24 Q. Mr. Errichetti, I believe that you've testified that

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1 "the Company does not forecast migration", is that  
2 correct?

3 A. (Errichetti) Yes.

4 Q. And, I believe in Mr. -- I think it was Mr. Baumann's  
5 original filing in the case, which is Exhibit 1, on  
6 Page 5, Line 16, on Page 5, Line 16, of his testimony  
7 in Exhibit 1, Mr. Baumann referred to an "assumed  
8 migration level of 18 percent", and he contrasts that  
9 with the actual of 23 percent. Do you see that?

10 A. (Baumann) Yes.

11 Q. And, just help me understand, because you don't have a  
12 forecast, what you do is you take the actual at a point  
13 in time, and then you make an assumption just carrying  
14 that number forward, is that correct?

15 A. (Baumann) Right. So, assumed was an actual value. We  
16 didn't assume a forecasted value, that was actual.

17 Q. But you assumed the actual will continue at that same  
18 rate?

19 A. (Baumann) Yes.

20 Q. And, is it true that that's changed twice now since  
21 August 1st, 2009? You show here, on Page 5 of  
22 Exhibit 1, that it was 23. But I believe in one of  
23 your updates you said that it's actually gone higher?

24 A. (Baumann) Yes. Our update assumed a level of about

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1 27 percent, an actual level.

2 Q. And, when would you update that next? Would it be the  
3 mid-year update in 2010?

4 A. (Baumann) Yes.

5 Q. And, what would happen if migration fell significantly,  
6 so that it was 15 percent at that point? Would that  
7 have a significant impact on the mid-year correction  
8 you might make to the 2010 rate?

9 A. (Errichetti) It depends a lot on why it fell to  
10 15 percent. I mean, if it fell to 15 percent because  
11 the market moved up, that might have an effect. As you  
12 can see, in RAB-2, Page 3, we have a significant amount  
13 of surplus energy sales. Those are, you know, maybe  
14 predominantly in the off-peak, but that would absorb  
15 some of that migration coming back. So, yes, the rate  
16 would change. Would it be significant? I don't think  
17 we can say.

18 Q. And, actually, I wanted to ask you a question about  
19 that. I think you are referring back to RAB-2, Page 3,  
20 and "Surplus Energy Sales". And, this is in the  
21 update. This is Exhibit 3. And, "Surplus Energy  
22 Sales" shows up on Lines 30 and 31, correct?

23 A. (Errichetti) Yes.

24 Q. And, these are shown as a credit here, is that correct?

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- 1 A. (Errichetti) Yes.
- 2 Q. And, do those -- those are sales that take place when
- 3 PSNH has purchased more than it ends up needing to
- 4 serve ES customers?
- 5 A. (Errichetti) It's when all committed resources exceed
- 6 the load line. It doesn't necessarily -- it's not
- 7 necessarily purchases.
- 8 Q. What else would it be?
- 9 A. (Errichetti) It could be the IPPs. It could be coal.
- 10 It could be hydro. It's the sum of the committed
- 11 resources exceed the load line.
- 12 Q. But it wouldn't be coal or hydro, because you have an
- 13 obligation to use those to serve customers. So, --
- 14 A. (Errichetti) I have served customers, and I have more
- 15 to go.
- 16 Q. So, it's possible that you might have to sell all of
- 17 your purchases, plus sell some of your own generation?
- 18 A. (Errichetti) It's hour-specific. So, there are
- 19 probably hours where our committed purchases, plus
- 20 generation, exceed the load. There are probably other
- 21 hours where we've got -- the amount of surplus exceeds
- 22 what little purchase we may have already committed, so
- 23 we are into our own generation. It's hour-specific.
- 24 Q. And, for this total estimate for 2010, do these sales

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1 benefit customers? Are they a net positive? Or, are  
2 they -- are you projecting that they will be sold at a  
3 loss to customers?

4 A. (Errichetti) I think there are hours where it's a  
5 benefit to customers and hours where, on balance, it's  
6 a detriment to customers.

7 Q. And, would we see what the final result was next year,  
8 when you do the reconciliation for the calendar year  
9 that we're currently in?

10 A. (Errichetti) Yes.

11 Q. So, for --

12 A. (Errichetti) In aggregate, those numbers I believe are  
13 tallied up and they're in those exhibits.

14 Q. So, for 2010, we'd see them in 2011?

15 A. (Errichetti) Yes.

16 Q. Mr. Baumann, I wanted to ask you a few questions about  
17 the two methods that you described in your testimony,  
18 that's in Exhibit 2 that you filed on November 23rd,  
19 related to addressing issues related to migration. I  
20 believe that earlier today you used the term "undue  
21 burden" when you were describing the impact that those  
22 customers who are captive experienced. Do you recall  
23 that?

24 A. (Baumann) Not specifically, but I may have.

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[WITNESS PANEL: Baumann|Errichetti]

1 Q. Does that fairly characterize how you see the effect on  
2 those customers?

3 A. (Baumann) Yes. It's certainly an added burden to  
4 residential and small C&I customers.

5 Q. And, you've also described it as an "unintended  
6 consequence of restructuring", correct?

7 A. (Baumann) Yes.

8 Q. Is it fair to say that it's an unintended consequence  
9 of how restructuring has been implemented for PSNH, and  
10 not for the other utilities?

11 A. (Baumann) Yes, I think that's accurate, because PSNH is  
12 different than other utilities with their generation.

13 Q. So, if that's true, because of how things are managed  
14 through only market purchases for Grid and Unitil  
15 customers, they don't have this migration issue that  
16 PSNH is seeing right now, in terms of the impact on the  
17 captive customers?

18 A. (Baumann) That's correct.

19 Q. On Page 7 of your testimony, in Exhibit 2, Lines 11  
20 through 13, you talk about the fact that trying to come  
21 up with a solution for what you refer to as the "Method  
22 1" issue would be somewhat complicated, but that you  
23 believe that "additional work would be warranted".  
24 When do you think that that additional work should be

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1           undertaken?

2       A.   (Baumann) Well, I think we should begin immediately, in  
3           effect. You know, I think in my testimony I said that  
4           we would -- could possibly try to work through a  
5           solution for a July 1 rate change, if there was a  
6           solution that we could propose to the Commission. We  
7           -- I make that kind of generic. But, if it took us  
8           longer than that, then maybe we'd have to wait till the  
9           annual change in January of 2011. Certainly, I think  
10          the issue that's been identified, I think it's a valid  
11          issue that we need to address. I'm not sure what the  
12          right solution is or a combination of what the right  
13          solutions may be. But the sooner we can get to it, the  
14          better off we are.

15       Q.   And, once that solution is developed, would you  
16           envision that it would be reconcilable or retroactive?  
17           Since we know the problem exists now, would you see it  
18           -- would you see us being able to credit customers or  
19           figure out some way to compensate those captive  
20           customers for those costs that we see today?

21       A.   (Baumann) No, I think it would -- I think it would be a  
22           forward-looking change to the rate structure. At least  
23           that's what we would propose.

24       Q.   So, we would -- sounds like you would perhaps suggest

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1       that we tell those customers who are bearing that  
2       burden now that it's, in your words, it's an  
3       "unintended consequence of restructuring", but it won't  
4       be fixed until some point in the future?

5     A.   (Baumann) Yes.

6     Q.   You also talk about "Method 2 costs", which you  
7       describe on Page 5 of your testimony, as "specific cost  
8       items from the ES rate that directly benefit all  
9       customers", but are currently recovered through ES  
10      rates. Do you recall that?

11    A.   (Baumann) Yes.

12    Q.   And, on Page 8 of that testimony, you refer to three  
13      possible Method 2 costs that could be moved out of ES.  
14      Do you recall that?

15    A.   (Baumann) Yes.

16    Q.   And, the three appear beginning on Line 8. And, the  
17      first is, you've already mentioned, which is the "VAR  
18      support" that you are proposing moving to TCAM,  
19      correct?

20    A.   (Baumann) That's correct.

21    Q.   And, that would remove \$1.4 million out of the 2010  
22      Energy Service rate?

23    A.   (Baumann) Yes.

24    Q.   And, then, the second is the Bio-Energy costs that

[WITNESS PANEL: Baumann|Errichetti]

1 we've talked about, which are roughly 12 and a half  
2 million dollars?

3 A. (Baumann) Correct.

4 Q. And, then, the third is "Company Use that's not related  
5 to generation", and you suggest that it could be moved  
6 to distribution rates. And, the figure you have here  
7 is that it might be worth "1.4 million", is that  
8 correct?

9 A. (Baumann) That's correct.

10 Q. And, the Company I don't believe included removing that  
11 amount from Energy Service in your update. Why did you  
12 not include that?

13 A. (Baumann) Well, we looked at that amount as something  
14 slightly different than the other two. The  
15 above-market costs we think were very consistent with  
16 all the IPP treatment, and that was the Bio-Energy.  
17 The VAR support we felt was a number that could be  
18 moved into an existing recovery mechanism, TCAM,  
19 because we believe it's a reliability cost. It's part  
20 of the FERC tariff, transmission tariff, and it belongs  
21 there we believe. There's an existing deferral  
22 mechanism already in existence for that, that cost.  
23 So, we could move it on January 1st and just defer the  
24 underrecovery for six months into TCAM.

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1                   With respect to the Company Use, that  
2                   will be a little different. We would have had to have  
3                   asked the Commission to act on what I call a "rate  
4                   case" issue prior to the rate case being acted on.  
5                   That's not to say that the Commission couldn't do that,  
6                   but it would have -- if we had added it in, we would  
7                   have had to have asked the Commission to set up a  
8                   regulatory asset for that amount of money that would be  
9                   taken out of ES for six months, and it wouldn't have  
10                  been a regulatory asset or a deferral mechanism that  
11                  was right now right, you know, on the books, if you  
12                  will, and in process. So, we felt, because of the size  
13                  of amount, which was only 1.4 million, that we could  
14                  wait six months for that issue.

15                  Certainly, if someone pushed and said  
16                  "let's do it right away", I would say "fine". But then  
17                  you would have to be very specific to the Commission  
18                  that their order would have to allow a specific  
19                  regulatory asset, because we, the Company, cannot book  
20                  regulatory assets unless we have a specific Commission  
21                  order to do so. I feel comfortable that we have the  
22                  TCAM existing orders, but not for the distribution  
23                  piece.

24    Q.   And, so, the distribution piece, you're referring to

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1       that because, in that rate case, because you would be  
2       moving Company Use over to the distribution rates?

3    A.   (Baumann) That would be our proposal, yes.

4    Q.   In your cover letter to the December 7th update, which  
5       is Exhibit 3, the last sentence on the page states that  
6       "the Energy Service Rate would be 9.2 cents per  
7       kilowatt-hour absent the changes in cost recovery  
8       recommended in Method 2." And, so, do I understand  
9       that, if the Commission didn't make these changes, then  
10      your rate for 2010 would be 9.21 cents?

11   A.   (Baumann) That's correct.

12   Q.   And, what accounts for the reduction from your original  
13      estimate of 9.31, down to the 9.21?

14   A.   (Baumann) Well, there were numerous subtle pricing  
15      changes associated with coal, RPS, RGGI, and Mr.  
16      Errichetti could get into it, if he wants to. I think  
17      there were more Newington benefits. And, there were  
18      also some ISO -- or, Hydro-Quebec credits that were  
19      included in the update. And, net/net -- and I believe  
20      we updated for sales as well. So, it went from the  
21      original September number of 9.31, to the 9.21.

22   Q.   Are you familiar with the testimony that Mr. Mullen has  
23      filed on behalf of Staff in this docket?

24   A.   (Baumann) Yes.

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1 Q. And, are you familiar with his recommendation that the  
2 Company conduct a study of the Newington plant prior to  
3 the Energy Service case next year?

4 A. (Baumann) Yes.

5 Q. Does PSNH have a position on that recommendation of  
6 Staff?

7 A. (Baumann) A position? We're not opposing it. Kind of  
8 sounds like an OCA position, we're not in opposition.  
9 But, yes, I don't think -- there was no one at the  
10 Company jumping up and down screaming badly about it.

11 Q. I'm sure you recall in 09-091 that the OCA raised an  
12 issue about coal inventory?

13 A. (Baumann) Yes.

14 Q. And, what's the assumption for the 2010 rate on how  
15 many days of coal inventory you'll be carrying or  
16 maintaining at each of your coal-fired stations?

17 A. (Baumann) Well, for the rate, we have -- we've used  
18 actual inventory and -- well, actual inventory through  
19 a period of time. I think it's -- we have an October  
20 actual, and then we have rolled that inventory forward.  
21 Generally speaking, we've -- I think we've been in the  
22 45 day was an old level at one point that had been  
23 bantered about. But, as we've heard in other  
24 testimony, that level is a lot higher because of a lot

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1 of different circumstances. It's our intention to work  
2 down the inventory level. But we have used -- we have  
3 used actual data in all the filing, and have just  
4 rolled that forward into 2010.

5 Q. Also, in DE 09-091, the Company discovered that an  
6 insurance claim for an incident related to Newington  
7 Station had been received, but was not reflected in  
8 your first estimate of the Energy Service rate. Do you  
9 recall that?

10 A. (Baumann) Yes.

11 Q. And, the amount I believe was somewhere around  
12 \$770,000, is that correct?

13 A. (Baumann) Yes, that's correct.

14 Q. And, has that amount been or the appropriate portion of  
15 that been reflected in your update for the 2010 rate?

16 A. (Baumann) I checked this morning and the answer to that  
17 is "no." We just overlooked it. However, it's  
18 insurance towards a capital project. So, the revenue  
19 requirement in this case would be about \$85,000 in  
20 revenue requirements. And, if you were to reduce that  
21 from the dollars proposed, it wouldn't change the rate,  
22 because of the rounding. The rate would stay as  
23 proposed.

24 Q. And, is that -- that is because the amount is so small,

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[WITNESS PANEL: Baumann|Errichetti]

1 --

2 A. (Baumann) Yes.

3 Q. -- it wouldn't impact the overall rate?

4 A. (Baumann) Yes. And, I apologize for us overlooking it.

5 It's just been a busy couple weeks and we missed it.

6 MS. HATFIELD: One moment please.

7 (Ms. Hatfield conferring with Mr.

8 Traum.)

9 BY MS. HATFIELD:

10 Q. Related to the question I asked you earlier about the  
11 Newington Station, in your technical statement that was  
12 attached to your update, which is Exhibit 3, on the  
13 second page of your tech statement you are describing  
14 Lines 14 and 15 on RAB-2, Page 3. Do you see that?

15 A. (Errichetti) Yes.

16 Q. Can you discuss why you've made the change in operation  
17 that reflects dispatching Newington more than you had  
18 previously planned?

19 A. (Errichetti) In performing the update, we had  
20 conversations with plant management and operations, and  
21 talked over with them how they intend to look at  
22 Newington in 2010. We refined, revised/refined the  
23 modeling that we did in the initial filing to reflect  
24 using existing inventory and starting up on natural

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1 gas. And, those changes in the dispatch met -- the  
2 dispatch methodology resulted in increased hours of  
3 operation.

4 MS. HATFIELD: Thank you. No further  
5 questions.

6 CHAIRMAN GETZ: Thank you. Ms. Amidon.

7 MS. AMIDON: Thank you. I'm going to  
8 ask Mr. Mullen to conduct the cross on the technical  
9 statement in the December 7th filing.

10 CHAIRMAN GETZ: Thank you.

11 MR. MULLEN: Good afternoon.

12 WITNESS BAUMANN: Good afternoon.

13 WITNESS ERRICHETTI: Hello.

14 BY MR. MULLEN:

15 Q. I'm looking at Exhibit 3, which is the update. And, if  
16 we go right back to the technical statement, Page 2 of  
17 that technical statement, at the top, there's a  
18 discussion about "Lines 4 and 5". Could you explain  
19 what's happening with coal generation and coal-related  
20 costs?

21 A. (Errichetti) The increase in generation reflects  
22 reduced maintenance. They revised the maintenance  
23 schedule between the September filing and the December  
24 filing, there was fewer days, and that resulted in

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1 increased operation. My understanding on the coal  
2 price is we used up an expensive cargo in 2009. And,  
3 so, that price, the cost of that cargo was removed from  
4 2010. Transportation charges are forecast to be lower  
5 in 2010. And, I believe the NOx and SOx adder prices  
6 were also lowered somewhat. So, the combination of  
7 those individual assumption changes resulted in a lower  
8 overall coal fuel, you know, coal expense, even while  
9 there was increased generation.

10 Q. Now, am I correct, is the "\$5.8 million" that's  
11 mentioned there, is that related to a decreased fuel  
12 price?

13 A. (Errichetti) Well, it's commodity, as attributed to the  
14 cargo, and it's transportation, which is not really,  
15 it's fuel, and then the emission adders, the NOx and  
16 SOx adders. So, you know, hard to say those are fuel,  
17 exactly fuel.

18 Q. So, even though you're increasing the coal generation  
19 and using more fuel, overall, the fuel costs are still  
20 down?

21 A. (Errichetti) Yes.

22 Q. Regarding "Lines 14 and 15", a little further down the  
23 page, for Newington Station, the last sentence, am I  
24 correct to say that the changes in expense and revenue

[WITNESS PANEL: Baumann|Errichetti]

1 relate to energy expense and energy revenue?

2 A. (Errichetti) Yes. If I'm understanding you correctly,  
3 I think the answer is "yes."

4 Q. Okay. Do you know what this increased generation, how  
5 it changes the forecasted capacity factor for  
6 Newington?

7 A. (Errichetti) I wrote that down somewhere, now I got to  
8 remember where. I would have to calculate that. The  
9 capacity factor was less than 1 percent in the original  
10 run. The capacity factor in the update is 3 percent.  
11 And, the capacity factor in the original filing was  
12 less than one.

13 Q. Moving down to the bottom of this page, to "Line 33",  
14 could you clarify what's happening with the congestion  
15 and loss adjustment?

16 A. (Errichetti) When going from the September analysis to  
17 the December analysis, the amount of spot purchases in  
18 the ISO-New England wholesale energy market go down.  
19 When we move -- we model those purchases at the Mass.  
20 hub. So -- and there's a negative congestion and a  
21 negative loss when you move from the hub to the New  
22 Hampshire zone. So, when you cancel those purchases,  
23 you actually undo a negative component in that  
24 congestion and loss line, which raises the congestion

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1 and loss expense or at least it appears that you're  
2 raising it, because you're reducing a credit. And,  
3 vice versa, when we went from the September filing to  
4 the December filing, the surplus sales went up, and  
5 when we move surplus in New Hampshire to the hub, you  
6 actually incur a congestion and loss expense, because  
7 the hub is more expensive than New Hampshire. And,  
8 it's a combination of those. And, there are other  
9 hours where the congestion and loss numbers are going  
10 down, but they're dwarfed by this trend.

11 Q. Now, if you turn the page, to the fourth item down, to  
12 "Line 43 and 44", it talks about a decrease in capacity  
13 costs of "7.7 million". Could you just briefly  
14 describe the various components that comprise that  
15 \$7.7 million decrease?

16 A. (Errichetti) Yes. There's three changes that we  
17 captured in the update. There were a -- there was a  
18 small number of megawatts of IPPs that we were taking  
  
19 credit for from June to December that we should not  
20 have been claiming, and that was 0.53 megawatts. It  
21 was very small. The second correction is, we were  
22 claiming credit for capacity under the CORE Program,  
23 that's the Conservation and Load Management Program.  
24 Those capacity revenues, those credits are actually

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1 plowed back into the CORE Program. They're not really  
2 available to the ES. So, we had to remove those  
3 megawatts and those credits. And, that actually raised  
4 costs. And, the third correction was, we did not  
5 capture PSNH's Hydro-Quebec interconnection capacity  
6 credits. That's 128 megawatts per month, June through  
7 November. And, that was worth a lot of money. It  
8 significantly lowered the ES capacity expense.

9 Q. Regarding the Hydro-Quebec credits, why only the months  
10 June through November?

11 A. (Errichetti) In setting the installed capacity  
12 requirement, which is the total capacity requirement in  
13 New England, the Hydro-Quebec line was given a credit.  
14 It's -- Really, it's tie benefits. They were given  
15 credit for the months of March through November. And,  
16 we had it modeled correctly March through May, but we  
17 did not model it correctly, June through November.

18 Q. And, what happens --

19 A. (Errichetti) People are saying I did that wrong? No,  
20 it's through November. Oh, December, January, and  
21 February are Hydro-Quebec's peak load months. And, for  
22 the 2010 calendar year, it's really two power years, we  
23 weren't given any value for Hydro-Quebec in those three  
24 winter months.

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1 MR. MULLEN: Thank you. I have nothing  
2 further.

3 CMSR. BELOW: Good afternoon.

4 BY CMSR. BELOW:

5 Q. Mr. Baumann, on Exhibit 14, the OCA-011 --

6 A. (Baumann) Excuse me, Commissioner, which exhibit was  
7 that again?

8 Q. It's been marked as "Exhibit 4, the cover of it is a --  
9 Exhibit 14, yes, and the cover of it is a data request  
10 from TransCanada, TC-012. But attached to it, the  
11 third page is a data request from OCA-011.

12 A. (Errichetti) Oh. Okay. Am I the witness on TC-012?

13 Q. Well, the witness on this data request is Richard  
14 Labrecque and Robert Baumann.

15 A. (Errichetti) Okay. So, you're referring to the 09-091?

16 Q. Yes.

17 A. (Errichetti) Okay. Here we go. I've got it.

18 Q. Right. In another docket, right. But, in that,  
19 there's a reference to "PSNH's Supplemental Energy  
20 Sources Department O&M charges [being] recovered  
21 through [the] distribution rate." Is that still the  
22 case? And, if so, why is it charged to the  
23 distribution rate, rather than the Energy Service rate?

24 A. (Errichetti) Could you ask the question again, now that

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[WITNESS PANEL: Baumann|Errichetti]

1 we found the response?

2 Q. Well, I'm actually slightly confused by the response,  
3 because it seems to refer to two things, I'm not sure  
4 whether they're the same thing. Maybe clarify that if  
5 what's referred to as "PSNH's Supplemental Energy  
6 Sources Department O&M charges" says are "recovered  
7 through distribution rates". And, then, it says  
8 "Northeast Utilities Wholesale Power Contracts (NU WPC)  
9 Department charges O&M associated with purchasing power  
10 to energy service. These costs are included", and  
11 that's referring to something that is charged to energy  
12 service. So, I take it those are two separate charges.

13 A. (Errichetti) Okay. What happened is the question  
14 originally referred to "Supplemental Energy Sources  
15 Department".

16 Q. Yes.

17 A. (Errichetti) And, at PSNH, that is the group that  
18 administers the old PURPA contracts, and the third --  
19 the IPPs who sell under short-term rates.

20 Q. Okay.

21 A. (Errichetti) And, that department charges it time to  
22 the distribution company. But then the question went  
23 on to ask "are there any other departments that charge  
24 to Energy Service? And, the answer is "Yes, there's



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1 another department named Wholesale Power Contracts who  
2 does."

3 Q. And, that's what you're associated with, in terms of  
4 procuring the -- filling the gap, among other things,  
5 and that's charged to Energy Service rates?

6 A. (Errichetti) Yes.

7 Q. Okay. Thank you. That's a helpful clarification.  
8 Going back to Exhibit 1, the original prefiled  
9 testimony, at Page 6 of 8, Line 7, I think, Mr.  
10 Baumann, you stated that "During the current  
11 unprecedented market price decline", and then the  
12 sentence goes on, I was just wondering if you could  
13 explain why you call it an "unprecedented market price  
14 decline"?

15 A. (Baumann) Well, over a relatively short period of time  
16 we've seen oil and gas at the highest rates they were  
17 ever at, and which is the price decline that we were  
18 referring to here, and generally was the decline we've  
19 seen in both of those commodity prices, from their  
20 all-time high to an extremely low level. I think -- I  
21 know there's a gas chart that we were referring to  
22 before. The gas prices are, I think, at a level that  
23 we were at about ten years ago. And, you know, so,  
24 they have come from a very low level, up to an all-time

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1 high, and back down to this very low level. So, we  
2 were really referring to just the absolute value of the  
3 decline, it's probably the largest decline we've ever  
4 seen in a short period of time.

5 Q. But, relatively speaking, we've been through other  
6 cycles where prices, whether they're fossil fuels or  
7 electricity on the margin, have gone to high levels,  
8 sometimes record high levels, and then decline to low  
9 levels again.

10 A. (Baumann) Sure. Sure.

11 Q. And, in fact, didn't we have a period in the '90s, when  
12 we saw that the cost of new electric generation on the  
13 margin, from relatively low priced natural gas, using  
14 relatively new commercialized, highly efficient  
15 combined cycle, was actually lower than typical average  
16 embedded cost for generation, such that that, you know,  
17 was arguably a factor in many states' consideration of  
18 restructuring, where large industrial customers were  
19 asking for the opportunity to choose their generation  
20 suppliers, because they were seeing opportunities to  
21 buy new generation sort of on the margin at a lower  
22 cost than their current average cost of generation. Is  
23 that a fair statement?

24 A. (Baumann) Yes. Yes, I believe it is.

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1 Q. Okay.

2 A. (Baumann) You know, again, when I was referring to  
3 "decline" here, we were thinking in terms of \$140 oil  
4 versus \$39 oil. That's \$100 a barrel decline as an  
5 example. I don't think we've ever seen a \$100 barrel  
6 decline, only because we've never seen oil at 140.

7 Q. But, you're focusing, when you raised this  
8 "unprecedented market price decline", was not really  
9 oil, it was electricity cost, correct?

10 A. (Errichetti) But, even electricity prices, in the  
11 forward market, fell from 100 to 30. We hadn't seen  
12 \$100 -- well, north of 100. It was -- It really ran  
13 up, and it has quite fallen down.

14 Q. Okay. Have you ever had the occasion to go back and  
15 look at what the cost of some of your strips and blocks  
16 were to fill the gap, compared to if you had simply  
17 procured the same power for the same periods of time in  
18 the day ahead and/or the same day real-time markets in  
19 New England?

20 A. (Errichetti) Well, yes. We -- Well, looking backward,  
21 I think, as a part of the prior year review, we do do  
22 that. And, on a quarterly basis, for certain  
23 accounting rules, we have to look at our energy  
24 purchases and compare them to the market at the end of

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1 each quarter. So, we do -- we do know how they're  
2 doing, you know. But, one of the things, you know, I  
3 think I've got to mention is, over the years in this  
4 proceeding, and I think it was mentioned perhaps  
5 earlier today, there was an emphasis on managing  
6 over/under recoveries. And, there was a strong --  
7 there was a desire at one point in this process to lock  
8 in our power supply so that we had price certainty, so  
9 that customers could -- would know what their rate was  
10 going to be. And, then, when the year was over, there  
11 weren't going to be any surprises as to whether we had,  
12 you know, we had set the rate too high or too low. So,  
13 there was an effort over the years to buy what we  
14 needed and create certainty.

15 I think what we're realizing over the  
16 past 16, 18 months is maybe that needs to change.  
17 Well, clearly, it needs to change.

18 Q. Could you provide some of these quarterly analyses  
19 where you've compared actual market prices with what  
20 your blocks and strips were? Could you provide those  
21 as a record request?

22 A. (Errichetti) Do you want like, say, the last four  
23 quarters' reports?

24 Q. That would be helpful.

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[WITNESS PANEL: Baumann|Errichetti]

1 A. (Errichetti) All right. I would like to provide that  
2 confidentially to, you know, OCA, Staff, and you.

3 CHAIRMAN GETZ: Okay. Let's reserve  
4 Exhibit 20 for the record response.

5 (Exhibit 20 reserved)

6 BY CMSR. BELOW:

7 Q. Are you generally -- have you heard or are you aware of  
8 some work ISO-New England did earlier this year, in  
9 which they compared Default Service rates for, I  
10 believe, National Grid in Massachusetts over several  
11 historic periods for different customer classes with  
12 real-time prices?

13 A. (Errichetti) No, I haven't seen that particular study?

14 A. (Baumann) No, I haven't either, sir.

15 Q. Okay.

16 A. (Errichetti) Can I -- You want to say something?

17 A. (Baumann) Well, I'm just curious. Was it a published  
18 study?

19 Q. I don't know that it's published. I think it's  
20 publicly available.

21 A. (Errichetti) We, I mean, just to generically answer the  
22 question, we have looked at times to say, you know, we  
23 don't profess to time the market. We don't claim that.  
24 We tend to more say "dollar cost average". If we want

[WITNESS PANEL: Baumann|Errichetti]

1 price certainty, you buy what you need, spread it over  
2 time, and manage it. We have looked at day-ahead  
3 versus real-time. You know, should you buy 100  
4 megawatt-hours an hour in a day ahead of the real-time.  
5 And, there will be very long streaks where it looks  
6 like it makes lot of sense to just wait for real-time.  
7 It's always cheaper. Then, there will be a handful of  
8 days where the real-time just goes, you know,  
9 inexplicable. And, so, you end up saying, "boy, being  
10 in a day ahead gives you more price certainty and stay  
11 there." And, that's a little bit different than your  
12 question, which is, "if you bought every year on  
13 December 31st, how would that compare to just playing  
14 out the day ahead or real-time market?" And, that I  
15 have not looked at.

16 Q. I think, if you took a look at what ISO-New England  
17 did, it addresses -- it looked specifically at that,  
18 although it's not comparing to what you're doing, it  
19 does compare to what a bundled Default Service rate is  
20 compared to over long periods of time, over several  
21 years, what just buying in the real-time looks at.  
22 And, it's something that I think merits some  
23 consideration in terms of this question and going  
24 forward.

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[WITNESS PANEL: Baumann|Errichetti]

1                   And, would you say it's fair to say that  
2           at this point, with hindsight, that the volatility of  
3           customer migration may have as much or may have -- has  
4           an increasing impact on this question of price  
5           certainty, compared with, for instance, locking in  
6           prices, relative to the past experience?

7    A.   (Errichetti) Absolutely.

8    Q.   Okay. I have a couple more questions, I just have to  
9           remember them. Oh, the surplus situation you find  
10          yourself in, how long have you been roughly in a  
11          surplus, net surplus situation, where you have net  
12          surplus sales?

13   A.   (Errichetti) Well, I guess it depends on the month.  
14          But it's been, as migration has gone up, we've become  
15          surplus in various months. You know, the lower load  
16          months were the first months where we started going  
17          surplus. And, then, as more migration has happened and  
18          as the sales forecast has been getting revised down,  
19          more months are surplus. And, I think, at this point,  
20          in the reference case, we're surplus in every month.

21   Q.   And, how would you characterize where that is  
22          occurring? Is that -- historically, that's mostly  
23          occurred, I presume, during off-peak hours, when your  
24          load simply drops below the level that sort of fixed

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1 generation is occurring. But is that -- are you  
2 getting increasing numbers of hours where that's  
3 occurring because you have, for instance, bought strips  
4 or blocks of power, and, even though it's not at the  
5 low off-peak hours, but you have more intermittent  
6 hours where you have surplus?

7 A. (Errichetti) Yes. It's getting pervasive. And, you  
8 know, we're kind of -- what power supply we have is  
9 pretty much locked in. So, as we lose -- you know, one  
10 thing I want to mention is the sales forecast on  
11 modelings are weather-normalized forecasts. We're  
12 forecasting, so there's no weather, there's not much  
13 weather variation in the forecast. The other thing is  
14 is that we model -- I guess what I'm trying to say is  
15 it's a reference forecast and it's a reference price.  
16 And, there's a lot that's going to happen during the  
17 year that's going to change what this piece of paper  
18 says is happening.

19 Q. I'm not sure where it was in the documents, but I think  
20 you provided a customer migration update table that I  
21 believe went through October, possibly November. And,  
22 at the tail of that table, the most recent month it  
23 shows over 500 residential customers, which appears to  
24 be an all-time high in terms of residential customers

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[WITNESS PANEL: Baumann|Errichetti]

1 migrating to competitive suppliers. Do you have any  
2 update on that, a more recent month?

3 A. (Errichetti) I'm being told "no".

4 Q. Okay. And, what is the last -- do you happen to have  
5 that last month that is reported?

6 MR. MULLEN: If I could help you out, I  
7 believe it's attached to Mr. Hachey's testimony, which is  
8 Exhibit Number 7.

9 CMSR. BELOW: Thank you, Mr. Mullen.

10 BY CMSR. BELOW:

11 Q. Actually, the last month there is September '09. So,  
12 we've been through October and November. Are you sure  
13 you don't have any data for October and November?

14 WITNESS ERRICHETTI: Do you want to --

15 MR. HALL: I'm sure we have it. I just  
16 don't --

17 CHAIRMAN GETZ: Let's get it on the  
18 record. Why don't -- Mr. Eaton, do you have an answer to  
19 --

20 MR. EATON: We can get more recent  
21 information.

22 CMSR. BELOW: Okay. Could we have a  
23 record request to extend the migration history that's  
24 shown in Exhibit 7, Page 2 of 2 of the Data Request

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1 OCA-01, Q-OCA-004, up to the most recently available data.

2 CHAIRMAN GETZ: Okay. And, we will  
3 reserve Exhibit 21 for that response.

4 (Exhibit 21 reserved)

5 CMSR. BELOW: That's all.

6 CHAIRMAN GETZ: Ms. Ignatius.

7 CMSR. IGNATIUS: Thank you.

8 BY CMSR. IGNATIUS:

9 Q. Mr. Errichetti, if you can look at Exhibit 12, which is  
10 the data response that compared the variance between  
11 percentages of purchases in different time periods in  
12 2007 versus purchases for 2010.

13 A. (Errichetti) Yes.

14 Q. And, there was quite a lot of attention given to that  
15 today, so I want to be sure I understand. In purchases  
16 for 2010, is it correct that, first of all, you're  
17 looking at the gap between your own resources and other  
18 obligated supply against the load that you anticipate?

19 A. (Errichetti) Yes.

20 Q. And, then, when you assess that gap, you go out and  
21 make certain purchases. And, in this case, you made, I  
22 won't ask you for an amount, but you made a certain  
23 amount of -- you purchased a certain amount of power  
24 under these bilateral agreements that you thought was

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1           only a portion of what you would need to fill the gap?

2    A.   (Errichetti) At the time, yes.

3    Q.   And, it turned out that that level of purchasing was  
4           100 percent of what you ended up needing to fill the  
5           gap?

6    A.   (Errichetti) Yes. We don't believe we need to buy any  
7           more.

8    Q.   Okay. You also corrected the percentages we've been  
9           talking about. And, I just want to be sure I  
10          understand "2 percent" of what and "5 percent" of what  
11          have now become "6" and "15 percent" of what.

12   A.   (Errichetti) Yes.

13   Q.   So, if you can just explain what the --

14   A.   (Errichetti) Okay. Without naming names, prior to the  
15          hearing, I went back and I was looking at the document  
16          you've asked for that showed what our procurement  
17          strategy was and what we were working off of. And, I  
18          misinterpreted the purchases in that memo, and I  
19          understated the volume that we were looking to buy by  
20          three. So, when I came in this morning, I was  
21          thinking, "all right, we bought X amount, and that was  
22          5 percent of the gap or 2 percent of the total  
23          requirement." And, so, I -- and, as I was being  
24          crossed later on, I realized, looking at that

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1 confidential data request, I said "oh, look at that.

2 That's what I did wrong. There were three of them, not

3 one of them." And, that was the correction.

4 Q. So, the correct numbers are that you were making

5 purchases for what you thought was 15 percent of the

6 gap?

7 A. (Errichetti) Yes. We were buying -- we bought 15 --

8 that's what we targeted at that time, 15 percent of the

9 gap.

10 Q. And, then, the gap turned out to shrink because of a

11 drop in load --

12 A. (Errichetti) The recession and migration.

13 Q. One other question on that. You also defined for us

14 the known purchases as a "catchall" that included these

15 purchases we just talked about and some other

16 categories. And, you said that some of those purchases

17 went back to 2002?

18 A. (Errichetti) Yes.

19 Q. Why are you -- How are we dealing with purchases that

20 far back? What would be the purchasing strategy that

21 the Company had that might be dealing with a

22 2002 purchase for 2010?

23 A. (Errichetti) That particular purchase is the Bio-Energy

24 replacement purchase.

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[WITNESS PANEL: Baumann|Errichetti]

- 1 Q. All right. And, in that category, you had Bio-Energy.  
2 Is there anything else that's as old, an ongoing  
3 obligation as that?
- 4 A. (Errichetti) Well, there's two other purchases that are  
5 unit contingent. That means they actually were buying  
6 it from the -- the output of a unit that were entered  
7 into, I think they're three year terms, '08, '09, '10.  
8 Before long I'm going to provide that entire response.  
9 Well, yes, and then I mentioned earlier Lempster was  
10 also in that line.
- 11 Q. Right.
- 12 A. (Errichetti) That's newer, but it's got a long life.
- 13 Q. How long does that extend?
- 14 A. (Errichetti) Subject to check, like 15 years, 10, 15  
15 years, something like that.
- 16 Q. The other thing I wanted to inquire of probably both of  
17 you, but pick who starts, is the questions about the  
18 relationship between the least cost planning  
19 submissions and the decision-making that the Company  
20 does day-to-day in its purchasing. And, you stated  
21 that you need flexibility, that it can't be an absolute  
22 lock on your decision-making. But where do you -- how  
23 much can the Commission rely on the contents of the  
24 plan as a planning document that will guide the

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1 Company? I think we can all agree that it's not locked  
2 in stone. But how far do we go from individual  
3 decisions to -- that are merely historical, which  
4 you've talked about, for decisions made in 2007 that  
5 were included in the plan, versus a planning process to  
6 guide decision-making going forward?

7 A. (Errichetti) Well, probably belongs -- this probably  
8 belongs in that docket. But, I mean, you know you have  
9 generation, and I guess what's become apparent in the  
10 last so many months is that we don't know what our  
11 Energy Service sales requirement is going to be, and  
12 yet there's a space between them. And, heretofore, the  
13 migration wasn't an issue. It wasn't as big an issue.  
14 And, so, we basically said "let's manage the price and  
15 price certainty." I think what's being -- what was  
16 being suggested a little while ago perhaps is "well,  
17 you take your gen, you have a gap, buy it in the spot  
18 market, and that's what in the least cost plan. Don't  
19 try to anticipate." There would be quite a sea change.  
20 But it might be better than where we find ourselves  
21 now, in hindsight.

22 So, you know, I was going to say "well,  
23 there's call options. There's, you know, unit  
24 contingent purchases. There's firm strips. And,

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1       there's just let it ride in the market." And, those  
2       are a handful of the tools to manage the gap. Capacity  
3       is no longer really a bilateral product in New England,  
4       because it's -- the requirement is set three years  
5       ahead, and load just pays its pro rata share of the  
6       bill. Whereas, in the past, you could actually enter  
7       into, you know, private arrangements. So, I think it's  
8       clearly ripe for discussion in the upcoming least cost  
9       plan. And, because migration has become real, we need  
10      to address that head on.

11    Q.   Mr. Baumann, anything you want to add on that sort of  
12       relationship between the planning document that lays  
13       out both historic purchases and what should be sort of  
14       guidance for future purchasing?

15    A.   (Baumann) Yes. And, Commissioner, actually, maybe you  
16       saw it in my eyes, I just want to say that, I don't  
17       deal as much as Mr. Errichetti in this area, but I've  
18       always viewed in the least cost plan as kind of a  
19       structure that we'd work within. But it's not a jail.  
20       In other words, there are doors that you can -- that  
21       you can go in and out of, as opposed to jail, you stay  
22       within that structure. Because, from what I -- when I  
23       do look at least cost plans, you know, there is a lot  
24       of historical data in there. And, while you can

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[WITNESS PANEL: Baumann|Errichetti]

1       certainly learn from history, the ever-changing  
2       markets, and, certainly, in the last 18 months, we've  
3       seen markets that have just been -- just not  
4       anticipated by anybody. So, that's kind of how I've  
5       always kind of explained it. When I do some training  
6       programs or something, I'll say, "you know, you have  
7       this Least Cost Plan. It's a structure. But you can't  
8       make it a jail, because you have to have flexibility to  
9       maintain that going into the future." That's how I've  
10      always viewed it, characterized it actually to people  
11      that I've talked to.

12                   CMSR. IGNATIUS: Thank you.

13                   CHAIRMAN GETZ: Redirect, Mr. Eaton?

14                   MR. EATON: Yes.

15                   REDIRECT EXAMINATION

16   BY MR. EATON:

17   Q.   Mr. Baumann, Mr. Rodier asked some questions concerning  
18       the migration in the State of Connecticut. Do you  
19       remember those questions?

20   A.   (Baumann) Yes.

21   Q.   Are you familiar with the equivalent rate to the Energy  
22       Service rate that PSNH has, the equivalent rate that is  
23       for your company, Connecticut Light & Power?

24   A.   (Baumann) Yes.

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[WITNESS PANEL: Baumann|Errichetti]

1 Q. And, for residential, what has the price been for that,  
2 for that rate, since divestiture of the Company's  
3 generating resources?

4 A. (Baumann) Since divestiture?

5 Q. Well, in --

6 A. (Baumann) I can bring it back in my brain here. For  
7 the first four years, it was a set price. And, let me  
8 -- from year 2000 to 2003, it was a set price of about  
9 four and a half cents a kilowatt-hour. 2004, because  
10 they had a four year RFP in 1999, once we got into 2003  
11 and 2004, they started going to annual RFPs for  
12 100 percent of the load. At that point, we really  
13 didn't have any migration. The prices -- The prices by  
14 the beginning of 2006 had increased to over 10 cents a  
15 kilowatt-hour, for the -- what we call "Standard  
16 Service", or back then it was called "SOS", Standard  
17 Offer Service. I remember the acronym. So, by early  
18 2010, it was over 10 cents. Since then, it has gone  
19 up, I think the highest was in 2008, and it got up into  
20 like 12.7 cents a kilowatt-hour. And, again, this is  
21 for the Standard Service customers. This is the --  
22 generally, these residential and small C&I customers.  
23 Very similar to what you see today in New Hampshire  
24 with the larger customers with high -- you know, good

[WITNESS PANEL: Baumann|Errichetti]

1 load profiles and high load that are migrating. Today,  
2 the rate is 12.2 cents a kilowatt-hour for the Standard  
3 Service. I believe the proposed rate for 1/1/2010 is a  
4 decrease, but it's in -- I think it's in the high --  
5 it's somewhere in the 11 cents per kilowatt-hour. We  
6 certainly have seen, with the sale of generation, we  
7 have seen very, very large and rapid increases in our  
8 price of electricity, and it's become a dominant  
9 factor, unfortunately, in our price -- total price of  
10 electricity to customers in Connecticut and in  
11 Massachusetts, Western Massachusetts Electric Company.

12 Q. And, how is that power supply accumulated and priced?

13 A. (Baumann) Well, it's -- we go out for 100 percent of  
14 the required load, we go out for RFPs, on a cycled  
15 basis. In Connecticut, we ladder two and three years  
16 in advance for the load obligations each year.  
17 Massachusetts has a 50 percent laddering every six  
18 months. So, they reach out for like a year 50 percent,  
19 and they overlap it, every six months they roll  
20 forward. So, generally -- but it's basically, I mean,  
21 it's very similar to what TransCanada had recommended  
22 in their testimony as to, you know, "go out and have a  
23 full RFP process, transparent", and I don't remember  
24 the acronyms that they keep using. But that's

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1 generally what they do in Connecticut and  
2 Massachusetts. We own no generation in either of those  
3 jurisdictions anymore. So, it's 100 percent marketing  
4 RFPs.

5 MR. EATON: Thank you. That's all I  
6 have on redirect.

7 CHAIRMAN GETZ: All right. Then, you're  
8 excused for today, gentlemen. Thank you.

9 WITNESS BAUMANN: Thank you.

10 CHAIRMAN GETZ: Why don't we try to get  
11 Mr. Mullen's direct taken care of. Is anybody else going  
12 to have questions for Mr. Mullen? Mr. Eaton, I guess you  
13 indicated you would have no cross for Mr. Mullen. You're  
14 going to have some cross, Mr. Patch?

15 MR. PATCH: I have a little bit, maybe  
16 10 or 15 minutes.

17 CHAIRMAN GETZ: And, Ms. Hatfield, do  
18 you have cross for Mr. Mullen?

19 MS. HATFIELD: Yes, just a few minutes.

20 CHAIRMAN GETZ: All right. Well, let's  
21 just get the direct taken care of, and then we'll recess  
22 for the day.

23 MS. AMIDON: Shall I call Mr. Mullen to  
24 the stand?

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[WITNESS: Mullen]

1 CHAIRMAN GETZ: Please.

2 (Whereupon Steven E. Mullen was duly  
3 sworn and cautioned by the Court  
4 Reporter.)

5 STEVEN E. MULLEN, SWORN

6 DIRECT EXAMINATION

7 BY MS. AMIDON:

8 Q. Good afternoon, Mr. Mullen.

9 A. Good afternoon.

10 Q. Would you please state your full name for the record.

11 A. My name is Steven Mullen.

12 Q. And, please tell me who you are employed -- where you  
13 are employed, and what your position is in your  
14 employment.

15 A. I'm employed by the New Hampshire Public Utilities  
16 Commission as the Assistant Director of the Electric  
17 Division.

18 Q. And, have you testified before the Commission  
19 previously?

20 A. Yes, I have.

21 Q. Do you have in front of you a document that was filed  
22 with a cover letter signed by me dated December 2nd,  
23 2009?

24 A. Yes, I do.

[WITNESS: Mullen]

1 Q. And, can you tell me what the attachment is to that  
2 letter?

3 A. That's my prefiled direct testimony in this proceeding.

4 Q. And, do you have any corrections to this testimony?

5 A. No, I do not.

6 MS. AMIDON: So, Mr. Chairman, I believe  
7 we're up to Exhibit 23?

8 CHAIRMAN GETZ: Is it 23?

9 MS. DENO: Twenty-two.

10 MS. AMIDON: Twenty-two? Okay.

11 CHAIRMAN GETZ: We'll mark Mr. Mullen's  
12 testimony for identification as "Exhibit Number 22".

13 (The document, as described, was  
14 herewith marked as Exhibit 22 for  
15 identification.)

16 MS. AMIDON: Thank you. He's available  
17 for cross. I don't know if you want to get started.

18 CHAIRMAN GETZ: Okay. Well, we'll see  
19 you tomorrow, Mr. Mullen.

20 (Chairman and Commissioners conferring.)

21 CHAIRMAN GETZ: All right. One last  
22 issue I want to address before we recess for today, and  
23 that's with respect to the partial objection to the Motion  
24 for Protective Order filed by TransCanada. And, we're

1       going to deny that motion. But, also, I think it's  
2       important to recognize the timing constraints and  
3       considerations of the way the Energy Service dockets have  
4       proceeded over time and their relationship to the  
5       reconciliation proceedings. And, I think, in some  
6       respects, it's fair to argue that a Energy Service  
7       proceeding is analogous to a temporary rate proceeding,  
8       and therefore a less stringent standard of review would  
9       apply. So, in that regard, we've denied the motion today.  
10      But, in the context of a reconciliation proceeding, we'll  
11      consider, if TransCanada or any other party wants to make  
12      again some arguments with respect to the extent of  
13      confidentiality that should apply, then we'll consider  
14      those arguments at that time.

15                   CMSR. IGNATIUS: And, I think that one  
16      of the notions that is interesting in Mr. Patch's motion  
17      was whether there is any form of kind of a middle ground  
18      of some aggregated information or other ways of opening up  
19      to an extent without fully disclosing information that is  
20      very sensitive, and to be disclosing it to competitive  
21      entities is problematic. And, so, between now and when  
22      we're next in the proceeding looking at this, as Chairman  
23      Patch -- Chairman Getz said, it would be interesting if  
24      the parties were able to come to any kind of

1 recommendation that could aggregate information or do  
2 something that is mutually acceptable, to provide some  
3 information without the full degree of detail that was  
4 requested initially.

5 CHAIRMAN GETZ: Mr. Patch.

6 MR. PATCH: Mr. Chairman, could I just  
7 ask one clarification. You said "deny the motion".

8 CHAIRMAN GETZ: Or deny --

9 MR. PATCH: I think you meant "deny the  
10 objection".

11 CHAIRMAN GETZ: Yes. We will overrule  
12 the partial objection in whole.

13 MR. PATCH: Thank you. I mean, I  
14 shouldn't say "thank you". But thank you for the  
15 clarification.

16 MR. EATON: If you hadn't asked for the  
17 clarification, I would have.

18 MR. PATCH: Okay.

19 CHAIRMAN GETZ: All right. Then, let's  
20 recess for today and we'll resume tomorrow at 1:00. Thank  
21 you.

22 (The hearing was adjourned at 4:58 p.m.,  
23 and to resume December 11, 2009.)

24

