

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

December 9, 2014 - 10:05 a.m.  
Concord, New Hampshire

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RE: DE 11-216  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:  
*Alternative Default Energy Service Rate.*

PRESENT: Chairman Martin P. Honigberg, Presiding  
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:  
Matthew J. Fossum, Esq.

Reptg. Freedom Logistics:  
Howard Plante

Reptg. Residential Ratepayers:  
Susan Chamberlin, Esq., Consumer Advocate  
James Brennan, Finance Director  
Office of Consumer Advocate

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Thomas C. Frantz, Director/Electric Division  
Grant Siwinski, Electric Division

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

ORIGINAL

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**FREDERICK B. WHITE**

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**P R O C E E D I N G**

CHAIRMAN HONIGBERG: Good morning, everyone. We're here this morning on Docket DE 216 [11-216?], which is at this point about Rate ADE and its latest proposed incarnation. I won't recount the long history of how we got to where we are. I will note that we received in the mail yesterday a letter from Mr. Rodier, or, actually, I guess it would be more sort of better styled as a "pleading" from Mr. Rodier, explaining his client's position, but indicating that he wouldn't be asking questions today. I don't even see him here. And, so, maybe that's not something that we need to worry about, except to take into account his comments.

Why don't we take appearances before we go further.

MR. FOSSUM: Good morning, Commissioners. Matthew Fossum, for Public Service Company of New Hampshire.

MR. PLANTE: Good morning. Howard Plante, with Freedom Logistics.

MS. CHAMBERLIN: Susan Chamberlin, Consumer Advocate. And, with me today is Jim Brennan.

MS. AMIDON: Good morning, Commissioners, Mr. Chairman. Suzanne Amidon, for

[WITNESS PANEL: Goulding~White]

1 Commission Staff. To my left is Tom Frantz, the Director  
2 of the Electric Division, and to his left is Grant  
3 Siwinski, an analyst in that Division. Thank you.

4 CHAIRMAN HONIGBERG: How are we  
5 proceeding today, Mr. Fossum?

6 MR. FOSSUM: Excuse me. The intention  
7 is that, in that what we're here to discuss this morning  
8 as we understand it is the Company's proposal. The  
9 Company will be putting on a panel to discuss the proposal  
10 and to respond to cross-examination. So, Christopher  
11 Goulding and Frederick White will be on the panel.

12 CHAIRMAN HONIGBERG: Is that everyone  
13 else's understanding as well?

14 MS. AMIDON: Yes.

15 MS. CHAMBERLIN: Your Honor, if I may,  
16 the OCA would like to have Jim Brennan take the stand next  
17 and explain our -- the OCA's position on the effective  
18 date of the proposed ADE.

19 CHAIRMAN HONIGBERG: Sounds good. Let's  
20 go off the record for a second.

21 (Brief off-the-record ensued.)

22 CHAIRMAN HONIGBERG: All right. Let's  
23 go back on the record then. Let's bring the witnesses up  
24 then.

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[WITNESS PANEL: Goulding~White]

1 (Whereupon **Christopher J. Goulding** and  
2 **Frederick B. White** were duly sworn by  
3 the Court Reporter.)

4 MR. FOSSUM: All right. And, good  
5 morning.

6 WITNESS WHITE: Good morning.

7 **CHRISTOPHER J. GOULDING, SWORN**

8 **FREDERICK B. WHITE, SWORN**

9 **DIRECT EXAMINATION**

10 BY MR. FOSSUM:

11 Q. Start with the formalities. Mr. Goulding, could you  
12 state your name and place of employment and your  
13 responsibilities for the record please.

14 A. (Goulding) My name is Christopher Goulding. I'm  
15 Manager of Revenue Requirements for New Hampshire. I'm  
16 employed by Northeast Utilities Service Company,  
17 located in Energy Park, in Manchester, New Hampshire.

18 Q. And, what are your responsibilities in your position as  
19 the Manager of Revenue Requirements?

20 A. (Goulding) My responsibilities are the reconciliation  
21 filings, Energy Service rates, Transmission rates, and  
22 other regulatory filings.

23 Q. Thank you. And, Mr. White, the same questions for you,  
24 name and employment and responsibilities for the record

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1 please.

2 A. (White) My name is Frederick White. I'm a Supervisor  
3 in the Energy Supply Group at Northeast Utilities  
4 Service Company. My primary responsibilities involve  
5 the analysis of the portfolio of load and resources for  
6 PSNH for purposes of rate-setting and reconciliation of  
7 costs.

8 Q. And, Mr. White and Mr. Goulding, did you, back on  
9 September 15th of this year, submit testimony in this  
10 docket under a cover letter from me?

11 A. (Goulding) Yes.

12 Q. And, do you have any corrections to that testimony  
13 today?

14 A. (Goulding) No.

15 A. (White) No.

16 Q. And, is that testimony true and accurate to the best of  
17 your knowledge and belief today?

18 A. (Goulding) Yes.

19 A. (White) Yes.

20 MR. FOSSUM: So, I would offer the  
21 September 15th, 2014 testimony filing as the next exhibit  
22 for identification, which I believe is "Exhibit 17".

23 CHAIRMAN HONIGBERG: Seventeen. We'll  
24 mark that as "Exhibit 17".

[WITNESS PANEL: Goulding~White]

1 (The document, as described, was  
2 herewith marked as **Exhibit 17** for  
3 identification.)

4 BY MR. FOSSUM:

5 Q. And, Mr. Goulding and Mr. White, back on October 31st,  
6 2014, did you both submit a technical statement in this  
7 docket under a cover letter from me?

8 A. (Goulding) Yes.

9 A. (White) Yes.

10 Q. And, do you have any changes to that technical  
11 statement today?

12 A. (Goulding) No.

13 A. (White) No.

14 Q. And, is that statement true and accurate to the best of  
15 your acknowledge and belief?

16 A. (White) Yes.

17 A. (Goulding) Yes.

18 MR. FOSSUM: So, I would offer that  
19 technical statement as the next exhibit for  
20 identification, "Exhibit 18".

21 CHAIRMAN HONIGBERG: That will be so  
22 marked.

23 (The document, as described, was  
24 herewith marked as **Exhibit 18** for



[WITNESS PANEL: Goulding~White]

1 identification.)

2 MR. FOSSUM: Now, having now marked  
3 those, I know that it's usually customary for the  
4 Commission to forego summary of testimony. But, in this  
5 instance, I was intending to ask the witnesses to  
6 summarize the testimony, simply for clarification of what  
7 the current proposal is, unless the Commissioners would  
8 like to just take the filings as they are and move on from  
9 there?

10 CHAIRMAN HONIGBERG: No. I think it  
11 would be helpful for the witnesses to do that short  
12 summary.

13 MR. FOSSUM: Thank you. Then, I will.

14 BY MR. FOSSUM:

15 Q. Mr. Goulding or Mr. White, as may be more appropriate,  
16 could you very briefly explain what it is that the  
17 Company filed back on September 15th and how it was  
18 updated on the filing of October 31st.

19 A. (Goulding) Okay. So, in June, we received an order to  
20 close Rate ADE to make a proposal for September 15th.  
21 Looking at the terms of ADE and whether restructuring  
22 of the proposal was necessary due to the shortcomings  
23 that had been seen over the prior ten months. So, the  
24 Company did some analysis and looked at what customers

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[WITNESS PANEL: Goulding~White]

1        were impacting the -- what customers were impacting DE  
2        in a negative way. And, we made a proposal for a  
3        modified Rate ADE, to make it a monthly Rate ADE versus  
4        an annual Rate ADE. Additionally, we propose that all  
5        LG and GV customers returning after January 1st would  
6        be -- their only option would be monthly Rate ADE.

7    Q.    So, that was the September filing. How was that  
8        updated for October?

9    A.    (Goulding) So, for the October filing, we modified the  
10        September proposal to make the effective date  
11        February 1st, instead of January 1st. With the timing  
12        of the hearing and the effect -- or, the order that we  
13        would receive for this rate, we felt that, if we  
14        received an order in late December, that there wouldn't  
15        be enough notification for customers to make an  
16        educated decision on whether they want to stay in the  
17        market or come back to Rate ADE, the monthly Rate ADE.

18                Additionally, we added another choice  
19        for customers, for the large and medium C&I customers.  
20        Besides the monthly Rate ADE, which will be the default  
21        rate for all returning large and medium customers after  
22        February 1st, if they wanted to take the annual rate,  
23        they would have to make a 12-month commitment to stay  
24        on the rate for 12 months.

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[WITNESS PANEL: Goulding~White]

1 Q. Thank you. And, has the Company put together a  
2 description of how the new proposal would be  
3 implemented?

4 A. (White) Yes. We prepared a summary matrix that  
5 outlines the different alternatives available to  
6 customers across different timeframes.

7 Q. And, just for clarification, I'm showing you a  
8 document. Is that document a copy of the matrix that  
9 you had put together?

10 A. (White) Yes, it is.

11 Q. Thank you. And, so, you, yourself, or under your  
12 direction, created this matrix?

13 A. (White) That's correct.

14 Q. And, you're familiar with the information in it?

15 A. (White) Yes.

16 MR. FOSSUM: With that, I would offer  
17 this matrix description as the next exhibit for  
18 identification as "Exhibit 19".

19 CHAIRMAN HONIGBERG: That will be so  
20 marked.

21 (The document, as described, was  
22 herewith marked as **Exhibit 19** for  
23 identification.)

24 BY MR. FOSSUM:

[WITNESS PANEL: Goulding~White]

1 Q. And, referring to this matrix, could you please very  
2 briefly describe how it is that this ADE proposal would  
3 work for customers.

4 A. (White) Okay. As titled, this would apply for LG, GV,  
5 and B customers. And, it's set up in a matrix format.  
6 There are three rows identifying customer status.  
7 You're either an ES customer, on third party supply, or  
8 you're an ADE customer. And, then, if you look across,  
9 there are essentially three vertical silos identifying  
10 timeframes for each customer status, depending where  
11 you fall for the given timeframe. And, then, it, in  
12 each box, establishes the alternatives that customer  
13 would have at those various points in time.

14 So, as an example, let's try to go  
15 through this quickly, I may bounce around a little bit,  
16 but I'll try to keep it brief. So, if you are  
17 currently an ES customer, I'm in the top of the -- yes,  
18 the top left block. So, the top row is an ES customer.  
19 And, if you're currently, where it's labeled "At  
20 present", essentially that means the "month of  
21 December 2014", if you're an ES customer, you can stay  
22 on ES or you can move to a third party supply. If you  
23 still have that status as of January 1st, 2015, you  
24 have the same two alternatives; you can stay there or

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[WITNESS PANEL: Goulding~White]

1       you can move to third party supply.

2               I'm going to skip the top right block  
3       for a moment, and let's drop down to the "Third Party  
4       Supply Customer". If you're on third party supply at  
5       present, and, again, very similar or identical, as of  
6       January 1st, you can stay on third party supply or you  
7       can return to the ES rate. If you are still on third  
8       party supply after February 1st, the proposed effective  
9       date for the new ADE proposal, if you're on third party  
10      supply as of February 1st, you have three alternatives:  
11      You can stay on third party supply, or you can return  
12      to ADE, and it will be established as a monthly rate.  
13      A new rate for the following month will be established  
14      prior to the 15th of the prior month. Your other  
15      alternative would be to return to ES, and agree to stay  
16      on ES for a 12-month time period.

17              If you're currently, dropping down to  
18      the last row, if you're currently an ADE customer, and  
19      you do nothing, you stay on ADE, that could be your  
20      status up until January 1st. Any time in this month  
21      you could move to a third party supplier or, as the  
22      current tariff ADE is established, some customers, in  
23      the month of December, their 12-month ADE term will  
24      expire, in which case they return to the ES rate, if

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[WITNESS PANEL: Goulding~White]

1 they haven't moved to a third party supplier.

2 But, for current ADE customers whose  
3 term does not expire, when we get to January 1st, part  
4 of the proposal established -- that we're making today  
5 would be that they would automatically be returned to  
6 the ES rate for the month of January.

7 So, technically, because ADE is  
8 currently suspended, we would move all customers off  
9 the ADE rate onto ES, they would -- their status would  
10 change, as of January 1st, they would become an ES  
11 customer. So, essentially, they would be moved to the  
12 top row of this matrix as of January 1st.

13 Moving forward, for customers who wind  
14 up on the ADE monthly rate after February 1st, they  
15 will have -- they will actually have three options.  
16 One would be to stay on the ADE monthly rate  
17 indefinitely; they could move to a third party supplier  
18 at any time; and, in the bottom right box where I'm  
19 speaking from, there's actually a third option that was  
20 not shown here, it was omitted, they have the option,  
21 as an ADE customer, they could move to the ES 12-month  
22 block at any point in time. So, they could call up and  
23 make that request, make that election to go on to ES  
24 for a 12-month block.

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[WITNESS PANEL: Goulding~White]

1                   So, the way to use this is, whatever  
2                   your status is as a customer on a given date, your  
3                   alternatives are shown in the blocks. So, if we jump  
4                   back up to the top right block, if you are an ES  
5                   customer as of the ADE effective date of February 1st,  
6                   you can stay on ES indefinitely. So, we've already  
7                   seen a lot of migration back to the ES rate. As long  
8                   as customers are enrolled in the ES rate by  
9                   February 1st, they can stay on ES indefinitely. There  
10                  will be other customers in that time block, starting on  
11                  February 1st, who have elected to come back to ES and  
12                  elected to stay on ES for a 12-month block. So, those  
13                  would be customers, you know, down the road. Likely  
14                  that those customers will be coming back after  
15                  February 1st. They will come back and agree to be on a  
16                  12-month block. And, the third alternative would be to  
17                  move to a third party supply. And, you can do that  
18                  either at the end of your 12-month block, or, if you're  
19                  the customer who's gotten on ES prior to February 1st,  
20                  you can do that at any point in time.

21                   A bit convoluted, but, hopefully, this  
22                   lays it out a little clearer for reference purposes.

23   Q.   So, hopefully, I can do this in one question. If I  
24           might summarize, isn't it fair to say that, after the

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[WITNESS PANEL: Goulding~White]

1 effective date of the proposed ADE, a returning  
2 customer would have two options: One is to take ADE as  
3 a monthly variable rate or the other option is to take  
4 PSNH's Energy Service rate subject to a 12-month  
5 commitment?

6 A. (White) That's correct.

7 Q. Now, following up on, I just wanted to clear up, I  
8 guess, a few small issues. And, just confirm that the  
9 customer would have an option to remain for 12 months.  
10 Does the Company consider that to be a "stay-in  
11 provision"?

12 A. (Goulding) We don't view that as a "stay-in provision",  
13 because the customer -- the default rate for the  
14 customer is the monthly Rate ADE, and the 12-month  
15 commitment is a option the customer is choosing. So,  
16 they're not required to stay in, unless they make that  
17 decision.

18 Q. And, for clarity, I think it was said, but just for  
19 clarity, why is it that the Company proposed to move  
20 the effective date from January 1st to February 1st?

21 A. (Goulding) One of the reasons was for enough time for  
22 customer notification. If we received an order at the  
23 end of January for effect -- or, at the end of December  
24 for an effective date of January 1st, there wouldn't be



[WITNESS PANEL: Goulding~White]

1 enough time for customers to make a decision on whether  
2 they want to stay in the competitive market or come  
3 back to PSNH rate -- Energy Service DE rate or Rate  
4 ADE. Additionally, we have about 20 -- 20 Rate ADE  
5 customers that will be on our system at the end of  
6 December, and we need to be able to cycle those  
7 customers off of Rate ADE on to Rate DE, so, effective  
8 February 1st, there's nobody on Rate ADE, except for  
9 all returning customers.

10 Q. Now, under this new proposal, or this updated proposal,  
11 how would the rate for ADE be set?

12 A. (White) The rate would be set in the same fashion that  
13 Rate ADE is set today. We make a calculation of PSNH's  
14 marginal cost to serve a returning customer, based on  
15 forward prices. And, we do that calculation today to  
16 establish the 12-month average ADE rate. Within that  
17 analysis, it's actually done and summarized on a  
18 monthly basis. So, rather than having a multi-month  
19 average from the same analysis, we would use a monthly  
20 rate.

21 In addition, whereas the rate is reset  
22 currently, either annually, with a mid-year update,  
23 that analysis would be refreshed every month. And, we  
24 would provide, for the prompt month, for the next

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[WITNESS PANEL: Goulding~White]

1 month, we would fix the rate by the 15th of the prior  
2 month, and provide illustrative pricing for the months  
3 remaining in the term. But only the first month would  
4 be a fixed rate, then the analysis would be refreshed  
5 in the following month to fix a rate for the next  
6 month. So, it's the same analysis as done today, but  
7 it's a more timely -- on a more timely basis.

8 Q. And, at this point, has the Company proposed a rate  
9 that would go into effect should this ADE proposal be  
10 approved?

11 A. (Goulding) We have not.

12 Q. Is there an approximation of what the rate might be  
13 should this Rate ADE proposal be approved?

14 A. (White) Utilizing the same assumptions that were used  
15 in our ES filing, on our upcoming ES filing, the rate  
16 for January would be 18.4 cents per kilowatt-hour  
17 marginal cost rate. This rate would also have a  
18 Scrubber adder. The 18.4 does not include the adder.  
19 Our proposal would be, by December 15th, we would  
20 file -- or, I'm sorry, by January 15th, we would file  
21 the fixed rate for effect in February.

22 Q. And, you referenced the "Scrubber adder", that's the  
23 same adder that exists presently on Rate ADE, is that  
24 correct?

[WITNESS PANEL: Goulding~White]

1 A. (White) Yes. That would be calculated the same way the  
2 current adder is calculated.

3 Q. So, the calculation of the rate is essentially the  
4 same. Is the reconciliation also the same under this  
5 new proposal or does it differ from the existing Rate  
6 ADE?

7 A. (Goulding) No. It's the same under this proposal as  
8 current Rate ADE. All revenues and costs will get  
9 reconciled through the Energy Service -- Energy Service  
10 rate.

11 Q. Just one more question for now then. Is it your  
12 position then that the proposed updates to Rate ADE  
13 that we've discussed will result in just and reasonable  
14 rates for customers?

15 A. (Goulding) Yes.

16 MR. FOSSUM: Thank you. That's all I  
17 have for direct.

18 CHAIRMAN HONIGBERG: Mr. Plante, do you  
19 have any questions?

20 MR. PLANTE: Yes, just one. Thank you.

21 **CROSS-EXAMINATION**

22 BY MR. PLANTE:

23 Q. I was just unclear on --

24 MR. FOSSUM: Sorry, Commissioners. I

[WITNESS PANEL: Goulding~White]

1 don't mean to be rude, but he represents Freedom Energy  
2 Logistics, which has filed a document and stated that it  
3 doesn't intend to ask any questions. So, I'm not -- I  
4 guess, just as a matter of process. I mean, right in the  
5 -- "to provide a brief statement in this proceeding in  
6 lieu of conducting cross-examination". So, I don't mean  
7 to be rude, but I'm just looking at the document that Mr.  
8 Plante's company has already filed.

9 CHAIRMAN HONIGBERG: Mr. Plante, why  
10 don't you ask your question, and then we'll see if there's  
11 a -- if Mr. Fossum wants to renew his objection after he's  
12 heard your question.

13 BY MR. PLANTE:

14 Q. I just wanted to ask for a clarification on how the ADE  
15 rate will be reconciled from month to month, if the  
16 following month's ADE rate would include the  
17 reconciliation from the prior month's actual cost  
18 versus its estimated cost?

19 CHAIRMAN HONIGBERG: All right. Before  
20 anybody answers, Mr. Fossum, do you want to object to the  
21 question?

22 MR. FOSSUM: No. I think that question  
23 will be fine.

24 CHAIRMAN HONIGBERG: Okay. Go ahead.

1 **BY THE WITNESS:**

2 A. (Goulding) So, the reconciliation for Rate ADE will  
3 follow the same pattern that's happening -- that's  
4 occurring now --

5 (Court reporter interruption.)

6 **BY THE WITNESS:**

7 A. (Goulding) So, the reconciliation of Rate ADE will  
8 follow the same path that occurs now, where it's  
9 reconciled through the Energy Service rate.

10 BY MR. PLANTE:

11 Q. But would the reconciliation affect the ADE rate or is  
12 it built into the ES rate and not affect the ADE rate?  
13 I don't know if my question is clear. In other words,  
14 if you calculate a rate January 15th for the month of  
15 February at, say, 18 cents, and the actual costs for  
16 February come in at, whatever, 19 cents or 17 cents,  
17 does the March rate get affected by that reconciliation  
18 for -- specifically for ADE?

19 A. (Goulding) So, consistent with the current design of  
20 Rate ADE, there is no reconciliation that gets rolled  
21 into the development of the rate.

22 MR. PLANTE: Okay. Thank you.

23 CHAIRMAN HONIGBERG: Ms. Chamberlin.

24 MS. CHAMBERLIN: I have a couple

1 questions. Thank you.

2 BY MS. CHAMBERLIN:

3 Q. PSNH originally proposed an effective date of  
4 January 2015, correct?

5 A. (Goulding) That's correct.

6 Q. From an administrative point of view, PSNH could still  
7 meet that effective date, correct?

8 A. (Goulding) Yes.

9 Q. So, should the Commission determine that that is the  
10 just and reasonable effective date, PSNH has no  
11 difficulty in complying with that order?

12 A. (Goulding) There is an administrative process that  
13 needs to be dealt with, but it can be done.

14 MS. CHAMBERLIN: Thank you. That's all  
15 I have.

16 CHAIRMAN HONIGBERG: Ms. Amidon.

17 MS. AMIDON: Thank you. Good morning.

18 I'm not sure which of you will answer the questions. So,  
19 I'm just going to ask them, and you can decide between the  
20 two of you.

21 BY MS. AMIDON:

22 Q. The ADE program is still a pilot program, is that fair  
23 to say?

24 A. (Goulding) Yes.

[WITNESS PANEL: Goulding~White]

1 Q. And, are we 18 months into the program at this point?

2 A. (Goulding) I would say roughly 18 months.

3 Q. Okay.

4 A. (Goulding) I think it goes to --

5 A. (White) It's through June of 2016.

6 Q. Thank you. In the last iteration, before you suspended  
7 Rate ADE, you had offered it to residential customers,  
8 is that right?

9 A. (Goulding) Before it was suspended, it was supposed to  
10 be open to residential customers.

11 Q. Okay. That's a more correct way of saying it. Thank  
12 you. Could you then just briefly explain why you  
13 propose limiting the rate to GV, LG, and B service  
14 customers. And, I think, for the Commission, it might  
15 be helpful if you just briefly describe these classes  
16 of customers.

17 A. (Goulding) Okay. So, we didn't offer or we're not  
18 proposing to offer it to residential customers,  
19 because, when we looked at the migration patterns that  
20 were occurring, in residential, the residential sector,  
21 there was a -- in the high price winter months, there  
22 was about 77 and a half percent of customers taking  
23 Energy Service from PSNH. And, on average, for the  
24 whole year, there was 77.6 percent of the residential

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[WITNESS PANEL: Goulding~White]

1 customers taking Energy Service from PSNH. So, there  
2 was no issue with cost-shifting from one sector to  
3 another, because the residential percent of customers  
4 had remained relatively flat. The same phenomenon  
5 existed with small C&I customers. For the winter  
6 months, there was about 68.9 percent of small C&I  
7 customers taking Energy Service from PSNH, and, on  
8 average, for the year, there was 68 percent. So,  
9 again, no huge shift from high price winter months to  
10 the remaining months of the year.

11 For medium C&I customers, there was  
12 26 -- or, 29.9 percent of medium C&I customers take  
13 service from -- Energy Service from PSNH during the  
14 winter months, with an average 26.2 percent for the  
15 year. So, there was about a 3 percent shift. And, if  
16 you look at the -- what the percent was during the  
17 lower priced months, it was 24.4 percent. So, there's  
18 about a 5 or 6 percent shift between the high priced  
19 months or the winter priced months of those customers  
20 that are migrating back and forth.

21 And, the same phenomenon existed for  
22 large C&I customers. Where, during the high priced  
23 months, we had about 20 percent -- 20.6 percent of  
24 large C&I customers coming -- or, taking service from

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1 PSNH Energy Service. And, during the other months, it  
2 was 13.1 percent, with an average for the year of  
3 15.6 percent. So, there was a swing of about 7 percent  
4 between the high priced and the lower priced months.  
5 So, we focused on those, on those two sectors, saying  
6 "okay, this is where a lot of the migration is  
7 happening and the shifting of costs from one group of  
8 customers to another group of customers is occurring."  
9 So, we targeted the large C&I -- or, we focused on the  
10 large C&I and medium C&I for implementation of this  
11 rate.

12 Q. And, if I understand what you're saying, a 6 percent  
13 swing results in a higher volume of sales or  
14 kilowatt-hours than would such a swing with the  
15 residential customers, is that right?

16 A. (Goulding) Yes.

17 Q. Thank you. Do you know how many customers are  
18 currently in each of those, you know, in the GV, LG,  
19 and B rates at this point roughly?

20 A. (Goulding) How many are on our system right now?

21 Q. Yes.

22 A. (Goulding) I have the total large C&I is 100 -- or, 120  
23 customers, I believe. I'm not sure of the splits  
24 between Energy Service and competitive supply. And,

[WITNESS PANEL: Goulding~White]

1 then, for medium C&I, it's roughly 1,200 customers.

2 Again, I'm not -- I don't have the splits in front of  
3 me.

4 Q. Okay. That's fine. I was just trying to consider the  
5 volume. Based on your experience from last year, and I  
6 think you kind of alluded to this in your -- earlier,  
7 some of these customers have already made decisions to  
8 come back to PSNH --

9 A. (Goulding) Yes.

10 Q. -- for default Energy Service, is that right?

11 A. (Goulding) That's correct.

12 Q. And, at this point here, on December 9th or 10th,  
13 whatever day it is today, do you think most of these  
14 customers would have made decisions by this point in  
15 time or do you think that, based on your experience  
16 from last year, the customers are still considering  
17 whether to return to PSNH Rate DE? In other words, I'm  
18 just trying to -- I'm just trying, following on what  
19 Attorney Chamberlin was mentioning, you know, are there  
20 still customers out there who may come back in the same  
21 or have you -- have you looked at what's happening and  
22 determined that most of them have come back at this  
23 point?

24 A. (Goulding) Right. I don't think we've captured how

[WITNESS PANEL: Goulding~White]

1 many have come back yet. I'm assuming there will be  
2 some that -- or, there's going to be some that are  
3 coming back in the month of December, figuring they saw  
4 the proposal out there that said they had to be back,  
5 enroll with PSNH by February 1st. So, they might be  
6 pushing it as long as possible.

7 Q. Okay. And, going along with that, you've been talking  
8 about notification of customers. Do you know, have  
9 you -- has the Company given direction to the account  
10 reps to tell them to tell their customers about the  
11 roll-out of this proposal or the timeframes for this  
12 proposal?

13 A. (Goulding) The account execs have been notified of the  
14 proposal and the structure of the proposal. So, they  
15 have notified them of the proposal has a current  
16 effective date of February 1st. And, whether they're  
17 on -- whether they come back and they're on Rate DE or  
18 Rate ADE and what the dates would be, they have  
19 notified them of the proposal, but they made sure to  
20 ref -- communicated that it was a proposal only and it  
21 was subject to approval.

22 Q. Okay. So, if customers come back in December, or even  
23 January, they can, under this proposal, they can leave  
24 PSNH, say, in May, if market prices are such that they

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[WITNESS PANEL: Goulding~White]

1 want to go to a competitive supplier, is that right?

2 A. (Goulding) If they're back before February 1st and are  
3 enrolled with PSNH prior to February 1st, and they're  
4 on Rate DE without a commitment, they would be free to  
5 leave in May, yes.

6 Q. Well, one of the things that Staff discussed earlier  
7 this morning is what if -- what if a customer commits  
8 to a 12-month period, and then does not stay with PSNH  
9 for a 12-month period? Is there a penalty or is there  
10 some kind of proposal on how to address such a  
11 situation?

12 A. (Goulding) There's no penalty. But we, in our Supplier  
13 Services Group, they receive an EDI transfer -- an EDI  
14 transaction that would request to move this customer  
15 from PSNH to a competitive supplier. And, it will  
16 be -- the transfer will be referenced to see if they  
17 have a 12-month commitment. If they do, the EDI  
18 transfer will be rejected.

19 Q. Okay. Good. We hadn't talked about that. Thank you.  
20 You're using a forecast price, and I'm just asking this  
21 question because it's -- some customers are offered a  
22 real-time price. Is there any reason why you used a  
23 forecast instead of real-time price?

24 A. (White) Well, it gives customers a knowledge of the

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[WITNESS PANEL: Goulding~White]

1 rate. Otherwise, there's complete uncertainty about  
2 ultimately what their rate would be. A real-time rate  
3 would be an after-the-fact charge. And, without a  
4 complete investigation, I'm not sure we have the  
5 ability to track by customer his real-time charges in a  
6 wholly accurate manner. We'd have to look into that  
7 more. But I think it's more providing a price signal  
8 for the customer upon which to make his choice, is  
9 probably the main reason.

10 Q. And, that's another reason why you would have  
11 established that price by the 15th of the prior month?

12 A. (White) It's a compromise between, because we believe  
13 the closer you can get to the delivery period, the more  
14 accurate the projection will be, balanced against  
15 giving the customer a couple weeks to do his own  
16 economic analysis given the rate. So, we establish the  
17 rate. He then has a period of time to make his  
18 decision.

19 Q. Okay. Thank you.

20 (Atty. Amidon conferring with Mr.  
21 Frantz.)

22 BY MS. AMIDON:

23 Q. Okay. Is that enough time for customer -- for the EDI  
24 transfers to take effect?

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[WITNESS PANEL: Goulding~White]

1 A. (White) No. But, depending on, you know, a customer is  
2 going to be in all kinds of different situations. So,  
3 the timing is going to vary for every customer.  
4 Everybody's read date is staggered to some extent.  
5 Again, it's a balance of all competing interests.  
6 That's a reason also why, when we provide the prompt  
7 month rate, we're providing illustrative rates for the  
8 months remaining in the term. So, while only the fixed  
9 month will be fixed, they will have a six weeks, if you  
10 will, projection of the following month, and the month  
11 after that, so they can begin to get a feel for the  
12 seasonal pattern of prices. Which I think they're  
13 largely already aware of, but a more accurate view of  
14 current trends in the market and where things might be  
15 headed. So, they can look at that every month, as new  
16 projections come out, they will see movements in  
17 prices.

18 Q. Okay. Thank you. Under this proposal, there is no  
19 mechanism that exists, for example, in the initial  
20 proposal, where the rate would close, is that true?

21 A. (Goulding) That's true. The rate will not close.

22 Q. And, Mr. Goulding, I'm looking at your testimony, in  
23 Exhibit 17, on Page 8 of your testimony, which follows,  
24 I believe, follows the petition. You had some

[WITNESS PANEL: Goulding~White]

1 questions about over recoveries or under recoveries and  
2 potential reconciliation. And, looking at Page 8 of  
3 your testimony, Line 10, is it true you say that  
4 "Because the rate will be calculated on a monthly  
5 basis, the price will track closer to current market  
6 conditions", and as a result you would also mitigate  
7 over/under recoveries. Is that a fair summary of what  
8 you say in that paragraph?

9 A. (Goulding) Yes. That's true.

10 Q. Okay. So, one of the ideas then is to reduce the over  
11 and under recoveries that would impact the Default  
12 Energy Service customers, is that right?

13 A. (Goulding) Yes.

14 Q. Okay. If this proposal were approved by the  
15 Commission, do you have an updated Scrubber adder at  
16 this point or would you be --

17 A. (Goulding) We don't have one calculated at this point.

18 Q. Okay. You would do that after approval or assuming it  
19 was approved? I guess I'm just trying to find of the  
20 timing of that?

21 A. (White) Well, certainly, it would be, when the monthly  
22 rate is fixed on -- by January 15th for February, it  
23 would be established at that time. My understanding is  
24 that it's really calculated on a annual calendar basis.

[WITNESS PANEL: Goulding~White]

1       So, we could probably do that this month. I just -- I  
2       don't know that there's a necessary filing in the month  
3       of December, since the rate isn't really in effect in  
4       January.

5   Q.   Understood. So, that was, you know, I guess you read  
6       my mind, because I was going to say "are you going to  
7       adjust that on a semi-annual basis?" Or, you're not  
8       going to adjust the Scrubber adder on a monthly basis,  
9       you're going to still calculate it on an annual basis,  
10      is that fair to say?

11   A.   (White) I would say an annual basis, with a mid-year  
12      adjustment.

13   Q.   A mid-year adjustment. Okay.

14               MS. AMIDON: I have no further  
15      questions. Thank you.

16               CHAIRMAN HONIGBERG: Commissioner Scott.

17               COMMISSIONER SCOTT: Thank you. Good  
18      morning.

19               WITNESS WHITE: Good morning.

20               WITNESS GOULDING: Good morning.

21               COMMISSIONER SCOTT: My usual caveat,  
22      whoever feels they can best answer, that's fine with me.

23   BY COMMISSIONER SCOTT:

24   Q.   On the discussion I think you had with Staff, if I



[WITNESS PANEL: Goulding~White]

1       remember right, on -- you outlined why the larger  
2       customers, and I heard you that, historically, the  
3       smaller customers, residential, there hasn't been a lot  
4       of fluctuation, so -- if I understood your testimony,  
5       is that correct?

6   A.   (Goulding) That's correct.

7   Q.   So, obviously, last year, and now this year especially,  
8       we're seeing some changes in the winter market. I  
9       understand you can only -- you can base things on  
10      history, but I'm wondering is it a fair assumption in  
11      your mind that residential ratepayers won't see these  
12      high fluctuations and be more aggressive, as far as  
13      moving?

14   A.   (Goulding) That would be my assumption, based on the  
15      offerings that are out there. The smaller amount of  
16      offerings that are out there to residential customers  
17      versus the large and medium C&I customers from  
18      competitive suppliers.

19   Q.   And, on the similar track, so, what would be your plan  
20      of attack, if you did start to see some of these  
21      smaller, the residential, smaller C&I fluctuate a lot  
22      more?

23   A.   (Goulding) At the current time, we don't have a  
24      proposal to address that. I mean, but, internally, we

[WITNESS PANEL: Goulding~White]

1 are tracking the data on a monthly basis to see what  
2 activity is occurring. If there was significant  
3 migration that was occurring there, it would be  
4 appropriate to look into it. I believe there might be  
5 a docket looking at the pricing of energy, and that's  
6 currently slated to take place in 2015.

7 Q. That's correct.

8 A. (Goulding) Some of that information will probably  
9 surface in that docket.

10 Q. Okay. Thank you.

11 A. (White) Yes. To my knowledge, I don't think other  
12 jurisdictions throughout the region have implemented  
13 this type of rate structure for residential customers.  
14 There are probably exceptions. But, I think, by and  
15 large solving, if you will, the larger customer coming  
16 and going has been sufficient. But it's, as Mr.  
17 Goulding said, we're monitoring that.

18 Q. Thank you. You talked about the monthly -- setting the  
19 monthly rate. I was curious, what's your suggested  
20 process within the Commission here for approval?

21 A. (Goulding) I think the process we are looking or  
22 requesting would be that, if monthly Rate ADE is  
23 approved, that the monthly rate filing that we make on  
24 the 15th will be a compliance filing that will set the

[WITNESS PANEL: Goulding~White]

1 rate effective for January 1st, the following month.

2 Q. Okay. And, you've already mentioned, I think Mr. White  
3 mentioned, the adder would not necessarily change every  
4 month, so -- is that correct?

5 A. (Goulding) It would not change on a monthly basis. If  
6 it would change, it would change when we do our updated  
7 Energy Service rate for July 1st.

8 Q. And, the marginal cost, if you will, that's reflected  
9 in the monthly rate, help me out a little bit. So,  
10 obviously, PSNH has their own generation. There's a  
11 marginal cost of new customers coming back. So, I  
12 assume part of that internal discussion is trying to  
13 project how much would be covered by generation that  
14 you own and how much you would have to go in the  
15 market, is that correct?

16 A. (White) Actually, the marginal cost we calculate is --  
17 it neutralizes our generation fleet. And, this is the  
18 same as ADE is currently -- has historically been  
19 calculated. So, it is a marginal cost at market  
20 prices. So, in theory, the generation fleet has  
21 been -- is optimized for serving ES customers. And,  
22 ADE customers viewed as migrating back are coming back  
23 at a market price, a market marginal cost, because the  
24 generation fleet is assumed to have already been

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[WITNESS PANEL: Goulding~White]

1 devoted to customers already resident on the rate. So,  
2 it is purely a calculation, that the generation fleet  
3 is neutralized in the calculation of marginal cost to  
4 serve incremental load.

5 Q. So, for my understanding, let me see if I can  
6 paraphrase that back. So, basically, as new customers  
7 coming back, the presumption is is you're going on the  
8 market?

9 A. (White) That's correct.

10 Q. So, if we could go to Exhibit 19, the chart you handed  
11 out.

12 A. (White) Yes.

13 Q. Just so I understand it, so, the first two blocks, the  
14 first two rows for an existing "ES customer" or a  
15 "third party supply customer", the January date really  
16 doesn't really impact them, is that correct? And, they  
17 don't really have to do anything. January has no  
18 significance to them, is that correct?

19 A. (White) That's correct.

20 Q. So, when I go down, if I'm an existing ADE customer,  
21 however, just want to make sure I understand this, I  
22 would drop off of ADE, go to -- at January 1st, I would  
23 go to Default Service. And, then, if I have done  
24 nothing else, I would then jump back onto ADE, if I

[WITNESS PANEL: Goulding~White]

1 don't elect to take that?

2 A. (White) Well, the way to use this would be, you're  
3 automatically put back on ES in the month of January.  
4 So, your status as a customer is now an ES customer.  
5 So, you move up to the top rows of this exhibit, so to  
6 speak. So, you're now in that time stream in the upper  
7 row. So, you're now an ES customer as you cross into  
8 February. And, so, those are your options. You can  
9 stay on ES indefinitely at that point, because you're  
10 not a -- committed to a 12-month block.

11 Q. Thank you.

12 A. (White) And, then, any time after the ADE effective  
13 rate, you could stay there or you can move to a third  
14 party supply. So, that there's some thinking that  
15 perhaps customers who are on the ES rate to get through  
16 this winter, if they look forward to next winter and  
17 anticipate a similar problem, they may choose to stay  
18 on ES through the shoulder months and right through  
19 next winter. Rather than many may presume that they  
20 would jump to the market when prices drop in the  
21 shoulder months. But, again, if they are looking  
22 forward many months, they may feel safer staying on ES.  
23 So, that would be a benefit to current ES customers.

24 CHAIRMAN HONIGBERG: I want to interrupt

1 the flow for just a second.

2 BY CHAIRMAN HONIGBERG:

3 Q. Based on what you just said, I don't understand who  
4 would ever end up in the lower right box on this chart.  
5 Because I think it says that "there will be no ADE  
6 customers as of 1/1/15", they will all be ES, either  
7 because their contracts expired or because they will be  
8 returned as of 1/15, they will all move up to the top  
9 row. So, who ends up in the lower right-hand box?

10 A. (White) Well, you're correct. But, remember, this is  
11 from February 1st through June of 2016. So, there will  
12 be customers that come back onto monthly ADE.  
13 Presumably, there will be some customers that wind up  
14 on ADE after the effective date. They don't -- they  
15 won't find themselves there on February 1st, but they  
16 may make that choice to come to ADE. If they're in a  
17 third party supply, if they're in the middle row, in  
18 the far right block, and they're taking supply from a  
19 third party customer, at any time after February 1st  
20 they may choose to go back to Default Service. And, if  
21 they come back and don't make an affirmative election  
22 to lock in for 12 months on ES, they're going to go on  
23 monthly ADE. And, they are, at that point, in the  
24 bottom right block. And, their options from that point

[WITNESS PANEL: Goulding~White]

1       are shown in that box. So, it's -- it goes well beyond  
2       February 1st.

3   Q.   I think I know maybe understand.

4   A.   (White) Yes.

5   Q.   But the bottom row, the arrow next to "1/1/15", that  
6       points to the right?

7   A.   (White) Yes.

8   Q.   I'm not sure should be there. It should be an arrow  
9       that points up, to the first -- to the third box in the  
10      first row, isn't that right? You may get to that lower  
11      right box, but you got there someplace -- from some  
12      other location than the lower middle box, right?

13  A.   (White) You're right.

14  Q.   Okay.

15  A.   (White) You have the correct understanding. And, I  
16      didn't -- I didn't explain very well that, as your  
17      status changes, you have to jump rows in this exhibit.

18               CHAIRMAN HONIGBERG: All right. I'm  
19      sorry. I'm sorry for interrupting the flow.

20               WITNESS WHITE: No. That's fine.

21               CHAIRMAN HONIGBERG: Commissioner Scott.

22               COMMISSIONER SCOTT: Thank you. That  
23      was helpful.

24  BY COMMISSIONER SCOTT:

[WITNESS PANEL: Goulding~White]

1 Q. So, have you had much interactions with the customers  
2 that would be impacted by this new rate structure?

3 A. (Goulding) Back in October, we had a presentation where  
4 large and medium customers were invited to Energy Park,  
5 in Manchester. And, it was talking about the energy  
6 rates in the region, and the rate proposals that were  
7 filed with the Department at that time. So, that was  
8 the interactions there. And, then, also, the account  
9 executives have reached out to the larger customers to  
10 go over the proposal as filed.

11 Q. So, if I understood your earlier testimony of roughly  
12 120 large C&I customers and 1,200 medium C&I customers  
13 that would be impacted, is that --

14 A. (Goulding) Yes. That's the total customer class. Some  
15 are already on Energy Service.

16 Q. Okay.

17 A. (Goulding) So, it would be a smaller subset of that.

18 Q. So, generally, you feel that they have been -- at least  
19 understand this potential change is coming?

20 A. (Goulding) Yes.

21 Q. Have you gotten much feedback from those customers?

22 A. (Goulding) I have not directly.

23 A. (White) But the statistics have shown customers are  
24 returning to ES.

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[WITNESS PANEL: Goulding~White]

1 Q. Thank you. Regarding the Office of Consumer Advocate's  
2 questions regarding the effective date, what would be  
3 the impact if, instead of waiting to February, it was  
4 moved earlier?

5 A. (Goulding) There would be customers that are -- well, a  
6 couple things. There would be customers that are  
7 moving currently from competitive supplier to Rate DE,  
8 making a decision to come back and not sure what the  
9 new rate would be. Plus, we wouldn't have a rate filed  
10 for effect January 1st, because the proposal would be  
11 to do that 15 days prior to the effective date. And,  
12 we weren't planning on filing anything for January --  
13 or, for December 15th. So, they wouldn't have a  
14 rate -- there will be no rate that they would know  
15 would be the rate they would get if they came back to  
16 PSNH.

17 COMMISSIONER SCOTT: Thank you. I think  
18 that's all I had.

19 CHAIRMAN HONIGBERG: I don't think I  
20 have a lot.

21 BY CHAIRMAN HONIGBERG:

22 Q. One quick question, Mr. White. You mentioned that the  
23 monthly rate-setting will also have projections for  
24 some number subsequent months, at least one. How many

[WITNESS PANEL: Goulding~White]

1 months will such a projection go out, do you think?

2 A. (White) I guess my thinking was through the end of  
3 2014. We may -- so, when we file by January 15th, it  
4 would show February through December. We may find it  
5 advisable that when we -- perhaps when we get to July,  
6 we show six months into the following year, too.

7 CHAIRMAN HONIGBERG: That's helpful.  
8 Thank you. I think my other questions were answered for  
9 you. So, thank you.

10 Mr. Fossum, do you have any further  
11 questions for Mr. White or Mr. Goulding?

12 MR. FOSSUM: No. Thank you.

13 CHAIRMAN HONIGBERG: All right. Thank  
14 you very much then. You gentlemen --

15 MR. PLANTE: May I ask -- I do have  
16 another question, if I could please?

17 CHAIRMAN HONIGBERG: That's really not  
18 contemplated by the process.

19 MR. PLANTE: Okay.

20 CHAIRMAN HONIGBERG: What is your  
21 question?

22 MR. PLANTE: I just wanted to ask if  
23 PSNH was going to secure energy in the forward market to  
24 compensate for ADE customers or if they were going to

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[WITNESS PANEL: Goulding~White]

1 absorb actual costs that those ADE customers incurred to  
2 PSNH?

3 CHAIRMAN HONIGBERG: Mr. Fossum.

4 MR. FOSSUM: I would object to that  
5 question.

6 CHAIRMAN HONIGBERG: And, I think I  
7 would sustain that objection. So, you gentlemen are  
8 excused.

9 Ms. Chamberlin.

10 MS. CHAMBERLIN: Thank you. I'd like to  
11 call Jim Brennan to the stand.

12 (Whereupon **James Brennan** was duly sworn  
13 by the Court Reporter.)

14 **JAMES BRENNAN, SWORN**

15 **DIRECT EXAMINATION**

16 BY MS. CHAMBERLIN:

17 Q. Can you state your name and position please?

18 A. I am Jim Brennan, Finance Director for Office of  
19 Consumer Advocate.

20 Q. And, you are sponsoring three exhibits today, correct?

21 A. Correct.

22 MS. CHAMBERLIN: I ask that the handouts  
23 be marked as "OCA Exhibit 20", "21", and "22", and  
24 Mr. Brennan will describe each one.

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[WITNESS: Brennan]

1 CHAIRMAN HONIGBERG: Just before we get  
2 started, real quick. I have one package clipped together.

3 MS. CHAMBERLIN: Right. I clipped them  
4 together.

5 CHAIRMAN HONIGBERG: So, if I take the  
6 paper clip off.

7 MS. CHAMBERLIN: So, they're in order.  
8 So, he will describe them in order.

9 CHAIRMAN HONIGBERG: I think, to help  
10 the Clerk and all of us, I have -- the thing is, I ended  
11 with four separated things when I unclipped them. So, --

12 MS. CHAMBERLIN: I can describe them.  
13 I'll describe them one at a time.

14 CHAIRMAN HONIGBERG: All right.

15 BY MS. CHAMBERLIN:

16 Q. "Exhibit OCA 20" is a summary page describing the  
17 origins of the ADE rate, and that is a one-page chart.  
18 Is that correct, Mr. Brennan?

19 A. Yes. There is, to clarify, there is a cover page,  
20 which is the first exhibit. And, --

21 (Chairman Honigberg showing document.)

22 **CONTINUED BY THE WITNESS:**

23 A. Correct, that is the cover page. And, then, there are  
24 three exhibits that that cover page is summarizing.

[WITNESS: Brennan]

1 BY MS. CHAMBERLIN:

2 Q. And, the next, "Exhibit 21", is a two-page exhibit, the  
3 cover page is marked -- is dated December 2nd, 2014.

4 And, it's an annual report from PSNH, correct?

5 A. Correct.

6 Q. And, "Exhibit 22" are the data responses from PSNH to  
7 the OCA's requests in this proceeding?

8 A. Correct.

9 Q. And, that's one, two, three, four, -- five pages,  
10 correct?

11 A. Yes.

12 CHAIRMAN HONIGBERG: All right. Thank  
13 you. That's clearer now.

14 (The documents, as described, were  
15 herewith marked as **Exhibit 20**,  
16 **Exhibit 21**, and **Exhibit 22**,  
17 respectively, for identification.)

18 BY MS. CHAMBERLIN:

19 Q. And, Mr. Brennan, could you, just starting with the  
20 first, Exhibit 20, could you describe the information  
21 presented here please.

22 A. Yes. I'll first say that the OCA's position is that we  
23 agree with the ADE rate design proposal, but we are  
24 looking for recommending a January 1st, 2015 start

[WITNESS: Brennan]

1 date. So, we prepared these exhibits, and the top  
2 summary sheet that I'll walk through at this time. The  
3 summary sheet has four boxes on it: Box I, Box II, Box  
4 III, and Box IV. Each box is containing a few data  
5 elements. Historical data from 2012, 2013, 2014, and  
6 some projected data for 2015.

7 On the summary sheet, Box I, that  
8 information is for basic context, looking at this from  
9 10,000 feet. It shows two data elements from PSNH's  
10 2013 and 2014 reconciliation. It has under recoveries.  
11 And, the under recoveries, the formula, is Energy  
12 Service revenue, minus Energy Service actual costs.  
13 And, it shows significant under recoveries for those  
14 two years. Under recoveries do push up average Default  
15 Service rates. And, the under recoveries occur for  
16 several reasons. Naturally, because of the number of  
17 assumptions in forecasts, things do change over a year.  
18 Under recoveries also occur due to, in part, reverse  
19 migration. And, under recoveries also can exist, in  
20 part, due to migration.

21 The second data element on Box I just  
22 highlights the drop in retail megawatt-hour annual  
23 sales that is occurring due to migration. And, the  
24 migration occurs because of the marginal costs being

[WITNESS: Brennan]

1 less than the average cost of Default Service rate is a  
2 average cost, and it's just showing that dynamic.

3 Looking then to Box II, this is a  
4 illustration, illustrates that the current ADE rate, as  
5 designed, hurts Default Service ratepayers. In other  
6 words, PSNH is not charging ADE customers -- the ADE  
7 customers its marginal cost to serve that load. This  
8 is from a annual report that was just filed with the  
9 Commission on December 2nd. And, if you turn, you can  
10 see that annual report in the attachments. The report  
11 is titled "ADE Impact on DE". And, it shows that the  
12 difference between billed ADE revenue and expenses is  
13 negative \$2.7 million, for that report that was filed  
14 several days ago.

15 Turning to Box III, this illustrates the  
16 benefits of the proposed ADE rate design, in  
17 particular, due to the monthly repricing and the  
18 Scrubber adder. This is a recalculation that we  
19 requested of PSNH to perform on their monthly report  
20 titled "ADE Impact on Default Energy under Current  
21 Structure". And, what the report shows is that, as a  
22 result of having monthly repricing and the Scrubber  
23 adder, PSNH is able to charge its marginal cost, and  
24 there is a net benefit to Default Service rate holders.

{DE 11-216} {12-09-14}

[WITNESS: Brennan]

1       So, in other words, this report is going back in time  
2       showing what would have been the impact had the current  
3       proposed ADE rate structure been in effect. And,  
4       rather than a net detriment of 2.5 million, it's a  
5       benefit of \$621,000 to Default Service rate.

6               And, finally, Box IV, is a binary  
7       analysis or view of ADE, where we wanted to clarify is  
8       ADE rate good or is it bad for Default Service? PSNH  
9       created two scenarios for us using their Energy Service  
10      model. And, they project, for 2015, using historical  
11      migration patterns and historical assumptions, they  
12      project two scenarios. Scenario 1 would be if there  
13      was no ADE rate. And, if everyone migrated back to  
14      Default Service. Shows a detriment of \$6.2 million.  
15      Scenario 2 is the other side, and assumes that everyone  
16      migrating back, that reverse migration, goes onto the  
17      proposed ADE rate. And, that shows a benefit of  
18      \$1.7 million to Default Service ratepayers. So, we  
19      view the new design as a benefit correcting a current  
20      flaw in the design.

21              So, in summary, today's Default Service  
22      ratepayers primarily, or the retail class, retail  
23      ratepayers, as was just summarized, and they're  
24      shouldering these costs of the migrators of the large

{DE 11-216} {12-09-14}



[WITNESS: Brennan]

1 C&I customers, who are securing their lower rates, and  
2 we believe this is unfair.

3 And, the history of the ADE dockets goes  
4 back to the investigation of effects on migration.

5 And, there's been Commission analysis in Order 25,256  
6 of that docket, where the Commission's analysis states  
7 "It is reasonable for ADE rate to reflect PSNH marginal  
8 cost to serve the load." And, these exhibits have  
9 demonstrated that the revised design allows that to  
10 occur for PSNH. And, we feel it should be implemented  
11 on January 1st, not waiting until February 1st of 2015.

12 Q. And, Mr. Brennan, thank you. Can you explain why it is  
13 significant that the effective date be January 1st, as  
14 compared to February 1st?

15 A. We're trying to capture those that are reverse  
16 migrating back into the average Default Service rate,  
17 which does not reflect the marginal cost to serve that  
18 load. Whether you want to use the term "strategy" or  
19 "gaming of the system", it doesn't matter. We're  
20 trying to prevent a reoccurrence of what you've seen in  
21 these exhibits of this large detriment of serving the  
22 ADE ratepayers, where your cost to serve them exceed  
23 the revenues that they're going to be able to get from  
24 them, and this would correct that problem.

{DE 11-216} {12-09-14}

[WITNESS: Brennan]

1 Q. Does changing the effective date significantly reduce a  
2 subsidy from the Energy Service customers to the  
3 migrating customers?

4 A. Yes. There's -- some of the largest losses occur in,  
5 historically, January -- January, February and March.  
6 Moving the start date to January would capture more of  
7 those reverse migrating customers into the proposed  
8 repriced ADE rate that reprices monthly.

9 Q. So, if there is a delay till February, there is a lost  
10 opportunity to correct the subsidy, correct?

11 A. Correct.

12 Q. And, again, why is January so significant?

13 A. We'd like it implemented as soon as possible. And,  
14 according to PSNH's statement, January 1 is a feasible  
15 date administratively to implement that new rate.

16 MS. CHAMBERLIN: Thank you. He's  
17 available for cross-examination.

18 CHAIRMAN HONIGBERG: Mr. Plante, do you  
19 have any questions for Mr. Brennan?

20 MR. PLANTE: Yes. Just two. Thank you.

21 **CROSS-EXAMINATION**

22 BY MR. PLANTE:

23 Q. Under your Box IV, for Scenario 2, where you have a  
24 \$1.7 million benefit to the Default Service customers,

[WITNESS: Brennan]

1 does that represent or mean that, under the methodology  
2 that PSNH is proposing to calculate the ADE rate, is  
3 that \$1.7 million was an estimated over-collection to  
4 those customers that were on the ADE rate as compared  
5 to what the actual cost would have been?

6 A. That net benefit of 1.7 million is a combination of two  
7 impacts. One being that the ADE rate will reprice  
8 monthly, and the other one being that there is a  
9 Scrubber adder. And, there are supporting schedules  
10 showing the calculation arriving to that 1.7 million  
11 net benefit and the 6.2 million detriment that's in the  
12 OCA discovery, 04-02.

13 Q. And, just one other question. Do you believe it's  
14 possible, let's say it was implemented for January 1,  
15 do you believe it's possible that the actual cost to an  
16 ADE customer would be charged by the ADE rate as  
17 compared to what PSNH's actual costs were for that  
18 customer, is it possible that they under collected, as  
19 opposed to over collected, for that customer? So, if  
20 they estimate the rate at 15 cents per month, and the  
21 actual costs come in at 18 cents, is that a possibility  
22 to you? Do you think that possibility exists? Or, do  
23 you believe it's always going to be an over collection  
24 or a benefit?

[WITNESS: Brennan]

1 A. I think the possibility exists.

2 MR. PLANTE: Thank you.

3 CHAIRMAN HONIGBERG: Ms. Amidon.

4 MS. AMIDON: Staff has no questions.

5 Thank you.

6 CHAIRMAN HONIGBERG: Mr. Fossum.

7 MR. FOSSUM: Thank you.

8 BY MR. FOSSUM:

9 Q. Mr. Brennan, looking at your -- what has been marked as  
10 "Exhibit 20", I just had a few questions for my  
11 clarification. In Box I at the top, you have some  
12 under collection amounts that are there. And, if I  
13 recall your testimony, you testified that there were  
14 various reasons for those under collections. And, you  
15 specifically referenced migration as one reason. And,  
16 do I remember that correctly?

17 A. That was one potential cause, yes.

18 Q. I don't recall whether you said that the under  
19 collection on PSNH's Scrubber was included in those  
20 numbers. Do you understand that under collection to be  
21 included in those numbers?

22 A. Those under collections are taken out of your  
23 reconciliation filing, which includes -- which includes  
24 Scrubber in the total Energy Service cost.

[WITNESS: Brennan]

1 Q. And, you're certain that those numbers that that's --  
2 that the 43 million and the 36 million do not include  
3 under collections due to the Scrubber, is that your  
4 testimony?

5 A. That under collection is the calculated difference  
6 between your actual Energy Service revenues, less your  
7 actual Energy Service costs, that are in your  
8 reconciliation filing. They're taken directly from  
9 there. There are components of each of those that are  
10 listed in the filing.

11 Q. I understand that. But, if I was to represent to you  
12 that that 43 million and the 36 million that are  
13 referenced there do include significant portions of  
14 Scrubber costs, would that affect your testimony or  
15 this exhibit?

16 A. It would not affect my testimony. The reference to  
17 "under recovery" in my testimony is to illustrate that  
18 it is a significant dollar amount. And, that the ADE  
19 rate and issues that we've had historically can help  
20 contribute to that under recovery issue. So, it's  
21 really to add context to this discussion.

22 Q. So, ultimately then, those numbers are simply for  
23 context, and you're not arguing that those numbers  
24 drive a decision relative to the assessment to Rate ADE

[WITNESS: Brennan]

1 in this case?

2 A. Correct. The assessment to change ADE rate is in order  
3 to eliminate this detriment that occurs when costs to  
4 serve the load are not consistent with the revenues  
5 that come in.

6 Q. Going down to the bottom of your exhibit, the Scenario  
7 2, and the 1.7 million?

8 A. Yes.

9 Q. That \$1.7 million benefit that you identify comes from  
10 an implementation date of January 1st, is that --  
11 that's accurate? Is that accurate?

12 A. Yes. That is for the period January through December.

13 Q. And, have you done a calculation to determine whether  
14 there would still be a benefit if the rate was  
15 implemented February 1st, rather than January 1st?

16 A. These calculations were performed by PSNH. We did not  
17 ask for that calculation to be done. Our position is  
18 that the sooner we are able to capture reverse  
19 migration customers onto the proposed new ADE rate, the  
20 sooner the benefit will start to occur to DE customers,  
21 as opposed to a repeat of last year's negative impacts.

22 Q. Understood. I'm just curious to know whether you  
23 performed a calculation to determine what the  
24 difference might be, should it be implemented

{DE 11-216} {12-09-14}

[WITNESS: Brennan]

1 February 1st rather than January 1st?

2 A. No, I didn't.

3 Q. Do you believe it would still be providing a positive  
4 benefit, should it be implemented February 1st, based  
5 on the knowledge and information that you have?

6 A. It depends on how many customers will have already  
7 migrated back onto Default Service rate, which was the  
8 question that was asked prior to that. The more that  
9 migrate back to Default Service rate, this benefit will  
10 disappear and will be a detriment, similar to the  
11 Scenario 1.

12 Q. So, then, just for -- so, this is based upon a great  
13 many assumptions, including ones that you provided to  
14 PSNH about both migration and potential rates?

15 A. (Witness nodding in the affirmative).

16 Q. Is that correct?

17 A. Yes. Many assumptions, correct.

18 MR. FOSSUM: I apologize. I'm just  
19 trying to get a feel for what the benefit may or may not  
20 be by putting implementation a month later. And, I think  
21 that's all I have.

22 CHAIRMAN HONIGBERG: Commissioner Scott.

23 BY COMMISSIONER SCOTT:

24 Q. So, I think I heard two different things from the other

[WITNESS: Brennan]

1 panel. I think the OCA asked "is it possible to  
2 implement in January?" Then, I asked "what would be  
3 the impact?" And, I think I heard Mr. Goulding I think  
4 say "there would be difficulty in establishing the  
5 price, you know, this early." Does that sound right?  
6 Did I hear that right, from your recollection?

7 A. I heard that "administratively, it could be done  
8 January 1, 2015."

9 Q. And, again, you said it fairly straightforwardly, so, I  
10 guess I don't need to paraphrase it. So, the OCA's  
11 position is the sooner the better, obviously, to reduce  
12 the subsidy that's perceived right now happening?

13 A. Yes. The migration activity is happening now. So, to  
14 wait until February 1, we may have missed -- it may  
15 have already occurred at that point.

16 Q. And, if -- I'm not suggesting this would be the  
17 solution, if the implementation were January 15th,  
18 that's still better than February 1st, in your opinion?

19 A. Yes. Exactly.

20 COMMISSIONER SCOTT: That's all I have.

21 Thank you.

22 CHAIRMAN HONIGBERG: I have no  
23 questions. Ms. Chamberlin, do you have any redirect for  
24 Mr. Brennan?



[WITNESS: Brennan]

1 MS. CHAMBERLIN: No redirect.

2 CHAIRMAN HONIGBERG: Okay. Thank you,  
3 Mr. Brennan. There are no other witnesses, correct?

4 MS. AMIDON: That's true.

5 CHAIRMAN HONIGBERG: Is there any  
6 objection to striking the ID on any of the exhibits?

7 MS. AMIDON: None.

8 CHAIRMAN HONIGBERG: Then, we'll do  
9 that. Is there any other business we need to transact  
10 before the parties sum up their positions?

11 (No verbal response)

12 CHAIRMAN HONIGBERG: I don't think so.  
13 I would ask, as a question -- you can rejoin Ms.  
14 Chamberlin, Mr. Brennan. I guess I would ask, in your --  
15 the lawyers, as they sum up, to deal a little bit with the  
16 cost-based nature or lack thereof of this rate. Because,  
17 although there is a reconciliation, it's a reconciliation  
18 done on Default Service. And, maybe the horse has already  
19 left that barn, with respect to this rate, due to the  
20 orders that have already been entered. I'd like to hear  
21 the lawyers tell me about why that's okay, or why I should  
22 think that's okay.

23 So, Mr. Plante, would you like to start?

24 MR. PLANTE: Sure. Thank you. I'll try

1 to keep it brief, because I know Jim did submit the letter  
2 yesterday. I think I would only ask that, because of the  
3 complications involved here and the many moving parts, and  
4 the methodology by which an ADE rate would be  
5 calculated --

6 (Court reporter interruption.)

7 MR. PLANTE: -- and the methodology that  
8 PSNH is proposing leaves a lot of questions as to what the  
9 actual costs would be incurred, both by an ADE customer  
10 and potential costs for under collection by PSNH.

11 I think, you know, I understand the  
12 OCA's position. But, conversely, I could also say that  
13 there's no guarantee that, if this ADE rate is  
14 implemented, that it will satisfy what the OCA is looking  
15 for, because there is the potential for the cost by PSNH  
16 to be under collecting. As an example, if I were to  
17 purchase energy for January about a month ago, it would  
18 have cost 17 cents. If I purchased energy for the month  
19 of January right now, it would be about 12 cents. And,  
20 that could go in both directions. So, there's no  
21 guarantee that the proposed ADE rate that they would  
22 implement by the middle of month for the following month  
23 is going to guarantee that they are going to collect the  
24 right amount or over collect amounts to benefit the

1 Default Service customers.

2 And, I just think that this is a very  
3 short timeframe with all the things to consider to  
4 implement this program. And, if we agree that most  
5 customers probably have migrated by now, or will through  
6 the month of December, in lieu of potentially a ADE rate  
7 being approved, then I have to say that this winter is  
8 probably going to be status quo or a moot point on both  
9 sides of the table.

10 And, I think it would -- everybody would  
11 be best afforded, including OCA, and customers that are  
12 electing to go back to Default Service, if more time was  
13 given, to make sure that everything was considered. Thank  
14 you.

15 CHAIRMAN HONIGBERG: Ms. Chamberlin.

16 MS. CHAMBERLIN: Thank you. PSNH  
17 adhered to all of the procedural requirements in making  
18 this proposal. There's the affidavit of publication was  
19 on October 23rd, 2014. The Commission, on October 15,  
20 2014, scheduled a prehearing conference. There is all the  
21 constructive notice about this rate and about it being  
22 proposed for changes. It's a pilot program, in which, as  
23 its nature, is intended to be modified to improve it. So,  
24 I don't believe there is a significant concern with

1 parties being -- having notice of what's going to happen,  
2 any more than anybody else has notice as to what the  
3 market is going to be.

4 As was testified by the witnesses, the  
5 C&I customers, who are going back and forth, have been  
6 engaged in that process continually. I mean, that's part  
7 of their business, that's what they do. And, so, none of  
8 this is really a surprise. The details will come about  
9 more quickly in January than in February, but the actual  
10 discussion as to how they're going to receive their power  
11 is ongoing and will continue to be ongoing. And, I don't  
12 see that these customers are having a notice problem.

13 Compare that to the Default Service  
14 customers, most of whom are residential customers, who  
15 have been subsidizing these large C&I customers ever since  
16 the ADE rate was implemented, they got no notice that they  
17 were going to be doing this. And, it is simply  
18 inequitable for the subsidization to continue any longer  
19 than is -- if we have the opportunity to end it, which we  
20 do, that we should do it as soon as possible. So, that is  
21 why we support the January 2015 date.

22 If it's January 15th, in order for PSNH  
23 to do the administrative part of identifying the rate,  
24 that's fine. That's still better than February. But I

1 submit that the rate could be implemented by January 1st,  
2 as was originally proposed. PSNH had that proposal. It  
3 was public. Everyone who followed these issues knew about  
4 it.

5 So, the purpose of ADE was to get a  
6 better match between the costs and the services. And, it  
7 essentially failed in its first implementation, and this  
8 is an effort to correct it. So, any inconvenience toward  
9 the customers who have already received an inequitable  
10 benefit should not outweigh the benefit or the correction  
11 to the customers who have been providing the subsidy.  
12 Thank you.

13 CHAIRMAN HONIGBERG: Ms. Amidon.

14 MS. AMIDON: Thank you. As the  
15 Commission knows, this proposal is intended to modify a  
16 Settlement Agreement that created this pilot program, by  
17 Commission Order 25,488, in April 2013. That Settlement  
18 Agreement, for your information, and if the record doesn't  
19 show it, was among PSNH, Staff, and the OCA. And, Staff  
20 believes, you know, Staff worked with the Company, we met  
21 with them in the course of -- over technical sessions, we  
22 conducted discovery. And, Staff believes that this is a  
23 step in the right direction. And, we are looking forward  
24 to seeing how this proposal will work over the remainder

1 of the pilot period.

2 Having said that, we want to  
3 specifically note that the proposal that we're supporting  
4 is the September 15th, 2014 filing, as modified by this  
5 technical statement filed on October 31st.

6 The Commission inquired as to whether  
7 the cost in the calculation of the forecast rate is  
8 cost-based, and we believe it is. We prefer the monthly  
9 calculation of this rate over the annual calculation,  
10 because we believe it sends a better price signal to  
11 customers. And, it's actually a fair representation of  
12 what the customers are offered in the competitive market,  
13 and thus probably it benefits the competitive market in  
14 that regard.

15 So, the statute which requires PSNH to  
16 set Default Service prices according to its "actual,  
17 prudent and reasonable cost of providing such power as  
18 approved by the Commission" is satisfied. And, that  
19 statute is RSA 369-B:3, IV(b)(1)(A).

20 So, we also believe that the resulting  
21 rates will be consistent with RSA 378:7, which requires  
22 rates to be just and reasonable. And, in this case, since  
23 the rates are probably a lot closer to market-based than  
24 they were under the prior paradigm, we believe those rates

1 will be just and reasonable. It's the similar situation  
2 where other utilities come in with market-based rates, if  
3 they are based on the market, then we believe those rates  
4 are just and reasonable.

5 And, finally, we believe that the  
6 proposal is consistent with the restructuring principles,  
7 specifically RSA 374-F:3, and within that (e), Paragraph  
8 (e), which says that "the Commission may approve  
9 alternative means of providing transition or default  
10 services which are designed to minimize customer risk, not  
11 unduly harm the development of the competitive market, and  
12 mitigate against price volatility without creating new  
13 deferred costs." These are large customers who have --  
14 are affected by this change. They can go to the market.  
15 This does not impact or affect detrimentally the Default  
16 Service customers, and because the market price is  
17 designed to mitigate over and under collection, we believe  
18 it will benefit, as Attorney Chamberlin has suggested, the  
19 residential customers who have less choice and constitute  
20 the most customers on Rate DE.

21 Finally, we are not persuaded that the  
22 Company cannot effect this rate on January 1, 2015.  
23 However, we're mindful that, you know, today is  
24 December 9th, and they would have, under their proposal,

1 would have less than a week to turn around and development  
2 rates. So, we would just let you know, we don't oppose  
3 the January 1st date, and leave that to the Commission to  
4 determine whether its reasonable to set an absolute date  
5 or some date that allows for some time for them to  
6 accomplish the transfer of customers and to set the rate.  
7 Thank you.

8 CHAIRMAN HONIGBERG: Mr. Fossum.

9 MR. FOSSUM: Thank you. In large  
10 measure, PSNH is aligned with what the OCA and the Staff  
11 have already said. And, so, I won't reiterate all of  
12 that. I will note that PSNH does believe that this  
13 proposal is consistent with the relevant statutory  
14 requirements, as well as Commission precedent, and was  
15 made pursuant to a directive of the Commission that PSNH  
16 make a filing to correct some of the perceived  
17 shortcomings of Rate ADE. And, we believe that what we  
18 have proposed does provide the corrections to the rate,  
19 provides more accurate price signals to market  
20 participants, and continues to allow customer choice, and  
21 it avoids or helps to avoid potential cross-subsidization  
22 of customers.

23 As to the specific issue that the  
24 Commissioners have identified, having to do with the



1 actual costs, I would note first, I believe the Commission  
2 has already -- the reconciliation methodology is not  
3 proposed to be changed from the existing Rate ADE method.  
4 And, that was -- that method was approved back in Order  
5 25,488 by the Commission when approving the initial Rate  
6 ADE.

7 And, additionally, I would note that, to  
8 the extent there's a concern about reconciliations being  
9 done somehow contemporaneous with cost incurrence or to  
10 specific customer bases, that reconciliations have never  
11 been done that way. They're always retrospective. The  
12 customer base may have changed, even on the PSNH's DE  
13 rate. So, there's always been some level of mismatch.  
14 And, I wouldn't consider that to be somehow fatal to the  
15 proposal.

16 As to the effective date, we're  
17 sympathetic to the position of the OCA on that issue. At  
18 some level, we share that concern. While administratively  
19 it's possible to implement on January 1st, it is not, in  
20 our opinion, the best option. As noted in what has been  
21 marked as "Exhibit 19", there are existing Rate ADE  
22 customers that PSNH would need to address, and it would  
23 need time to address them.

24 And, the overall issue of customer

1 notice is an important one to us. We have -- PSNH has  
2 taken steps to notify customers and to keep them informed.  
3 The customers that would be affected by this rate were  
4 informed about the initial proposal in September. They  
5 were informed about the update that PSNH made in October.  
6 But, until there's a Commission order that sets forth  
7 finally what it is that this proposal may come to be,  
8 those customers do not have complete assurance as to what  
9 their options are. And, for those reasons, we do believe  
10 that the February 1st effective date is more appropriate  
11 in this instance.

12 With that said, I would request that the  
13 Commission approve PSNH's proposal from September 15th, as  
14 modified in October, and that it be implemented as  
15 proposed for the remainder of the pilot period, or until  
16 more broad-based changes may come about, perhaps through  
17 the Default Service docket that the Commission will be  
18 commencing next year. Thank you.

19 COMMISSIONER SCOTT: Thank you for your  
20 remarks, Mr. Fossum. I had alluded to the OCA, I asked a  
21 question about the 15th of January, indelicately put, "to  
22 split the baby", I guess. If that were our ruling, how  
23 does that impact PSNH, compared to the February 1st?

24 (Mr. Goulding conferring with Attorney

1 Fossum.)

2 MR. FOSSUM: From what I gather, it  
3 wouldn't make a tremendous difference. There would be  
4 still existing ADE customers that may need to be moved,  
5 with what would happen -- what would need to happen, I'm  
6 sorry, on January 1st anyway. Essentially, it would  
7 just -- it would shorten the timeframe in which all of  
8 that would need to be done. It would also require us to  
9 come up with a rate calculation to be presented at some  
10 earlier date than we would have otherwise calculated the  
11 rate. But I don't -- I don't know that it would make a  
12 significant difference, other than the workload that would  
13 be required to actually implement it.

14 COMMISSIONER SCOTT: Okay. Thank you.

15 CHAIRMAN HONIGBERG: Is there anything  
16 else?

17 (No verbal response)

18 CHAIRMAN HONIGBERG: Thank you all very  
19 much. We'll take it under advisement.

20 **(Whereupon the hearing was adjourned at**  
21 **11:38 a.m.)**

22

23

24