

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

June 24, 2013 - 10:00 a.m.
Concord, New Hampshire

NHPUC JUL03'13 AM10:09

RE: DE 13-018
GRANITE STATE ELECTRIC COMPANY
d/b/a LIBERTY UTILITIES:
*Default Service for the period
August 1, 2013 through October 31, 2013
for the Large & Medium Customer Group.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a Liberty Utilities:
Sarah B. Knowlton, Esq.

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division

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

ORIGINAL

I N D E X**PAGE NO.****WITNESS:****JOHN D. WARSHAW**

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
4	Default Service Filing for the Period Beginning August 1, 2013, consisting of the Testimony and Schedules of John D. Warshaw, dated June 20, 2013 (CONFIDENTIAL & PROPRIETARY)	5
5	Default Service Filing for the Period Beginning August 1, 2013, consisting of the Testimony and Schedules of John D. Warshaw, dated June 20, 2013 (REDACTED - For public use)	5
6	Chart entitled "Granite State Electric Company Comparison of Change in Futures Prices to Change in Procurement Costs"	6

P R O C E E D I N G

CHAIRMAN IGNATIUS: I'd like to open the hearing in Docket DE 13-018, which is Granite State Electric Company's Default Service rates, for the period August 1 to October 31, 2013, for the Large and Medium Commercial and Industrial Customer Group. This is one of the series of hearings that we have in this docket, originally noticed at the beginning of the year. And, today is to take up the proposal for serving this customer group, and the RFP and solicitations that were just completed.

So, let's begin with appearances please.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. I'm here today on behalf of Granite State Electric Company d/b/a Liberty Utilities. And, with me today is Mr. Warshaw, who is the Company's witness; and sitting at counsel's table next to him is ChristiAne Mason; and, then, behind me is Emily Cover, who is new to our office and here to observe.

CHAIRMAN IGNATIUS: Welcome. Thank you.

MS. AMIDON: Thank you. Suzanne Amidon, for Commission Staff. With me today is Grant Siwinski, an Analyst in the Electric Division.

CHAIRMAN IGNATIUS: Good morning. So,

1 do we have anything to take up before Mr. Warshaw
2 testifies?

3 MS. KNOWLTON: We have three exhibits
4 that we would propose to mark for identification. The
5 first is the Company's confidential filing, which we
6 propose to mark as "Exhibit 4". And, that was submitted
7 to the Commission on June the 20th, 2013.

8 CHAIRMAN IGNATIUS: And, that's the full
9 thick packet of the --

10 MS. KNOWLTON: That's right.

11 CHAIRMAN IGNATIUS: All the materials,
12 and both confidential and otherwise?

13 MS. KNOWLTON: That's right. And, it's
14 Bates numbered 001 through 159. And, we would propose
15 marking for identification as "Exhibit 5" the redacted
16 version, which was submitted that same day, on June 20th,
17 2013. And, that's also Bates numbered 001 through 159.

18 CHAIRMAN IGNATIUS: All right. We'll
19 mark both of those "4" and "5", 4 being the confidential
20 version.

21 (The documents, as described, were
22 herewith marked as **Exhibit 4** and
23 **Exhibit 5**, respectively, for
24 identification.)

[WITNESS: Warshaw]

1 MS. KNOWLTON: And, the last that we
2 will propose to mark is a new exhibit that you have not
3 seen before. We propose to mark as "Exhibit 6" a one-page
4 document that is titled "Granite State Electric Company
5 Comparison of Change in Futures Prices to Change in
6 Procurement Costs". And, Mr. Warshaw is prepared to
7 explain what this exhibit is.

8 CHAIRMAN IGNATIUS: All right. We'll
9 mark that for identification as "Exhibit Number 6".

10 (The document, as described, was
11 herewith marked as **Exhibit 6** for
12 identification.)

13 CHAIRMAN IGNATIUS: I assume the Staff
14 has a copy?

15 MS. AMIDON: Yes.

16 CHAIRMAN IGNATIUS: All right.

17 MS. AMIDON: Thank you.

18 CHAIRMAN IGNATIUS: Thank you.

19 MS. KNOWLTON: And, I would just note
20 that the confidential version of the Company's filing does
21 contain the typical type of confidential information
22 that's normally filed in the Default Service filing. And,
23 in our cover letter, we've asked that that information be
24 treated, as it has in the past, confidentially, until, at

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1 least with regard to the wholesale price information, that
2 it becomes public through FERC.

3 CHAIRMAN IGNATIUS: That's fine.

4 MS. KNOWLTON: Thank you.

5 CHAIRMAN IGNATIUS: All right. Anything
6 other than bringing Mr. Warshaw to the stand?

7 MS. KNOWLTON: No.

8 CHAIRMAN IGNATIUS: Then, why don't you
9 go ahead.

10 MS. KNOWLTON: The Company calls John
11 Warshaw.

12 (Whereupon **John D. Warshaw** was duly
13 sworn by the Court Reporter.)

14 **JOHN D. WARSHAW, SWORN**

15 **DIRECT EXAMINATION**

16 BY MS. KNOWLTON:

17 Q. Good morning, Mr. Warshaw.

18 A. Good morning.

19 Q. Would you please state your full name for the record.

20 A. John D. Warshaw.

21 Q. By whom are you employed?

22 A. I'm employed by Liberty Energy Utilities New Hampshire
23 Corp.

24 Q. What is your position with the Company?

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1 A. I am Manager of Electric Supply.

2 Q. Do you have before you the document that's been marked
3 for identification as "Exhibit 4", which is the
4 confidential copy of the Company's June 20th, 2013
5 Default Service filing for the Large Customer Group?

6 A. Yes.

7 Q. Was that prepared by you or under your direction?

8 A. Yes.

9 Q. Do you have any corrections to that filing?

10 A. Yes, I do. On Bates stamp Page 19, in the table in the
11 middle of the page, the line that reads "Base Default
12 Service Rate", for the month of "October", the value
13 should be "5.526 cents". And, then, on Page 20, Lines
14 8 and 9, the values there should be replaced with
15 "6.262 cents" per kilowatt-hour, "5.661 cents" per
16 kilowatt-hour, and "5.526 cents" per kilowatt-hour.

17 CMSR. SCOTT: One more time please.

18 WITNESS WARSHAW: Which?

19 CMSR. SCOTT: All three.

20 WITNESS WARSHAW: Okay. The first one
21 should be "6.262", in place of "6.678"; "5.661", in place
22 of "6.077"; and "5.526", in place of "5.942".

23 CMSR. SCOTT: Thank you.

24 WITNESS WARSHAW: Those are all the

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1 corrections that I have.

2 BY MS. KNOWLTON:

3 Q. With those corrections, if I were to ask you the
4 questions contained in your testimony today, would the
5 answers be the same?

6 A. Yes.

7 Q. Mr. Warshaw, did the solicitation that's described in
8 your testimony comply with the process that has been
9 approved by this Commission for Default Service
10 solicitations?

11 A. Yes.

12 Q. Would you describe what the results were from that
13 solicitation.

14 A. The results were new rates for the Large Customer
15 Group, that I just made the correction on, for the
16 months of August, September, and October 2013.

17 Q. And, can you point the Commission to where in the
18 filing they can see the number of bidders that
19 responded to the request for proposals?

20 A. Yes. They would be in Exhibit JDW-2, Page -- there we
21 go. Indicative bids are identified on Page -- Bates
22 stamp Page 107. And, then, final bids -- number of
23 bids were identified on Bates stamp 108, at the bottom
24 of the page.

[WITNESS: Warshaw]

1 Q. How do the number of final bids compare to what the
2 Company has received in the past for this customer
3 group?

4 A. These are -- this is a little more number of bidders
5 than we've had in the past.

6 Q. Do you have any explanation for why that is the case?

7 A. I think because they're getting more comfortable with
8 Liberty Utilities owning Granite State Electric, as
9 opposed to previously dealing with National Grid as the
10 owner of Granite State.

11 Q. Did the Company receive the same number of indicative
12 bids as final bids?

13 A. Yes.

14 Q. Can you identify where in the filing the Commissioners
15 can see the name of the winning bidder?

16 A. The name of the winning bidder is in my testimony, on
17 Page Bates stamp 14, Line 8. And, the winning bidder
18 is Dominion Energy Marketing. And, they have
19 previously served Granite State load.

20 Q. Would you walk us through the rates that are being
21 proposed for this customer group.

22 A. Yes. If you go to Page 19, we have, initially, the
23 Base Default Service rates, which are strictly the
24 rates from the purchase of -- from Dominion, and then

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1 they're adjusted by the 2013 approved Default Service
2 Adjustment Factor, and also the approved Default
3 Service Cost Reclassification Adjustment Factor. And,
4 also included in that is a new Renewable Portfolio
5 Standard Adder. And, that results in retail rates for
6 August of 6.678 cents per kilowatt-hour; for September,
7 6.077 cents per kilowatt-hour; and 5.942 cents per
8 kilowatt-hour for October.

9 Q. Why is there a new Renewable Portfolio Standard Adder?

10 A. We elected to change the RPS adder because of the
11 recent order by the Commission deferring the
12 implementation of the class energy -- thermal energy
13 requirements, and also the reduction in the obligation
14 for the Class III RPS requirements, both in 2013. And,
15 we felt that it was appropriate to roll back that RPS
16 adder, instead of doing an overcollection.

17 Q. Mr. Warshaw, can you explain how the proposed rates
18 compare to, if you look at Exhibit 6, the rates for
19 last -- that were in place for this customer group for
20 last summer?

21 A. Yes. If you look at -- if you look at Exhibit 6, we --
22 I compared the 2012 retail rates for August through
23 October to the proposed retail rates for August through
24 October for 2013. And, as you can see, that the rates

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1 are about 10 percent higher than they were a year ago
2 for this same period.

3 Q. And, just so that the record is clear and we all can
4 follow you, are you looking at those last two rows that
5 are on Exhibit 6, "Final Large Customer Group Price
6 June 13th, 2012", and then the same for the period
7 "June 18th, 2013"?

8 A. Yes.

9 Q. What do you attribute the higher prices to?

10 A. Among other things, increases in the cost of natural
11 gas, and resulting increases in the cost of the futures
12 of electric supply.

13 Q. Mr. Warshaw, are you aware that the Company is under an
14 obligation from the Commission to provide every six
15 months a report on the status of the loss factor that
16 is applied to Default Service rates?

17 A. Yes.

18 Q. And, do you know when that next six-month report is
19 due?

20 A. I believe that is due in September of this year.

21 Q. Would you -- can you give the Commission just a
22 preliminary sense of where things are? We're at the
23 three months mark. You know, what has happened since
24 we were here three months ago?

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1 A. It's still an ongoing investigation. And, our
2 engineering group is working with National Grid's
3 engineering group to continue to investigate that
4 issue.

5 Q. And, is there a second component that the Company has
6 been pursuing with regard to the loss factors?

7 A. Yes. We also are under discussions with National Grid
8 regarding borderline sales.

9 Q. And, is that discussion with regard to potential
10 compensation for the borderline customers that were
11 receiving commodity from Granite State's circuit that
12 dipped down into Methuen, Mass. from New Hampshire?

13 A. Yes. We're still -- we're having ongoing discussions,
14 settlement discussions with Granite State about that,
15 for service prior to October of 2012. Currently, every
16 month we receive revenue from National Grid --
17 actually, Mass. Electric, National Grid's subsidiary,
18 for that service of those customers in that, in Mass.
19 Electric's service territory.

20 Q. Do you have any idea about when those settlement
21 discussions will be concluded?

22 A. No. But my understanding is that they should be
23 resolved soon. But, exactly when, I don't know. I
24 don't know.

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1 MS. KNOWLTON: The Company does not have
2 any further questions for Mr. Warshaw and would make him
3 available for cross-examination.

4 CHAIRMAN IGNATIUS: Thank you.
5 Ms. Amidon?

6 MS. AMIDON: Yes. Thank you. Good
7 morning.

8 WITNESS WARSHAW: Good morning.

9 MS. AMIDON: I just have one question.

10 **CROSS-EXAMINATION**

11 BY MS. AMIDON:

12 Q. As you know, pursuant to legislation, under the RGGI
13 auction, any amounts received in excess of one dollar
14 per allowance is to be rebated to default service
15 customers. Do you recall that?

16 A. Yes, I do.

17 Q. And, as I understand from looking at your testimony in
18 your filing, the Company has not included those rebates
19 in this calculation, is that correct?

20 A. That's correct.

21 Q. And, could you explain what the Company intends to do
22 to rebate these RGGI amounts?

23 A. Because this is just the filing for the Large Customer
24 Group, and the rebate would actually be for all default

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1 service customers, both the Large and the Small
2 Customer Groups, the Company felt that it would be
3 better to defer any proposed calculation and rebate
4 mechanism until the September filing, when we would be
5 filing rates for both the Large and the Small Customer
6 Groups.

7 Q. So, would it be the Company's intention then to adjust
8 the rates in the September filing and in the March
9 filing, which is also for both Large and Small Customer
10 Groups, for the RGGI rebates?

11 A. Yes.

12 MS. AMIDON: Thank you. That's all I
13 have.

14 CHAIRMAN IGNATIUS: Thank you.
15 Commissioner Scott?

16 CMSR. SCOTT: Thank you. And, good
17 morning.

18 WITNESS WARSHAW: Good morning.

19 BY CMSR. SCOTT:

20 Q. First of all, thank you. Exhibit 6 is what I was going
21 to ask about, not having it. So, that was -- you
22 anticipated my desires. So, thank you for that. I was
23 curious, I know you don't have a crystal ball,
24 obviously, you're looking at a quarterly period for

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1 procurement, are you finding that efficient? Or, do
2 you think you would get a better rate -- a "rate" -- a
3 better, yes, do you think it would be a lower cost if
4 it was -- if you procured it over a longer period or
5 does this look like the right timeframe?

6 A. This timeframe was picked, basically, as a result of
7 National Grid's service in Massachusetts. At the time
8 when New Hampshire went to -- came off of transition
9 service and went to default service, at the time,
10 National Grid just tacked on New Hampshire's -- Granite
11 State's procurement with National Grid. So, that's why
12 we have a three-month. The intent was that three-month
13 would be more -- have more volatility than a six-month
14 procurement, and that the Large Customer Group would
15 have more opportunities to go to the competitive market
16 than the Small Customer Group, which is made up of
17 residential and small customers.

18 But, as far as pricing, I think moving
19 to a longer period would provide the Large Customer
20 Group with more -- less volatile pricing. Whether that
21 would be resultant in something that would be less than
22 what they're seeing now in this? Probably, if the
23 second three months of a six-month procurement, the
24 second three months was in a rising market. But, at

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1 the same time, this is a group of customers that have a
2 much -- have more of an access to the competitive
3 marketplace than the residential customers. So,
4 driving up here, if you listen to -- heard on the radio
5 some ads for residential customers going to competitive
6 supply, which I find very heartwarming.

7 Q. Okay. Thank you for that. And, you discuss a little
8 bit the borderline sales issue. If I remember
9 correctly, most of the borderline sales are
10 residential. I was curious if you had some rough way
11 to quantify how much in these classes are in borderline
12 sales?

13 A. I don't have that. But I think there are about 200
14 customers. And, I think, if I remember correctly, the
15 vast majority are residential customers. There may be
16 one or two small commercial in that. But I don't know
17 off the top of my head, I apologize.

18 Q. Okay. And, again, that will be -- the settlement you
19 mentioned will hopefully be, I know you don't know the
20 timeframe, but that will address this sector, these
21 Medium and Large C&I customers also?

22 A. Yes, it would, if there were any. But, definitely, the
23 majority of these customers are residential.

24 Q. Okay. Thank you. And, with the Commission Staff, you

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1 mentioned -- had a brief discussion regarding "RGGI
2 rebates". I just wanted to ensure that the utilities
3 are aware that the -- of this session that the rebate
4 change would be from default -- all default service
5 customers to all customers?

6 A. Yes. I did see that in the Legislature. And, until
7 we, I would guess, receive an order or a modification,
8 we would continue to proceed to refund that to the
9 default service customers. But, once we receive a
10 change in that, we would adjust our -- that rebate
11 accordingly.

12 Q. Okay. Thank you. I just wanted to call to your
13 attention --

14 A. Yes.

15 Q. -- that it's in the works.

16 CMSR. SCOTT: I think that's all I have.

17 CHAIRMAN IGNATIUS: Thank you. I think
18 of this, I appreciate you mentioning that, the statute has
19 not yet been signed by the Governor. So, it's not in
20 effect yet, and would have to check what the effective
21 date is for when the changeover applies. But the fact
22 that you're not implementing anything right now on the
23 rebates is probably a good idea for that reason, as well
24 as your mix of customer classes problem. And, we'll be

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1 certain that a Commission letter or order or something
2 goes out to notify everyone.

3 The language in the statute now says
4 that it would be rebated to "all retail customers", which
5 I guess would mean "all distribution customers", and no
6 longer limited to just default service customers.

7 BY CHAIRMAN IGNATIUS:

8 Q. On the borderline customers, you had said that it
9 affects service prior to October 2012?

10 A. The settlement does, yes.

11 Q. Yes. So, from October 2012 going forward, is the
12 Company receiving the appropriate compensation for that
13 service?

14 A. Yes.

15 Q. A couple of quick questions just to clarify a few
16 things in your filing. The testimony provisions on
17 rates on Page 20 you adjusted, does that change the
18 bottom of that page on the percentage decreases or are
19 those still ranging from "5.5 to 6.6 percent"?

20 A. That did not change.

21 Q. All right. And, that's not a decrease from the prior
22 year, that's actually an increase from the prior year,
23 but it's a decrease from the most recent quarter?

24 A. Correct.

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1 Q. I was looking at the "RPS Calculation" chart on Page
2 121. And, one just very simple question. It looks
3 like the same chart on Page 137. But there may be
4 something, some nuance to it that I'm not getting. Are
5 they telling us different things on those two?

6 A. What was the other page, I'm sorry?

7 Q. 137 and 121.

8 A. No, they are the same.

9 Q. You're trying to trick me. So, looking at 121, and I
10 won't ask you to state the number, but if we can talk
11 about it kind of in a general sense. In Section 3, the
12 Class III renewable calculations, you have the ACP for
13 2013 and the market -- anticipated market rate for
14 2013. And, I was struck that the market rate was not
15 higher. Is there anything you -- how much have you
16 studied what we've been through in the last year with
17 Class III, and have you made any projections on what
18 you think Class III will -- what will be happening to
19 supply of Class III for the coming year?

20 A. To develop the market, I go to the -- go to a couple of
21 supplier sheets that we get. And, those are reports of
22 trades that they have received information on. And, I
23 take the average of those trades to come up with a
24 market. Whether Liberty would be able to get

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1 transactions at that rate, I couldn't tell you. But I
2 try to be consistent in how I approach the calculation
3 of market. And, the results are that our RPS adder is
4 very close now to the ACP rates.

5 But it's hard to actually come up with a
6 specific value. The Class Is are more competitive and
7 the Class IVs are more competitive. Even though it
8 doesn't reflect that in the market prices now, but I
9 have had other -- have been easier for me to receive
10 bids and lock in a supply of Class I and Class IV than
11 any of the others.

12 Q. And, what our order reducing the requirement for Class
13 III does to the market remains to be seen as well?

14 A. Yes. Hopefully, that will free up some.

15 Q. The date that you filed -- I'm sorry, the effective
16 date proposed for this is August 1, correct?

17 A. Yes.

18 Q. And, under our agreed upon process, is it five business
19 days from the filing of the proposal?

20 A. Yes.

21 Q. All right. So, if that came in on the 20th, am I right
22 that you would need on order by June 27th?

23 A. Yes.

24 Q. You know, if we don't count Saturday and Sunday?

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1 CHAIRMAN IGNATIUS: All right. I have
2 no other questions. Any redirect, Ms. Knowlton?

3 MS. KNOWLTON: I have none.

4 CHAIRMAN IGNATIUS: All right. Then,
5 you're excused, Mr. Warshaw. Thank you very much.

6 Anything other than I guess we want to
7 look at striking identification of the three exhibits, any
8 opposition to that?

9 (No verbal response)

10 CHAIRMAN IGNATIUS: All right. We'll
11 make them full exhibits. Anything else before closings?

12 MS. KNOWLTON: I would just reiterate
13 the request for confidential treatment of the designated
14 information in Exhibit 4.

15 CHAIRMAN IGNATIUS: All right.
16 Ms. Amidon.

17 MS. AMIDON: Thank you. At the outset,
18 I just wanted to say, on behalf of Staff, that we
19 appreciate the Company's ability to file this, make this
20 filing last Thursday, which gave us additional time to
21 review the filing. And, so, that was very much
22 appreciated.

23 We found the filing, in this instance,
24 to be quite complete. And, we believe that this has

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1 demonstrated that Liberty has the ability to manage the
2 solicitation and bid evaluation process on behalf of
3 customers, and we're very satisfied with the result.
4 We've reviewed the solicitation, bid evaluation, and
5 selection process, and believe that the Company followed
6 the procedures consistent with Order Number 24,577, in
7 docket DE 05-126, which set up this process. And, we
8 believe that the selection of Dominion is appropriate, and
9 that the final rates are market-based.

10 And, finally, with respect to the
11 information which was requested to be treated
12 confidentially pursuant to Puc 201, we believe that those
13 -- that information is within the rule and is consistent
14 with the information for which the Commission has granted
15 confidential treatment in prior filings. Thank you.

16 CHAIRMAN IGNATIUS: Thank you.
17 Ms. Knowlton.

18 MS. KNOWLTON: Thank you. The Company
19 requests that the Commission approve the proposed rates
20 for the Large Customer Group to be effective as of
21 August 1st, 2013. As demonstrated in Mr. Warshaw's
22 prefiled written testimony, as well as his oral testimony
23 today, the solicitation complied with all of the legal
24 requirements governing the Company's Default Service

1 rates. The rates are market-based, as Mr. Warshaw has
2 testified. And, for that reason, the Company requests
3 that they be approved, and that the order be issued by
4 June 27th, 2013.

5 CHAIRMAN IGNATIUS: Thank you. Then,
6 we'll take all this under advisement. And, we will meet
7 our deadline of the 27th. Thank you. We're adjourned.

8 **(Whereupon the hearing was adjourned at**
9 **10:29 a.m.)**