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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 1, 2010 - 9:07 a.m.
Concord, New Hampshire

DAY 2

RE: DE 10-160
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
Customer Migration.

NHPUC JAN05'11 AM11:52

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:
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Group, Inc. & Constellation NewEnergy:
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Reptg. TransCanada:
Douglas L. Patch, Esq. (Orr & Reno)

Reptg. Conservation Law Foundation:
N. Jonathan Peress, Esq.

COURT REPORTER: Steven E. Patnaude, LCR No. 52

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[WITNESS: Traum]

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

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We're back on the record in Docket DE 10-160,
4 Public Service Company of New Hampshire, investigation
5 into the effect of customer migration on Energy Service
6 rates. And, before we turn to Mr. Hachey, is there
7 anything that we need to address this morning?

8 MS. AMIDON: We've yet again changed the
9 order of witnesses, and would like to have Mr. Traum be
10 the first witness today.

11 CHAIRMAN GETZ: Okay. Then, let's
12 proceed.

13 MS. AMIDON: And, that's it. Thank you.

14 MS. HATFIELD: The OCA calls Ken Traum.

15 (Whereupon **Kenneth E. Traum** was duly
16 sworn and cautioned by the Court
17 Reporter.)

18 **KENNETH E. TRAUM, SWORN**

19 **DIRECT EXAMINATION**

20 BY MS. HATFIELD:

21 Q. Good morning. Would you please state your name for the
22 record.

23 A. Kenneth E. Traum.

24 Q. And, by whom are you employed?

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[WITNESS: Traum]

1 A. The Office of Consumer Advocate.

2 Q. And, have you testified for the OCA previously before
3 the Commission?

4 A. I certainly have.

5 Q. Did you file testimony in this docket?

6 A. Yes, I did.

7 Q. And, do you have your testimony before you?

8 A. Yes, I do.

9 Q. Does it have a cover letter dated? July 30th, 2010"?

10 A. Yes, it does.

11 Q. Was this testimony prepared by you or under your
12 direction?

13 A. Yes, it was.

14 Q. Do you have any corrections to your testimony today?

15 A. No, I do not.

16 MS. HATFIELD: Mr. Chairman, I'd like to
17 have this marked as I believe "Exhibit 13".

18 CHAIRMAN GETZ: So marked.

19 (The document, as described, was
20 herewith marked as **Exhibit 13** for
21 identification.)

22 BY MS. HATFIELD:

23 Q. Mr. Traum, would you please very briefly provide an
24 overview of your testimony.

[WITNESS: Traum]

1 A. Certainly. My testimony was based on information from
2 Public Service of New Hampshire that the migration of
3 large customers to competitive suppliers, while most
4 appropriate from the perspective of those customers and
5 consistent with the goals of restructuring, is now
6 negatively impacting PSNH's captive customers.

7 MS. HATFIELD: Mr. Traum, why don't you
8 just pause for a moment. I think your microphone is not
9 --

10 (Brief off-the-record discussion
11 ensued.)

12 CHAIRMAN GETZ: Okay, let's try again.

13 **BY THE WITNESS:**

14 A. My testimony is based on information from Public
15 Service of New Hampshire that the migration of large
16 customers to competitive suppliers, while most
17 appropriate from the perspective of those customers and
18 consistent with the goals of restructuring, is now
19 negatively impacting PSNH's captive customers, who are
20 largely residential or small businesses customers.
21 According to PSNH, the impact in 2010 alone was that
22 \$28 million in costs for PSNH be prepared to provide
23 default service to all of its customers was paid by
24 captive Energy Service customers, meaning basically the

[WITNESS: Traum]

1 residential and small business customers. According to
2 PSNH, this represented about a 5 percent increase in
3 Energy Service bills to those captive customers. This
4 cost shifting is unfair, and we believe that it
5 violates the requirements of the restructuring law, RSA
6 374-F:3, VI, which requires, and I'll quote,
7 "Restructuring of the electric utility industry should
8 be implemented in a manner --

9 (Short pause regarding the microphones.)

10 CHAIRMAN GETZ: We may have it. Go

11 ahead.

12 **BY THE WITNESS:**

13 A. "Restructuring of the electric utility industry should
14 be implemented in a manner that benefits all consumers
15 equitably and does not benefit one customer class to
16 the detriment of another. Costs should not be shifted
17 unfairly among customers." We also believe that PSNH
18 bears the burden of implementing changes in order to
19 stop this cost shifting immediately.

20 My testimony went on to offer some ideas
21 for discussion. I note that I provided a range of
22 options on Page 8 and 9 of my testimony, as we believe
23 that, in this investigation docket, it was important to
24 thoroughly review and put out all potential options,

[WITNESS: Traum]

1 both short and long term. In the interest of time, I
2 will not repeat those options here.

3 BY MS. HATFIELD:

4 Q. Mr. Traum, do you have any updates to your testimony?

5 A. Yes, I do have a couple. On Page 5, Line 7 through 12
6 of my testimony, I discuss the fact that PSNH stated
7 that the cost shifting to Energy Service due to
8 migration was about 5 percent higher than it would have
9 been absent migration. As we heard yesterday, and as
10 shown in Exhibit 7 as provided yesterday, that number
11 is now up to approximately 8 percent. Also, in my
12 prefiled testimony, Attachment 5 was a report showing
13 the status of Unitil Electric System's migration as of
14 April 2010, and it showed that migration rate to be
15 roughly 31.4 percent. And, just for updating purposes,
16 the most recent information they have filed with the
17 Commission shows that that 31.4 percent has grown to
18 34.1 percent as of June 2010.

19 Q. And, what docket was that information filed in?

20 A. It was -- give me a second. It was filed in DE 10-028,
21 as part of the Direct Testimony of Robert Furino, dated
22 September 17th, 2010, it's in his Schedule RSF-3.

23 Q. Thank you. Have you reviewed the testimony filed by
24 the other parties in the case, the intervenors, that

[WITNESS: Traum]

1 was filed on September 15th on issues related to
2 procurement?

3 A. Yes, I have.

4 Q. Do you have any comments on that testimony?

5 A. Yes, I do. In Mr. Allegretti's testimony, on behalf of
6 Constellation and the Retail Energy Services
7 Association, RESA, Mr. Allegretti listed some actions
8 that the Commission could require PSNH to undertake in
9 order to enhance the competitive retail energy market
10 in New Hampshire for small customers. He included
11 items such as the purchase of receivables and customer
12 referral programs. The OCA is supportive of these
13 types of initiatives as a way to jump-start residential
14 choice, as well as to provide a jump-start of choice to
15 other small customers. Based on testimony yesterday,
16 Exhibit 6 was marked for identification, which shows
17 some of the similar activities undertaken by PSNH's
18 sister companies, CL&P and WMECO, along this line,
19 where they provide quarterly inserts to customers with
20 supplier information, customer referral programs, and
21 some forms of purchase of receivables program. These
22 types of items in Connecticut have resulted in over
23 27 percent of CL&P's residential customers migrating to
24 competitive choice as of July 2010. As we look for

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[WITNESS: Traum]

1 ways to get competitive choice moving for small
2 customers in New Hampshire, we see these as certainly
3 areas where improvements can be made that may help
4 jump-start that competition.

5 Moving on, as was recommended by the
6 witnesses for TransCanada, Constellation, RESA, and the
7 New England Power Generators, the OCA would also
8 support requiring PSNH to put out RFPs for any
9 supplemental power needs that they have for Energy
10 Service, even though we recognize that, as migration
11 grows, the need for such supplemental power declines,
12 and it has declined significantly in recent years,
13 which makes this a greater challenge to manage.

14 As I stated in my direct testimony, the
15 OCA supports a stay-out provision, similar to a
16 stay-out provision that exists today in the natural gas
17 industry in New Hampshire. I believe TransCanada has
18 also supported that concept. So that, if a customer
19 leaves Default Energy Service, and wishes to return
20 within 12 months, they have to pay a premium over the
21 existing default rate. We consider this approach as
22 comparable with the -- comparable and maybe the -- with
23 the stay-out concept in the Retail Energy Services
24 Program, which PSNH raised in their rebuttal program

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[WITNESS: Traum]

1 [testimony?], which was offered back in I believe 2005.

2 We also continue to support exploring
3 the idea of allocating the costs and output from PSNH's
4 owned generation and entitlements to separate classes
5 and then setting separate Energy Service rates. Again,
6 it's our understanding from the testimonies of
7 TransCanada and Constellation and RESA they also
8 support this approach. We recognize that this would be
9 complicated and we believe that, if the Commission
10 directs the parties to explore this approach, that a
11 method could be derived in a fairly short time frame,
12 within 6 to 12 months, given Commission direction to do
13 it.

14 Mr. Allegretti also testified in support
15 of a Full Requirements Support structure, as opposed to
16 PSNH's current Managed Portfolio Approach. We believe
17 that this is consistent with the OCA's suggestion in my
18 direct testimony that PSNH be required, at a minimum,
19 to utilize RFPs for its market purchase needs.

20 And, finally, Ms. Hennequin, for the New
21 England Power Generators Association, proposed that all
22 related dockets to this one be delayed until this one
23 is resolved. While we agree that many of the issues
24 she raises are related, we don't believe it's practical

[WITNESS: Traum]

1 for the Commission to put those dockets on hold.
2 Instead, we think that the Commission should recognize
3 all of the corresponding issues being addressed in
4 these -- in such dockets, as PSNH Laidlaw docket, the
5 2011 Energy Service docket, PSNH's IRP, and its 2009
6 Energy Service Reconciliation docket, and should ensure
7 that the decision that comes out of this docket is
8 incorporated into the thinking and decisions as
9 appropriate in those other dockets. We also believe
10 that the pendency of these other dockets, combined with
11 the fact that the 2011 Energy Service impact of
12 migration is projected to be higher, means that the
13 Commission should act on this issue as quickly as
14 possible.

15 Q. Mr. Traum, do you have anything else to add?

16 A. Yes. And, just very briefly now. I again urge the
17 Commission to act as quickly as possible to reduce the
18 cost shifting that is currently occurring as a result
19 of PSNH's procurement strategies and the current
20 migration levels. It's not fair to residential and
21 other captive customers, who have no real competitive
22 choice yet, to have to pay the additional costs
23 incurred by PSNH in order to manage their migration.
24 We tried in this docket to put some ideas forward, and

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[WITNESS: Traum]

1 we are hopeful the Commission will take action to help
2 address these issues as quickly as possible.

3 MS. HATFIELD: Thank you. Mr. Traum is
4 available for cross-examination.

5 CHAIRMAN GETZ: Thank you. Mr. Patch.

6 MR. PATCH: Thank you. Good morning,
7 Mr. Traum.

8 WITNESS TRAUM: Good morning.

9 **CROSS-EXAMINATION**

10 BY MR. PATCH:

11 Q. In your prefiled testimony, you were asked what
12 guidance the Legislature has provided on the issues in
13 this docket, and you cited to the language in RSA
14 374-F:1, about harnessing the power of competitive
15 markets. Is it fair to say that you think that's one
16 of the guiding principles the Commission should follow
17 in deciding the issues in this docket?

18 A. Yes. I would agree that that is certainly one of the
19 issues. And, another very significant issue is the --
20 there should not be an unfair cost shifting among
21 customers.

22 Q. On Page 6 of your prefiled testimony, you said that "in
23 crafting potential approaches to remedy the cost
24 shifting that is occurring, we must be mindful that

[WITNESS: Traum]

1 competitive choice is the goal of State policy." Is
2 that fair to say?

3 A. That's fair to say. And, when I say it, I view it as
4 it's the objective to develop competitive choice for
5 all customers, not just large customers.

6 Q. On Page 6, Lines 11 and 12, you went on to say that
7 "migration therefore is not "the problem" in and of
8 itself. In fact, some would view high migration as [a]
9 success." Is it fair to say that high levels of
10 migration is an indication that state policy is
11 working? Though, I recognize your position that the
12 negligible amount of migration in the residential and
13 small C&I classes is an issue. But is that fair to
14 say?

15 A. It's fair to say that I believe migration is working
16 for the large customers. We have to fix it for the
17 small customers.

18 Q. Could you explain your statement on Page 7 of your
19 prefiled testimony that, "because Unitil and National
20 Grid utilize RFPs to procure their customers' needs for
21 Default Service, their rates more closely reflect
22 current market rates than do PSNH's Default Service
23 rates"?

24 A. Sure. And, I'll just use National Grid as an example.

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[WITNESS: Traum]

1 That there they will put out an RFP for their small
2 customer load on six month intervals for 100 percent of
3 their power. When they're putting out that RFP, a
4 competitive bidder would know it's for the next six
5 months, and they would be bearing in mind what their
6 expectations of the market price of power will be over
7 the next six months.

8 Q. Could you explain your statement on that same page,
9 Page 7, that "migration does not have the same negative
10 impacts on customers of National Grid and Unitil as it
11 does for PSNH's customers"?

12 A. There, certainly, in large part, where the RFPs by
13 Unitil or Grid are, there's a RFP for small customers,
14 separate for large customers. And, the competitive
15 bidders essentially do not have to be concerned with
16 migration with regards to small customers. They can
17 tailor their bids with that in mind, recognizing that,
18 if market prices go down significantly during the six
19 month period, those small customers, at this point in
20 time anyway, do not have the option of leaving the
21 Energy Service rate. Whereas, for a large customer,
22 they'd have the opportunity to migrate, and thus the
23 competitive bidder would build that migration risk into
24 whatever they would bid for providing the energy

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1 service.

2 Q. You made reference to this in your summary this
3 morning, but the PSNH response to the OCA's Data
4 Request Number 006, which has been marked as Exhibit 6.
5 In that response, PSNH had indicated that, in
6 Connecticut, approximately 27.4 percent of residential
7 customers have migrated to competitive suppliers. And,
8 I believe that was as of 07/31/2010, is that correct?

9 A. It's correct. I think the number -- I believe the
10 number is "27.4 percent", I think you said "27.6".

11 Q. In that same data request, you had asked whether there
12 were any programs or policies in place that support or
13 encourage residential small customer migration for
14 PSNH's affiliates in Connecticut and Massachusetts.
15 And, again, I think you made reference to this at least
16 generally in your summary. But could you maybe provide
17 a little bit more detail about how they answered that
18 portion of the question?

19 A. Certainly. And, I'm referring to Exhibit 6 now. For
20 CL&P, they provide a list of customers, including
21 names, service address, mailing address, phone number
22 (if available), and rate code is available for a fee.
23 Quarterly inserts containing supplier contact
24 information and supplier prices are sent to customers.

[WITNESS: Traum]

1 A customer referral program is available. And, a
2 purchase of receivables program was implemented. I
3 won't go into WMECO, because I believe it's comparable.
4 And, what we heard yesterday from PSNH is at least
5 PSNH's witnesses were unaware that PSNH provides
6 similar information, at least for small customers.
7 And, that's -- these are the kind of activities that
8 the OCA feels would be beneficial and may help
9 jump-start competition for small customers.

10 Q. So, you think those programs or similar ones are
11 policies here would make sense for New Hampshire then,
12 is that fair to say?

13 A. That's correct.

14 MR. PATCH: Okay. Thank you. No
15 further questions.

16 CHAIRMAN GETZ: Mr. Donovan.

17 MR. DONOVAN: Good morning, Mr. Traum.

18 BY MR. DONOVAN:

19 Q. Very quickly, I want to go over the --

20 MR. DONOVAN: I think my microphone may
21 have been the -- hopefully, that won't cause any more
22 distractions.

23 BY MR. DONOVAN:

24 Q. I want to go over briefly the last question that

[WITNESS: Traum]

1 Mr. Patch had for you. And, I think I understood you
2 to say that, for small customers in PSNH's territory,
3 there are certain programs in place now where
4 information is shared about competitive suppliers?

5 A. If that's what I said, I did not mean to say that.

6 Q. Okay.

7 A. From what I heard yesterday, in testimony by the PSNH's
8 witnesses, it sounded like that kind of information is
9 not available currently.

10 Q. Okay. Great. Thank you. In your opening statement
11 this morning, I believe you recommended the Commission
12 adopt certain proposals that intervenors have made in
13 this proceeding. Mr. Patch got into some of those. If
14 the Commission were to adopt the purchase of receivable
15 program and the sharing of supplier information and
16 electronic interchange information that Mr. Allegretti
17 proposed in his testimony, would that enhance the
18 competitive landscape for small customers in PSNH's
19 territory?

20 A. I would hope it would. I would love to see the
21 suppliers guarantee that, with those steps, they would
22 enter the residential market in New Hampshire. I don't
23 have that guarantee, but I would hope that those steps
24 would push us along that way.

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[WITNESS: Traum]

1 Q. In your opinion, why is it that there are not the
2 volume of small customers, residential and small
3 commercial customers migrating that there are in the
4 large classes?

5 A. To some extent, I would think that your own witness
6 would be better able to answer that question than I am.

7 Q. Is it possible that the market structure for the small
8 commercial class is not set up so that it enhances --
9 it entices suppliers to come in to serve the
10 residential class?

11 A. That's certainly possible. And, that's why I'm making
12 the recommendations that I am.

13 Q. Okay. Great. Is there a legal prohibition for a
14 residential customer right now to switch to a supplier?

15 A. Certainly not that I'm aware of.

16 Q. Okay.

17 A. I should add, I'm not an attorney.

18 MR. DONOVAN: Understood. Wouldn't wish
19 that on anyone. I think that's it, Mr. Chairman. Thank
20 you.

21 CHAIRMAN GETZ: Thank you. Mr. Peress.

22 MR. PERESS: Just a couple of questions.

23 BY MR. PERESS:

24 Q. In your testimony, you have provided some analysis of

[WITNESS: Traum]

1 the levels of migration that are being experienced by
2 Unitil and by National Grid. And, I guess my first
3 question is, can you provide a little bit more detail
4 as to why you think PSNH is experiencing a higher rate
5 of migration than Unitil or National Grid?

6 A. Sure. And, I'll start by indicating that, in all three
7 companies, the migration is basically with the large
8 customers. It's not with the small customers. With
9 regards to PSNH, as compared to the other two
10 utilities' migration levels for large customers, the
11 structures for Unitil and Grid are such that their
12 energy service rates are basically reflecting market
13 prices. Whereas, as we heard yesterday, PSNH's Energy
14 Service rates are reflecting a number of items, but
15 it's the cost of their own generation and entitlements,
16 their purchased power decisions. You know, so there
17 are a number of other issues that come into play, which
18 have pushed their Energy Service rates that a large
19 customer or any customer would pay to higher levels
20 than what are currently the case for Grid or Unitil's
21 energy service rates.

22 Q. Is it fair to say that the cost of the output from
23 PSNH's owned generation assets is substantially higher
24 than the power available in the market today?

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[WITNESS: Traum]

1 A. It's my understanding that the all-in cost is, that's
2 correct. And, there was an -- or, is an Exhibit 8, it
3 was marked as "Exhibit 8" yesterday, which, basically,
4 the way I would summarize it, indicates that the
5 forecast for 2011 would mean that the cost, the all-in
6 cost for PSNH's owned units is roughly \$100 million in
7 excess of what the market price for power that would
8 have -- that PSNH could acquire on the open market.

9 Q. So, what you're suggesting is that, at least in the
10 near term, on a forward-looking basis, the cost of
11 PSNH's owned generation is expected to be -- to remain
12 and become more expensive in comparison to the
13 wholesale market, in comparison to the wholesale market
14 power?

15 A. I'm saying, for 2011, based on their own numbers, it
16 would be in excess of the market. I would expect that,
17 as the scrubber costs go into rates, that might be
18 exacerbated.

19 Q. You testified that both Unitil and Grid are also
20 experiencing higher rates of migration. Can you
21 address your testimony that relates to cost shifting
22 that results from migration, and explain why additional
23 migration or increased migration at Unitil and Grid do
24 not result in cost shifting, unlike is the case with

[WITNESS: Traum]

1 PSNH?

2 A. Neither Grid nor Unitil have any owned generation, any
3 embedded costs that they have to recover through energy
4 service. One hundred percent of the costs and the
5 risks related to the provision of energy service fall
6 to the competitive suppliers and the winning bidders
7 for the RFPs. And, because there are separate bids for
8 large versus small customer classes, there's no cost
9 shifting among classes.

10 Q. So, in effect, the customers on Grid and Unitil's
11 Default Energy Services -- Default Energy Service are
12 not impacted by migration, is that correct?

13 A. I'd say that's correct.

14 Q. And, therefore, for Unitil and Grid, there are no costs
15 to shift to those remaining customers as a result of
16 migration, is that correct?

17 A. Correct.

18 MR. PERESS: Thank you.

19 CHAIRMAN GETZ: Ms. Amidon.

20 MS. AMIDON: Thank you. Good morning.

21 WITNESS TRAUM: Good morning.

22 BY MS. AMIDON:

23 Q. As you indicated, you have four options in your
24 testimony to address the impacts of customer migration

[WITNESS: Traum]

1 of the large customers of PSNH. Have you considered,
2 and it sounds like you have considered, whether any of
3 these options could be implemented in the near term of
4 the long term -- or the long term. And, would you
5 summarize for me what you consider could be
6 accomplished in the near term?

7 A. Okay.

8 Q. Let's say the next six months.

9 A. Well, certainly, the issue of divestiture is a longer
10 term issue, and would probably require a separate
11 proceeding before the Commission to look at and analyze
12 that. The other part of my first proposal,
13 alternative, let's say, would be for PSNH to sell its
14 output into the wholesale market, and then utilize an
15 RFP to provide Energy Service. Whether that would be
16 done with regards to all of their output or just any
17 supplemental needs through an RFP, I would think those
18 kind of options, you know, could be addressed in the
19 near term.

20 My second suggestion to look at will be
21 to allocate or assign all costs and outputs related to
22 PSNH's units and entitlements to two general groups of
23 customers, we'll call them "residential" or "small" and
24 "non-residential" or "large", then treat each group

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[WITNESS: Traum]

1 separately for power purchasing and sales decisions, as
2 well as to develop separate Energy Service rates. I
3 don't know if this could be accomplished in a six-month
4 period. I would say, yes, it could be accomplished in
5 a short-term period. You know, there, certainly, the
6 devil's in the details, how to determine the allocation
7 process and things like that.

8 Q. But, certainly, that could be accomplished more quickly
9 than say a decision on divestiture, which really would
10 require an economic evaluation of whether that's in the
11 best interest of the customers and would involve a far
12 more lengthy proceeding, wouldn't you agree?

13 A. I would certainly hope so. My third approach would
14 impose a charge similar I'll call it to a stranded cost
15 charge on migrating customers, to cover at least some
16 of the costs they impose on Energy Service for the
17 provision of the provider of last resort service
18 provided to them. Again, I'd say, you know, depending
19 on how the wording is done, this is a provision that
20 could be implemented in a shorter term process.

21 Q. With respect to that recommendation, how would this be
22 any different from the non-bypassable charge that's
23 proposed by PSNH?

24 A. It might not be. Remember, we've just, in my original

[WITNESS: Traum]

1 testimony, we just put out options, you know, thoughts
2 for people to consider. We don't feel as though the
3 OCA has the burden of proof here. We're just trying to
4 facilitate it, let's say.

5 Q. No, I understand that. And, I did observe that, when
6 you summarized your proposals this morning, you didn't
7 include that one as one of the things that you were
8 recommending to the Commission. And, that's the reason
9 I asked that question.

10 A. Okay.

11 Q. And, so, your fourth one is the stay-out provision?

12 A. Sure. And, there, I think it could be implemented in a
13 fairly short-term basis. Where, if a customer were to
14 want to return to Energy Service within the stay-out
15 period, yes, they would be entitled to, but it would be
16 at some kind of a premium rate. And, what that premium
17 would be would again be something that would have to be
18 addressed. But I would think it would be a premium
19 over the existing Energy Service rate. And, whereas
20 PSNH talked about a premium over marginal cost, I think
21 it would have to be -- the premium would have to be
22 such that it would be over whichever is higher, the
23 Energy Service or the marginal cost.

24 Q. Mr. Traum, do you think that the implementation of a

[WITNESS: Traum]

1 near term or more immediate measure forecloses the
2 needs for a longer term solution?

3 A. No. I think that we still need a long-term solution to
4 this.

5 Q. Okay. Thank you.

6 A. I feel like the world is changing, in terms of energy
7 and fuel sources and things like that. And, that this
8 kind of a problem will persist.

9 Q. And, that's one of the reasons why you're asking the
10 Commission to take action as soon as possible?

11 A. Well, we're looking at a cost shifting of \$30 million,
12 give or take 10 million. That's something that has to
13 be addressed.

14 MS. AMIDON: Okay. Thank you.

15 CHAIRMAN GETZ: Mr. Eaton.

16 MR. EATON: Thank you.

17 BY MR. EATON:

18 Q. Mr. Traum, do you check the Commission's list of
19 licensed competitive electric suppliers from time to
20 time?

21 A. I will occasionally. It's not a thing I do on a
22 regular basis. Because, as far as I'm aware, there are
23 not any competitive suppliers promoting residential
24 choice.

[WITNESS: Traum]

1 Q. In your testimony at Page 7, you state that "migration
2 risks are assumed by competitive suppliers, and
3 therefore recognized in the prices that those
4 suppliers' bids" -- excuse me, "suppliers' bid to
5 provide Default Energy Service for those utilities'
6 customers." Are migration risks the only risks that
7 are assumed in the price that competitive suppliers
8 bid?

9 A. In terms of risks that a competitive supplier would
10 have to address, and, again, the witnesses for the
11 competitive suppliers would be better able to answer
12 this than I would, but I would think one thing they
13 would have to do is decide do they lock in power now
14 for what they anticipate the load-following need will
15 be for that energy service load, or do they gamble on
16 what's going to come in the market.

17 Q. So, there's load risk? If all customers stay, let's
18 forget about migration, but for the suppliers serving
19 Unitil or National Grid, there's load risk?

20 A. Okay. Let's just address the energy service for Unitil
21 or Grid for small customers, where there is not a real
22 migration risk. The bidders on the RFP for that energy
23 service load would have to make their own determination
24 of what the load will be, what the weather will be, and

[WITNESS: Traum]

1 how they would meet that need.

2 Q. And, the risk is on the customers or the risk is on the
3 competitive supplier?

4 A. It's on the competitive supplier. The competitive
5 supplier says "this is the price." There's no
6 reconciliation down the road, anything like that.

7 Q. So, that risk is reflected in the price that the
8 competitive supplier bids into the RFP?

9 A. The risk or benefits, depending on how you want to look
10 at it.

11 Q. That's an interesting thing, which has not -- has not
12 been brought up yet. Usually, with the word "risk",
13 there's another used. And, what is a common word used
14 with "risk"?

15 A. I assume you're getting at "is there a cost?"

16 Q. No, I'm using the word "reward".

17 A. Okay.

18 Q. Assuming the competitive supplier makes all the right
19 choices on the date that the bid is due, and things
20 turn out much better than the market was predicted to
21 be. Do the customers get the benefit of that improved
22 condition, from what happened on the date when the --
23 what was anticipated on the date that the bids were due
24 or does the competitive supplier get that?

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[WITNESS: Traum]

1 A. Assuming that there's no ability to migrate, the rate
2 to the customer is locked in, they have to pay it. But
3 one of the benefits of the RFP process is you've got a
4 number of competitive suppliers bidding, and maybe one
5 them is going to say "Well, I think the market's going
6 down, and I'm going to base my bid on that." So, they
7 come in lower.

8 Q. But my hypothesis is that everybody's wrong, and the
9 market goes down.

10 A. Everybody wrong as --

11 Q. All the bidders have miscalculated the market, and the
12 actual prices turn out to be better than what all the
13 bidders thought they would be when they prepared their
14 bids. Do the -- does the competitive supplier who won
15 that bid reap the reward or do the customers reap the
16 reward?

17 A. In that instance, the competitive supplier would reap
18 the reward. What I would point out is that, under the
19 current scenario with PSNH, you make the purchase power
20 decisions on behalf of your customers. And, as we've
21 seen, I believe it's in response to Staff 002, which is
22 the last page of Mr. Hachey's testimony, your
23 decisions, and I'm not saying they were prudent or
24 imprudent, resulted in hundreds of millions dollars in

[WITNESS: Traum]

1 excess of market. The customers have to pay for that.

2 Q. And, there's a -- some of these purchases involve
3 purchases in 2009?

4 A. I believe they covered a number of years, when
5 purchases were made in the periods that you related to.

6 Q. Do they include power that was supplied under PSNH's
7 Default Service in 2009?

8 A. Yes.

9 Q. And, is there currently a docket open that is
10 evaluating the prudence of PSNH's Energy Service supply
11 in 2009?

12 A. Yes, there is. And, to short circuit where you're
13 going, as I indicated, I'm not taking the position that
14 your purchasing decisions were imprudent. I'm just
15 saying that your Energy Service customers have to pay
16 for those. If you had a competitive supply with a
17 winning bidder, had made the same assumptions and won
18 the bid, then the same thing would occur. The
19 customers would have to pay for it. That's the worst
20 case.

21 Q. How would your recommendation concerning an RFP for
22 supplemental supply improve the cost shifting that's
23 taking place?

24 A. It may -- my proposal may reduce the over-market

{DE 10-160} [Day 2] {12-01-10}

[WITNESS: Traum]

1 dollars that are going into Energy Service. Let me
2 just add at this point that, to the extent that there's
3 been a lot of focus on an RFP for your supplemental
4 purchases, because of migration, it's my understanding
5 that now your supplemental purchases result in less
6 than 10 percent of your Energy Service needs. So,
7 we're looking at that's -- if we focus there, that's
8 just a small part of the much greater problem.

9 Q. Do you -- was your testimony earlier today that you
10 support customers paying market prices?

11 A. The OCA, consistent with the legislation, supports
12 competitive choices. If that's the same as market
13 prices, then, yes.

14 Q. Did the OCA take the same position during the first
15 several years of Energy Service, when PSNH's costs were
16 below market?

17 A. Just like PSNH, at that time migration was not an issue
18 that we addressed. We did, I don't know if it was
19 formally in testimony or was informally, back even in
20 those early years had looked at whether or not there
21 should be allocations of generation, the costs and
22 output to the different classes.

23 Q. You did. And, my memory could be it was either
24 informally or it was on the record, but the OCA

[WITNESS: Traum]

1 definitely did make that suggestion.

2 A. Thank you.

3 Q. In Exhibit 6, the response to OCA Set 01, Q-OCA-006, do
4 you know what the difference is between the equivalent
5 of energy service price in the different franchises,
6 CL&P and WMECO, the difference between their equivalent
7 to energy service and the market price offered by
8 competitive suppliers?

9 A. I do not know what the rates are being offered in CL&P
10 and WMECO. They're different load pockets, they're
11 different, as far as ISO is concerned. If you wanted
12 to compare energy service rates, I would think a more
13 comparable thing would be to look at what Unitil and
14 Grid's rates are, compare those to PSNH. They are
15 considerably lower.

16 Q. And, those companies have not experienced a high level
17 of migration in the residential class, is that correct?
18 Is that your testimony, Unitil and Grid?

19 A. That is correct. But they have taken advantage of the
20 competitive market through the RFP process. So, on a
21 wholesale basis, they have taken advantage of the
22 competitive market.

23 MR. EATON: Thank you. I have no
24 further questions.

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[WITNESS: Traum]

1 CHAIRMAN GETZ: Thank you. Commissioner
2 Below.

3 CMSR. BELOW: Thank you. Good morning.

4 WITNESS TRAUM: Good morning.

5 BY CMSR. BELOW:

6 Q. What's your understanding of PSNH's overall current
7 migration rate? Or, maybe not current, but most recent
8 in the record?

9 A. I believe it's in the 31, 32 percent range.

10 Q. And, do you consider that higher or lower than Unitil
11 and National Grid's overall migration rates, comparable
12 time frame?

13 A. As I said, Unitil is around 34 percent. So, I'd
14 certainly say that's the same neighborhood.

15 Q. And, I think your Attachment 4 to your testimony, the
16 low right corner would indicate that, at the end of
17 June, it's about 35 percent, overall load for National
18 Grid?

19 A. That's correct, Commissioner.

20 Q. So, overall, PSNH's migration rate is similar to, but
21 even perhaps less than, a little bit less than Unitil
22 and National Grid for the period ending June 2010?

23 A. That's certainly correct. And, as can be seen clearly
24 in my Attachment 4, for Grid, the G-1 and the G-2

[WITNESS: Traum]

1 customer classes are where the -- pretty much where the
2 migration is coming from. It's not coming -- it's not,
3 on a retail basis, it's not coming from the small
4 customer classes.

5 Q. Have you thought about whether the idea of a purchase
6 of receivables program should be in general or specific
7 to residential or residential and small business
8 customers? How do you think that might work?

9 A. Well, many times I slip back into saying "residential",
10 but I should say "small customers". To the extent that
11 small C&I customers don't have any options either, I
12 think they should -- could be theoretically lumped in
13 with residential customers. And, yes, looking at the
14 Purchase of Receivables concept for those two small
15 customer groups should be considered.

16 Q. Okay. And, on Page 8 of your testimony, at Line --
17 starting at Line 9, you, in terms of one of the ideas
18 that you think are worthy of further consideration, say
19 "A second approach would be to allocate...costs, as
20 well as outputs from PSNH's units and commitments to
21 two general groups of customers. One group would be
22 comprised of residential customers...the second would
23 include large commercial and industrial customers."
24 Where would you place small -- the smallest commercial

[WITNESS: Traum]

1 accounts?

2 A. Probably with the residential.

3 CMSR. BELOW: Okay. Thank you. I think
4 that's all. Thanks.

5 CHAIRMAN GETZ: Thank you. Commissioner
6 Ignatius.

7 CMSR. IGNATIUS: Thank you. Good
8 morning.

9 WITNESS TRAUM: Good morning.

10 BY CMSR. IGNATIUS:

11 Q. When you heard the testimony yesterday from PSNH that
12 they "recognized a value to PSNH customers who migrate,
13 a value in the ability to return to PSNH that was
14 different than the value that Unitil and National Grid
15 customers who have migrated would have experienced."
16 Do you recall that discussion?

17 A. Yes.

18 Q. And, I think their testimony was that "it's not just
19 that there's someone to come back to, if need be, if
20 the market becomes too volatile. But that, by coming
21 back to PSNH, they come back to a stable generation
22 supply." Correct?

23 A. I believe that's what they said.

24 Q. Have you thought about that? Do you have a view that

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[WITNESS: Traum]

1 that sounds -- makes sense or doesn't make sense?

2 A. There is a value in being the provider -- having the
3 provider of last resort. It's that, how is that paid
4 for? And, right now, it's being paid for by the
5 captive customers that, you know, that's really why
6 we're here today. And, why we have thrown out, you
7 know, some different thoughts on ways to address this
8 issue. Certainly, part of one we talked about was
9 recognizing there is a benefit of that, that those
10 migrating customers are not paying for during the
11 period when they migrated. If they come back, maybe
12 they should pay a premium to start making up for some
13 of that past time.

14 Q. And, you know from yesterday, in the prefiled
15 testimony, that PSNH kind of took a stab at numbers
16 that they felt were appropriate to put into a
17 non-bypassable charge, but acknowledged that you could
18 put more nuanced thinking into all of that. But, of
19 the categories that they have selected, property tax,
20 depreciation, debt service component, do you think
21 those are appropriate figures to look to for shifting,
22 "shifting" is the wrong word, for putting into a
23 non-bypassable charge?

24 A. Well, certainly, if the Commission were to say to the

[WITNESS: Traum]

1 parties "get back together and try to develop what a
2 non-bypassable charge is", those are certainly costs
3 that should be looked at, considered. After all, you
4 know, if we look at these generating units, PSNH first
5 got into them at a time before choice. So, they got
6 into -- made those commitments when they were assuming
7 that everybody was going to be staying with them. So,
8 I think that's fair.

9 There are other problems, though, like
10 as was raised yesterday, as the costs of the scrubbers
11 come into play, can that or is that prohibited from
12 going into a non-bypassable charge or will just Energy
13 Service customers pay for that? The cost of that is
14 greater, I believe, or at least equal to the costs that
15 PSNH was talking about through depreciation, property
16 taxes, *etcetera*, and putting it into a non-bypassable
17 charge. And, that's kind of a problem.

18 Q. Well, the issue of what's allowed and not allowed under
19 the current statute is one that has been testified to
20 and spoken in your testimony as well. I want to ask
21 you, on Page 9 of your testimony, Exhibit 13, you had
22 said that a premium on those who have left and come
23 back during a stay-out could be crafted so it wouldn't
24 violate the prohibition against exit and entry fees.

[WITNESS: Traum]

1 Is that correct?

2 A. Yes.

3 Q. Can you explain a little further, if you thought about
4 how that might be done, how you might craft it so that
5 it wouldn't run afoul of that statute?

6 A. I guess I would look at an exit or an entry fee, an
7 "exit fee" means that you have to pay something to
8 leave, an "entry fee" means you have to pay something
9 to come back. And, what I'm just viewing it as is
10 there would be, when or if you come back, you're paying
11 a slightly higher or premium rate.

12 Q. There would, in your thought about a stay-out, it
13 wouldn't be a charge to return if you're out for longer
14 than 12 months, but only if during that 12 month period
15 you returned, you would have a premium charged?

16 A. If you stayed out longer than 12 months, I guess I
17 hadn't thought about whether you would pay a premium
18 rate. You know, if it should be any customer who
19 migrates and returns pays a premium or if it's just
20 within the 12 months.

21 Q. There was also a reference in that same Page 9, Line --
22 starting at Line 15, that says a premium charged for
23 those who come back during the stay-out period, and,
24 you're right, you never talked about "12 months", I

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[WITNESS: Traum]

1 think that's just kind of crept in through the course
2 of the testimony yesterday, that having a stay-out with
3 a set period of time would, you said "reduce any
4 opportunity to game the system by migrating monthly to
5 the detriment of non-migrating customers." Do you know
6 what the experience has been on customers who migrate,
7 whether they come in and out very quickly?

8 A. No, we do not have that information. The way PSNH
9 reports, migrating customers is just a net number each
10 month. So, we don't know if there are customers
11 jumping back and forth. The concern is, if market
12 prices jump in August, because it's an extremely, you
13 know, anticipated to be an extremely hot month,
14 migrating customers will return to Energy Service.
15 And, then, when market prices decline again in
16 September, they will exit again, and they will take
17 advantage of the Energy Service rate during that
18 one-month period.

19 Q. You had said that the type of stay-out provision you
20 were thinking about in your fourth approach was
21 consistent with something that's in place for the
22 natural gas industry. Do you know if that stay-out
23 requirement has had an impact on the number of
24 customers who choose to migrate in the gas industry?

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[WITNESS: Traum]

1 A. It's my understanding from discussions with your gas
2 people, that migration among the C&I class has
3 certainly been very high, even with capacity
4 assignment, and there has not been any return of those
5 customers to CGA.

6 Q. So, in that case, what you've heard is, once they're
7 gone, they have pretty much stayed out?

8 A. Correct.

9 CMSR. IGNATIUS: I think those are my
10 questions. Thank you.

11 CHAIRMAN GETZ: Thank you. Good
12 morning, Mr. Traum.

13 WITNESS TRAUM: Good morning.

14 CHAIRMAN GETZ: I have a few questions.

15 BY CHAIRMAN GETZ:

16 Q. One, I take it from your testimony that you agree with
17 PSNH about the underlying proposition here that there's
18 this effect that's occurring, that there's greater
19 fixed costs spread among a smaller group of customers
20 because of migration, and that something needs to be
21 done, whether you call it the, you know, the "fairness
22 issue" or the "cost-shifting issue", that there's --
23 that action needs to be taken to address that effect. Is
24 that correct?

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1 A. Yes.

2 Q. Okay. And, you've put forth some ideas about how to
3 address the issue. But I take it that the numbering
4 doesn't indicate any order of preference or priority,
5 and is that fair to say?

6 A. That's certainly correct. I mean, these were just
7 approaches that we wanted to put on the table for
8 people to think about, to discuss. We viewed this
9 proceeding as an investigation. And, that we weren't
10 supporting one over the other or anything like that.
11 We were just putting these ideas on the table.

12 Q. And, what I don't see in here, and I didn't see that
13 you expressly support or oppose the recommendation from
14 PSNH. But, I think, in the exchange with Ms. Amidon,
15 it sounded like you were saying that the PSNH proposal
16 may be like one way of your third -- of implementing
17 your third idea, is that fair?

18 A. The third approach being some sort of a non-bypassable
19 charge concept, yes, that's something that we think
20 should certainly be further addressed. But how -- what
21 items fall in it, and you want to develop it in such a
22 way that you do not stifle competition at the same
23 time. So, there's two sides to it.

24 Q. And, then -- well, let me shift gears a little bit. I

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1 want to understand what I should take away from the
2 exchange you had with Mr. Patch about your testimony on
3 Page 7. And, I think the focus was on the first
4 question, Lines 1 through 10, in your conversation with
5 Mr. Patch. And, it would seem to focus on the
6 difference between PSNH and Grid and Unitil is that
7 Grid and Unitil use RFPs and PSNH doesn't. And, I also
8 thought you later said that, you know, basically, PSNH
9 is only acquiring 10 percent of its power through
10 supplemental resources. Is that correct?

11 A. The 10 percent was an estimate I calculated for 2011,
12 based upon their Energy Service filing for 2011.
13 Whereas, I guess you could look at it as Unitil or Grid
14 are acquiring through the RFP process 100 percent.

15 Q. But, I guess where I'm getting to is, in Lines 3 and 4,
16 you said -- you say "As I stated above, Grid and UES
17 bid out the full requirements of their default ES
18 customers to third party competitive suppliers, because
19 they divested all of their energy assets and
20 commitments during Restructuring." I guess it just
21 seems to me, the essential difference between PSNH, and
22 whether its Grid, Unitil, CL&P, or WMECO, is that PSNH
23 owns assets that basically cost-of-service ratemaking
24 applies to and the others don't. And, that the RFP

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1 difference is really not the essential difference. Is
2 that fair for me to look at it that way?

3 A. I think that's fair. It's where PSNH is under the
4 "hybrid model" and the other companies you mentioned
5 are fully restructured.

6 Q. Well, the last issue I wanted to ask you about goes
7 back to I think the final questions I was asking to Mr.
8 Hall, and this -- when I invoked your idea number one
9 about the divestiture. And, as I -- if I understand
10 PSNH's position correctly, what they're saying is,
11 "we've got this effect, this symptom, we need to treat
12 it. And, it's premature to look at divestiture until
13 we have several years of evidence that market rates are
14 going to be persistently below the Energy Service
15 rate." And, I want to get your take on, you know, when
16 is it that we know that it's appropriate to pursue a
17 remedy like divestiture? When is it that we know that
18 this is something more than, you know, an intermittent
19 symptom that we can deal with or it's something more
20 grave?

21 A. Well, as I believe I indicated, we think the Commission
22 should open a separate proceeding on the divestiture
23 issue and examine all of the pros and cons of
24 divestiture. I think I also referred to, I thought

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1 that the energy market has changed, because of the
2 Marcellus shale gas and the great availability of
3 natural gas to the Northeast, and what the projections
4 are for natural gas prices in the longer term right
5 now, and that impact on the energy or the electricity
6 rates. And, compare it to what are PSNH's generating
7 units now, they're coal, there's oil, that you have to
8 look at is the mix going to be outdated as we proceed
9 in the future. And, those kind of issues, you know,
10 have to be looked at in a divestiture proceeding. I
11 mean, we're look at continuing evaluation of Newington
12 in the IRP, and that may be expanded or should be
13 expanded to other proceedings. I think we just have to
14 look at, "is it in the public interest to retain or
15 retire PSNH's generating units?" I'm not saying "yes"
16 or "no". I'm just saying "it should be looked at."

17 CHAIRMAN GETZ: Okay. Thank you.

18 Commissioner Below.

19 CMSR. BELOW: Thank you. One of your
20 questions reminded me of another one I had.

21 BY CMSR. BELOW:

22 Q. Have you given any thought to the difference between
23 Grid and Unitil with regard to a full requirement
24 service RFP and a potential PSNH RFP for their

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1 supplemental load requirement relative to the load and
2 migration risk that the bidders would experience,
3 taking in, for instance, your observation that, for
4 next year, roughly only 10 percent of their Default
5 Service load is supplemental? If there -- it would
6 seem that, if somebody won the bid for that 10 percent
7 of the total load, and 10 percent of the load went away
8 or migrated, they might end up selling zero electricity
9 under their winning bid, versus Grid or Unitil, where
10 they would lose 10 percent of their sales, because they
11 still have 90 percent, if there was a similar
12 10 percent migration or loss of load?

13 A. Yes, I've thought about it. If the winning bidder for
14 that 10 percent, you know, bid a bit higher than market
15 prices because of the risk of migration, and they
16 didn't -- PSNH did not need any of that supplemental
17 power, they would pay zero for it. And, thus, the
18 Energy Service -- they wouldn't have to recover any of
19 that through the Energy Service rate. However, under
20 the current scenario, if PSNH forecasted that they were
21 going to need 10 percent more supplemental power, and
22 went out and bought it, and it wasn't necessary and
23 they turned around and sold it, you know, whether they
24 sell it at a gain or a loss, in past history would

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1 indicate that they're selling it or they're -- at a
2 loss, as far as Energy Service customers are concerned,
3 Energy Service customers would have to pick all of that
4 up.

5 Q. And, do you have a view on that approach versus them
6 just meeting their supplemental needs through the
7 day-ahead or same day market and just conveying that
8 risk of volatility to consumers, but also potentially
9 conveying the lower prices that historically seem to
10 have occurred just by buying in the spot market versus
11 a hedge product?

12 A. Well, looking historically, Energy Service customers
13 would have been better off to the tune of several
14 hundred million dollars had they just bought on the
15 day-ahead market. I think that that's certainly a
16 reasonable approach.

17 Q. And, do you have a view on, with regard to your sort of
18 stay-out concept of, at least for the largest customers
19 that have interval metering, possibly doing something
20 along the lines, which is that the marginal cost or
21 Default Service, with a premium, whichever is greater,
22 and making that, for those customers with the interval
23 meter, potentially based on a marginal cost that would
24 be the spot market price, so there isn't potential

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1 deferrals accumulated to meet those customers that
2 migrate back or just to serve those largest customers
3 in general?

4 A. If those largest customers were to migrate, want to
5 migrate back to Energy Service, I would assume it's
6 because the market price has gone up to a higher level
7 than the Energy Service rate. At that point, I'd say
8 "okay, your concept of charging them based upon a
9 time-of-use market price, plus a premium, would make
10 sense." And, it would be above the Energy Service
11 rate.

12 CMSR. BELOW: Okay. Thank you.

13 CHAIRMAN GETZ: Any redirect, Ms.
14 Hatfield?

15 MS. HATFIELD: No thank you.

16 CHAIRMAN GETZ: Then, you're excused.
17 Thank you, Mr. Traum. Mr. Patch.

18 MR. PATCH: Yes.

19 (Whereupon **Michael E. Hachey** was duly
20 sworn and cautioned by the Court
21 Reporter.)

22 **MICHAEL E. HACHEY, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. PATCH:

[WITNESS: Hachey]

1 Q. Could you please state your name for the record.

2 A. My name is Michael E. Hachey.

3 Q. And, by whom are you employed and in what capacity?

4 A. I'm employed by TransCanada Power in the capacity of
5 Director of Eastern Commercial.

6 Q. And, could you tell the Commission a little bit about
7 your background.

8 A. Sure. My background was, I began my career year with
9 about 20 years with New England Electric System,
10 specifically, the New England Power Company. Upon the
11 divestiture of their generation units, I went to work
12 for TransCanada. In the capacity -- in my capacity at
13 TransCanada, I undertook to begin what has now become a
14 fairly sizable retail marketing program, as well as
15 being responsible for government relations and
16 regulatory affairs.

17 Q. And, you're the same Michael Hachey who submitted
18 prefiled testimony in this docket?

19 A. I am.

20 Q. That's dated "September 15th, 2010". Is this a copy of
21 that testimony?

22 A. Yes, it is.

23 MR. PATCH: Mr. Chairman, I'd ask that
24 this be marked as the next exhibit.

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1 CHAIRMAN GETZ: It will be marked for
2 identification as "Exhibit Number 14".

3 (The document, as described, was
4 herewith marked as **Exhibit 14** for
5 identification.)

6 BY MR. PATCH:

7 Q. Do you have any corrections or any updates to the
8 prefiled testimony that you'd like to provide to the
9 Commission?

10 A. Yes. I have one relatively minor correction. Some
11 past testimony simply carried through. And, that's on
12 Page 8 of 12, and it's responding to the question on
13 Line 15. And, what I would do there is to scratch the
14 word "no", and insert the words "Other than three daily
15 sales and one year-long off-peak sale in 2002." I'll
16 repeat that. "Other than three daily sales and one
17 year-long off-peak sale in 2002." And, then,
18 continuing with the words that are there, "TransCanada
19 personnel have no record or memory of having been
20 solicited for wholesale power purchases by PSNH", I
21 would insert the words "since retail access." That's
22 the correction. And, it's the same correction I had to
23 make in prior testimony. Sorry that it carried
24 through.

[WITNESS: Hachey]

1 Q. With those corrections that you just described, if you
2 were asked the same questions today, would your answers
3 be the same?

4 A. Yes.

5 Q. Could you provide the Commission with a brief summary
6 of TransCanada's position in this docket?

7 A. Yes. Basically, we take issue with the contentions
8 made by PSNH that, because of restructuring, we are
9 where we are, where they need to take costs and
10 effectively put them on the wires. We think there's a
11 number of problems with that. And, I think we've made
12 that clear in this testimony, as well as in a prior
13 docket. I'll discuss it in a second, but I think I'm a
14 little bit more optimistic that there isn't some
15 agreement on some possible solutions here than perhaps
16 Mr. Baumann was. And, I'll go with that. But that's a
17 little bit above and beyond the testimony, and more on
18 looking at some of the rebuttal arguments.

19 Q. So, you've had an opportunity to review the rebuttal
20 testimony that PSNH submitted since your prefiled
21 testimony was submitted here?

22 A. Yes, I have.

23 Q. And, do you wish to provide any comments on that
24 rebuttal testimony?

[WITNESS: Hachey]

1 A. Just a couple. The first is, I was a little
2 disappointed to hear that Mr. Baumann was disappointed
3 that there wasn't more commonality or that the
4 suppliers hadn't offered anything of value to solve the
5 issue, because I thought -- I thought that we had, and
6 I thought it actually lined up pretty well with
7 certainly testimony of the OCA, as well as of Mr.
8 Baumann himself. And, on that issue, I'd simply refer
9 to my testimony, Page 10 of 12, in our comments on
10 "Alternative 2". I think we were very clear, between
11 Lines 11 and 18 on Page 10 of 12, that look -- "PSNH's
12 larger customers have numerous options available to
13 them in the market. They don't need to rely on PSNH to
14 reserve supply on their behalf." And, other customers
15 should not have to pay for the maintenance of a free
16 option for those customers. Options are expensive.
17 And, there's a mispricing going on here. I really
18 don't intend to get into whether it's fair or unfair.
19 But just there's something wrong, it needs to be
20 addressed. And, I thought that there was some
21 commonality here. And, in fact, I took a lot of heart,
22 when I saw in Mr. Baumann's testimony, and I believe
23 that was on Page -- at least my note says on Page 6 of
24 his rebuttal, where he talks about allocating costs

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1 differently to different classes of customers. And,
2 that seemed to make a lot of sense. That, to the
3 extent that larger customers are trying to maintain --
4 well, are offered, are provided a free option, the cost
5 of that option being borne by other customers is a
6 mispricing. And, I think that there's a lot to be said
7 for looking at, whether it be a stay-out or whether it
8 be a repricing of the service for those larger
9 customers who then return, I think that there's a lot
10 to be said for looking at those issues. And, I think
11 that's where we have a lot of common ground.

12 The other thought that I've had here is,
13 I know that the PSNH witnesses have maintained that
14 there's an awful lot of value to having that backup
15 supply, and offer that as a product. That, to the
16 extent that a customer, on the other hand, wants to
17 maintain that option, wants to maintain that free
18 option of coming back, well, it's not a free option,
19 it's going to come at a cost. And, to the extent that
20 they value having that backup supply, rather than
21 simply taking it on the PSNH testimony that it has
22 value, let's see if the customers think it has value.
23 So, describe that backup supply, offer it to customers
24 as a product, and see if they want it.

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1 So, I think that there's -- we've got
2 something to work with here is the point. I initially
3 came into this docket thinking it was a little,
4 particularly given the technical session, that we were
5 hopelessly divided, but I think not now.

6 The other point I'd like to make, and
7 this isn't as significant as the other point, but it
8 certainly goes to an ongoing recommendation that we've
9 had, is on RFPs. I think there's been a lot of
10 confusion that somehow an RFP is tied to a
11 load-following product. Nothing is farther from my
12 mind. An RFP is for whatever the RFP is for. I think,
13 if you look at, in 2010, PSNH has bought well over
14 \$100 million worth of power in the market. And, what
15 our point is, is survey the market openly, in a
16 transparent process, using an RFP, for whatever those
17 products are. If it's a 50-megawatt on-peak strip for
18 calendar '10, put it out to the market. What possible
19 harm is there in that? I can't envision. I'm not
20 aware of any reason why the price that one would get
21 would be worse than simply calling up a broker. In
22 fact, guaranteed, you're going to save the broker fee,
23 number one. Number two, a wide solicitation is
24 inevitably going to bring in more competition. And, I

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1 think, as a competitive supplier, competition is good.

2 I'll spare you a chicken soup example.

3 But I will bring you a very near hand example, where

4 I'm looking at buying my son a kayak for the holidays.

5 Well, I surveyed the heck out of the market to get the

6 lowest price on that kayak. What's wrong with that?

7 And, in fact, because of special circumstances

8 suppliers may be in or Black Friday or what have you, I

9 was surprised how many discounts I was able to find on

10 that kayak. What's wrong with that? And, I just don't

11 understand, and particularly given, if these products

12 -- if these products that PSNH were purchasing were on

13 their account, then, hey, do whatever you want to do.

14 But they're not. They're on the customers' account.

15 And, that's why I think an open, transparent RFP, I

16 just can't see any reason why not to be proceeding on

17 that basis.

18 I'm not down to the incidental, "we need

19 power for tomorrow, 10 megawatts on-peak." No, I'm not

20 thinking about that. But we're talking about well in

21 excess of \$100 million in purchases. I think it's owed

22 to the public to be done on a broader, more transparent

23 basis. So, that's all I have.

24 MR. PATCH: Okay. The witness is

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1 available for cross-examination.

2 CHAIRMAN GETZ: Mr. Donovan?

3 MR. DONOVAN: Mr. Chairman, I have no
4 questions. Thank you.

5 CHAIRMAN GETZ: Mr. Peress?

6 MR. PERESS: No questions. Thank you.

7 CHAIRMAN GETZ: Ms. Hatfield?

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

9 Good morning, Mr. Hachey.

10 WITNESS HACHEY: Good morning.

11 **CROSS-EXAMINATION**

12 BY MS. HATFIELD:

13 Q. Looking at your testimony on Page 4, between Lines 6
14 and 13, there's a discussion where you refer to some
15 PSNH testimony where they characterize the issue that
16 we face as the "current short-term unprecedented market
17 decline". Do you see that?

18 A. Yes.

19 Q. Do you agree that this is just a "current short-term"
20 issue?

21 A. No. I think that there's, as we've discussed here and
22 elsewhere, I think that there's been some fundamental
23 changes in the natural gas market, which, of course,
24 drives electric prices in New England. And, that

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1 change is something, and it relates to the
2 unconventional gases, whether it be shale gas, coalbed
3 methane, other finds and other methodologies of
4 extracting that gas. I think that's led to, in the
5 view of many, an increased supply in this country and
6 in Canada, and conceivably in other nations as well.

7 Q. Turning to Page 5 of your testimony, beginning down on
8 Line 17, you make reference to whether or not PSNH's
9 power purchases "have been reasonable or prudent". Do
10 you see that?

11 A. Yes.

12 Q. And, do you recall yesterday, I believe it was Mr.
13 Hall, on behalf of PSNH, referenced testimony that you
14 recently filed in Docket DE 10-121, which is the 2009
15 reconciliation case. Do you recall that?

16 A. Yes.

17 Q. And, I think what he was referring to is that, in that
18 testimony, TransCanada successfully gained access to
19 some information about PSNH's market purchases for
20 2009, is that right?

21 A. Yes.

22 Q. And, in your testimony in that case, you said that you
23 "could not find anything to suggest that the pricing of
24 those particular purchases was out of line with market

[WITNESS: Hachey]

1 pricing at the time the purchases were made." Does
2 that sound correct?

3 A. That's what I said in that docket, yes.

4 Q. How do you square that with your testimony in this
5 docket, where, on Line 21 of your testimony here, you
6 say "it appears that many of the purchases may have
7 been made at or near the point of peak energy pricing"?

8 A. Well, there's nothing inconsistent. Effectively, in
9 the latest testimony, all I was saying is, we looked
10 back at the market on the days that those purchases
11 were made and found that the pricing that we understood
12 was available in the market was relatively consistent
13 with the pricing in the PSNH -- that PSNH had received
14 on those days. And, there's probably no particular
15 surprise there, because, as we've learned through this
16 docket, we probably share one of the same brokers. So,
17 we're essentially looking at prices that were developed
18 by, you know, the same market mechanism, if you will.

19 Q. So, your testimony in the other docket, it really has
20 to do with the fact that the pricing on those days
21 looks consistent with what was available in the market
22 on those days?

23 A. That's correct.

24 Q. And, does that really go to an issue that Mr.

[WITNESS: Hachey]

1 Allegretti raised in his testimony about the extreme
2 difficulty of conducting these reconciliations and
3 looking back on what was the right decision made at a
4 particular time?

5 A. Maybe, but I don't know, because I don't have a good
6 recollection of his testimony in that regard.

7 Q. Well, I think one of the things he was talking about
8 is, and I think the Commission has recognized this in
9 prior dockets, that it is so hard to try to put
10 yourself back in the shoes of someone who's making a
11 pricing decision and a purchase decision. Do you --
12 does that resonate with you?

13 A. Well, I think you have to look at, you know, the
14 framework under which they make these purchases. And,
15 do they have an established framework for how they're
16 going to do this? And, if they deviate from it, why?
17 And, you have to ask yourself that. And, was that a
18 wise decision? So, yes, I'm not a fan of Monday
19 morning quarterbacking. But I think you've got to have
20 a sound basis for why you're doing what you're doing.

21 Q. And, in the case of National Grid and Unitil, that bid
22 out all their requirements, there is no Monday morning
23 quarterbacking at the Commission, is that right?

24 A. No. They have gone in with a pre-approved plan and

[WITNESS: Hachey]

1 methodology. And, to the extent they want to deviate
2 from that, they go back to the Commission and explain
3 why. And, I can think, in one instance recently, and,
4 you know, it's a little bit consistent with things that
5 we tell retail customers or have told retail customers.
6 And, we said "well, look, we don't market time, we
7 don't advise market timing." However, when the market
8 is at the peak of the peaks, and in the last number of
9 years you can look back, probably a good time to go
10 short on a purchase. And, if it's at the floor of the
11 floors, probably not a bad time to go long with a
12 purchase. And, I think National Grid did that recently
13 in Rhode Island, where they saw that, you know, market
14 pricing was at very, very low levels. And, they went
15 back to the Commission and they said "well, we would
16 like to deviate from our schedule a little bit." And,
17 I don't remember the details, I remember the principles
18 here. And, I believe they did. And, they went out and
19 bought a little bit larger supply than their fixed
20 schedule otherwise would have called for.

21 Q. And, if, hypothetically, TransCanada won a bid for
22 providing, say, that National Grid Energy Service in
23 New Hampshire for some period of time, and you were the
24 person who had developed the bid, the winning bid, and

[WITNESS: Hachey]

1 you were hundreds of millions of dollars off, what
2 would happen? Would you have someone to go to to
3 collect that money?

4 A. I'm thinking personally at this point. It wouldn't be
5 a good day. No, we wouldn't.

6 Q. So, if we look at the attachment to your testimony,
7 which is the response to Staff 01, Set 01, Question 002
8 in this docket showing the above-market costs, if this
9 was information from a competitive supplier, it really
10 wouldn't be relevant to ratepayers, because ratepayers
11 wouldn't have to pick up those costs, is that right?

12 A. That is correct.

13 Q. In discussing the common ground that you think exists a
14 few moments ago, I think I heard you suggest the idea
15 that, "if PSNH believes that they have a product that
16 provides value to customers, that perhaps they should
17 price it and see if anyone takes it." Did I hear you
18 correctly?

19 A. Yes. It's actually something that occurred to me
20 listening to the testimony through the day yesterday.
21 And, it strikes me, you know, I think it's only fair,
22 if you're so convinced, then see, see what the market
23 says. I think that's fairly logical. Maybe somebody
24 else agrees. And, I don't know.

[WITNESS: Hachey]

1 Q. So, it sounded like, along that line, you were thinking
2 that perhaps that value of the backup service could be
3 an optional product that migrating customers could
4 choose to pay for?

5 A. Yes. If -- I think it's just a companion to the other
6 piece, which says, to the extent that, you know,
7 migrating customers want to come back, and they don't
8 want to come back to a spot pricing, they, in fact,
9 want the pricing which presumably now is below market
10 at PSNH, then, if they want that as an option, well
11 that's got value, and, therefore, price it out. So,
12 they would have the two choices. They can come back
13 and go to spot, or they can have paid for that backup
14 service under the PSNH system, and then would be
15 entitled to ride right through any other constraints,
16 because they will have been paying for that service
17 right along.

18 Q. But you just said something that I think is key, and
19 that is that it would be "presumably below market", is
20 that correct?

21 A. Well, that's why I would imagine the customer wants to
22 go back. He wants the free option to go back to PSNH,
23 because they have a below-market service now. So, to
24 preserve that option, it's only fair that that came at

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1 a cost. Because, otherwise, it's coming at the cost to
2 the smaller customers, who haven't, let's say, had the
3 full opportunity of leaving.

4 Q. But, if it's optional, and no one takes it, because
5 it's above market, then aren't we back in the same
6 situation that brought us to this docket?

7 A. Well, we're certainly -- we will have constrained the
8 ability of all the customers to preserve the free
9 option. I think, in my testimony, what I've said is,
10 PSNH shouldn't preserve their service for their larger
11 customers. They have a full variety of options in the
12 marketplace. So, they shouldn't be maintaining a power
13 supply for those customers. That's, I believe, one of
14 the reasons we're here today in this docket, because
15 they have been trying to preserve a power supply for
16 people that don't really need it. You know, when
17 customers are choosing the competitive marketplace,
18 they're choosing a market that will offer contracts up
19 to five years, fixed pricing, locked in, from
20 creditworthy suppliers, for up to five years. I
21 haven't seen many longer than that. And, various
22 pricing options in that. But the point is, it's not
23 subject to reconciliation, it's not subject to change,
24 it's not subject to adders along the way. It can be,

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1 well, fixed pricing for quite a long period of time.

2 One of the strategies we've seen a lot
3 of, it was probably introduced by suppliers, but a lot
4 of customers are employing is they may have a contract,
5 for example, for five years today, and -- let's say
6 three years. And, while they're not at the end of that
7 contract, they're looking at pricing out to the future
8 that seems to be still very attractive, given the state
9 of the market, and they want to lock that in. So, they
10 do such things as, which have become fairly common,
11 blend and extend. So, they actually extend the
12 contract and lock in that lower pricing.

13 The point is is that, in the competitive
14 marketplace, there's a wide variety of alternatives to
15 consumers. And, I don't see the need for PSNH to
16 maintain a supply for those customers, which I think
17 goes a long way towards some of the problems that we
18 have.

19 Q. In your testimony, you go through each of the options
20 that Mr. Traum laid out in his testimony, is that
21 correct?

22 A. Yes.

23 Q. And, on Page 11, starting at Line 9, is your discussion
24 of the fourth suggestion. Do you see that?

[WITNESS: Hachey]

1 A. Yes.

2 Q. And, this is a suggestion about a stay-out provision,
3 and then with some type of rate for those who wish to
4 return that's more reflective of market purchases. Is
5 that your understanding?

6 A. Yes.

7 Q. And, just so I'm clear, does TransCanada think that
8 that is a viable option that the Commission should
9 consider?

10 A. Well, I think, you know, I'd rather see it priced.
11 But, if it's, upon examination, too difficult to get
12 there, then a stay-out I guess is a crude way to do it.
13 But I think I'd rather see these various options, if a
14 customer leaves, then it shouldn't have a free option
15 to return. And, in fact, it would be better, as I
16 think Mr. Baumann pointed out, that come back at
17 incremental cost, plus an adder. Well, maybe it's just
18 incremental cost, because that's, in fact, what the
19 cost of that service. I don't know. That's a
20 possibility. But the stay-out I think is just a little
21 on the crude side, and it would be better if it were
22 priced. But that's just a thought.

23 Q. So, you're saying that, if -- if we had, you know,
24 Default Service 1, that everybody is on right now, and

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1 then we develop a Default Service 2, that maybe changes
2 often to reflect market prices, that you actually don't
3 need a stay-out period, because that Default Service 2
4 recovers PSNH's costs of serving those customers. Is
5 that what you're saying?

6 A. Yes. It's a "not harm, no foul". In other words, the
7 customer is trying to do what I tried to do when I
8 bought the kayak. What's the best deal? It's not up
9 to me to figure out whether the price offered by LL
10 Bean is fair to LL Bean. They offered it. I assume
11 they figured that out. So, I can't -- that's why I'm
12 hesitant to start using the word "fairness". I'm just
13 saying "get the pricing right". And, then, you'll all
14 be in good shape, I think.

15 MS. HATFIELD: Thank you. I have
16 nothing further.

17 CHAIRMAN GETZ: Thank you. Ms. Amidon?

18 MS. AMIDON: Thank you. Mr. Mullen will
19 cross-examine Mr. Hachey.

20 MR. MULLEN: Good morning.

21 WITNESS HACHEY: Good morning.

22 MR. MULLEN: Just a couple of questions.

23 BY MR. MULLEN:

24 Q. I want to follow up on something you said earlier

[WITNESS: Hachey]

1 regarding RFPs. And, I believe you said there was some
2 confusion that it was -- somehow had to be tied to a
3 load-following product?

4 A. That was what I took away, having sat here yesterday.
5 Yes. I don't know why there was that confusion, but
6 there certainly was that confusion. Yes.

7 Q. I believe you offered as an example, say, for instance,
8 PSNH had a need for 50 megawatts. They could put out
9 an RFP for a calendar year purchase for 50 megawatts,
10 see what kind of bids they get. Is that correct?

11 A. That's correct.

12 Q. Now, in that instance, say, that during that period
13 PSNH's actual needs were in excess of 50 megawatts.
14 How would you suggest they fill in that difference? As
15 they currently do now, or I suppose it would depend on
16 the magnitude, but --

17 A. Well, you know, I'm back to looking at their Least Cost
18 Plan, which said that, you know, as an example, that
19 what they do is they buy beginning in May and
20 continuing on through the period. So, I'm just imagine
21 that -- I'm imagining that kind of an approach, where
22 they kind of the staged purchases, to the extent they
23 have any. And, you know, I'm at one stage. So, at
24 Stage 1, "well, I'm going to go out and buy, you know,

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1 an on-peak product, 50 megawatts, cal '10." Fine. I
2 know I need more, but I'll stage it over that period of
3 time. So, I -- that's where I'm having a little
4 trouble with your question. They may well know that
5 they need more. But, as a staging, 50 megawatts all
6 year long is a very expensive purchase. So, that's a
7 valid Stage 1, down the road towards satisfying all
8 their requirements. You know, if you're then down the
9 road, and looking at "gee, maybe I didn't have that
10 much load", because of attrition or something else,
11 then, you know, maybe I don't make those late
12 purchases. I mean, it's just -- it's a strategy. It's
13 a way of doing it.

14 Q. So, if I could summarize, your point's basically, right
15 now, if they know they have a need, they're not going
16 out for an RFP. And, you're suggesting that, if they
17 know they have a need for at least a certain amount,
18 why not put it out to an RFP?

19 A. That's right.

20 Q. Okay.

21 A. Right. I'm not advocating that they go out for power
22 that they don't need, no.

23 Q. I wasn't suggesting that. The other question I have
24 is, over the last couple of days we've heard a lot of

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1 potential near-term solutions or longer-term solutions.
2 Do you think that, if any near-term solutions are
3 pursued that that forecloses the need to look at
4 longer-term solutions?

5 A. No. As I think I said during the technical session,
6 though, whatever near-term solution is chosen, you
7 should have in mind perhaps if there's a longer term in
8 mind. In other words, just to pick one, if it's longer
9 term in divestiture, I don't think you would want to do
10 anything inconsistent with divestiture. Just to pick
11 one. Not that I'm sitting here today as the advocate
12 for divestiture. But you wouldn't want to do something
13 today that's inconsistent. It's not a profound point,
14 just I think a sensible point.

15 MR. MULLEN: Okay. Thank you. I have
16 nothing further.

17 CHAIRMAN GETZ: Commissioner Below. Oh,
18 excuse me. Mr. Eaton.

19 MR. EATON: Thank you.

20 BY MR. EATON:

21 Q. Ms. Hatfield asked you a question about your testimony
22 in the reconciliation docket, DE 10-121. Did you
23 recommend a disallowance in that testimony that the
24 costs of PSNH's purchased power should be disallowed?

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1 A. In that testimony?

2 Q. Yes.

3 A. I don't believe so.

4 Q. So, --

5 A. I didn't make a recommendation one way or the other,
6 whether it should be allowed or disallowed.

7 Q. So, your statement at Page 5 of your testimony that the
8 purchases were not prudent, you did not -- I'm looking
9 at Page 22 of your -- I'm sorry, not "page", but Line
10 22 of Page 5, you said "This suggests a lack of
11 prudence on their part." But, after you've seen the
12 prices, you're not recommending a prudence disallowance
13 in your testimony?

14 A. Okay. You're -- I think you're mixing me up here, and
15 I'm not sure. Can we start -- let's start with the
16 most recent testimony.

17 Q. Yes.

18 A. Okay.

19 Q. In that testimony, --

20 A. Could we have -- I thought I had a copy, but maybe you
21 better give me a copy.

22 Q. I'm sorry, I don't have a copy.

23 MS. HATFIELD: I have an extra copy.

24 (Atty. Hatfield handing document to the

[WITNESS: Hachey]

1 witness.)

2 WITNESS HACHEY: Okay. Is this what you
3 -- okay, I'm all set. I found it. Okay. Let's start
4 there.

5 MR. EATON: All right.

6 CHAIRMAN GETZ: Thank you, Ms. Hatfield.

7 MS. HATFIELD: Absolutely.

8 BY MR. EATON:

9 Q. On Page 5 of 12 of your testimony in this proceeding,
10 at Line --

11 A. Okay. Now, we're back to the other testimony?

12 Q. Yes.

13 A. In this? Okay. That's where I'm having trouble.

14 Q. At Line 22, --

15 A. Excuse me, which page?

16 CHAIRMAN GETZ: One person can talk at a
17 time or Mr. Patnaude is not going to get this. Let's
18 start with the citation, Mr. Eaton.

19 BY MR. EATON:

20 Q. In your testimony in this docket, Exhibit 14, Page 5 of
21 12, on Line 22 to 23, you state in the passage
22 following what Ms. Hatfield read to you, "This suggests
23 a lack of prudence on their part."

24 A. I read that.

[WITNESS: Hachey]

1 Q. Okay. In your testimony that was recently filed in
2 docket DE 10-257, did you recommend that there be a
3 prudence disallowance for PSNH's purchases?

4 A. The confusion I'm having is, in DE 10-121, we were
5 dealing with 2009, right?

6 Q. Yes.

7 A. And, in this docket, I'm talking about 2010.

8 Q. Wasn't the contract in question that was so much
9 litigated in the previous docket, 09-180, for purchases
10 that were used in 2009 and 2010?

11 A. As I tried to say earlier, what we did was we looked at
12 the market pricing on the days identified by PSNH that
13 they made purchases on. And, we found that, yes, in
14 fact, that the pricing in those purchases was
15 consistent with what the market was. That's really the
16 only thing I've attempted to say in DE 10-121. And, we
17 thought we owed that as a -- after, you know, having
18 struggled to get to look at that, we thought we were
19 obligated to provide what our conclusion was. That's
20 what the sum and substance of DE -- my testimony in DE
21 10-121 was.

22 Q. And, with that summary of that testimony, am I correct
23 in stating that you do not recommend a disallowance for
24 2009 purchases in your testimony?

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[WITNESS: Hachey]

1 MR. PATCH: Mr. Chairman, I'm going to
2 object. I think that's a question really for that other
3 docket. I don't know why that's relevant here. I mean,
4 that's the reconciliation docket.

5 MR. EATON: Well, it's relevant --

6 CHAIRMAN GETZ: Well, I'm going to allow
7 the question, because it seems relevant to try to
8 understand what the witness is saying on Line 22 and 23,
9 which I'm having some difficulty following as well.

10 WITNESS HACHEY: Could you re-ask the
11 question?

12 MR. EATON: Yes.

13 BY MR. EATON:

14 Q. And, I'd like you to look at that whole answer to the
15 question that starts at Line 17, because you use both
16 years, 2009 and 2010. And, you state that, on Line 22
17 to 23, "This suggests a lack of prudence on their
18 part." Now, all I'm asking you to say is that your
19 testimony that you recently filed in the prudence
20 docket, for 2009, does not include a recommendation for
21 a disallowance for an imprudent purchase by PSNH?

22 A. That's correct. My testimony in DE 10-121 doesn't
23 include a recommendation for a disallowance.

24 Q. Thank you. Could you turn for Page 8 of 12. Are you

[WITNESS: Hachey]

1 -- and, I'm looking at the first full answer that comes
2 across from Page 7. You stated, "Yes. I believe that
3 PSNH should use an open and competitive RFP process,
4 procedurally similar to what Unitil and National Grid
5 use, to obtain the power it needs to supplement the
6 power that it obtains from its own generating assets in
7 order to meet default service customer demand." Did I
8 read that correctly?

9 A. Yes, you did.

10 Q. Is the process, the "RFP process, procedurally similar
11 to what Unitil and National Grid use", is that a full
12 requirements process?

13 A. Unitil and National Grid go out for full requirement
14 service.

15 Q. And, so, --

16 A. But what I've recommended is, following a similar
17 procedure, when you're buying 100 -- in excess of
18 \$100 million, use an RFP process. I understand the
19 difference between load-following service and strips.
20 And, what I'm saying is that, when you're buying in
21 excess of \$100 million of a product, I think you owe it
22 to your customers to have a open and transparent
23 process. Very simple.

24 Q. So, the confusion that you described in your testimony

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1 this morning, is it unreasonable to have looked at that
2 answer and not thought that it was a full requirements
3 supplemental power purchase that you were describing in
4 that answer on Page 8, and not just an RFP for strips
5 of power?

6 A. Well, I think I repeated a very similar recommendation
7 on Page 12, which I hoped would have remedied any
8 confusion. "Follow an" -- and, I'll read it, "follow
9 an open and transparent RFP process like what Unitil
10 and National Grid must follow for the purchase of
11 power, modified as necessary to account for PSNH's
12 present status as a generator." It would be a
13 confusing thing to have a full requirements RFP when --
14 mixed in with your generation, unless you subdivided
15 your load in some fashion. Which is why I think I've
16 always been clear, that we're looking for an open RFP
17 and -- or advocating for an open RFP, open and
18 transparent RFP for the products needed to provide that
19 supplemental power.

20 Q. Thank you. That's a lot -- that clarification is
21 helpful. Now, I'm going to use the term "TransCanada",
22 and what I'm looking for is the name of the TransCanada
23 company that participates in the RFP process in New
24 England, not the retail supplier, but the one that

[WITNESS: Hachey]

1 provides wholesale supply to companies like Unitil or
2 WMECO or CL&P. So, that's the TransCanada company I'm
3 thinking about. Is that clear?

4 A. That's clear. I believe they're one in the same, but
5 --

6 Q. All right. Does TransCanada own generation?

7 A. Yes.

8 Q. Is part of that the former New England Power plants on
9 the Connecticut River?

10 A. Yes.

11 Q. Does TransCanada own other generation in New England --

12 A. Yes.

13 Q. -- or that's connected to New England?

14 A. Yes.

15 Q. Do your bids into these RFPs, are they based solely
16 upon your own generation?

17 A. No.

18 Q. And, do you use bilaterals to serve, bilateral
19 purchases to serve some of that load?

20 A. Yes.

21 Q. I think you mentioned earlier that you, meaning
22 TransCanada, and PSNH use the same broker at some time?

23 A. Well, I learned that in discovery, yes.

24 Q. So, you use brokers?

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[WITNESS: Hachey]

1 A. Yes.

2 Q. And, do you use RFPs to purchase bilaterals?

3 A. No, not typically. And, I think I gave the reason for
4 that in answer to discovery.

5 Q. And, could you provide that answer now?

6 A. Sure. We, when we enter into an obligation, we
7 backstop that obligation immediately. So, there's not
8 time to conduct a multi-day or multi-week RFP in that
9 regard.

10 MR. EATON: Thank you. I have nothing
11 further.

12 CHAIRMAN GETZ: Commissioner Below.

13 BY CMSR. BELOW:

14 Q. Does TransCanada Power Marketing sell directly to
15 retail customers?

16 A. Yes.

17 Q. In New Hampshire?

18 A. Yes.

19 Q. And, is that primarily larger
20 commercial/industrial/institutional type customers?

21 A. Well, we serve typically larger customers. It happens
22 that three of our larger customer groups are
23 municipalities, the municipal facilities, not municipal
24 utilities, but it would be the schools and the highway

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1 bonds, sewer plant, and all of that sort of thing,
2 hospitals and colleges and universities. So, I just
3 want to give that caveat to give a little better
4 understanding. As well as, obviously, large
5 industrials and other large commercials.

6 Q. And, is your parent company, is its primary business
7 related to natural gas?

8 A. No. TransCanada began as a large pipeline company.
9 But the power side of the business is now, well, I
10 couldn't give you an exact proportion, but it's very
11 large as well.

12 Q. Okay.

13 A. As well as natural gas storage, so -- and, just to
14 finish off, as more thoughts come to me, we're also
15 engaged in a very large oil pipeline from the Alberta
16 oil sands to the Midwest and the Gulf Coast as well.

17 Q. Do you follow the gas markets fairly closely?

18 A. TransCanada collectively does. I do the best I can to
19 follow along, yes.

20 Q. You may have heard some testimony about PSNH's
21 projection for default service rates. I think near
22 term, over the next couple years, they're around 9
23 cents, then, in the mid term, three to five years out,
24 around 10 cents. Do you have a view as to whether you

[WITNESS: Hachey]

1 think that's more likely than not or less likely than
2 not as to whether that is likely to be above market or
3 below market for average load profile in the near term
4 and that mid term?

5 A. When I used to price retail myself, I'd have a much
6 better idea than I do today. But my reconciliation is
7 that there's a little bit of lean upward in the forward
8 pricing of gas, but I don't think it's that bad. So, I
9 think that their pricing, as I would see the market
10 today, as I would see the market, maybe somebody more
11 sophisticated would have a better view, but, as I would
12 see the market, or somebody closer to the pricing than
13 I am today, might have a somewhat different view. But
14 I think it's above market, yes.

15 Q. So, you're saying, you think more likely than not, that
16 will prove to be above market over that next five
17 years?

18 A. Well, as we sit here today and thinking about the
19 market forwards, I believe it is, yes. Because I
20 think, you know, in the retail business, the pricing,
21 you know, I've been seeing is in the 7-8 cent range
22 currently. And, I don't think it's that extreme. And,
23 that would be for like the next year. I don't think
24 it's going to get to those levels, certainly, as in

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1 that exhibit that I saw that got up to over 11 cents.
2 All of that is subject to check, because I just haven't
3 been currently pricing out myself, but --

4 CMSR. BELOW: Okay. Okay. Thank you.

5 CHAIRMAN GETZ: Commissioner Ignatius.

6 CMSR. IGNATIUS: Thank you. Good
7 morning, Mr. Hachey.

8 WITNESS HACHEY: Good morning.

9 BY CMSR. IGNATIUS:

10 Q. You had said that what's most important is to get the
11 pricing right, and to consider developing a product
12 that would assign a value for that ability to come back
13 to PSNH's generating supply.

14 A. Yes. I really had it kind of as the sidecar, if you
15 will, to the primary product, which is "No, you can't
16 come back. You don't have a free option anymore. If
17 you're coming back, then you're going onto, you know,
18 incremental cost or market pricing or something to that
19 effect." If, however, you want to preserve that
20 option, and this has occurred to me listening to the
21 testimony, and you think that you agree with PSNH that
22 that backstop service of PSNH is valuable, well,
23 there's another amount that you could pay to preserve
24 that option, if you would.

[WITNESS: Hachey]

- 1 Q. Can you help flesh out what that might look like?
2 Either based on products that you've seen others out
3 there in the market selling or just thinking it
4 through, and I realize this is maybe kind of off the
5 top of your head and not that refined, but an example
6 of what might a utility in PSNH's situation might be
7 able to offer, in terms of timing, offering something
8 today that allows a customer to return later, or a
9 product that would be offered only upon return, that
10 they would then have to buy to be able to get back into
11 the system? Just a little bit mechanically what you
12 think how -- how those things might work?
- 13 A. Well, to the extent that they're actually maintaining a
14 power supply for that customer to come back, then I'd
15 say "what's the cost of maintaining that power supply?"
16 Another way of doing it is to say, "well, what is that
17 actually worth in the marketplace?" So, you know,
18 thinking through their power supply, stripped down,
19 there's an awful lot of Merrimack, better than
20 50 percent of their power supply, a smaller amount of
21 hydro, you know, some wood, and, you know, a lot of
22 fixed price non-utility contracts, I believe. And, so,
23 that's -- that creates a price, and how does the market
24 value that? You know, that kind of an option, to get

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1 back to that kind of price, so you could think through,
2 you know, how would the market price that out? And,
3 that's a market-based approach. This is very much on
4 the fly. But how would the market price that out, and,
5 therefore, you know, we'll charge the customers that.
6 And, to the extent that people take that service, and
7 then it winds up that it's, you know, above and beyond
8 the costs, then the remaining customers could well bear
9 the benefit of that.

10 Q. Are you imagining that you might -- a utility like PSNH
11 might offer both an option for one who wants to leave
12 today, but pay monthly for the right to come back?

13 A. Uh-huh.

14 Q. Or, as well as a product that would be for one who says
15 "I don't think I'm likely to come back, I'm not going
16 to pay that sort of option price to come back." But,
17 if things change down the road and they do want to come
18 back, they would then pay a higher amount that would
19 reflect the costs they're imposing or is your view
20 that, once you're gone, there is no cost on the part of
21 PSNH to be reimbursed, because -- or to be recovered,
22 because they're no longer maintaining any sort of
23 supply for that person, so there really isn't any cost
24 for the customer to come back again?

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1 A. Yes. Certainly, it's easiest to think about as a
2 one-time thing. But, if you've got to do it on a
3 continuing basis, then, you know, what I would say is
4 somebody -- in a theoretical sense, then the minute
5 somebody gives me notice that they want that service,
6 I'm going to start reserving a power supply for them.
7 So, that's another way to do it.

8 Q. In your experience in the competitive supply market, do
9 customers tend to come and go in and out into the third
10 party supply market and then back to the regulated
11 utility, or do they pretty consistently stay out once
12 they've left?

13 A. I think, in the early days, we saw a lot, in fact, we
14 saw a lot of people, customers that would always keep
15 an idea on the utility price and be ready to jump.
16 And, in fact, personally, I remember a number of
17 instances where I said "Well, the pocket has moved
18 above the utility backstop rate. So, I've got nothing
19 to offer you. You should go back to the utility. I
20 think that, as the utility offerings have evolved, you
21 know, they're shorter term, three and six months. And,
22 a lot of customers have gotten, I think, pretty good
23 advice, you know, from the retail brokers about "look,
24 these prices are really good, and now is the time to,

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1 you know, this price level of the market, now is the
2 time to lock in longer term", and they have been doing
3 that. So, I think where I'm going is that I don't -- I
4 think, as the market has evolved, the customers just
5 aren't looking back anymore.

6 Q. Do you know of any utilities that are in the similar
7 situation, where they own generation and they're
8 grappling with the same difficulties, with migration
9 and loss of customers and fixed costs that still need
10 to be recovered?

11 A. I think a lot of them have -- continue to have PPAs of
12 some sort. And, I know that, up in Maine, some of the
13 utilities up there put the entitlements that they have
14 to the marketers, who want to supply wholesale service.
15 I'm also thinking of the offshoot where, you know, the
16 Hydro-Quebec interconnection credits are available to a
17 lot of the utilities. They have maintained those
18 credits, they have value. And, best I know, they
19 simply extract the capacity value for those credits and
20 provide it to the customers. So, there's a lot of
21 utilities, and I know that for the longest time a lot
22 of them continued to have a lot of non-utility type of
23 contract, legacy contracts. I couldn't be sure today.
24 I haven't really tried to follow that.

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1 Q. And, this may be the same answer, I'm not sure, a
2 slightly different way of asking it. Are you aware of
3 any utilities that are in the situation PSNH is in,
4 where they own some generation and are using an RFP
5 process for some portion of their supplemental load?

6 A. Well, that would be the -- it kind of is -- I'll take
7 it as the same question. The Maine utilities, I
8 believe, do that very formally, and they put the supply
9 contracts, at least they had been doing that, they put
10 the supply contracts to the supplier.

11 Q. And, I think it was your testimony, but let me confirm.
12 The process that you know of that Unitil and National
13 Grid follow for Default Service is one that you think
14 could be adapted for PSNH to put out for a fixed amount
15 of supplemental power?

16 A. Sure. I think, you know, I think what I've recommended
17 is nothing more or less than what I used to see,
18 certainly, when I was at New England Power, and a
19 number of municipal utilities would periodically go out
20 for strips up power. They might go out for service for
21 the entire municipality. But, often, they'd simply go
22 out for a strip of power. I mean, there's nothing new
23 there. It's been done many, many times. And, it's
24 really not something a market participant with a fixed

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1 obligation will often do, and for the reason that I
2 gave, because, typically, you're trying to lock down
3 that obligation or a fixed obligation, and you're
4 trying to lock down your costs on that obligation
5 immediately, so that you get that behind you. Some
6 suppliers may occasionally skate and not try to lock it
7 down. But good luck to them on that. Because, you
8 know, what looked like a good day today, tomorrow can,
9 because of the thin margins involved, not look so good.

10 CMSR. IGNATIUS: All right. Thank you
11 very much.

12 BY CMSR. BELOW:

13 Q. You market to retail customers in Connecticut as well?

14 A. Yes.

15 Q. Do you have a view on whether a purchase of receivable
16 program makes a difference in Connecticut to who you
17 market to or would it make a difference in New
18 Hampshire?

19 A. I don't really have a view. I should, because I knew
20 that was a topic here and I didn't -- we deal with, you
21 know, default risk a little differently. We have an
22 insurer, which, of course, doesn't work so well when
23 you're down in the very small customers. So, I mean,
24 the only thought that I've had on that issue is, you

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1 know, customers are a lot more likely, when you're down
2 at the small customer level, the residential customer
3 level, the customers are a lot more likely to pay the
4 bill of the party that can pull the meter. So, you
5 know, from that angle, the best party to mitigate that
6 risk, unless I've missed something, is the utility
7 itself.

8 In other words, following on the theory
9 of "Who do you put the risk on?" The party that can
10 best manage it, strikes me, from just kind of a crude
11 common sense point of view, that the utility is in the
12 best place to manage that. But I defer to Mr.
13 Allegretti or others from RESA as to really what the
14 key issues are there.

15 CMSR. BELOW: Okay. Thank you.

16 CHAIRMAN GETZ: Okay. Good morning, Mr.
17 Hachey.

18 WITNESS HACHEY: Good morning.

19 BY CHAIRMAN GETZ:

20 Q. I'd like to talk about the question and answer in your
21 testimony, it's at the bottom of Page 4 and top of
22 Page 5.

23 A. Yes.

24 Q. And, it seems to me there's a couple of things going on

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1 here, and I just want to try and sort them out. So, on
2 Line 21, on Page 4, you start by saying "I do not agree
3 that the increase in costs that Mr. Baumann is
4 referring to is an unintended result of restructuring."
5 And, there's a couple of pieces here. And, one, the
6 first thing you say, "that the increase in costs that
7 Mr. Baumann is referring to", and I was interpreting
8 what he was talking about is not an increase in costs,
9 but an increase in the rate, because there are these
10 fixed costs that are now being, as a result of
11 migration, are now being borne by a smaller universe of
12 customers than they were previously. Is that fair for
13 me to conclude that?

14 A. Well, as I was listening to testimony earlier, it kind
15 of comes down to "what do you mean by "fixed costs"?"
16 Because, where I came in on this issue is that, you
17 know, a number of purchases were undertaken in 2008
18 that wound up being very high cost. So, without -- are
19 those now fixed costs or are those --

20 Q. Well, that's why I'm trying to separate out the issues
21 in my mind.

22 A. Yes.

23 Q. Because it seems like there's -- you tried to do your
24 best earlier to clear up some confusion about RPS

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1 processes and products, and I want to try and
2 understand. To me, there seems like there may be
3 different things going on here. And, because you also
4 refer to an "unintended result of restructuring" in
5 that sentence, and seems to me the operative word is
6 "unintended" there. And, I'm trying to understand, if
7 you dispute the effect that Mr. Baumann identifies or
8 you accept that this effect is occurring, that fewer
9 customers are -- have to pay the cost of -- some level
10 of fixed costs, or you're just saying that's a natural
11 consequence of migration in a restructuring situation,
12 and it shouldn't be something that we should be
13 addressing. Do you understand?

14 A. Well, I understand. Let me take another crack at it.
15 I got involved, interested in this docket, when I saw
16 those words. That this is really a problem with
17 restructuring, and now we need to put, my words, but
18 put costs on the wires. In other words, take a segment
19 of our power supply costs and put them on all
20 customers. And, at that stage, I started looking at
21 "what was going on here?" It was my view that what
22 happened was, in fact, that a lot of very expensive
23 power was bought, and is now well out of the market.

24 Q. Well, that's what I'm trying to understand, if these

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1 are separable issues that --

2 A. Well, there may be a second issue. And, so, we
3 certainly have that issue, that a lot of power
4 purchases were entered into at a time when the market
5 was very high, the market fell. And, now, it looks
6 like, you know, had it been done in what I'll say is my
7 view of their Least Cost Plan, those purchases had been
8 made in accordance with what I saw as the plain
9 language of the Least Cost Plan, there was about a
10 \$30 million savings that could have been achieved. So,
11 that's one thing. Right.

12 Q. Right. That your position, as I take it from the
13 latter part of this question and answer, is, if PSNH
14 issued an RFP for its supplemental power, it's energy
15 service rate would have been lower?

16 A. I think, if --

17 Q. And that benefits customers?

18 A. It's a little different than that. I think we would
19 advocate the RFP anyway. But, if the purchases had
20 been made closer to the time that the power was going
21 to be used, and which I would still contend is in
22 accordance with the Least Cost Plan, that is in 2009,
23 we wouldn't have had the \$30 million problem.

24 I think, in addition to that now, what

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1 we're seeing is just, you know, a lot of attrition
2 having taken place, where now it's creating a problem,
3 to the extent that PSNH continues to try to maintain a
4 power supply. So, I think we're going from one problem
5 into a bigger problem. And, I tried to allude to that.
6 Because, you know, I think it was in the first
7 discovery question, where I said "well, look, to the
8 extent that PSNH continues to incur a lot of fixed
9 costs for customers that aren't coming back, we've got
10 another problem coming on. So, we're going from one
11 problem into another problem. Or, maybe it's a
12 combination of the two. So, as more and more customers
13 leave, now the -- we're losing, and certainly, after
14 2010, I think, I'm not quite sure about what purchases
15 were made in 2011, we shouldn't have that other problem
16 of the way-above-market purchases. And, now, I guess
17 we're back to the problem of too few, too little load
18 for too much fixed costs. So, now, they're going above
19 market on that. And, my advice there was "stop trying
20 to maintain a power supply for customers that don't
21 need you anymore." That they have a full panoply of
22 options available to themselves -- available to them in
23 the market. So, that's part of the solution.

24 Now, to the extent that they just have a

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1 high cost power supply, even -- even reduced to the
2 level of what they need, I don't know. I don't have
3 any ideas there. I mean, they just -- they've got a
4 problem. In other words, after you reduce your power
5 supply to the remaining customers, and to the extent
6 that that the pricing of that power supply still
7 remains well above market, and continues on into the
8 future, then that's a really large problem. And, I
9 really haven't -- at that point, I think you've got to
10 look at all options on the table.

11 CHAIRMAN GETZ: Okay. Thank you. Any
12 redirect? Oh, I'm sorry. Commissioner Ignatius.

13 CMSR. IGNATIUS: Well, I wanted to make
14 a record request, following up on Mr. Hachey's thought
15 that, in Maine, there may be some mechanism in place that
16 might be interesting for us to look at. My request would
17 be for the Commission Staff to make an inquiry of the
18 Maine PUC Staff on whether there are mechanisms in place
19 for supplemental power being put out to bid, and, if so,
20 either a short write-up of those or citations to any
21 provisions that spell that out. Not asking for our Staff
22 to take a position on whether it's a good idea or not, but
23 just to put into the record if there is a current
24 mechanism in Maine that would be informative for this

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1 discussion. And, I would appreciate that.

2 WITNESS HACHEY: I will offer that I
3 will go to work on trying to get ahold of some of the RFPs
4 that will have detailed that out.

5 CMSR. IGNATIUS: Yes. I hesitate, I
6 don't want to turn this into a larger record and everyone
7 needing to come back and cross-examine each other on all
8 of these documents. But, if something can be neutral, and
9 not in an advocacy sense for or against, but just simply
10 some information gathering.

11 CHAIRMAN GETZ: One alternative may be
12 to ask the parties to brief that issue of whether there
13 are useful mechanisms in Maine that could apply here,
14 rather than a record request.

15 CMSR. IGNATIUS: Certainly.

16 WITNESS HACHEY: In Maine, the RFP is
17 run by the Commission.

18 (Chairman and Commissioners conferring.)

19 CHAIRMAN GETZ: All right. We are
20 retrenching. Did you have something?

21 MR. EATON: Yes. I really have a
22 preference for what Commissioner Ignatius suggested, that
23 the Staff --

24 CHAIRMAN GETZ: So do my colleagues.

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1 MR. EATON: Therefore, you can go ahead.

2 CHAIRMAN GETZ: So, let's reserve
3 Exhibit 15. And, Staff would provide citations to how
4 RFPs are conducted in Maine. I guess we don't really need
5 the -- all of the documents necessarily, but at least some
6 citations. And, if there are RFPs, perhaps, that aren't
7 generally available through the Maine website. So, I
8 guess we'll just leave Staff some flexibility in how they
9 put that document together.

10 MR. MULLEN: Could I just make sure that
11 we clarify this. This is for supplemental requirements,
12 not for full requirements, if I heard Commissioner
13 Ignatius correctly?

14 CMSR. IGNATIUS: That's what I was
15 asking about.

16 MR. MULLEN: Okay.

17 CMSR. IGNATIUS: Others may want more
18 than that, Commissioner Below, or --

19 CMSR. BELOW: Well, or if they only do a
20 full requirement, just to report that and perhaps provide
21 that citation as well, but --

22 MR. MULLEN: Okay.

23 CMSR. IGNATIUS: Thank you.

24 **(Exhibit 15 reserved)**

[WITNESS: Hachey]

1 CHAIRMAN GETZ: Okay. Any redirect?

2 MR. PATCH: Could I have just a minute
3 with the witness.

4 (Atty. Patch conferring with the
5 witness.)

6 MR. PATCH: We have no redirect. Thank
7 you.

8 CHAIRMAN GETZ: Okay. Thank you. Then,
9 the witness is excused.

10 WITNESS HACHEY: Thank you.

11 CHAIRMAN GETZ: Okay. Let's go off the
12 record for a second.

13 (Brief off-the-record discussion
14 ensued.)

15 CHAIRMAN GETZ: Let's just take the
16 lunch recess. We'll come back at 12:30.

17 (Whereupon the lunch recess was taken at
18 11:30 a.m. and the hearing reconvened at
19 12:33 p.m.)

20 CHAIRMAN GETZ: Okay. We're back on the
21 record. And, turning to the Constellation witness, Mr.
22 Allegretti.

23 MR. DONOVAN: Mr. Chairman,
24 Constellation and I suppose RESA would call Daniel

[WITNESS: Allegretti]

1 Allegretti.

2 (Whereupon **Daniel W. Allegretti** was duly
3 sworn and cautioned by the Court
4 Reporter.)

5 MR. DONOVAN: Mr. Allegretti, can you
6 hear me okay?

7 WITNESS ALLEGRETTI: Yes. Thank you.

8 **DANIEL W. ALLEGRETTI, SWORN**

9 **DIRECT EXAMINATION**

10 BY MR. DONOVAN:

11 Q. Can you please state your name and employer for the
12 record?

13 A. Daniel W. Allegretti. I work for Constellation Energy.

14 Q. And, what's your work address?

15 A. One Essex Drive, Bow, New Hampshire.

16 Q. And, your title at the company?

17 A. Vice President - Energy Policy.

18 Q. Excellent. Do you have a copy of your prefiled
19 testimony with you?

20 A. Yes, I do.

21 Q. I'm going to hand you a copy of your prefiled
22 testimony, and ask you to identify that as accurate as
23 to what was filed in this proceeding?

24 A. Yes, it is.

[WITNESS: Allegretti]

1 Q. And, this prefiled testimony consists of
2 Constellation/RESA Exhibit 1.0, with Attachments 1.1,
3 1.2, and 1.3?

4 A. Yes, it does.

5 MR. DONOVAN: All right. Tender that in
6 for a copy.

7 BY MR. DONOVAN:

8 Q. Mr. Allegretti, do you have any corrections that you
9 need to make to your prefiled testimony today?

10 A. Yes, I do.

11 Q. Can you please walk us through those?

12 A. Yes. Turning to Page 10 of my prefiled testimony, Line
13 Number 13, the last word appearing at the end of the
14 line is the word "outside". I would like to remove
15 that word.

16 Q. Remove it. You want to strike the word and not replace
17 it, is that correct?

18 A. Yes.

19 Q. Okay. So, it would now read "PSNH needs to retain or
20 hire individual experts"?

21 A. Yes, it does.

22 Q. All right. Are there any other corrections?

23 A. Yes, there are. On Page 14, Line Number 17, it reads
24 "Under the FRS model, a customer has an all-in fixed

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1 price rate against to which it can compare", I would
2 strike the word "to", it's redundant.

3 Q. So, that would now read "price rate against which it
4 can compare"?

5 A. Yes.

6 Q. All right. Any other changes?

7 A. No.

8 Q. Can you please summarize your testimony?

9 A. Yes. In my testimony, I point out a central issue in
10 this case, which I think is an area of agreement
11 between Mr. Baumann and myself, although we might
12 describe it differently. And, that is that there is
13 upward pressure on the Energy Service rate that is the
14 result of the allocation of certain fixed costs of
15 generation and power purchases that are allocated
16 across a shrinking customer base as customers migrate
17 to third party supply. I offer a suggestion in my
18 testimony as to what I believe is the optimal means for
19 addressing the upward pressure issue and the issue of
20 customer migration and its effect on rates. And, that
21 is for PSNH to embrace the use of a competitive
22 solicitation for full requirements load-following
23 service, similar to what is done for Unitil, Granite
24 State, Connecticut Light & Power, and Western

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1 Massachusetts Electric Company. I highlight that one
2 of the virtues of moving to full requirements is that
3 all of the costs and risks associated with customer
4 migration and quantity uncertainty are shifted to a
5 third party supplier, rather than borne by the
6 incumbent utility. This, of course, begs the question
7 "what is the cost of having a third party assume that,
8 those risks and obligations?" And, in my testimony, I
9 append and describe a study that was conducted by the
10 NorthBridge Group, which I came across in connection
11 with testimony I gave in the State of Rhode Island
12 earlier this year. And, in that study, NorthBridge
13 reaches what I think are some fairly compelling
14 conclusions with regard to the comparison of all-in
15 costs for Spot Market Service, a Managed Portfolio
16 Service, and a Full Requirements Service.

17 It indicates that, according to their
18 conclusions, the difference in cost between a Managed
19 Portfolio approach and Full Requirements Service is, on
20 average, approximately 72 cents a megawatt-hour. And,
21 it is certainly my opinion that the price protection
22 afforded by Full Requirements Service is very much a
23 bargain at that price, and I describe that in my
24 testimony.

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1 I also acknowledge that transitioning to
2 the use of Full Requirements Service by Public Service
3 of New Hampshire is somewhat complicated by the
4 ownership of generation that they have. And, I do
5 suggest that consideration of retirement and
6 divestiture at this juncture would appear to be
7 appropriate, and would be the optimal means for
8 transitioning to the use of Full Requirements Service.

9 I also outline in my testimony a second
10 option for getting to Full Requirements Service,
11 involving the use of certain tolling agreements, that
12 would allow PSNH to continue to open and operate the
13 assets, but would also address the Energy Service rate
14 issues within the case.

15 Alternately, I note that it would
16 certainly be possible for the Commission to allow
17 Public Service Company of New Hampshire to increase the
18 Energy Service rate. And, should that happen, I offer
19 some suggestions in my testimony on how the Commission
20 could also promote competition for retail, particularly
21 residential customers, to allow them to take advantage
22 of lower cost options in the marketplace, and avoid the
23 effects of the cost increase on the Energy Service
24 rate.

[WITNESS: Allegretti]

1 I realize these are somewhat large
2 changes that I've suggested here in my recommendations.
3 Divestiture, retirement, use of full requirements,
4 advancing retail migration, but none of these are
5 things that are untested or uncontemplated. They're
6 things that we have experience with other utilities
7 here in New Hampshire, with other utilities within the
8 NU family, and, certainly, with other utilities
9 throughout the restructured states in the Northeast.
10 And, I think that's important to bear in mind.

11 I also want to comment briefly on the
12 notion that Mr. Baumann raises of "fairness". He talks
13 extensively in his testimony about the need to address
14 a "fairness issue". And, I think it was Commissioner
15 Ignatius yesterday who really put her finger on the
16 fact that "fairness" is often a matter of perspective.
17 And, if you look at what seems fair from the standpoint
18 of a customer remaining on the Energy Service rate, as
19 other customers migrate away, and the upward pressure
20 results in an increase in the Energy Service rate, it
21 may seem unfair. But, from the perspective of the
22 customer who has left, taking their energy supply into
23 their own hands, chosen what type of rate design they
24 want, who they want to buy their power from, what kind

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1 of green certificates or supply they want, for them to
2 be tagged with the ongoing investments, expenditures,
3 and costs associated with a portfolio that they are not
4 availing themselves of, seems unfair as well.

5 And, so, I would strongly urge the
6 Commission to consider the recommendations in my
7 testimony. Thank you.

8 Q. Thank you, Mr. Allegretti. Subject to the two changes
9 you made orally on the record today, if I were to ask
10 you the questions contained in your prefiled testimony
11 today on the record, would your responses be the same?

12 A. Yes, they would.

13 Q. So, they would remain true and accurate to the best of
14 your knowledge?

15 A. Yes.

16 MR. DONOVAN: Mr. Chairman, with that, I
17 would offer for submission as I think we're on Exhibit 16?

18 CHAIRMAN GETZ: Yes.

19 MR. DONOVAN: Mr. Allegretti's prefiled
20 testimony and its three attachments. And, subject him to
21 cross-examination then.

22 CHAIRMAN GETZ: Okay. The exhibit will
23 be marked for identification as number "16".

24 (The document, as described, was

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1 herewith marked as **Exhibit 16** for
2 identification.)

3 CHAIRMAN GETZ: And, we'll turn to
4 Mr. Patch?

5 MR. PATCH: I have no questions. Thank
6 you.

7 CHAIRMAN GETZ: Mr. Peress?

8 MR. PERESS: No questions. Thank you.

9 CHAIRMAN GETZ: Ms. Hatfield?

10 MS. HATFIELD: Thank you. Good
11 afternoon, Mr. Allegretti.

12 WITNESS ALLEGRETTI: Good afternoon.

13 **CROSS-EXAMINATION**

14 BY MS. HATFIELD:

15 Q. Do you agree with testimony that PSNH has provided that
16 the "current low market prices and resulting migration
17 are a short-term issue"?

18 A. No. I would agree with the testimony that Mr. Hachey
19 gave. I believe that we're likely to see modest
20 increases in the price of natural gas going forward,
21 but that the substantial discovery of reserves
22 associated with the Barnett and Marcellus shale have
23 generally led to a consensus view within the industry,
24 or at least a prevailing view, that energy prices in

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1 the coming decades are likely to remain relatively flat
2 to where they are today.

3 Q. And, have you seen forecasts yourself that show that?

4 A. I've certainly seen forward prices that would indicate
5 that that's the case.

6 Q. And, would you say that we've -- we are now seeing
7 fundamental changes in energy markets?

8 A. I think, certainly, in retail energy markets, we're
9 seeing a pretty fundamental shift. For a number of
10 years, we've seen a situation here in the Northeast
11 where small customers predominantly remain with utility
12 service. And, it was really just large commercial and
13 industrial customers that migrated to third party
14 supply. We're now at a point where states like
15 Massachusetts and Connecticut have seen more than half
16 of the load migrated to third party supply. And, we're
17 seeing migration rates in the residential sector in
18 those jurisdictions on the neighborhood of 30 percent.
19 So, in my opinion, that's a fairly fundamental shift
20 that we're starting to see within this region.

21 Q. Do you recall yesterday Mr. Baumann making a statement,
22 I'm going to try to paraphrase, where I think he said
23 something like "it is hard to refute that PSNH's
24 generation safety net is a benefit to all customers."

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[WITNESS: Allegretti]

1 Do you recall something like that?

2 A. I do.

3 Q. Do you agree? Do you think it's hard to refute or
4 could you refute that?

5 A. I stand behind the statement in my prefiled testimony,
6 that I don't believe that there is any value to
7 customers associated with the PSNH portfolio. That's
8 not to say that I don't believe that there's value
9 associated with having an Energy Service tariff, with
10 the concept that there is a universal service to which
11 customers can return at any time. The portfolio that
12 stands behind that is a different issue. And, I think
13 there's value in having that universal service, even if
14 it's priced at the spot market, certainly, if it's
15 priced based on some type of full requirements service
16 forward procurement. But, certainly, as I sit here
17 today, to the extent that the portfolio represents a
18 cost that is above market, I don't see the value in
19 that for customers. There's, I suppose, a theoretical
20 value that some day, in the future, prices could be
21 higher relative to that portfolio. But that seems to
22 me pretty hypothetical. I own stock options on Enron
23 at \$90 a share, but I'm not really expecting to
24 exercise them soon.

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1 Q. Did you hear Mr. Hachey talk about the idea of perhaps
2 putting a price or a value on that option for customers
3 to return? Do you recall that?

4 A. I do.

5 Q. What do you think of that idea?

6 A. I think it's difficult to make decisions on behalf of
7 customers, because they're not all the same. And, I
8 think the best -- the best outcome is one in which
9 customers make their own decisions, as to whether they
10 want price stability, as to whether they're willing to
11 accept the risk of price volatility and manage it by
12 managing their consumption. I think that having a
13 universal service that is out there and available is
14 certainly something that is in the public interest.
15 But, in terms of asking customers, "do they want to buy
16 an option to return?" I don't think it's necessary. I
17 think all of the various alternatives for managing
18 their price risk are out there and available to
19 customers in the marketplace.

20 Q. So, what should we do with the costs that are at issue
21 in this investigation? If, under Mr. Hachey's
22 approach, we make -- we say to customers "Hey, do you
23 want to pay for this option to come back?" And, they
24 all say "no thank you." Then, you know, what do you

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1 suggest that we do with those costs?

2 A. Well, certainly, the ideal end state is one in which
3 there is a tariff behind which there is a Full
4 Requirements Service that offers a relatively stable
5 price, that doesn't require the imposition of any
6 additional non-bypassable charges or fees or costs to
7 return that is universally available, something similar
8 to what Unitil and Granite State provide today. I
9 think the real dilemma is how to address the fixed
10 costs of generation and power purchases that are
11 contained in the portfolio that PSNH uses to supply the
12 Energy Service. And, my recommendation there is that
13 the optimal outcome would be retirement and/or
14 divestiture of the generating assets, so that there are
15 no longer fixed costs associated with supplying a
16 universal service, but instead a full requirements
17 product that varies the quantity and manages the
18 quantity uncertainty.

19 Q. And, do you recall that there's been some discussion in
20 the last day and a half about the Commission
21 considering short-term changes versus longer-term
22 changes?

23 A. Yes.

24 Q. And, if we -- would you agree that divestiture and a

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1 Full Requirements Service approach might be a longer
2 term, more than a year, approach?

3 A. I would agree that it may certainly take longer to
4 accomplish. But I think it's, if I can use an analogy,
5 it's a bit like a boat that's taking on water. You
6 need to start bailing right away, but it doesn't mean
7 you should put off fixing the hole in the bottom.

8 Q. So, if we are to start bailing right away, have you
9 looked and considered some of the other things that Mr.
10 Traum suggested the Commission could look at in his
11 testimony?

12 A. I have reviewed his testimony.

13 Q. And, what we're calling the "fourth option", the idea
14 of a stay-out, with perhaps a higher Default Service
15 rate for returning customers, what do you think about
16 that for a short-term approach?

17 A. It's something that's been done. I think they did it
18 in Rhode Island at one point, creating a separate last
19 report service that was distinct from the Standard
20 Offer Service, that was priced differently for
21 customers that did return. And, it proved to be not
22 very popular, but viable at least, and certainly
23 something that could be a solution.

24 Q. So, if it isn't popular, it helps us address one

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1 problem, and that is the issue of customers returning
2 and us wanting to ensure that PSNH covers the cost of
3 serving them, right?

4 A. Yes, I would agree.

5 Q. But it doesn't resolve the other problem, it doesn't
6 seem, that is the over-market generation, is that
7 right?

8 A. It doesn't provide a solution for the allocation of
9 fixed costs across a shrinking customer base.

10 Q. Have you reviewed what's been marked as "Exhibit 2",
11 which is PSNH's rebuttal testimony?

12 A. Yes, I have.

13 Q. Have you noticed that throughout the testimony they
14 often raise the issue about the motives of competitive
15 suppliers, their financial interest, and the fact that
16 they are in it for a profit?

17 A. Yes. That did not escape my attention.

18 Q. Do you think that that is something the Commission
19 should take into consideration?

20 A. I guess, from my perspective, I certainly am here on
21 behalf of for-profit companies that are looking for the
22 opportunity to compete to provide business. And, those
23 opportunities are certainly disciplined by the
24 competition amongst ourselves and against each other.

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[WITNESS: Allegretti]

1 I don't -- I don't hide away from that fact. At the
2 same time, I'm not here simply to tell the Commission
3 to do things because they're in the interest of
4 profit-seeking companies. The Commission needs to hear
5 compelling public policy reasons to adopt the
6 recommendations that I've made. And, I've certainly
7 endeavored in my testimony to describe the policy
8 benefits associated with the recommendations and try
9 and help the Commission see solutions to the dilemma it
10 faces of an increasing Energy Service rate.

11 Q. As you stated a few minutes ago when you were
12 summarizing your testimony, your main recommendation is
13 for the Commission to adopt the Full Requirements
14 Service structure, is that right?

15 A. Yes.

16 Q. And, I think what you said was that divestiture is a
17 requirement to do that, is that right?

18 A. I indicate in my testimony that the optimal means to
19 transition to it would be through retirement and/or
20 divestiture. But I also lay out a second alternative,
21 which I described as "less than optimal".

22 Q. You also just referenced that in your testimony you
23 refer to and discuss something called the "NorthBridge
24 Study", is that correct?

[WITNESS: Allegretti]

1 A. Yes, it is.

2 Q. And, that's attached to your testimony?

3 A. Yes, it is. Exhibit 1.3.

4 Q. And, PSNH criticizes that study in their rebuttal, is
5 that right?

6 A. I believe so.

7 Q. And, did you find their criticisms to be valid?

8 A. I did not find criticisms to be compelling. I noted
9 that at one point they cited the testimony of Richard
10 Hahn before the Rhode Island Public Utilities
11 Commission. Mr. Scott Fischer and I also both appeared
12 in that case, on the opposite side of the issue as
13 Mr. Hahn. And, after hearing Mr. Hahn's testimony, my
14 own, as well as that of Mr. Fischer, the Rhode Island
15 Public Utilities Commission issued their order sometime
16 shortly after my testimony was filed in this case, and
17 they adopted the recommendation of National Grid that
18 they move forward with full requirements solicitations,
19 and declined to adopt the recommendations of Mr. Hahn,
20 that they adopt a Managed Portfolio approach. And, the
21 Rhode Island Commission found the conclusions of the
22 NorthBridge Study to be fairly compelling, that the
23 value to Rhode Island consumers associated with the
24 reduction in risks associated with the full

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1 requirements solicitation was in the public's best
2 interest.

3 Q. Does National Grid in Rhode Island own any generation
4 or have significant entitlements or that sort of thing?

5 A. No.

6 Q. But is it your position that, despite the differences
7 between that company in Rhode Island and PSNH, that we
8 should still implement that approach here?

9 A. Yes. It's my position that the optimal means for
10 addressing the problem of allocating fixed costs over a
11 shrinking customer base is to get away from providing
12 service to that customer base through a Managed
13 Portfolio of generation and fixed quantity power
14 contracts, and to move instead on a going forward basis
15 to the procurement of full requirement load-following
16 service. And, I believe that -- I fully agree with the
17 statement that Mr. Baumann made yesterday, when he said
18 that "PSNH is not a fully restructured company." But I
19 think we're now at a turning point where customer
20 migration is reaching a level and retail competition is
21 reaching a level that this Commission needs to
22 seriously consider and this company needs to seriously
23 consider whether it's time for PSNH to become a fully
24 restructured company. And, I think that retirement

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1 and/or divestiture, adoption of Full Requirements
2 Service, and implementation of my recommendations to
3 enhance retail competition are all appropriate in order
4 to move New Hampshire to becoming a fully restructured
5 state, like its neighbors to the south.

6 Q. So, it sounds like your answer to Commissioner Below's
7 question posed to an earlier witness about "should we
8 wait and see for some more time or should we act now?",
9 would be that we should act now?

10 A. I would be very concerned about further delay, as the
11 customer base associated with the ES service will
12 continue to erode as customers migrate to third party
13 supply, and decisions will have to be made on a going
14 forward basis about additional fixed quantity power
15 procurements between now and whenever the Commission
16 makes a longer-term decision. I think it's important
17 for the Commission to give some thought to this and to
18 make a decision with regard to the policy direction
19 that it wants to take at this juncture. And, I'm
20 strongly recommending that they move forward with
21 restructuring.

22 Q. Does Constellation serve residential customers as a
23 competitive supplier?

24 A. It does, in two states.

[WITNESS: Allegretti]

1 Q. Which states?

2 A. In the State of Maryland and the State of New Jersey.

3 Q. In your testimony, on Page 24, starting right on Line
4 1, you have a description of a "Purchase of Receivables
5 Program", or "POR", do you see that?

6 A. Yes, I do.

7 Q. And, do you recall that, in PSNH's rebuttal, they
8 criticize the POR?

9 A. Yes, I do.

10 Q. But, then, do you recall yesterday, that when asked
11 about the POR, the PSNH witnesses said that they don't
12 know how it works?

13 A. I do recall some confusion with regard to the
14 implementation of the POR on behalf of the witnesses
15 that appeared yesterday.

16 Q. But is it your understanding that it currently exists
17 in Connecticut and will be implemented in
18 Massachusetts?

19 A. Yes. It is a feature of the retail market in
20 Connecticut. And, it is a requirement in Massachusetts
21 under the Green Communities Act, that the state's
22 utilities implement a Purchase of Receivables Program.
23 There's currently a docket at the Massachusetts DPU,
24 where a settlement between suppliers and utilities on a

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1 set of recommendations for implementing a POR is
2 currently pending before that Commission.

3 Q. And, at the bottom of Page 23 of your testimony, you
4 are saying that you recommend that the Commission
5 investigate and implement a POR and other tools, is
6 that right?

7 A. Yes, those are my recommendations.

8 Q. And, if they did, do you think that that would be a
9 step toward increasing the possibility for small
10 customers to migrate?

11 A. I do. I know from my own experience that, as
12 Constellation looks at on a state-by-state basis at
13 retail markets and makes decisions about whether or not
14 to begin to serve small businesses and residential
15 customers, one of the important criteria that we look
16 for is the existence of a purchase of receivables
17 program. The other recommendations that I make for
18 referral programs and electronic interfacing are also
19 factors that we look for. And, it has also been my
20 experience, in working with other retailers, through
21 the Retail Energy Supply Association, that those same
22 elements are also high priorities for other mass market
23 retailers in deciding which markets to enter for small
24 and residential customers.

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1 Q. And, why is Constellation not serving residential
2 customers, if the POR is in place in Connecticut?

3 A. We have only recently begun serving residential
4 customers at all. And, we've taken a state-by-state
5 approach, in which we started with our home state of
6 Maryland, and we're taking states on one at a time, so
7 that our back office, our implementation, our roll out
8 doesn't get too far ahead of our capabilities. But we
9 are continually evaluating states to expand our
10 residential offerings. And, we are certainly looking
11 most closely at states like Connecticut that have
12 purchase of receivables programs.

13 Q. In PSNH's rebuttal when they raise some issues with the
14 POR, they -- I think the way that they're describing it
15 is that it requires the utility to accept a large,
16 these are their words on Line 19, of Page 13, "accept a
17 large risk of the" -- "a large share of the risk
18 associated with serving customers who have migrated."
19 And, they -- I think what they're saying is, you know,
20 "why should the utility and its customers accept the
21 risk, if the competitive suppliers are now serving
22 those customers?" And, what's your response to that?

23 A. You know, a properly designed purchase of receivables
24 program is really intended to allow suppliers and

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1 customers to syndicate the risk of nonpayment or
2 default across all customers. And, the distribution
3 company, because it is itself billing and collecting
4 for distribution services from all of those same
5 customers, is a very convenient entity to implement
6 that kind of risk syndication. Ideally, the programs
7 are structured in such a way that the administrative
8 costs and the bad debt costs are fully covered by the
9 program and are not absorbed by the utility. So, by
10 way of example, the retail suppliers would effectively
11 be short paid by approximately one percent. Funds
12 would be retained and used to offset the program costs,
13 including the costs of bad debt. To the extent that
14 this retention percentage proves over time to be
15 inaccurate, and that some type of loss is incurred or
16 gain is occurring, it's reconciled on a going forward
17 basis. In this way, the programs benefit, because,
18 when we deal with large customers,
19 commercial/industrial customers, the transaction costs
20 associated with pulling credit reports, evaluating
21 credit, negotiating credit terms, are certainly
22 justified by the size of the transactions. For very
23 small customers, such as residential, the transaction
24 costs associated with evaluating default risk can be

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1 very costly relative to the transaction itself. By
2 syndicating the risk, through the use of a purchase of
3 receivables program, it's possible to eliminate those
4 transaction costs or at least to bound them to the
5 retention associated with the bad debt of the program
6 itself. And, in this way, it facilitates retail
7 competition. But, again, I would emphasize that it is
8 ideally designed in such a way that the utility company
9 is made whole for its administration of the program,
10 both in terms of bad debt loss and in terms of
11 administrative expense.

12 Q. And, just to be clear, a POR Program doesn't address
13 the fundamental problems that we're talking about here.
14 It is more intended to help spur competition for small
15 customers?

16 A. Yes. That was the intent of my recommendations on
17 Pages 24 and 25 of my testimony.

18 MS. HATFIELD: One moment please.

19 BY MS. HATFIELD:

20 Q. Mr. Allegretti, do you have in front of you the
21 exhibits that have been marked in this case? And, I
22 specifically want to ask you a question about what's
23 been marked as "Exhibit 3".

24 A. I don't have all the exhibits. Can you refer me to

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1 which document that is?

2 Q. Sure. This is, in this docket, it's a data response,
3 and it's Data Request TC, for TransCanada, Set 01, and
4 it's Question 026. And, I have a copy, if you would
5 like to review it.

6 A. Oh, that would be helpful.

7 (Atty. Hatfield handing document to the
8 witness.

9 WITNESS ALLEGRETTI: Yes, I now have the
10 response.

11 BY MS. HATFIELD:

12 Q. And, this question asks a few things. But the key
13 thing that I wanted to ask you about is the second
14 sentence in the question says "Please describe all
15 efforts undertaken by PSNH to minimize price risk to
16 customers, in particular those customers that have less
17 of an opportunity to choose a lower cost electric
18 supplier, due to the option PSNH customers have since
19 deregulation to choose an alternate supplier." Do you
20 see that?

21 A. Yes, I do.

22 Q. And, then, in response to that, the PSNH witnesses talk
23 about "price risk [having] been minimized for [PSNH]
24 default service customers by having default service

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1 prices set only twice annually." Do you see that?

2 A. I do.

3 Q. And, then, in the next sentence, they say "Further,
4 default service price risk has also been minimized
5 through managing over/under recoveries." Do you see
6 that?

7 A. I do.

8 Q. And, do you recall yesterday a discussion that I
9 believe Mr. Baumann had with one of the parties about
10 the issue of risk and how PSNH manages it?

11 A. I do recall the discussion.

12 Q. And, my question for you is, this response seems as
13 though it is really talking about "price stability", is
14 that right?

15 A. I would agree with that. I think, where it states
16 "Further, default service price risk has also been
17 minimized through managing over [and] under
18 recoveries", and where it says that it's been
19 minimizing the number of times per year customers
20 needed to react to price signals, they seem to go, to
21 me, to the question of price volatility, the frequency
22 with which prices changed, as opposed to the underlying
23 cost of the portfolio of resources that supply that
24 service and whose cost has to be recovered through the

[WITNESS: Allegretti]

1 rate.

2 Q. So, it almost goes more to PSNH's risk of not
3 recovering those costs than it does to a customer's
4 risk of having to pay over market costs?

5 A. Yes. I think it goes more to ratemaking than it does
6 to cost.

7 Q. And, yesterday, the testimony, it struck me that the
8 focus of the Company is really on that idea of keeping
9 the rate level and very carefully trying to manage over
10 and under recoveries, but not necessarily trying to get
11 the lowest cost at all times. Did it strike you that
12 way?

13 A. I would certainly say that, when we provide Full
14 Requirements Service, we have a market incentive that
15 drives us to squeeze every dime we can out of the
16 underlying cost, because we need to come in at the
17 lowest price to win the bid. And, any savings beyond
18 that, by driving costs down even further, go to our
19 bottom line. One of the challenges that I've
20 encountered with a Managed Portfolio approach like that
21 of PSNH is that, however admirable their goals are,
22 they don't have the same kind of market-imposed
23 incentives, they don't have necessarily the same drive
24 that a for-profit entity does in that business to have

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1 to compete with others, and, therefore, have to drive
2 costs down to the very lowest levels. And, I think
3 that's one of the interesting conclusions that falls
4 out of the NorthBridge Study. Which is that, even
5 though third party suppliers earn a return for
6 providing a product that manages all of this risk, that
7 the cost to the consumer of getting the full
8 requirements product is minimally more than the Managed
9 Portfolio. And, the reason for that is, because third
10 party suppliers have really powerful incentives to
11 wring all of the costs out, to achieve economies of
12 scale, to find ways of being more efficient and more
13 cost-effective in providing that service. So, I think
14 it's the natural incentive, for a regulated entity, is
15 to be able to obtain recovery associated with its
16 costs. And, while I certainly don't disparage their
17 goal of minimizing costs, I don't think they have the
18 proper incentives to be as effective as the market.

19 Q. Do you recall earlier today the testimony of Mr.
20 Hachey, when he was asked to explain the difference
21 between his testimony in PSNH's reconciliation docket
22 with his testimony in this case?

23 A. Yes, I was here.

24 Q. And, I asked him a question as well about some issues

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1 that you raised in your testimony relating to the
2 "difficulty of a prudence review". Do you recall that?

3 A. I do.

4 Q. And, would you agree that determining prudence requires
5 more than simply checking math or checking to see that
6 a market price that was paid on a particular day was
7 actually the market price on that day?

8 A. I think it depends on how the power is procured. In
9 the case of a full requirements solicitation, where
10 it's simply a matter of taking qualified offers, and
11 comparing them on an apples-to-apples basis and
12 selecting the lowest bid, the review of prudence in
13 that case is really that simple, because the Company
14 has very few decisions to make and the information is
15 all clear.

16 In the case of a Managed Portfolio, a
17 portfolio manager needs to make decisions on whether to
18 buy, whether to sell, and how much, every hour. And,
19 those decisions impact the overall cost of the
20 portfolio. So, where the portfolio costs are being
21 passed through, how PSNH bids its units in to the ISO
22 New England market, when they're dispatched on, when
23 they're dispatched off, how they procure their fuel,
24 when they procure their fuel, who they procure their

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1 fuel from, when they decide to sell to mitigate costs,
2 when they decide to make supplemental purchases, what
3 kinds of purchases they make, whether they decide to
4 enter into swaps or derivatives contracts, whether they
5 decide not to enter into swaps or derivatives
6 contracts, those are all decisions that have an effect
7 on the underlying cost of the portfolio. And, if you
8 were really going to do a thorough job of asking the
9 question "were all of their decisions prudent?" I
10 think you'd have to review all of those decisions. I
11 don't know how a Commission really even begins to
12 undertake that task.

13 One of the great virtues of the full
14 requirement solicitation is that it doesn't have to.
15 Questions there become "Was the process open? Was it
16 competitive? Was there sufficient participation in the
17 process? Were the bidders qualified?" And, finally,
18 and most importantly, "did they select the lowest cost
19 bid?" So, I think the prudence review exercise varies
20 greatly, whether you go with a Managed Portfolio of
21 generation and purchases or whether you go with the
22 full requirements solicitation process. And, that's
23 one of the reasons that I recommend full requirements.

24 Q. I think that Mr. Hachey testified that, if the

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1 Commission didn't move in the direction of Full
2 Requirements Service, that he would like to see RFPs
3 used by the Company just as a matter of policy, even if
4 it wasn't for Full Requirements Service. Do you agree
5 with that?

6 A. I think it's probably a useful suggestion, not a second
7 best solution. Certainly, when you're dealing with a
8 company like TransCanada, making purchases for its own
9 portfolio, it's accountable to its shareholders and to
10 its customers, but it's not accountable for the
11 prudence of those purchases. So, I think, when you're
12 dealing with a regulated entity that's purchasing for
13 the benefit of its customers, you need more
14 transparency. And, an open, competitive solicitation
15 process affords that. It certainly would assist the
16 Commission in determining whether purchases were
17 prudent.

18 Q. Excuse me. Mr. Allegretti, are you familiar with the
19 fact, it's been testified to in this proceeding, that
20 both Grid and Unitil provide that sort of safety net
21 backup service that PSNH provides to its customers?

22 A. Yes, I am familiar.

23 Q. And, if that, and I think you agree that that backup
24 service has a value to customers, to have someone to go

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1 back to, if you decide to leave the market, is that
2 right?

3 A. Yes, and I so stated.

4 Q. But would you agree that for Grid and Unutil customers,
5 there's no cost for having that backup supply?

6 A. There is a -- there is a cost to the Full Requirements
7 Service supplier to provide that Full Requirements
8 Service that serves as backup supply. But there are no
9 separate charges, there are no non-bypassable charges
10 to customers that leave and come back, there are no
11 exit or re-entry fees associated with the use of that
12 service on the part of customers. So, I would agree
13 that there are no additional charges for that.

14 MS. HATFIELD: Thank you. I have
15 nothing further.

16 CHAIRMAN GETZ: Thank you. Ms. Amidon?

17 MS. AMIDON: Thank you. Mr. Mullen will
18 cross-examine Mr. Allegretti.

19 MR. MULLEN: Good afternoon.

20 WITNESS ALLEGRETTI: Good afternoon.

21 BY MR. MULLEN:

22 Q. Under questioning from Ms. Hatfield a few minutes ago,
23 she asked you about some testimony that Mr. Hachey had
24 said earlier about some RFPs for -- even if it was just

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1 for pieces of the supplemental purchases?

2 A. Yes.

3 Q. And, you said that that would be basically maybe a
4 "second best solution"?

5 A. Yes.

6 Q. So, you think, basically, a Full Requirements Service
7 is the way to go?

8 A. I do. I think, if the problem that we're seeking to
9 address is how to allocate fixed costs across a
10 shrinking customer base, procuring standard block
11 products, that is to say fixed quantity products,
12 simply adds to the fixed costs and simply adds to the
13 risk that it may have to be allocated over an ever
14 shrinking customer base. When you procure full
15 requirements, you don't incur a fixed cost. You
16 procure a product that varies in quantity depending on
17 the size of the customer base.

18 Q. Now, what about the issue of load-following service for
19 just the supplemental purchases?

20 A. Load-following, so, you could purchase -- let me be
21 clear, because the terminology can be confusing. When
22 I talk of full requirements, I'm speaking of energy,
23 capacity, ancillary services, on a load-following basis
24 for the requirements. One could purchase just energy

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1 on a load-following requirement basis for the energy
2 requirement, or one could also purchase a fixed load
3 shape, a shaped product, that would be a fixed
4 quantity, and, therefore, contain some of the fixed
5 cost risk that I alluded to that would be somewhat
6 different. So, that would be sort of the universe of
7 possibilities. For supplemental purchases, purchasing
8 a load-following product that is energy only or that is
9 energy and ancillaries and capacity would be my
10 recommendations. Purchasing a fixed quantity load
11 shape would not be, because, again, it carries the risk
12 that you're stuck with a fixed quantity purchase and
13 allocating it over a shrinking customer base.

14 Q. I believe also in relation to the Full Requirements
15 Service, you said "the optimal way to get there is
16 either through divestiture or retirement of the PSNH
17 generation units", is that right?

18 A. Yes.

19 Q. Do you think the Commission would have to undertake any
20 additional investigation to conclude that going to an
21 FRS model is the way to go?

22 A. I think the Commission could certainly conclude, in
23 this proceeding, that an FRS model is the optimal
24 result. I think it -- I'm not an expert as to what the

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1 legal authority is to direct divestiture. I certainly
2 think the Commission should encourage the Company to
3 consider it, and should certainly offer them options
4 under which it's perhaps the most attractive result.
5 But I think that the policy decision that the end state
6 to arrive at is one in which remaining utility
7 customers are served through the procurement of full
8 requirement load-following default services is a
9 determination that I would hope that the Commission
10 would make in this proceeding.

11 Q. So, if one of the optimal ways to get there is, say,
12 divestiture, would it be correct to say that part of
13 the divestiture analysis would be to look at what
14 prices PSNH could get for its generation units and what
15 the resulting stranded costs, if any, would be? And,
16 would you then have to weigh it against the situation
17 that's existing now, where the Energy Service rate is
18 above market?

19 A. I think it would make sense to look at those facts.

20 Q. So that that in and of itself would require some
21 additional investigation, would it not?

22 A. It probably would.

23 MR. MULLEN: Thank you. I have nothing
24 further.

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1 CHAIRMAN GETZ: And, Mr. Eaton.

2 MR. EATON: Thank you.

3 BY MR. EATON:

4 Q. Mr. Allegretti, did Constellation prepare the
5 NorthBridge Study?

6 A. No, Constellation did not.

7 Q. And, that was prepared on behalf of National Grid?

8 A. Yes, it was.

9 Q. And, did it come out of the docket in 2000 -- let me
10 phrase that more carefully. Was there a docket in 2009
11 in Rhode Island on National Grid's 2010 Standard Offer
12 Supply procurement?

13 A. Yes.

14 Q. And, you testified in that docket?

15 A. Yes.

16 Q. And, as a result of that docket, they asked, "they"
17 meaning the Rhode Island Commission, asked National
18 Grid to supply something that turned out to be the
19 NorthBridge Study, correct?

20 A. To be precise, there were two proceedings in Rhode
21 Island. In docket 4041, which was a 2009 proceeding,
22 there was testimony and discussion over whether to
23 proceed with Managed Portfolio or Full Requirements
24 solicitation. In that proceeding, National Grid

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1 indicated that they had not taken a position, that they
2 wanted to do a thorough analysis of the question,
3 decide what was in the best interest of their
4 customers, prepare a report and submit it to the
5 Commission, which they did in early 2010. That
6 resulted in the opening of docket 4149, in which there
7 was testimony from NorthBridge, on behalf of National
8 Grid, from Constellation, and from the Division of
9 Public Utility Carriers, who engaged Mr. Richard Hahn
10 to testify. And, it was in the 4149 proceeding, which
11 I also testified, that the Commission issued an order
12 in September, I believe September, which adopts the
13 recommendation of National Grid that they move forward
14 with Full Requirements Service.

15 Q. And, the Rhode Island Commission concluded that the
16 difference in price between a Full Requirements
17 Portfolio and a Managed Portfolio were somewhere in
18 between the 72 cents in the NorthBridge Study and the
19 3.92 -- \$3.92 per megawatt-hour that Mr. Fischer had --
20 I'm sorry, that Mr. Hahn had advocated, correct?

21 MR. DONOVAN: Mr. Chairman, if I could?
22 If there's a citation to an order that counsel is reading
23 from, that would be helpful.

24 MR. EATON: Yes. This is Rhode Island

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1 Docket Number 4149. It's an order dated "August 5th,
2 2010". I'm struggling to find the order number.

3 MR. DONOVAN: It would be helpful if you
4 could maybe lay some foundation with the witness on that.

5 BY MR. EATON:

6 Q. You testified that the NorthBridge Study came to a
7 conclusion that it was only 72 cents more to go to a
8 Full Requirements approach as a Managed Portfolio,
9 correct?

10 A. Yes, I did.

11 Q. And, that Mr. -- was it correct that Mr. Hahn's
12 testimony was that it cost \$3.92 per megawatt-hour?

13 A. \$3.93, yes.

14 Q. Yes. And that, eventually, and I'm reading from the
15 Commission's findings, and this is at Page, and I can
16 show it to you, Page 18 to 19.

17 CHAIRMAN GETZ: Do you have that order,
18 Mr. Allegretti?

19 WITNESS ALLEGRETTI: I do have it.

20 BY MR. EATON:

21 Q. That "the evidence in this docket leads the Commission
22 to conclude the actual level of residual compensation
23 is likely closer to Mr. Fischer's number, 72 cents,
24 than Mr. Hahn's", but they found that it's in between

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1 those two numbers, correct?

2 A. The Commission states "The evidence in this docket
3 leads the Commission to conclude that the actual level
4 of residual compensation is likely closer to
5 Mr. Fischer's number of 72 cents a megawatt-hour than
6 Mr. Hahn's \$3.93."

7 Q. But, earlier, on Page 18, they say it's "in between
8 Mr. Hahn's and Mr. Fischer's estimates", correct?

9 MR. DONOVAN: I'm just objecting. The
10 order speaks for itself. It's a publicly available
11 document.

12 BY MR. EATON:

13 Q. In the earlier docket, Number 4041, do you have that
14 order with you?

15 A. I do not.

16 (Atty. Eaton distributing documents.)

17 BY MR. EATON:

18 Q. You testified in this proceeding?

19 A. I did.

20 Q. Could you turn to Page 14 of the order. And, Page 14,
21 right in the middle of the page, says "Mr. Allegretti
22 also agreed that "the university" -- I'm sorry,
23 "universe of entities that would be qualified to bid is
24 probably larger" for block products than for FRS." Is

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1 that --

2 A. Yes, I see that. I recall my testimony in that docket.

3 Q. And, did the Commission correctly summarize your
4 testimony on that issue?

5 A. No, I think, I haven't had a chance to read the whole
6 order since you handed it to me, but my recollection of
7 the testimony was that I testified that, in the case of
8 both open solicitations for block products and for Full
9 Requirements Service, that there is enough interest and
10 enough experience in both types of solicitations that
11 there are adequate number of bidders and that prices
12 are bid down to highly competitive levels. But that,
13 in the case of block products, the universe of
14 potential bidders is larger. That's the recollection I
15 have of my testimony in 4041.

16 Q. And, if the Commission were to decide to go in the less
17 optimal approach of retain PSNH's generation, but have
18 a full requirements solicitation for the supplemental
19 power, you think there would be an adequate number of
20 bidders for that amount of power, given how much
21 migration has taken place?

22 A. I think, if the solicitation is properly constructed
23 and properly conducted, it should be well subscribed.
24 There is certainly significant interest across this

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1 region in response to all the various full requirements
2 solicitations, whether they are for 100 percent of the
3 requirements of a company or some slice or percentage
4 thereof, or in addition to or above certain
5 entitlements. I do describe in my testimony some
6 recommendations that I have for some of the challenges
7 associated with the uncertainty around the quantity of
8 output for the PSNH generation fleet that would have to
9 be managed to wrap Full Requirement Service on top of
10 that. And, I recommend the use of tolling agreements
11 as a means of addressing that uncertainty.

12 Q. Could you look at Page 15 of the order.

13 A. This is the order in docket 4041 in Rhode Island?

14 Q. Yes, the one I handed out. The third line down, I'll
15 read, "Mr. Allegretti also indicated that there are
16 times when a Managed Portfolio approach may be more
17 reasonable than an FRS approach, "to the extent that a
18 company has the resources and capabilities to
19 effectively manage a portfolio on the same basis as
20 full requirements supply bidders." Both approaches,
21 Mr. Allegretti noted, could be equally effective."
22 Have I read that correctly?

23 A. Yes.

24 Q. And, has the Rhode Island Commission correctly

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1 summarized your testimony?

2 A. Well, as far as it goes. But I think the critical
3 point that's missing here is, of course, that it has to
4 be on the same basis, which would be on a fixed price
5 basis.

6 MR. EATON: Mr. Chairman, do we need to
7 mark these -- this as an exhibit?

8 CHAIRMAN GETZ: Well, I don't think
9 that's entirely necessary. But, for completeness of the
10 record, if you had -- if you could submit copies of both
11 of the Rhode Island orders, that might prove useful. And,
12 we'll mark them as Exhibits -- well, put them together as
13 "Exhibit 17".

14 (The documents, as described, were
15 herewith marked as **Exhibit 17** for
16 identification.)

17 MR. EATON: Thank you. I will provide
18 copies of the other order.

19 BY MR. EATON:

20 Q. Mr. Allegretti, have you or Constellation participated
21 in a PSNH reconciliation proceeding, where the prudence
22 of PSNH's power supply operations for their generating
23 plants and their fuel -- I'm sorry, their purchased
24 power choices has been analyzed by the Commission?

[WITNESS: Allegretti]

1 A. I don't recall any specifically. Do you have a time
2 frame in mind?

3 Q. Since restructuring.

4 A. It's possible. I don't have any specific recollection.

5 Q. So, you don't know the level of examination that the
6 Commission goes through in analyzing PSNH's operation
7 of its plants or its fuel -- I'm sorry, its power
8 supply decisions?

9 A. I certainly am familiar with the issues that the
10 Commission would need to address in any such
11 proceeding. But I have no specific knowledge of those
12 proceedings.

13 Q. Are we at the -- have we fully recovered from the
14 economic conditions that have been described as the
15 "recession" that happened in 2008/2009, "we" meaning
16 the New England or U.S. economy?

17 A. Well, that's certainly a matter of opinion. I've read
18 in the Wall Street Journal that it is the consensus of
19 professional economists that, in fact, we have. But, I
20 think, if you ask the man on the street, he will have a
21 very different opinion. Certainly, we're in a period
22 that is characterized by very high unemployment and a
23 significant degree of uncertainty about the future.

24 Q. If the economy were to improve, would that have an

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1 impact on gas markets?

2 A. One of the factors that can certainly determine the
3 demand for both natural gas and for electricity is the
4 general health of the economy. So, that's certainly
5 one factor that could affect demand, and therefore
6 affect prices.

7 Q. And, would you agree there are environmental questions
8 surrounding shale gas in the New York/Pennsylvania
9 area, the Marcellus --

10 A. Would I agree that there are environmental questions?
11 Well, you know, I think that, certainly, based on my
12 knowledge and what I've read, and folks in the gas
13 industry that I talk to, I think there's a very high
14 degree of confidence that the substantial reserves can
15 be captured and removed safely. And, I certainly think
16 it's the view of the market that we're likely to see
17 the benefit of those reserves in the years to come.

18 Could there be an environmental issue?
19 Could there be an incident that might cause a
20 disruption in the gas markets? Always a possibility.
21 We certainly recommend to our retail customers that
22 they hedge their power supply, because there are always
23 unknowns like that.

24 Q. Does Constellation Commodities Group supply Standard

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1 Offer Service for distribution utilities?

2 A. Yes, it does.

3 Q. And, does Constellation own generation?

4 A. Constellation Energy Commodities Group does not;
5 Constellation affiliates do.

6 Q. And, is Constellation -- is any Constellation affiliate
7 planning to or in the process of acquiring generation
8 assets in New England?

9 A. Yes.

10 Q. Does that affiliate make those generation assets
11 available to the Commodities Group in fashioning their
12 bids for Standard Offer Service?

13 A. Not as we sit here today.

14 Q. But will they, when those assets are acquired?

15 A. They may. It depends.

16 Q. Do they -- are the generation assets made available
17 after the bids are awarded? In other words, you may
18 not count on the generation assets in fashioning a bid.
19 But, once the bid is won, do you use it to actually
20 supply the power?

21 A. In some cases, yes, and, in some cases, no. Certainly,
22 our experience in other regions, such as PJM and New
23 York, at times owning generation assets allows us to
24 keep prices open and use the assets to help manage our

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1 portfolio risks. In other cases, we find that it's
2 simply more cost-effective to manage them through other
3 opportunities, products available in the marketplace.
4 Our portfolio managers and our generation asset
5 managers will both look to do what's in the Company's
6 best interest in terms of offering the best product.
7 So, it varies.

8 Q. And, do you use purchases of blocks of power to build a
9 portfolio for these Standard Offer Services?

10 MR. DONOVAN: Can we clarify, when you
11 use the word "you", what entity you're referring to?

12 MR. EATON: The Commodities Group.

13 **BY THE WITNESS:**

14 A. Sure. So, Commodities Group manages a portfolio of
15 load-serving obligations. And, that includes our
16 residential -- or, our retail load-serving obligations,
17 as well as our wholesale load-serving obligations.
18 And, it manages that portfolio on a fairly consolidated
19 basis. And, Constellation will certainly enter into a
20 variety of different purchases and contracts as ways of
21 hedging the risks and costs associated with managing
22 that portfolio. Block products are one of the types of
23 hedges that that portfolio may include.

24 Q. And, do you use RFPs to purchase those block products?

[WITNESS: Allegretti]

1 A. Usually not.

2 (Atty. Eaton distributing documents.)

3 BY MR. EATON:

4 Q. Could you identify the document that I just --

5 A. Yes. It appears to be Constellation's response to Data
6 Request PSNH-12, which I am the responding witness.

7 CHAIRMAN GETZ: We'll mark this for
8 identification as "Exhibit Number 18".

9 (The document, as described, was
10 herewith marked as **Exhibit 18** for
11 identification.)

12 BY MR. EATON:

13 Q. Does this response stand for the proposition that you
14 include the costs and related risks in the cost of the
15 product that you bid?

16 A. Yes, I think, generally.

17 Q. And, your profit's included in the bid that you submit?

18 A. When we submit a bid, we certainly hope to earn a
19 profit. Whether we do, in fact, earn a profit or what
20 the profit is, will depend on how effectively we manage
21 the portfolio over the term of the contract. But it's
22 -- certainly, the bid is prepared with the expectation
23 of earning a competitive return.

24 (Atty. Eaton distributing documents.)

[WITNESS: Allegretti]

1 BY MR. EATON:

2 Q. Do you recognize that document?

3 A. Yes. It appears to be Constellation's response to PSNH
4 Data Request Number 6, to which I am the responding
5 witness.

6 CHAIRMAN GETZ: We'll mark this for
7 identification as "Exhibit Number 19".

8 (The document, as described, was
9 herewith marked as **Exhibit 19** for
10 identification.)

11 BY MR. EATON:

12 Q. Constellation objected to this request?

13 A. Yes. I see the objection there.

14 Q. And, did Constellation also file just a general
15 objection to most, if not all, of PSNH's data requests?

16 A. It may have. I'd have to go back and look.

17 Q. Would you agree, subject to check, that they did?

18 A. Sure.

19 MR. EATON: Thank you. I have no other
20 questions.

21 CHAIRMAN GETZ: Thank you. Commissioner
22 Below.

23 CMSR. BELOW: Thank you. Good
24 afternoon.

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1 WITNESS ALLEGRETTI: Good afternoon,
2 Commissioner.

3 BY CMSR. BELOW:

4 Q. Turning to Page 24 of your prefiled testimony.

5 A. I am there.

6 Q. I note that the Purchase of Receivables Program exists
7 in New Jersey, which is one of the two states where you
8 indicated you market to retail customers.

9 A. Residential customers.

10 Q. Residential customers. Is that POR Program primarily
11 for residential customers, small business, or all
12 customers? And, do you have a view as to what would be
13 appropriate in New Hampshire?

14 A. You know, I'm not certain with regard to the New Jersey
15 program, whether it's limited to small customers or
16 not. I think it's open to all customers, but I'm not
17 certain. But I can certainly tell you that the
18 presence of a Purchase of Receivables Program would be
19 a major factor in making a decision to enter the
20 residential market in New Hampshire for Constellation.

21 Q. Do you currently market to larger customers in New
22 Hampshire?

23 A. Yes, we do.

24 Q. And, how far would you say that this goes to, in terms

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1 of commercial accounts? Is it the largest class, some
2 in the middle class, some in the smaller class?

3 A. You know, it's often driven by a couple of factors, one
4 of which often has to do with the licensing
5 requirements. There are often consumer protection
6 provisions contained in the Commission rules that cut
7 off at a certain size of customer. And, so, we
8 generally are comfortable marketing down to the limits
9 permitted under our license. And, I think we're
10 currently in the process of evaluating license
11 modifications in a number of states, including New
12 Hampshire, that would allow us to market to small
13 businesses.

14 Q. The electronic interfacing that you described, do you
15 know what states that operates in?

16 A. I don't have a good list, but I could provide you with
17 one. I think, if there were one complaint that I often
18 here from, both our wholesale load serving folks, as
19 well as the retailers, it is the cost, timeliness, and
20 quality of customer load data. Particularly as we move
21 toward the implementation of SmartGrids and Smart
22 Meters, it becomes increasingly frustrating to have to
23 have spreadsheets e-mailed to us and not to be able to
24 access data quickly in a consistent electronic format,

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1 certainly will be valuable in enabling us to get prices
2 out the door more quickly and more effectively to both
3 wholesale and retail customers.

4 Q. In your testimony, you refer to "key customer usage and
5 account data", and talk about, on the top of Page 25,
6 "customer-specific data".

7 A. Yes.

8 Q. Do you mean customers of the distribution utility,
9 customers of the competitive supplier, or prospective
10 customers of the competitive supplier?

11 A. Really, prospective customers. This is data that would
12 be used in order to develop a price for the customer.

13 Q. And, how -- do you know how other states deal with the
14 privacy issues? How would you -- do you have any
15 thoughts of that, in terms of your recommendation? In
16 terms of, is it something that competitive suppliers
17 can just access on a speculative basis? Do they get
18 permission from prospective customers?

19 A. In general, only aggregated data is available without
20 customer consent. So, to the extent that we're bidding
21 to provide Full Requirements Service to a distribution
22 company, we're generally able to obtain aggregated data
23 from the utility. For individual retail customers, I
24 think every state requires customer consent before that

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1 data, on an account-specific/customer-specific basis
2 can be provided. But the way in which they require it
3 varies considerably from state to state. Some of the
4 most onerous requirements are what we call a "wet
5 signature", requiring actually ink on paper in order to
6 be able to access that information. In the Internet
7 age, to the extent that it's as easy as getting the
8 customer to send an e-mail, making the experience
9 easier for the customer to authorize the release of the
10 data makes it easier for the customer to shop, and
11 helps to encourage customers to take advantage of
12 options in the marketplace, rather than throw their
13 hands up and declare "This is too much trouble, it
14 isn't worth it."

15 Q. On Line 6, 7, and 8, there's a reference to "867". Do
16 you know what that means, out of curiosity?

17 A. Yes. These are references to the EDI systems that were
18 given to me by the folks within our operations
19 organization, as a way of specifying the particular
20 data that they were looking for.

21 Q. Okay. You've recommended that we consider divestiture
22 or retirement of PSNH's generation assets. Do you have
23 a view as to how the cost of such divestiture or such
24 retirement would be recovered?

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1 A. Well, I would certainly think that the first place to
2 recover the costs from, in context of the divestiture,
3 would be the sale proceeds. To the extent that the
4 plants are sold at a loss, and there is a shortfall,
5 then I think it certainly is appropriate for Public
6 Service Company of New Hampshire to apply to this
7 Commission for stranded cost recovery. I think what
8 distinguishes that situation from the proposal for a
9 non-bypassable charge that Mr. Baumann made yesterday
10 is that, in the case of divestiture or retirement, the
11 non-bypassable charge is a transitional mechanism. It
12 gets us to a fully restructured state, in which
13 customer choice is uninhibited.

14 In the case of a non-bypassable charge
15 that seeks to recover ongoing investments, ongoing
16 purchases, costs that are incurred sort of beyond the
17 implementation of choice on an ongoing basis, those
18 costs follow around customers that are attempting to
19 exercise choice, and, in that sense, I think are
20 fundamentally different than the recovery of a stranded
21 cost in the context of a divestiture or a retirement.

22 Q. Even if it were to be called something other than a
23 "stranded cost", since, by law, stranded costs don't
24 exist after the enactment of RSA 374-F?

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1 A. I would refer to it as a "stranded cost", little "s"
2 little "c", in the common understanding of the term.
3 To the extent that it's a legal term of art in New
4 Hampshire, I have no opinion as to whether it is or
5 isn't.

6 Q. Okay. In light of your comments earlier about how you
7 view the energy markets, and particularly the natural
8 gas futures market, what would be your opinion as to
9 the likelihood of whether PSNH's Energy Service rate
10 over the midterm, say, after five years, based on its
11 sort of embedded cost of generation, is likely to be
12 greater than or less than retail market prices for
13 comparable energy service?

14 A. I don't have a specific price forecast. But I would
15 certainly observe that I think the cost of the PSNH
16 fleet has gone up. There have been additional capital
17 investments. And, so, they're maybe not as
18 cost-effective as they used to be. Certainly, we're in
19 a situation where the New England region is in excess
20 capacity, and is predicted to be so for quite some
21 time. That contributes to a depressing of heat rates.
22 So, it's not just natural gas prices, but heat rates as
23 well. I think, over the five year period, are likely
24 to remain relatively inexpensive. And, so, I think the

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1 likelihood that we will see a significant increase in
2 the regional cost of power is unlikely in the next five
3 years. And, I can't really see a reason why I would
4 think that the cost of output for the PSNH fleet would
5 be likely to decrease in that time period. So, it
6 would be my expectation that it would remain above
7 market. But I have no specific market forecast in mind
8 in offering that opinion.

9 Q. Okay.

10 A. I guess, just to add to that, too. I think that the
11 response to Staff Data Request Number 002, which
12 indicates the cost of PSNH's supplemental purchases
13 relative to the spot market would also lead me to
14 wonder whether PSNH would be able to procure in the
15 market on a more advantageous basis going forward than
16 it has historically. And, so, that would be another
17 reason I would expect the energy service cost to remain
18 above market.

19 Q. I think the NorthBridge report that you attached to
20 your testimony indicated that, in a couple of states
21 where you do business, at least New Jersey, Maryland,
22 that the largest commercial/industrial customer is
23 somewhere on the order of 500 to 1,000 kW of demand,
24 their Default Service or Standard Offer Service comes

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1 from spot market purchases. And, I was just wondering
2 if you had a opinion on that, with regard to PSNH,
3 whether that might be appropriate for their largest
4 industrial customers?

5 A. Sure. The reference would be Page 6 in the NorthBridge
6 report. It's represented graphically. And, I can
7 update you on New Jersey. They have lowered the
8 threshold from 1,000 to 750. I think that's effective
9 this July. You know, certainly, to the extent that you
10 are free of the fixed costs associated with generation
11 and fixed quantity purchase portfolio, you're free to
12 do a lot of interesting things, in terms of default
13 service rate designs. And, certainly moving to a spot
14 pass-through for larger customers is one option that a
15 lot of states have adopted. Because, in those customer
16 segments, most of those customers have migrated to
17 third party supply anyway. And, so, they figured out
18 what works best for them and taken advantage of choices
19 in the marketplace. And, to the extent that they do
20 rely on Default Service, it's very often just
21 transitional in nature. And, so, it makes a lot of
22 sense to put those larger customers on some type of a
23 spot market price, and a lot of states have moved in
24 that direction.

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1 I think -- I think, to some degree, I do
2 agree with Mr. Baumann. That, at least for smaller
3 customers, they tend to prefer a little bit more rate
4 stability, in terms of the service offerings that they
5 select, whether it's a Default Service or a third party
6 supply. And, so, I would tend to recommend the use of
7 a fixed price full requirements Default Service for
8 much smaller customers.

9 CMSR. BELOW: That's all.

10 CHAIRMAN GETZ: Commissioner Ignatius.

11 CMSR. IGNATIUS: Thank you. Good
12 afternoon, Mr. Allegretti.

13 WITNESS ALLEGRETTI: Good afternoon,
14 Commissioner.

15 BY CMSR. IGNATIUS:

16 Q. Do you have -- how would it work if you had a situation
17 in which PSNH were not divested, either on a
18 transitional basis or permanently, if that was
19 underway, and yet we had gone to a full requirements
20 process? Would PSNH bid in its own power somehow?

21 A. Well, I can tell you how some other utilities have done
22 it. And, I've kind of drawn on an example in my
23 testimony from Massachusetts that NSTAR -- National
24 Grid actually quite recently adopted in connection with

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1 the purchases from Cape Wind Associates. Under that
2 arrangement, it's a little bit complex, but here's what
3 happens: The output from the Cape Wind facility is
4 sold to National Grid, who turns around and immediately
5 sells it to the Full Requirements Service providers for
6 its Default Service load. Those Full Requirements
7 Service providers provide full requirements,
8 load-following service for those customers at fixed
9 prices that they bid. They then pay National Grid the
10 hourly spot price, the day-ahead price for the Cape
11 Wind generation.

12 It is economically equivalent to what
13 would happen if National Grid had sold the power
14 directly into the spot market. But, because they are
15 subject to British accounting rules, they need to
16 instead supply that power to the Full Requirements
17 Service customer who serves their Default Service load.

18 Something similar could be done with
19 Public Service New Hampshire that would allow for the
20 value of the output to be monetized in the marketplace
21 through delivery to the Full Requirements Service
22 supplier. The electricity would technically be used to
23 serve Energy Service customers by the Full Requirements
24 Service provider. And, so, it would, I think, comply

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1 with at least the letter of the statutory requirements,
2 or at least arguably. And, under this mechanism could
3 work, the customers would then face a price for Full
4 Requirements Service that's reflective of the market.
5 They would be able to shed the sort of migration risk,
6 that would then be the responsibility of the full
7 requirements supplier. And, then, the real question
8 is, "should the plants be operated or not, based on
9 what conditions are in the marketplace?" And, if the
10 fixed costs and the revenues associated with the
11 marketplace are such that the plants appear to be
12 year-over-year uneconomic, probably means they need to
13 be retired. Is that helpful?

14 Q. It's helpful in raising about 20 more questions, and
15 probably things that are beyond the scope of this
16 docket, but, yes. Thank you.

17 A. We have a half an hour.

18 Q. A moment ago you had said in a response to a question
19 from Mr. Eaton that, for certain purchases of blocks of
20 power, Constellation doesn't use RFPs. And, can you
21 explain why you don't?

22 A. Sure. When we make purchases for our portfolio, that's
23 not regulated. So, there's no need for those purchases
24 to be reviewed for prudence. It's simply an ongoing

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1 business cost. We make a decision, "do we want to buy
2 or not?" So, the need for transparency is different
3 for an entity that's not rate-regulated. And, in that
4 case, we're really just accountable to the shareholder
5 and to the customer, as I said. The traders that would
6 make block purchases are generally subject to a number
7 of controls. They have a value at risk limit that
8 they're allowed to purchase. Every day their position
9 has to be reported. And, the overall position of the
10 Company and the position of the portfolio go up to
11 senior management. Everything is booked out at the end
12 of the day. Each day their value at risk position is
13 adjusted. So, we've got some significant controls on
14 what a portfolio trader can do on a daily basis. And,
15 they generally have a host of information feeding into
16 them constantly. They're getting verbal offers over
17 the broker box from the broker market. They're able to
18 see what the spot prices are, in a variety of
19 interconnected RTOs. They're able to see what the fuel
20 prices are and what the weather conditions are, and
21 make their decisions hour-by-hour on which products to
22 buy, blocks, spots, swaps, what have you. So, we give
23 them a range within which to trade and make adjustments
24 to the portfolio. And, we rely on their experience in

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1 assessing competitive offers. And, then, we review
2 their power position and the market positions daily.

3 Q. Yesterday, PSNH's witnesses said that they were --
4 "found it ironic", I'm not sure that was quite the
5 right wording, that, "in the context of the POR, you
6 were suggesting that the utilities manage that risk
7 when otherwise you were testifying that you thought the
8 competitive suppliers were far better at managing risk
9 and should be the ones that hold risk as to energy
10 supply." Do you have a reaction to that?

11 A. Sure. I don't think the utility so much manage the
12 risk as they facilitate the syndication of that risk
13 across the market. As I indicate in response to
14 questioning from the OCA, the utility would be made
15 whole. They're not actually shouldering the risk, but
16 they are helping to administer a program that allows
17 for the risk to be syndicated and liquidated, if you
18 will.

19 In the context of larger customers,
20 managing that risk is something we do very well. The
21 problem for residential and small customers is that the
22 transaction costs of pulling credit reports and
23 evaluating the credit profile of individual customers
24 overwhelm the size of the transaction pretty quickly.

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1 And, so, finding a different way to manage that risk by
2 syndicating it across the pool, when we price products
3 up, we don't have to look at an individual customer and
4 say "what's their credit profile?" We can instead say,
5 "okay, we're going to get paid 99 cents on the dollar.
6 We can price it out that way." And, figure out how to
7 make a competitive offer to that customer, at a
8 reasonable price.

9 So, it's really a syndication mechanism.

10 It's a way of all load-serving entities to commonly
11 share the bad debt risk syndicated amongst each other
12 and to be able to deal with the uncertainty of it.

13 Q. And, if, as you say, there's a mechanism you can impose
14 that allows for recovery of the true costs, both
15 administration and bad debt, why not have that recovery
16 go to you and have you manage that? What is it, and
17 since the cost isn't the issue apparently, then what's
18 the reason that it should be on the utility side?

19 A. Right. So, any number of entities could theoretically
20 act as the syndication agent, billing and collection
21 agent on behalf of all retail suppliers that would
22 syndicate and manage the bad debt risk. It just seems
23 to make a lot of sense, in other jurisdictions at least
24 have found it makes sense to look to the distribution

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1 company, because they are looking to bill and collect
2 based on kilowatt-hour usage on a monthly basis from
3 exactly that group of customers for their transmission
4 and distribution services. And, so, they're almost
5 ideally positioned to act as the risk syndication
6 manager, because they're already looking to bill and to
7 collect with regard to those very same customers. So,
8 theoretically, it's not something that is unique to
9 them. But, yet, they're uniquely situated to be and
10 probably the most logical position to act as that
11 syndicator.

12 CMSR. IGNATIUS: Thank you.

13 BY CMSR. BELOW:

14 Q. As follow up to that, on Page 24 of your testimony, at
15 Line 12, 11 or 12, you state that "As a transitional
16 tool to an end state where the supplier will provide
17 the consolidated billing service, POR attracts
18 suppliers to a service territory that offers this
19 service." And, that particular point, as you may
20 recall, was criticized in PSNH's rebuttal testimony.
21 Is there any reason why POR needs to be looked at as a
22 transitional tool versus what you just said, that maybe
23 the distribution company is in the best position to
24 manage that syndication of risk, particularly as the

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1 entity that has the authority to pull the meter under
2 the present metering regime?

3 A. Certainly not from a Constellation perspective. I'm
4 testifying as well on behalf of RESA, there's probably
5 a divergence of opinion on that. But I think it's safe
6 to say that, whether you intend to go all the way to
7 supplier consolidated billing or not, a POR program for
8 utility consolidated billing makes eminent sense either
9 way.

10 CMSR. BELOW: Okay. Thank you.

11 CHAIRMAN GETZ: Good afternoon, Mr.

12 Allegretti.

13 WITNESS ALLEGRETTI: Good afternoon, Mr.

14 Chairman.

15 BY CHAIRMAN GETZ:

16 Q. Yes, I want to revisit some of the discussion I think
17 primarily that you've had with Ms. Hatfield about the
18 value of the safety net, to make sure I understand the
19 position.

20 A. Sure.

21 Q. And, I think you had said, as a general proposition,
22 you agree that there is a value to the safety net
23 offered by the PSNH Energy Service rate. Is that fair
24 as a general matter?

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1 A. To be precise, there is value to the availability of a
2 tariff that provides universal service as the safety
3 net, separate and apart from what type of hedge or
4 power supply may be behind that service. The mere
5 availability of a universal service has value.

6 Q. But, in terms of PSNH's particular proposal to have
7 this non-bypassable charge that addresses the issue of
8 the fixed costs being recovered over a shrinking base,
9 you took -- seemed to take the position that, in
10 referring to what Commissioner Ignatius pointed out,
11 that there's a corresponding fairness issue to the
12 customers who have migrated away.

13 A. Yes.

14 Q. And, I take it there that your focus on whether it's
15 fair or not to impose that charge comes down to some
16 kind of conclusion about whether, and these are two
17 intertwined factual potentialities, either the Energy
18 Service rate ends up going below the market rate at
19 some point or that the customers who migrated are
20 likely to come back or not. So, I'm taking that you're
21 saying neither of those things are likely, so there's
22 no value to those customers who have migrated away. Is
23 that a fair statement?

24 A. I think that's fair to say. That customers don't see

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1 value in an option -- customers see value in the
2 ability to return at some price, but they don't see
3 value in having an above-market price available to
4 them.

5 Q. So, given your view of what will play out in terms of
6 energy rates, and what large customers are likely or
7 unlikely to do, you are opposed to this non-bypassable
8 rate?

9 A. Yes, I am. You know, we talk to customers a lot. And,
10 I think, if we ask customers, "so, would you like us --
11 would it be valuable to you to know that any time you
12 want, expiration of your contract, you leave this
13 contract, someone will offer you energy at a price that
14 reflects the market at that time?" Customers actually
15 see value in that. It's great to know that there's at
16 least someone there willing to offer a market-based
17 price at any time. If I asked them "would you be
18 willing to pay us a monthly fee to know that there's an
19 option to buy electricity at this price, which is
20 currently above market, and which could change over
21 time?" We'd have a really hard time selling that
22 product. I don't think we'd have any takers for it. I
23 don't think that's something that customers want, to
24 pick up a fixed charge, a monthly charge, to have

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1 available to them a price that's currently above market
2 and is probably going to change over time, and no
3 guarantee or expectation that it will ever be lower.

4 Q. And, Ms. Hatfield also asked you about the value of the
5 safety net in respect to the National Grid and Unitil
6 --

7 A. Yes.

8 Q. -- basically full requirements situation. And, I think
9 what -- in response to her, I think you said "there are
10 no additional charges that are imposed for a customer
11 who re-enters." But would it be fair for me to
12 conclude that, whoever wins those bids and providing
13 service to Grid or Unitil, has incorporated a cost of
14 the possibility of a sizable re-entry in their bid?

15 A. Yes, it would be fair. And, your next question is
16 going to be "how much is that?" And, I would again
17 point you to the NorthBridge Study, where they came up
18 with an average cost of 72 cents per megawatt-hour.

19 CHAIRMAN GETZ: Okay. Thank you.

20 Redirect?

21 MR. DONOVAN: Could I have a moment with
22 the witness?

23 CHAIRMAN GETZ: Certainly.

24 MR. DONOVAN: Thanks.

[WITNESS: Allegretti]

1 (Atty. Donovan conferring with the
2 witness.)

3 CHAIRMAN GETZ: Mr. Donovan.

4 MR. DONOVAN: Mr. Chairman, I have just
5 a couple of quick questions for the witness.

6 **REDIRECT EXAMINATION**

7 BY MR. DONOVAN:

8 Q. Mr. Allegretti, if you could please pull up Exhibit 18
9 that counsel from PSNH handed you.

10 A. Which is?

11 Q. That is the response to Request Number PSNH-12.

12 A. Yes, I have it here.

13 Q. And, in the response, the question asked about and the
14 question from counsel asked about the migration risk
15 and whether or not we were -- whether or not
16 Constellation incorporates those migration risk costs
17 into the bid prices --

18 A. Yes.

19 Q. -- that we submit in response to an RFP or other sorts
20 of solicitations. In the event that Constellation is
21 inaccurate in its migration risk projections, who bears
22 that risk?

23 A. Oh, we do. We bear it 100 percent.

24 Q. That risk is not ported onto the default customers?

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1 A. No. There is no contractual price adjustment mechanism
2 to flow it through. The prices are fixed.

3 Q. Okay. On Exhibit 19, which is the response to PSNH-6.

4 A. Yes.

5 Q. Counsel for PSNH asked you about whether or not
6 Constellation has stated and RESA I suppose had stated
7 some objections in response to that request. Do recall
8 that line of questioning?

9 A. Yes, I do.

10 Q. Did, in fact, Constellation and RESA provide a
11 substantive response?

12 A. Yes, it's right here.

13 Q. It's on the same document that was submitted as Exhibit
14 19?

15 A. Yes, it is.

16 MR. DONOVAN: All right. Mr. Chairman,
17 I don't believe I have any further questions.

18 CHAIRMAN GETZ: Okay. Thank you. Then,
19 Mr. Eaton?

20 **RE-CROSS-EXAMINATION**

21 BY MR. EATON:

22 Q. With respect to the question that counsel asked you
23 about, Exhibit 18, to the extent that --

24 A. I'm sorry, Mr. Eaton. Is that PSNH-6? Mine don't have

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1 exhibit numbers.

2 Q. I'm sorry. Yes. PSNH --

3 A. Thank you.

4 Q. PSNH-12.

5 A. Oh, PSNH-12. Thank you.

6 Q. You also can achieve the reward for a miscalculation
7 that goes positive?

8 A. Yes.

9 Q. In other words, if -- and customers don't get that
10 reward either?

11 A. No. The prices are fixed.

12 MR. EATON: Thank you.

13 CHAIRMAN GETZ: Anything further, Mr.
14 Donovan?

15 MR. DONOVAN: No, Mr. Chairman.

16 CHAIRMAN GETZ: Okay. Then, the witness
17 is excused. Thank you.

18 WITNESS ALLEGRETTI: Thank you very
19 much.

20 CHAIRMAN GETZ: Okay. Is there any
21 objection to striking the identifications and admitting
22 the exhibits into evidence?

23 MR. DONOVAN: I have one clarification,
24 Mr. Chairman. I didn't -- I seem to have some

1 miscalculations on my notes here. What was the number for
2 Ms. Hennequin's direct testimony?

3 CHAIRMAN GETZ: For whose direct
4 testimony?

5 MR. DONOVAN: Ms. Hennequin.

6 CHAIRMAN GETZ: It's 12.

7 MR. DONOVAN: Okay. Was there -- the
8 Merrimack Scrubber Report, was that reserved for an
9 exhibit? That was withdrawn?

10 CHAIRMAN GETZ: Oh, I think what we were
11 talking about there is we took official notice of that
12 document and didn't assign it an exhibit number.

13 MR. DONOVAN: Great. Thank you.

14 CHAIRMAN GETZ: So, can I -- I take it
15 there's no objection?

16 MR. DONOVAN: No objection from me.

17 CHAIRMAN GETZ: Okay. Then, all of the
18 exhibits will be admitted into evidence.

19 Well, let me address this issue. I
20 think the parties proposed exhibits -- or, I'm sorry,
21 briefs, and I thought you gave a particular date.

22 MS. AMIDON: Yes. We said "January 7th,
23 2011".

24 CHAIRMAN GETZ: And, that's a hard date,

1 or depending on when the transcripts are due?

2 MS. AMIDON: We calculated that, given
3 the stenographer's schedule, as well as the fact that
4 there are probably family obligations or travel that
5 people have planned that time of year, so we took that
6 into account.

7 CHAIRMAN GETZ: Okay. Well, let me
8 maybe throw a little wrinkle into that.

9 MS. AMIDON: Oh, boy.

10 CHAIRMAN GETZ: The way I read the
11 letter that was filed on November 12, that says "Parties
12 and Staff", you know, "propose to address legal issues
13 related to the various alternatives proposed by the
14 Parties in this docket." And, I guess I have at least
15 three things under consideration. One was to forgo
16 closing statements today. And, then, to the extent that
17 parties would like to put in their brief their closing
18 statement, then that they would have the opportunity to do
19 that. Then, there's two other pieces to that. One is,
20 the discussion of further processes or procedures, either
21 in terms of should there be additional phases to this
22 proceeding? Should there be other proceedings, other
23 recommendations in that regard? Because I think what we
24 have before us, and the most concretely what we have

1 before us is one particular proposal about one particular
2 non-bypassable charge that's not fully defined, but a host
3 of other ideas or approaches that sound like they need
4 significantly further exposition. So, I guess I would
5 like to see the parties try to address those issues of
6 next steps, processes, procedures as a second part of that
7 brief. And, the third set --

8 MS. HATFIELD: Mr. Chairman?

9 CHAIRMAN GETZ: -- I guess is the legal
10 issues. Ms. Hatfield?

11 MS. HATFIELD: Well, just for
12 clarification on what you're looking for, are you looking
13 for each party to very clearly say what types of things
14 they might support and put a little more meat on the bones
15 about what they might look like? Or, I'm just trying to
16 make sure we're responsive to what you're looking for.

17 (Chairman and Commissioners conferring.)

18 CHAIRMAN GETZ: And, this is a part of
19 the other part, the wrinkle. Is that I think what we,
20 because we don't want to try to do this, you know, wing
21 this too much, because -- and, so, I think what we would
22 like to do is take some time and maybe issue a secretarial
23 letter trying to give you more definition about this.
24 And, it's about -- what I think we're looking more at was

1 process, not further definition of ideas that have been
2 proposed here. Because I don't want to -- what we don't
3 want to do is walk away from today with too vague a
4 directive. So, we will issue something in writing we hope
5 will be more articulate and better informed.

6 And, the third step, the third piece was
7 on these legal issues. I assume that one of the things
8 that you all had in mind when that letter was submitted
9 was addressing the permissibility of this particular
10 non-bypassable charge that's being proposed. There's at
11 least one other issue that I would like to see addressed,
12 and that goes to, you know, 369-B:3-a, and what processes
13 would apply to that, what's -- how the standard should be
14 interpreted. You know, it says "PSNH may divest its
15 generation assets", and if I vaguely recall a discussion
16 at a legislative session at one point that there was an
17 argument that that could be interpreted to mean that they
18 "may divest", but they wouldn't have to. So, I think
19 there's some issues around that. And, you know,
20 certainly, one thing that occurs to me in looking at that
21 statute, it focuses on the economic -- divestiture when
22 it's in the economic interest of retail customers of PSNH
23 to do so. But I think there's also a corresponding issue
24 of, you know, should PSNH be retaining these assets when

1 it's no longer in the economic interests of retail
2 customers of PSNH to do so, and they may be different
3 issues.

4 So, I think there's a lot in a fair
5 interpretation of that statute, from a procedural and a
6 substantive perspective. And, there may be other legal
7 issues that you all had in mind, and that I think we want
8 to take some time to consider. So, --

9 (Chairman and Commissioners conferring.)

10 CHAIRMAN GETZ: So, I think then what
11 our intention would be to try and put this in a
12 secretarial letter to give you some direction, and then,
13 of course, that certainly means that January 7th seems
14 like an unlikely day for briefs being due.

15 MS. AMIDON: Mr. Chairman, that's
16 exactly what I was just going to say, that we would need
17 additional time. Would you like me to canvas the group
18 afterwards and find out what might work the best or --

19 CHAIRMAN GETZ: Well, I think what we'll
20 try to do is put this secretarial letter together with
21 some directive, and then make some judgment. You know, if
22 we were to end today and require, we're talking about a
23 month, over a month from now --

24 MS. AMIDON: Right.

1 CHAIRMAN GETZ: -- until when briefs
2 would be due. So, I would expect that we'd allow at least
3 a month from when we issue the secretarial letter.

4 So, with that, is there anything else
5 that we need to address this afternoon?

6 (No verbal response)

7 CHAIRMAN GETZ: Okay. Hearing nothing,
8 then we'll close the hearing. Thank you, everyone.

9 **(Whereupon the hearing ended at 2:20**

10 **p.m.)**