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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 29, 2014 - 1:33 p.m.
Concord, New Hampshire

NHPUC NOV12'14 PM 3:36

RE: DE 11-216
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
Consideration of a new proposal regarding
Alternative Default Energy Service Rate,
or Rate ADE.
(Prehearing conference)

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

Sandy Deno, Clerk

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

Reptg. Freedom Energy Logistics:
Howard Plante

Reptg. Residential Ratepayers:
James Brennan
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Leszek Stachow, Asst. Dir./Electric Division
Grant Siwinski, Electric Division

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

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I N D E X

PAGE NO.

STATEMENTS OF PRELIMINARY POSITION BY:

Mr. Fossum	5
Mr. Plante	6
MR. Brennan	8
Ms. Amidon	8

QUESTIONS BY:

Cmsr. Honigberg	10
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P R O C E E D I N G

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2 CMSR. HONIGBERG: Good afternoon. We're
3 here for a prehearing conference in Docket DE 11-216,
4 which is now changed to be a consideration of a new
5 proposal regarding Alternative Default Energy Service
6 Rate, or Rate ADE, filed by PSNH in response to a
7 Commission directive earlier this year.

8 On June 23rd, 2014, Staff and the OCA
9 filed a joint recommendation to close Rate ADE to new
10 customers, in large part because Rate ADE had not provided
11 the expected benefits for Rate DE customers. PSNH filed a
12 letter responding and agreeing that Rate ADE should be
13 revisited. And, on June 27th of 2014, the Commission
14 issued a secretarial letter ordering PSNH to work with the
15 parties to modify Rate ADE.

16 On September 15th, PSNH filed a proposal
17 to amend Rate ADE by making the rate applicable only to
18 commercial customers. If the proposal were to be adopted
19 as of January 1st, 2015, all customers in rate classes GV,
20 LG, and B who were not taking service under Rate DE from
21 PSNH would have only Rate ADE available as a Default
22 Service option. There are other provisions regarding who
23 could come back and under what circumstances.

24 We have comments from an intervenor,

1 Freedom Logistics, which originally sought to strike
2 PSNH's petition, that request was denied, and Freedom
3 Energy -- Freedom Logistics, doing business as Freedom
4 Energy Logistics, will be able to participate in this
5 docket as it has before as an intervenor.

6 This filing, the filing by PSNH, raises
7 issues, among other things, related to whether the
8 proposal is consistent with the restructuring principles
9 of RSA 374-F, and whether the resulting rates would be
10 just and reasonable pursuant to RSA 378:5 and in the
11 public interest.

12 We are here as we know for a prehearing
13 conference, which will be followed by a technical session.
14 And, before we do anything else, let's see who's here and
15 take appearances. Mr. Fossum.

16 MR. FOSSUM: Thank you. Good afternoon,
17 Commissioners. Matthew Fossum, for Public Service Company
18 of New Hampshire.

19 MR. PLANTE: Yes. Good morning. Howard
20 Plante, with Freedom Energy Logistics.

21 MR. BRENNAN: Good afternoon. Jim
22 Brennan, with Office of Consumer Advocate.

23 MS. AMIDON: Good afternoon. Suzanne
24 Amidon, for Commission Staff. With me is Les Stachow, who

1 is the Assistant Director of the Electric Division, and
2 Grant Siwinski, who is an Analyst in that Division. Thank
3 you.

4 CMSR. HONIGBERG: Before we hear the
5 positions of the parties, are there any procedural matters
6 that are outstanding that we need to deal with?

7 (No verbal response)

8 CMSR. HONIGBERG: I'm not aware of any.
9 Let's hear from the parties regarding their positions on
10 this. Mr. Fossum.

11 MR. FOSSUM: Thank you. As you've
12 already summarized in the introductory comments, the
13 Commission, in response to a letter from the Staff and
14 OCA, as well as a responsive letter to that from PSNH, had
15 ordered that PSNH make a filing proposing potential
16 changes to Rate ADE. And, that is what PSNH has done, and
17 that is what we're prepared to continue to talk about.
18 PSNH is viewing this portion, I guess, of this docket as a
19 continuation of the review of ADE. The Commission has
20 already -- has approved the institution of an Alternative
21 Default Service rate, and we view this as further
22 refinements and improvements to that offering, as had been
23 contemplated under the Settlement Agreement that was
24 approved by the Commission earlier in this docket.

1 So, to that end, we propose certain
2 amendments and changes, which we're prepared to discuss
3 with the parties going forward. And, PSNH remains open to
4 discussions of potential other refinements that might be
5 considered by the parties through this process. And, we
6 look forward to having a final proposal before the
7 Commission for its consideration and implementation, to
8 address some of the issues that were identified in the
9 Staff/OCA letter and the PSNH response, and the
10 Commission's secretarial letter in this matter.

11 So, with that said, we're here to work
12 with the parties to analyze our proposal, and to discuss
13 further refinements, if necessary, and to prepare a final
14 proposal that we hope will do that which ADE was intended
15 to do in the first place. Thank you.

16 CMSR. HONIGBERG: Mr. Plante.

17 MR. PLANTE: Thank you. Our position is
18 that we oppose this for several reasons. And, we believe
19 that this is not just a further refinement of the ADE
20 rate. It is a complete reversal of what was initially
21 stated that the ADE rate would be. First, it enticed
22 customers to go back to the PSNH Default rate or the ADE
23 rate, because it was a lower rate. And, now, we're seeing
24 that this rate could be market-based, which I understand

1 that it was, but you're stuck on the ADE rate. And,
2 further, if it's a market-based rate for the winter rates,
3 the customers that go back would be significantly impacted
4 by a much higher rate than what customers would have
5 planned otherwise.

6 We have several customers or many
7 customers that plan their energy requirement purchases
8 one, two, three years in advance. And, part of PSNH's DE
9 rate, the ADE rate was a significant part of their
10 planning in their energy strategies. And, this is really
11 a complete reversal as to what they would have been able
12 to plan for otherwise had they known this was going to be
13 a part of going back to PSNH. And, that may have
14 included, you know, two years ago, hedging their purchases
15 going forward. But this now discourages those customers
16 from being able to go back to PSNH, without really having
17 any ability to plan for that going forward. So, this is
18 a -- it's a big change, with very little notice, with
19 January 1 coming up quickly.

20 And, I think, lastly, you know, I think
21 we were supposed to have been allowed to have discussions
22 with PSNH and the other third party suppliers to discuss
23 these issues. And, to the best of my knowledge, at least
24 I know Freedom Energy Logistics did not have that

1 opportunity. And, I think to -- this is more than just a
2 further refinement of it. It really is, I believe, a
3 complete reversal.

4 CMSR. HONIGBERG: Mr. Brennan.

5 MR. BRENNAN: The OCA has no position at
6 this time. Thank you.

7 CMSR. HONIGBERG: Ms. Amidon.

8 MS. AMIDON: Thank you. In response to
9 some of the things I just heard, I wanted to remind the
10 Commission that is a pilot project, that was to continue
11 for a period of 36 months, beginning January 1, 2013.
12 And, that the Settlement Agreement specifically recognized
13 that the Commission had the authority at any time to
14 terminate the pilot program before the end of the 36-month
15 pilot period.

16 The Commission ordered PSNH to develop a
17 proposal to address the fact that the fixed costs of its
18 generation units fell to only its Default Service
19 customers because of high migration. The Commission
20 ordered the Company to come up with a proposal to address
21 that issue. The proposal that was embodied in the
22 Settlement Agreement, which was signed by the OCA and
23 Staff, attempted to address that issue. And, as has been
24 previously cited, both the OCA and Staff had reviewed some

1 of the outcome and the reports on the ADE, and found that
2 the rate was not doing what it was supposed to do, and
3 hence the recommendation for the Commission to close
4 further enrollment, until such time as PSNH could address
5 some of the deficiencies.

6 We believe that the filing by PSNH is an
7 attempt to address those deficiencies. And, we see it as
8 an amendment to the Settlement Agreement, and not a
9 reopening of the proceeding in its entirety. And,
10 therefore, would hope to have the hearing held on December
11 9th as in the Commission's order.

12 Having sort of laid that out, I wanted
13 to say that I think PSNH's proposal is an attempt to
14 address the issues that the OCA and the Staff had with the
15 ADE proposal, and is a refinement intended to clarify for
16 the customers the availability of the rate, to bring the
17 rate more into more market-based by adjusting the margin
18 prices on a monthly basis, and also to clarify the benefit
19 that would go to Default Service customers through the
20 so-called non-operating costs of the Scrubber adder.

21 I would point out that one of the
22 Commission's concerns, I think it was going back to 2008,
23 was some of the gaming that occurs, when customers,
24 without impunity, could go between a competitive supplier,

1 say, in the shoulder months, and then go back to PSNH in
2 the winter months and enjoy the lower costs that PSNH
3 offered. While competitors -- well, while customers may
4 have chosen to engage in that kind of activity, I don't
5 think that was the intention of Rate ADE. And, I think
6 that the refinements that PSNH has proposed bring it more
7 into line with what the Commission was looking for.

8 While we can't say we wholeheartedly
9 embrace it, we're ready to examine it and work with the
10 Company and with the OCA to develop a proposal that we
11 could recommend to the Commission.

12 CMSR. HONIGBERG: Thank you, Ms. Amidon.
13 Commissioner Scott, do you have any questions?

14 CMSR. SCOTT: No.

15 CMSR. HONIGBERG: I guess I have a
16 question for Mr. Fossum. If the Company had its druthers,
17 would Rate ADE exist at all?

18 MR. FOSSUM: I'm not certain I
19 understand. I mean, the development of Rate ADE came out
20 of -- PSNH had proposed, this is back in, I believe, 2009
21 or '10, to institute a non-bypassable charge to cover
22 certain costs of its generation fleet. That request was
23 rejected by the Commission. And, at the same time, there
24 was an effort to develop an alternative or a way of

1 addressing some of those generation-related costs, without
2 necessarily upsetting the way that rates had traditionally
3 been set. And, so, out of that has been a lengthy and at
4 times difficult iterative process that has resulted in the
5 ADE proposal that's before you today.

6 My understanding and I guess our
7 position would be that something needed to be done.
8 Whether that means that this specific version of Rate ADE
9 needed to be implemented, I can't say exactly that that
10 was what was meant to be done. But, yes, the Company
11 believed that something needed to be put in place that
12 would address a number of the issues that have been laid
13 out over a period of years and a period -- and a set of
14 dockets, including the gaming issue that Ms. Amidon has
15 identified, as well as addressing PSNH's -- some of PSNH's
16 ongoing generation cost concerns.

17 CMSR. HONIGBERG: That's helpful. Thank
18 you. I should have noted in my opening comments that
19 there is a hearing scheduled for December 9th in this
20 docket. So, the schedule that you all talk about after we
21 leave needs to keep that in mind, as I'm sure it will.

22 Is there anything else we need to do
23 before you get to your technical session?

24 MS. AMIDON: No.

1 CMSR. HONIGBERG: Then, I thank you all
2 for your time, and we will leave you to your session.

3 **(Whereupon the prehearing conference was**
4 **adjourned at 1:47 p.m., and a technical**
5 **session was held thereafter.)**

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