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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 22, 2014 - 9:05 a.m.

DAY 6

Concord, New Hampshire

MORNING SESSION ONLY

RE: DE 11-250

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:

Investigation of Scrubber Costs and
Cost Recovery

PRESENT: Commissioner Martin P. Honigberg, Presiding
Special Commissioner Michael J. Iacopino

F. Anne Ross, Esq., General Counsel

Sandy Deno - Clerk

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I N D E X

WITNESS PANEL: TERRANCE J. LARGE
JAMES J. VANCHO

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

2 CMSR. HONIGBERG: All right.

3 Is there any business we need to transact
4 this morning? Ms. Amidon.5 MS. AMIDON: Yes, just a few
6 things. First of all, I wanted to remind the
7 Commission of the order of witnesses.
8 Obviously, we have Mr. Large and Mr. Vancho
9 on this morning. The next witnesses were the
10 witnesses from PSNH, from NERA, Harrison and
11 Kaufman. And we anticipate Mr. Reed to be
12 called tomorrow. And, again, we still have
13 our "swing witnesses," as we've been calling
14 them, Dr. Shapiro and Eric Chung. And
15 finally, the unknown is, of course, whether
16 TransCanada or any other party will want to
17 recall a witness based on the recently
18 distributed information provided by PSNH.19 CMSR. HONIGBERG: At this
20 point, does it look like the "swing
21 witnesses" are going to be reached before the
22 end, or are they just going to "swing" right
23 to the end? I see Dr. Shapiro in the back
24 wondering the same thing herself.

1 MR. NEEDLEMAN: I think it's
2 really hard to predict. We may have a better
3 sense after lunch today.

4 CMSR. HONIGBERG: All right.

5 MS. AMIDON: And one other
6 thing --

7 CMSR. HONIGBERG: And another
8 thing. Yes.

9 MS. AMIDON: Thank you. I
10 have a list of exhibits to which parties have
11 reserved objections. Obviously, these are in
12 addition to any documents that the Commission
13 may rule they don't want to include as full
14 evidence in this docket. So I'll read them
15 into the record, and then I have -- I want to
16 refer to CLF's attorney to make an argument
17 about some of the documents that were
18 presented yesterday in cross-examination of
19 Mr. Hachey.

20 CMSR. HONIGBERG: Okay.

21 MS. AMIDON: So, 12-2 --

22 CMSR. HONIGBERG: Just before
23 we go on, is there a particular party that
24 has objected to --

1 MS. AMIDON: Okay. Well, yes.
2 First, these are CLF objections, where they
3 reserved the right to object to the admission
4 of these documents as full exhibits.

5 CMSR. HONIGBERG: All right.

6 MS. AMIDON: So, 12-2.

7 Smagula WHS Rebuttal 16 --

8 CMSR. HONIGBERG: Does that
9 have a number attached to it?

10 MS. AMIDON: It's our 16. His
11 rebuttal testimony is...

12 SP. CMSR. IACOPINO: Exhibit
13 12-16?

14 CMSR. HONIGBERG: Is that what
15 you meant, 12-16?

16 MS. AMIDON: I'm sorry. Yeah.

17 CMSR. HONIGBERG: Okay.

18 MS. AMIDON: 12-17.

19 CMSR. HONIGBERG: Is this also
20 CLF?

21 MS. AMIDON: Correct, until I
22 tell you otherwise. 12-18, 12-19, 12-21,
23 12-22, 12-23 and 87.

24 MS. CHAMBERLIN: Where does

1 the 87 come in?

2 MS. AMIDON: That is
3 Exhibit 87. It's Exhibit 87, not 12-87.

4 OCA has objected or reserved
5 the right to object to 11-3, which is an
6 attachment to, I think, the 2012 testimony of
7 Smagula, and 18-8.

8 PSNH has reserved the right to
9 object to Exhibit 70.

10 And CLF also made a
11 reservation with respect to the Synapse
12 report that's now identified as 29, and for
13 the following the reasons -- and again, I
14 will refer to her to complete the argument if
15 I express it incorrectly. But originally,
16 Exhibit 29 was reserved for a CLF exhibit.
17 They were going to offer a Synapse report.
18 We're not sure if the report that was
19 admitted by PSNH yesterday is indeed the same
20 report. So we need to get a copy of that and
21 take a look at it, see if it is 29 and see if
22 there's any other objection.

23 CMSR. HONIGBERG: Maybe we'll
24 just let Ms. Frignoca deal with it. Is the

1 objection that it's a different document?

2 MS. FRIGNOCA: Would you like
3 me to clarify now? It's fairly simple. It's
4 that we had originally listed a Synapse
5 additional report to the Legislature that was
6 done in early 2009, and then we made it clear
7 we were not going to use that exhibit and did
8 not present it here. In cross-examination
9 yesterday, Attorney Glahn said, "Well, we're
10 using Exhibit 29." So there is no
11 Exhibit 29. It's a place holder. And we
12 don't know what he used yesterday, and I did
13 not receive a copy of it.

14 And so what I'm saying is that
15 I talked to Mr. Glahn's paralegal, Denise,
16 last night, and just asked that they produce
17 copies of it, show it to everyone, and then
18 maybe we just substitute that in the place of
19 29, since everybody's been referring to it
20 that way. It's more of an administrative
21 issue.

22 CMSR. HONIGBERG: Understood.
23 Fair enough.

24 MS. AMIDON: And since CLF's

1 attorney is talking now...

2 Why don't you address your
3 concerns about the documents that I think
4 begin with Exhibit 93 that were used in the
5 cross-examination of Mr. Hachey.

6 CMSR. HONIGBERG: All right.
7 I would ask that you move closer to the
8 microphone because it's really hard to hear
9 you.

10 Off the record.

11 (Discussion off the record.)

12 MS. FRIGNOCA: So, my concern
13 with a number of the exhibits yesterday,
14 which were TransCanada documents submitted
15 during the cross-examination of Mr. Hachey,
16 was that they were documents that seemed to
17 pertain to Canadian situations, particularly
18 from Western Canada. There was no reference
19 whether they were in Canadian dollars or
20 American dollars. Many of the exhibits were
21 not complete. They were just pages taken out
22 of lengthy documents, so there's no context
23 within which to gauge the statements. And
24 they are also documents that appear to

1 continue well after the 2008, 2009 time
2 frame, when all of the witnesses have
3 testified the decision-making about whether
4 to proceed with the Scrubber should have
5 occurred.

6 So I object to the exhibits:
7 One, because they're not complete; and two,
8 because they appear to have limited, if no
9 relevance. And if the intent is solely to
10 discredit Mr. Hachey, I think they also have
11 very limited relevance for that purpose and
12 don't seem to me to be something that should
13 be considered by the Commission in any motion
14 to draw an adverse inference about his
15 testimony concerning events in early 2008.

16 CMSR. HONIGBERG: Mr. Glahn.

17 MR. GLAHN: First of all, they
18 were used for cross-examination. Secondly,
19 the documents -- Ms. Frignoca is correct that
20 certain pages of the documents deal with
21 Canadian gas or western Canadian gas. But
22 the questions that I asked -- for the most
23 part, the questions I asked Mr. Hachey
24 related to shipments to the East and -- to

1 the Eastern United States. To the extent
2 that certain pages of the documents were not
3 included, it's because I only wanted to ask
4 Mr. Hachey about information on one or two
5 pages of the documents. I didn't want to
6 clutter up the docket with extra pages if I
7 didn't need to. If for some reason the issue
8 is incomplete pages, I'm more than happy to
9 go back and substitute the full exhibit. But
10 I don't think that's necessary because the
11 purpose was cross-examination to ask Mr.
12 Hachey about a particular document.

13 Now, if the issue is no
14 documents come in to this proceeding, except
15 documents in the time frame of 2009 -- or
16 2008 to 2009, that's a different issue. I
17 think there's a lot of those documents in the
18 record already. And the purpose of these
19 documents was largely to show for that time
20 frame, first of all, on the fracking issue.
21 That was designed to show that TransCanada,
22 even during the period of 2010, 2011, and as
23 late as 2012, was taking a very different
24 position from the position that Mr. Hachey

1 took in his testimony. And so they weren't
2 designed to show that somehow we think
3 projections at that period are necessarily
4 relevant, but, A, TransCanada had them; and
5 B, that on information related to fracking,
6 even that late, TransCanada was taking a
7 different position.

8 So, I think they are relevant.
9 I think they are certainly fair game for
10 cross-examination. And they were also
11 designed to show that TransCanada had public
12 information within its possession that it did
13 not produce in this case.

14 CMSR. HONIGBERG: Does any
15 other counsel want to weigh in on this? Yes,
16 Ms. Goldwasser.

17 MS. GOLDWASSER: Just to echo
18 what Attorney Frignoca said and to further
19 enunciate it. I think the testimony on the
20 stand was clear, that Mr. Hachey didn't know
21 what the documents were referring to, and
22 he -- we don't have any other witnesses that,
23 at least to date, have explained what the
24 documents meant, if they were referring to

1 the same kind of fracking that's at issue in
2 the United States. We don't know if some of
3 the documents are referring to fracking in
4 Canada that's related or unrelated. We don't
5 know if the prices are Canadian prices or
6 American prices. We don't have contact for
7 the information. Mr. Hachey was unable to
8 explain it.

9 So I think that the point here
10 is that Mr. Glahn used those documents for
11 cross-examination, but the documents can't be
12 used for the fact of the matter asserted.
13 There's no foundation for what they mean or
14 for what they're intended to demonstrate.
15 So, I think that's really the source of the
16 objection. And he can use them for
17 cross-examination purposes, and the
18 Commission can draw whatever conclusions it
19 wants to draw about that. But in terms of
20 the fact of the matter asserted in those
21 documents, we just don't know what those
22 facts are.

23 CMSR. HONIGBERG: Anyone else
24 want to weight in on this?

1 MR. GLAHN: If I may just say
2 one other thing? Actually, if no one else
3 does.

4 CMSR. HONIGBERG: Does anyone
5 else want to speak for the first time? Let's
6 let Ms. Frignoca go next, in between --

7 MR. GLAHN: Yeah, sure.

8 MS. FRIGNOCA: Just to clarify
9 a point -- because I am not finished this
10 beverage in this container, and I may not be
11 as articulate as I'll be later in the day --
12 but the point that I was making about the
13 2008-2009 time frame is that this Commission
14 has already ruled that it will consider
15 evidence up through the date that the
16 Scrubber went into operation. So I
17 understand that there's some evidence that
18 will go in after that time frame.

19 But what Mr. Hachey was
20 testifying to is that he would have made a
21 decision in September of 2008 not to proceed
22 with the Scrubber. So, asking him about
23 documents that relate to entirely different
24 matters, in an entirely different country in

1 2010 and 2011 should not have a lot of
2 bearing on whether to draw an adverse
3 inference against him, and should certainly
4 not be relevant to this Commission's
5 determination of what information was
6 available to PSNH in 2008 and 2009 before it
7 proceeded to install or begin major
8 construction on the Scrubber.

9 CMSR. HONIGBERG: Before you
10 go, Mr. Glahn, the record will reflect that
11 the cup she held up, referring to the
12 beverage, appears to be a coffee cup.

13 [Laughter]

14 MR. GLAHN: So, first of all,
15 all these objections could have been raised
16 during Mr. Hachey's testimony yesterday, at
17 which point it would have been easier to
18 clarify some of the questions that they're
19 raising. However, Mr. Hachey never said, "Oh
20 I don't understand this document because it's
21 in Canadian dollars or other dollars." And
22 in one instance in which he wanted to make
23 the point that the chart only referred to
24 Western Canadian Sedentary Basin gas prices,

1 he made the point.

2 There were two issues I was
3 driving at: One is, PSNH -- or TransCanada
4 was making projections of gas prices that
5 were inconsistent with Mr. Hachey's
6 testimony, and secondly, the issue of
7 fracking. Those two things were not, in
8 these documents, in any way specific to
9 Canada or Canadian prices. And the documents
10 should be clear on their face as to whether
11 it's a Canadian price or U.S. price. But,
12 again, there was no testimony on that at all.

13 If the only issue is gas price
14 projections in 2008 and 2009, that would seem
15 odd because, of course, TransCanada has been
16 asking and has made a big deal about EVA
17 documents from 2010 and 2011.

18 I think I made the point
19 yesterday about the adverse inference. I
20 won't go through it again today, except to
21 say that these documents are highly relevant
22 to that question. They were used for
23 cross-examination, and the Commissioners can
24 take their own view of that for how they were

1 used. But I don't think there was any
2 contemporaneous objection to the nature of
3 the questions or the documents; and where
4 there were, we sort it out. So it's a little
5 bit late now to be doing that.

6 (Commissioners conferring.)

7 CMSR. HONIGBERG: We're going
8 to overrule the objections to the documents
9 we've just been discussing, the exhibits that
10 were used with Mr. Hachey yesterday.

11 Do we want to take up
12 discussion of the other documents right now,
13 or is it -- Ms. Frignoca.

14 MS. FRIGNOCA: I have two
15 clarifications. One is, are we now able to,
16 despite the Commission's rules, enter just
17 pages from an exhibit on cross-examination,
18 so that parties don't have a full and fair
19 opportunity to read the whole document and to
20 redirect. And the second question that I
21 have is, I thought I was instructed by the
22 Commission not to raise objections to
23 exhibits and that there would be a separate
24 section like this. So I didn't belabor

1 cross-exam yesterday, and I just would like
2 clarification going forward whether the
3 Commission would now like to have
4 contemporaneous objections or not.

5 CMSR. HONIGBERG: Ms. Amidon.

6 MS. AMIDON: All I wanted to
7 do is to confirm what was just said. We have
8 discussed among ourselves, and PSNH was well
9 aware of that, that we were trying to sort
10 out the issue about objecting to exhibits.
11 And I specifically sent out an e-mail to the
12 parties on Friday saying, "Please identify
13 those exhibits to which you would object."
14 Obviously, they didn't include the ones that
15 were brought up yesterday. So, our
16 understanding was that the exhibits would not
17 be objected to when they were proffered, but
18 we would have an opportunity to argue about
19 them at a later point.

20 CMSR. HONIGBERG: That's
21 correct. So, that reason that Mr. Glahn
22 articulated, that you should have made these
23 arguments yesterday, that's not the reason.
24 The contemplation was that we would have a

1 separate discussion about the documents apart
2 from when they are offered, which is the
3 practice here before the Commission, rather
4 than get into discussions about the
5 admissibility of documents contemporaneously
6 and deal with them as a group at the end.
7 But the lawyers have made a good point here,
8 that if there is a problem identified, it
9 would be nice to be able to fix it earlier
10 than at the end of the proceeding, and that's
11 sort of what we're doing right now.

12 But the more substantive
13 grounds are overruled.

14 To the extent you want a
15 complete version of the document, Mr. Glahn
16 has said they will provide full copies of the
17 exhibits -- rather, of the documents that
18 they used. And if, after looking at that,
19 you conclude that something else needs to be
20 done with the document, we can go that way.
21 I mean, if the lawyers want to deal with
22 exhibits as we go, we can do that. I mean,
23 that's -- lawyers who practice in the
24 courtrooms are used to doing that. So we can

1 certainly do it here, but it's not been the
2 practice here.

3 I didn't see lots of shaking
4 of heads, so it doesn't sound like we want to
5 do that.

6 Ms. Chamberlin.

7 MS. CHAMBERLIN: I was just
8 going to weigh in. We've been dealing with
9 expert witnesses and scheduling and trying to
10 fit everybody in, and that's one of the
11 reasons why we just did it as marking it as
12 exhibits. So I think we should continue that
13 way.

14 CMSR. HONIGBERG: And I will
15 remind everybody of what you already know,
16 that the Rules of Evidence don't apply here,
17 as Ms. Goldwasser also pointed out and Mr.
18 Glahn pointed out, and a couple others did.
19 We can take these documents and give whatever
20 weight we deem appropriate to them, with the
21 limitations that you all have identified on
22 their usefulness.

23 So, with respect to the
24 documents we've just been discussing, those

1 exhibits used with Mr. Hachey, those are
2 going to come in as marked. If you want full
3 copies, folks from PSNH will provide them to
4 anyone who wants them.

5 Yes, Ms. Amidon.

6 MS. AMIDON: This relates to
7 the exhibits, too. I believe Mr. Glahn was
8 going to correct Exhibit No. 99, which was
9 that cover page of a notice from the Senate
10 Committee regarding the hearing, and then
11 attached to it were some random pages which
12 appeared to be only a partial document and
13 which he didn't reference in his
14 cross-examination. So I was trying to
15 determine whether that was the single page is
16 Exhibit 99 or if it's the entirety of what he
17 provided yesterday?

18 CMSR. HONIGBERG: Ms.

19 Goldwasser.

20 MS. GOLDWASSER: Attorney
21 Glahn's paralegal, Denise, and I had a
22 conversation about that after the hearing
23 yesterday. And my understanding from her --
24 and I believe she had spoken with Attorney

1 Glahn -- was that the document would be
2 replaced with the full document. And she and
3 I identified where to find that, and I
4 believe that will happen.

5 Is that correct?

6 MR. GLAHN: As you'll notice,
7 Denise isn't here this morning. She promised
8 never to talk to me again.

9 [Laughter]

10 MR. GLAHN: But our librarian
11 just e-mailed me that she has just left the
12 State Archives and is going to drop off all
13 the pages of that exhibit at the front desk
14 of the PUC today. So we should have them
15 momentarily.

16 CMSR. HONIGBERG: All right.

17 Yes, Ms. Goldwasser.

18 MS. GOLDWASSER: I have one
19 more question. The Chair indicated that we
20 can request full documentation from Attorney
21 Glahn of partial documents that were provided
22 yesterday. If a party wishes to replace the
23 partial document with the complete document,
24 can we find a time to do that? In other

1 words, at this point, I don't know what I'd
2 do with a full copy of the document because I
3 don't have a witness to bring it in with.
4 So, for example: Some of the partial
5 telephonic conferences. I'm going to need to
6 review those and determine whether I would
7 like the Commission to be able to see the
8 more complete document. I guess I'm just
9 querying the Commission how to deal with that
10 if it happens, or at least providing a place
11 holder for the issue should it arise.

12 CMSR. HONIGBERG: You've
13 identified it as an issue. I think if it
14 becomes a problem, it's the kind of thing you
15 discuss with all the other lawyers in the
16 case to see if you can work something out;
17 and if you can't, you ask the Commissioners
18 to rule on something, a request that is fully
19 formulated and appropriate for the situation
20 that you find yourself in. But at this
21 point, we don't have a situation, so I don't
22 think I can give you any guidance beyond
23 that.

24 Do we want to discuss other

1 exhibits at this time or let Mr. Vancho and
2 Mr. Large continue? They are waiting
3 patiently to my right.

4 (No verbal response)

5 CMSR. HONIGBERG: Sounds to me
6 like Mr. Sheehan -- I'm sorry. Someone else?
7 Oh, I'm sorry.

8 MS. CHAMBERLIN: Well, I was
9 going to recommend that we go ahead with the
10 witnesses.

11 CMSR. HONIGBERG: Excellent
12 idea. Mr. Sheehan, I think you are up.

13 MR. SHEEHAN: Thank you.

14 CROSS-EXAMINATION (CONT'D)

15 BY MR. SHEEHAN:

16 Q. Two points to pick up from yesterday and then
17 on to new stuff.

18 There was testimony about the net result
19 of the incentives provided for in the
20 Scrubber Law. And I think the incentives
21 were largely related to the SO2 credits that
22 were hopefully going to flow from the
23 Scrubber; is that correct?

24 A. (Mr.Large) Yes, Mr. Sheehan. And I

1 apologize. I went a bit far afield talking
2 about SO2 bonus allowances. But in the
3 entire Clean Power Act, there were many
4 incentive mechanisms that were included. But
5 as relates particularly to the Scrubber Law,
6 it was really about conversion to SO2
7 allowances, yes.

8 Q. And as you said, PSNH was able to take
9 advantage of those incentives. But the
10 result was a, I think your word was,
11 "miniscule" benefit?

12 A. (Mr. Large) Yes. Very, very limited.
13 Correct.

14 Q. The other thing I wanted to circle back to
15 was the 2008, the fall of 2008 report. We
16 were looking at the copy that's Attachment 9
17 to Mr. Long's deposition. And I had asked
18 you yesterday questions about the role that
19 natural gas prices played in some of the
20 analyses referenced in that document. Do you
21 recall that exchange?

22 A. (Mr. Large) I do.

23 Q. The page I pointed to you was Page 14. You
24 don't have it there?

1 A. (Mr. Large) Just a moment, if I may. I have
2 a copy in front of me, yes.

3 Q. We were looking at Page 14 in that --
4 Attachment 9, Page 14 to Mr. Long's depo,
5 which is a September 2008 report. And I had
6 asked you what role natural gas prices had
7 played in the analysis reflected under Roman
8 III. And you basically said "none," because
9 that was evaluation of the cost to run the
10 plant with the Scrubber. Is that a fair
11 characterization?

12 A. (Mr. Large) That is correct.

13 Q. However, if you turn to Page 15, the very
14 bottom under E, there is a reference to the
15 "assumed natural gas price that is carried
16 throughout these proceedings of \$11,
17 escalating at 2-1/2 percent." Do you see
18 that?

19 A. (Mr. Large) I do.

20 Q. And that is a slightly different analysis
21 that you're doing in that report than is
22 reflected on Page 14; is that right?

23 A. (Mr. Large) Different than on 14. It
24 would -- well, different than Roman III. It

1 would begin with Roman IV.

2 Q. And a brief description of what the Roman IV
3 analysis was, that did include some reference
4 to natural gas prices.

5 A. (Mr. Large) Those pertain to analyses
6 associated with purchases from the market.
7 And we utilized natural gas price as a proxy
8 for developing a future market price for
9 energy. And secondly, consideration of the
10 construction of natural gas-fired,
11 combined-cycled power plant to produce
12 capacity and energy for the market, the \$11
13 per million Btu price was the basis for
14 fueling that.

15 Q. Okay. A few questions there. Is it fair to
16 say that, because the role that natural gas
17 plays in the electric generation in New
18 England, it is a fair, as you say, "proxy"
19 just to look at the natural gas price and
20 say, in effect, that's what the energy price
21 will be, some correlation to the gas price?

22 A. (Mr. Large) Yes.

23 Q. And it's a pretty direct correlation.

24 A. (Mr. Large) Typically, yes, most hours of the

1 year.

2 Q. And so the analysis you're doing on pages --
3 under Roman IV is you're comparing the cost
4 of the Scrubber -- of the plant with the
5 Scrubber to other alternatives.

6 A. (Mr. Large) Correct.

7 Q. One being buying power from the market, which
8 would be largely set by the natural gas
9 price.

10 A. (Mr. Large) Yes.

11 Q. And another being building your own natural
12 gas plant and all the costs involved in that.

13 A. (Mr. Large) Well, building a regulated
14 natural gas plant, not utilizing regulated
15 criteria, in terms of cost of capital and
16 financing. So it wasn't necessarily PSNH
17 positing that it would build one.

18 Q. Right.

19 A. (Mr. Large) There was another alternative
20 that was considered, and that was the
21 construction of a coal-fired power plant.

22 Q. And the net result of the analysis under
23 Roman IV, I believe, is your statement under
24 Paragraph I on Page 16, which says that the

1 Merrimack Station with the Scrubber is in the
2 best economic interest of PSNH's customers;
3 is that correct?

4 A. (Mr. Large) Yes. And that's based upon the
5 numbers shown in letter H.

6 Q. Right. And those numbers shown in letter H,
7 you say that you compared things and you
8 conducted sensitivity analyses, and some of
9 those tests did involve -- or did some of
10 those tests involve varying the assumed price
11 of natural gas to see what effect natural gas
12 would have on the conclusions in H and I?

13 A. (Mr. Large) Absolutely.

14 Q. And so the report that you gave to the
15 Commission in this document in the fall of
16 '08, No. 1, assumed a natural gas price, but
17 did test variations of natural gas price to
18 see what would happen if those prices varied.

19 A. (Mr. Large) It assumed sensitivities on
20 really four parameters: The cost of the
21 construction of the Scrubber, or other
22 capital additions; the cost of natural gas;
23 the cost of coal; and the cost attributable
24 to CO2 compliance. Those are the prime

1 sensitivities.

2 Q. And why was not natural gas one of those?

3 A. (Mr. Large) It was.

4 Q. I'm sorry. Went right by me.

5 A. (Mr. Large) It was the second one.

6 Q. I'm sorry.

7 Okay. Now stepping to a slightly
8 different topic. Back in the 2006 time frame
9 when the Scrubber Law was passed, the Company
10 did not do an economic analysis of the
11 customer benefits flowing from the Scrubber;
12 is that correct?

13 A. (Mr. Large) There were cursory analyses that
14 were prepared to try and provide some
15 directional assessment of how this would
16 work. They were not detailed net present
17 value of revenue requirements analyses. They
18 were intended to be simplistic, directional,
19 economic views of -- fundamentally, it was
20 the costs associated with operating a
21 Scrubber that only took care of mercury, and
22 there was no benefit attributable to anything
23 else, recognizing that, in this case, with
24 the Scrubber that would remove SO2 and

1 mercury, there was going to be additional
2 benefit.

3 Q. Okay. And then you did the analysis in the
4 spring of 2008 that we've been talking about
5 here.

6 A. (Mr. Large) Summer of 2008, yes.

7 Q. Okay. And why was the analysis done then?
8 What triggered it?

9 A. (Mr. Large) As we indicated previously, it
10 was required as part of our corporate
11 procedures to proceed before the RaCC and to
12 identify the risks inherent to the Company of
13 going forward with the Project, and our
14 overall discussion of what the Scrubber
15 Project meant to the Company.

16 Q. But was there any magic to the summer of '08
17 rather than the summer of '07, or the fall of
18 '06?

19 A. (Mr. Large) Yes.

20 Q. What was that?

21 A. (Mr. Large) The timing associated with the
22 analyses coincided with the receipt of final
23 bids and the opportunity for us to put
24 together a comprehensive assessment of what

1 the price was going to be. That really was
2 the triggering event that moved us into a
3 reporting to RaCC, reporting to the board,
4 and then subsequently coming to visit Staff
5 and OCA here.

6 Q. So, earlier in '08 you learned fairly
7 definitely the price was \$450 million, or
8 whatever it is, and that's the number you're
9 likely going to spend. So, now you need to
10 get your approvals, now you do analysis. Is
11 that a fair --

12 A. (Mr. Large) Over the second quarter of 2008,
13 as information with respect to cost was
14 coming in, it was being assembled, being
15 analyzed, being evaluated, being added
16 together, and it culminated in -- Mr. Smagula
17 will probably be able to tell us better
18 specifically -- but late May or early June, a
19 definition that we were going to be utilizing
20 \$457 million as the Project cost.

21 Q. And in the economic analysis you did for
22 those June meetings, you said yesterday that
23 you did not go back and update it from that
24 point forward; is that correct?

1 A. (Mr. Large) That is correct.

2 Q. So you did not update it for the September
3 '08 report that we've been going over this
4 morning that was given to the PUC.

5 A. (Mr. Large) The cost of the Scrubber, the \$11
6 per million Btus for gas, we did not change.
7 We kept those consistent.

8 Q. And the same for spring of '09, when there's
9 consideration of legislation; there was no
10 update then to provide the PUC or
11 policymakers with any updated information as
12 of then; is that correct?

13 A. (Mr. Large) There was. May I explain the
14 rationale?

15 Q. Sure.

16 A. (Mr. Large) At the time of these
17 presentation/discussion documents, reviews at
18 the RaCC or at the board, or even here with
19 the Commission Staff and OCA, we were very
20 much in an analysis and informing and
21 informational mode. With the Commission's
22 secretarial letter in late August, you know,
23 that really changed things. We knew then we
24 were very much into what I would call

1 "compliance mode," where we were responding
2 to what it is that the Commission was seeking
3 from us, and we did so. So, you know, there
4 was a change, a shift in what the
5 communication and analysis requirements were
6 at that point in time.

7 Q. But did you go back -- well, I'll move on.

8 The SO2 credit price that was used
9 during the '06 discussion, as you testified,
10 ranged from \$500 to \$1500 per ton estimates.

11 A. (Mr. Large) Yes.

12 Q. And the SO2 price that you used -- it appears
13 that the SO2 price you used in your spring or
14 summer of '08 analysis was \$500 a ton.

15 A. (Mr. Large) That's correct.

16 Q. And that's reflected, for example, in those
17 PowerPoint presentations, I think to the
18 Staff, that either you -- it's written "\$500
19 a ton," or I think Mr. Mullen wrote a note
20 that someone told him it's \$500 a ton. Do
21 you recall seeing that?

22 A. (Mr. Large) That would have been part of my
23 conversation during that presentation or
24 discussion.

1 Q. In this presentation in June of '08, you are
2 essentially saying that the Scrubber, as we
3 now understand it, will result -- operation
4 will result in customer benefits.

5 A. (Mr. Large) Yes.

6 Q. And did those customer benefits include
7 whatever payments you expected to receive
8 based on \$500 a ton for SO2?

9 A. (Mr. Large) In terms of the bus bar cost
10 associated with the Scrubber, it would. But
11 recognize that we were making comparison
12 cases. So, the Scrubber operating and
13 essentially eliminating SO2 emissions, in
14 comparison to a market price, the market
15 price would have whatever consideration for
16 SO2 costs would be in that as well. So it
17 really is a comparison case. So, yes, it's
18 in there. But in terms of it providing
19 benefit, it's a bit diluted because of the
20 comparative nature.

21 Q. And let me clarify that because I'm not sure
22 I quite followed.

23 So, the assumption in June of '08 was
24 \$500 ton. If we were to assume in June of

1 '08 it was zero dollars a ton, would that
2 have changed your basic statement that the
3 Scrubber is -- will result in customer
4 benefits?

5 A. (Mr. Large) No.

6 A. (Mr. Vancho) No, I don't believe it would.
7 Again, the --

8 A. (Mr. Large) It would not have changed.

9 A. (Mr. Vancho) It would not have changed the
10 base-case present value numbers that we
11 shared. And I guess I can explain a little
12 bit.

13 Following up on Mr. Large, again, we
14 were doing an analysis that compared the
15 "all-in costs" of the plant, what existed at
16 the time plus the new capital dollars
17 associated with the Scrubber, and we were
18 comparing that to market. When the -- in
19 your example, where the SO2 costs go from
20 \$500 to zero, in either case, the costs are
21 eliminated from the all-in cost, whether it's
22 because of the Scrubber or because the cost
23 went down. So, in either case, they're not
24 there. We're still comparing that all-in

1 cost to market can still be lower. May not
2 be the exact number, but more or less. Not a
3 material change.

4 Q. And we know now -- well, we know now that, as
5 you said yesterday, the SO2 price did
6 collapse down to effectively zero for the
7 last few years; is that correct?

8 A. (Mr. Large) Yes, that is true.

9 MR. SHEEHAN: And to complete
10 the record, I put on everyone's desk and in
11 front of the Commissioners a graph showing
12 the SO2 prices, which I'd like to mark, I
13 believe, 117?

14 CMSR. HONIGBERG: Right.

15 (The document, as described, was herewith
16 marked as Exhibit 117 for identification.)

17 BY MR. SHEEHAN:

18 Q. And this was in an article I showed you
19 yesterday. And you kindly pulled out the
20 diagram and brought copies of the diagram for
21 me this morning.

22 And is that your understanding of the
23 SO2 spot price over the years shown in that
24 chart?

1 A. (Mr. Large) I believe it to be true, based
2 upon the source information down at the
3 bottom. Zero is zero, that's for sure. But
4 let's recognize that these prices that are
5 shown are in 1995 dollars. So if we're
6 trying to pick data points off this chart,
7 there's a little arithmetic that would be
8 necessary.

9 Q. Understood. So what you're saying is, we may
10 not be able to put an exact date with an
11 exact dollar amount, but this at least shows
12 the price spiked way above \$1,000 in '05-ish
13 and went down under \$200 in '08.

14 A. (Mr. Large) Yes. The spike shows in 1995
15 dollars just over \$1200. In nominal dollars,
16 it was in excess of \$1400, so...

17 Q. And the footnote for the source data has
18 Cantor Fitzgerald providing the data through
19 September 11, 2001 when disaster struck.

20 So what you're saying, then, is the
21 report of the summer of '08, your economic
22 analysis that assumed \$500 a ton, we know
23 about it was still falling, and perhaps a
24 month or two or three later it was way below

1 \$500. That does not change your ultimate
2 conclusion of the net economic benefit; is
3 that fair?

4 A. (Mr. Large) Well, I agree that it does not
5 change materially, substantially the economic
6 benefit.

7 But I do want to step back and say that,
8 with the \$500 SO2 allowance assumption that
9 was made at that point in time, as you see on
10 this graph, many things were going on. In
11 the full report, there's a discussion about
12 what took place in the courts at that
13 juncture in time. And it would be fair to
14 say that there was still full expectation at
15 that point in time that SO2 allowance prices
16 were not going to tank but instead rise. The
17 expectation that there would continue to be
18 an SO2 cap and trade program of some sort or
19 another and that there were additional
20 limitations on SO2 emissions expected, that
21 was clearly our full expectation. I would
22 say it was our environmental regulators'
23 expectations. I think it would have been
24 everyone's expectations. But it was a result

1 of actions and inactions that this market
2 essentially collapsed. I think that's my
3 takeaway from a review of the article.

4 Q. To be clear, the article I shared with you
5 yesterday gives a historical view of why the
6 prices collapsed. And, as you say, it's many
7 different factors, including courts and other
8 things.

9 But the point here is, that I'm trying
10 to explore, is the assumption of a \$500 SO2
11 price turned out to be wrong. It went
12 basically to zero. And I'm trying to ask, if
13 you had assumed a zero SO2 price for your
14 summer '08 calculation, how that would have
15 affected your net customer benefit. It
16 sounds like you're saying it wouldn't.

17 A. (Mr. Large) It would not have significantly,
18 no. Not in the least. I'm just -- I
19 apologize if I'm being sensitive to defending
20 our assumptions.

21 Q. Another assumption in your summer of 2008
22 report was a continued high capacity factor
23 for Merrimack Station; is that correct?

24 A. (Mr. Large) Yes. We fully anticipated that

1 Merrimack Station would continue to dispatch
2 ahead of natural gas-fired units and that,
3 therefore, would maintain a capacity factor
4 consistent with its history.

5 Q. And I know some of the numbers have been
6 tossed around. What's your -- what would
7 that approximate capacity factor be?

8 A. (Mr. Vancho) In the model, it's 86 percent.

9 Q. Eighty?

10 A. (Mr. Vancho) Eighty-six.

11 Q. The last topic I want to turn to is the June
12 '08 meeting with Staff and the --

13 A. (Mr. Large) Are we finished with this?

14 Q. Yes.

15 MR. PATCH: Mr. Chairman, just
16 a minor clarification. I thought it was a
17 July 30th, '08 meeting with Staff. Unless
18 there's a different one in June. Mr. Sheehan
19 referred a couple times to a "June meeting
20 with Staff."

21 CMSR. HONIGBERG: Mr. Sheehan,
22 you are referring to the same meeting; are
23 you not?

24 MR. SHEEHAN: Yes. I'm sorry

1 July 30. So my prior references to "June"
2 are inaccurate.

3 BY MR. SHEEHAN:

4 Q. Mr. Frantz asked me one more question
5 regarding the SO2. He has shown me Mr.
6 Nolan's letter of January 12th, 2006, which
7 is Attachment 1 to Mr. Mullen's testimony.
8 You don't need to pull it out unless you have
9 a particular question on what I'm going to
10 read you.

11 Mr. Nolan wrote: "The use of this
12 technology," meaning the Scrubber, "not only
13 reduces mercury very efficiently (greater
14 than 90 percent in most applications), but it
15 is highly effective in removing sulfur
16 dioxide and small particles." And here's the
17 part that I want you to pay attention to:
18 "This co-benefit of reducing three pollutants
19 simultaneously with the same equipment
20 reduces implementation costs by allowing PSNH
21 to significantly reduce purchasing SO2
22 emission allowances, saving greater than an
23 estimated \$25 million per year."

24 Again, this is part of my confusion. It

1 seems like that's \$25 million a year that
2 will come off the bottom line that you don't
3 have anymore when the SO2 credits collapsed.
4 Why is that -- what am I missing? You see
5 when you read this letter, you understand
6 what it sounds like.

7 A. (Mr. Large) So, the comparison case in that
8 example, then, is operating Merrimack Station
9 without a Scrubber, continuing to emit SO2
10 and mercury, and paying those costs. That's
11 not any of the examples considered here.

12 Q. Okay.

13 A. (Mr. Large) There was not an option to
14 continue to run Merrimack without the
15 Scrubber and continuing to emit SO2. In
16 order to comply with the law, we needed to
17 install the Scrubber and not emit mercury and
18 SO2 by 2013.

19 Q. But wouldn't that -- if you don't have to pay
20 that \$25 million a year, that comes right off
21 your revenue requirement for the plant;
22 right?

23 A. (Mr. Large) It would if we could have assumed
24 that we saved that money while operating

1 Merrimack Station without the equipment,
2 without the addition of the Scrubber. So
3 maybe I'm not explaining it well.

4 The comparison case from which that
5 savings that Mr. Mullen refers to would be
6 continuing to run Merrimack as it was,
7 continuing to emit SO2 and mercury,
8 continuing to have to buy SO2 allowances. We
9 installed the Scrubber instead -- or the
10 analysis was about installing the Scrubber
11 instead. Therefore, those costs would not
12 occur as SO2 costs -- SO2 emissions cost.
13 But there was no case that we analyzed here
14 that was a base case of "run Merrimack as it
15 was before."

16 Q. So, let's just -- I have a simplistic
17 example. Let's just take the \$25 million a
18 year for SO2, and let's just say all the rest
19 of the operating costs are \$30 million. So,
20 before you build a Scrubber under the
21 existing rubric, you're paying \$55 million a
22 year to run Merrimack Station.

23 A. (Mr. Large) Yes.

24 Q. Now you build a Scrubber. Now you don't have

1 to pay that \$25 million a year anymore; so it
2 should cost \$30 million to run Merrimack
3 Station.

4 A. (Mr. Large) If I didn't have to do anything
5 else, yes.

6 Q. Right. And I understand that, the original
7 argument -- or one of the original arguments
8 of the Scrubber Law is we are now spending 30
9 instead of 55. We can use some of that
10 savings to, in effect, pay for the Scrubber.

11 A. (Mr. Large) Correct.

12 Q. So the net result is we have a Scrubber,
13 let's say that cost \$10 million. So, now
14 we're spending 40 million with the Scrubber
15 rather than spending 55 before. And why is
16 that not -- what's wrong with that? I
17 understand it's very simplistic.

18 A. (Mr. Large) I think your assessment is
19 accurate. But what's not analyzed in any of
20 the reports that we've prepared is the first
21 scenario that you presented, and that was
22 \$25 million of SO2 emissions costs and
23 \$30 million of operating costs.

24 Q. Okay. I think we've --

1 SP. CMSR. IACOPINO: I'm
2 sorry. Can you say that again? I missed
3 your statement.

4 WITNESS LARGE: Certainly.
5 There is no analysis that we've done and
6 presented here that assumes that there's a
7 case where Merrimack Station ran as it
8 essentially did in 2006, that had, to Mr.
9 Sheehan's example, \$25 million of SO2
10 emissions costs and \$30 million of operating
11 costs. That's not a case that could be
12 analyzed because the law prohibited it.

13 SP. CMSR. IACOPINO: Thank
14 you. And I'm sorry that I missed the first
15 part of your statement.

16 WITNESS LARGE: And I
17 apologize if I've not been clear.

18 BY MR. SHEEHAN:

19 Q. But wasn't that \$25 million savings used as a
20 justification for the Scrubber Law? I mean,
21 at least earlier when the prices are high, I
22 recall, you know, "It will pay for itself,"
23 phrases to that effect.

24 A. (Mr. Large) And there's an exhibit, if you'd

1 like for me to find it, that we prepared
2 on -- demonstrated there was a cost
3 associated with installing the Scrubber,
4 assumed to be \$250 million, and that there
5 would be a net benefit of eliminating SO2
6 costs, yes. That was the comparison case at
7 that point in time of continuing to run as we
8 were versus what it would be in the
9 Scrubber -- with the Scrubber. When we moved
10 to these analyses, all right, that case of
11 running Merrimack as it was, not removing
12 SO2, that no longer exists.

13 Q. Because now we have a law that says you have
14 to do it.

15 A. (Mr. Large) That's correct.

16 Q. And if you had done the analysis in '08, and
17 one of your options was, "We don't have to
18 follow the law and reduce mercury," this
19 would have been another line item in your
20 comparison. I understand that's a
21 hypothetical.

22 A. (Mr. Large) And not one that we would have
23 considered, in that it was outside the law.

24 Q. Okay.

1 A. (Mr. Large) If I could, back to --
2 simplistically, back to that graph that I was
3 describing earlier in 2005 and 2006. The
4 line showed that there was an increase in
5 cost for what I called "mercury-only
6 removal." So if there had been no SO2
7 benefit, that would have been the cost.
8 What's transpired here is fundamentally that:
9 The price of the Scrubber different than what
10 was assumed in that analysis, but
11 fundamentally, that's what we're faced with.

12 Q. All right. Now turning to the July 2008
13 meeting with Staff. There's a presentation
14 that I put in front of you. I think what I
15 put in front of you is a -- it's just the
16 attachment in Hachey's testimony, H130, but
17 it's also marked as Exhibit 39, and that is
18 the PowerPoint that was presented to Staff on
19 July 30, 2008.

20 The first question is: Who requested
21 this meeting?

22 A. (Mr. Large) PSNH management.

23 Q. Why?

24 A. (Mr. Large) Would it benefit if I were to

1 provide maybe some comprehensive context with
2 respect to this meeting?

3 Q. Sure. Obviously, it's been the subject of
4 much discussion in this room in the last
5 week.

6 A. (Mr. Large) All right. Following the board
7 of trustees presentation, which I think was
8 on the 15th of July, the next order of
9 business from senior management at PSNH --
10 PSNH management's perspective -- was the need
11 to alert and advise and inform Staff at the
12 PUC, as well as the OCA, of what was a
13 significant change in the price of the
14 Project. The management team, including me,
15 sat and said: So, what is it that we should
16 present? This team of individuals also
17 included our legal staff, as you can imagine.
18 And with the RaCC and board presentations
19 that we had, that clearly was the
20 foundational information that would make up
21 an appropriate communication to Staff.

22 We, at that point in time, were
23 operating under the cloud of a notice of
24 intent to sue with respect to the Clean Air

1 Act requirements. And those kinds of actions
2 clearly sensitized the Company as to what it
3 is that they're going to share, or the means
4 in which they're going to share it.

5 Additionally, it was discussed that we
6 were moving out of an internal communications
7 phase within the Company to an external
8 communications phase, and that
9 discoverability -- and recognizing that this
10 will in the long term result in a prudence
11 review. I mean, that was known when the
12 Scrubber Law was passed, that there would be
13 prudence review. So that was not some new
14 revelation, and it didn't become some
15 surprise that occurred when the price -- or
16 the cost of the Project changed.

17 So, we set out with the two presentation
18 documents that we previously utilized, and we
19 worked to, I'll use the word "scale them
20 down" for presentation to an external
21 audience -- a knowledgeable, well-informed,
22 external audience, certainly not informed of
23 the \$457 million price.

24 In terms of the information presented on

1 the page, you will find that all of the
2 information there is the same as what would
3 have appeared on the others, but that there
4 was less information presented on the page.
5 We were prepared fully to discuss beyond what
6 the information presented on the page. And I
7 think that as we look at Mr. Mullen's
8 response to TransCanada data requests, there
9 are notations of things other than. You
10 know, it was not our intent to enter the room
11 and simply slide the papers under the door.
12 It was about having a conversation, having a
13 discussion.

14 You'll note at the bottom of the page
15 that we've identified that these materials
16 were produced "privileged and confidential."
17 When we entered the room that day, probably
18 the first five minutes of conversation in
19 that meeting was to advise our concerns, that
20 we felt it was critically important for us to
21 share this information with Staff and OCA at
22 that point in time, but that we were
23 preparing within a few days of this meeting
24 to make an SEC filing, I believe it's a

1 10Q -- I don't get my letters right often
2 with respect to those filings -- and that we
3 were sharing information that was not yet
4 public and that we were very aware of Freedom
5 of Information requirements, but that we felt
6 it critically important to share this
7 information at this point in time.

8 I need to step back to the day prior to
9 the presentation. I was responsible for the
10 production of the document. My team actually
11 produced this pile of papers that we brought
12 with us to the July 30 meeting. On the
13 afternoon prior to this discussion, I had a
14 conversation with Mr. McDonald, who was our
15 prime speaker in this discussion on the 30th.
16 And he asked that I, since I had been closer
17 to the information than he, that I be
18 responsible for presenting the financial
19 information -- and so that's Pages 15 and 16,
20 the Project benefits discussed in Pages 15
21 and 16 -- and I wasn't going to disagree with
22 him.

23 So we came to the meeting, as I said.
24 We expressed our concerns with respect to

1 confidentiality, and we went through the
2 presentation from the beginning. And
3 clearly, the showstopper with respect to this
4 discussion appears on, I think, Page 13 -- I
5 apologize -- Page 12.

6 MR. NEEDLEMAN: Could I just
7 clarify for a moment? We're speaking about
8 Exhibit 39-1 -- 39, I think?

9 MR. SHEEHAN: As I said at the
10 outset, it is 39. And that version of the
11 document is included in Mr. Mullen's data
12 response. And it also has Mr. Mullen's notes
13 on the documents, as well as a few pages of
14 his responses to related questions. I also
15 just noted it's attached to, I think it's Mr.
16 Hachey's testimony. That's the one I
17 grabbed. Anyway...

18 A. (Mr. Large) So when we came to Pages 15 and
19 16, it is my recollection that I covered this
20 material here, that I shared the sensitivity
21 analyses that we had prepared; the range of
22 values that we had utilized with respect to
23 coal prices, gas prices; ups and downs with
24 respect to the capital costs associated with

1 the Project. There was discussion about how
2 we had come up with a CO2 number, okay, and,
3 as well, I discussed the \$5.29 coal/gas
4 spread that's alluded to on the last bullet
5 on the page. We moved promptly to the next
6 page, and at that point in time we talked
7 about what the existing spread was at that
8 point in time and that it was PSNH's
9 confidence that coal would dispatch ahead of
10 natural gas. Mr. McDonald took the
11 presentation from Pages 17 and 18, and we
12 concluded. There was -- I will not say there
13 was "robust" conversation during my portion,
14 my brief portion of the discussion, but it is
15 my recollection that I provided that
16 information at that time.

17 Q. So, this meeting was not part of an existing
18 docket, clearly.

19 A. (Mr. Large) It was in advance of any docket.

20 Q. Right. And Staff was not officially
21 conducting any investigation yet.

22 A. (Mr. Large) Correct.

23 Q. This was a meeting to, in effect, give Staff
24 and the OCA heads-up of the changes in the

1 Project and the information contained in this
2 PowerPoint.

3 A. (Mr. Large) And more. But to -- the primary
4 purpose was to identify that the Project cost
5 had risen dramatically to \$457 million. And
6 then the expected follow-up question was: Is
7 it still economic? And we discussed that.

8 Q. And is it your recollection that the \$5
9 spread was specifically discussed in that
10 meeting?

11 A. (Mr. Large) That is my recollection. I was
12 responsible to provide that.

13 Q. Do you recall whether the document itself was
14 delivered to Staff and the OCA before, during
15 or after the meeting?

16 A. (Mr. Large) It was at the meeting. It was
17 not previous.

18 Q. So you came with them in hand?

19 A. (Mr. Large) Yes, I did. And I think, in
20 large part, as a result of our concerns
21 voiced, many of the participants in the
22 meeting actually returned the documents to
23 us. I can speak specifically of my
24 recollection of OCA and Assistant OCA giving

1 me back their documents. I'm confident that
2 a number of members of Staff provided their
3 documents back to us as well. It's clear
4 that Mr. Mullen did not.

5 [Laughter]

6 Q. And you're saying that it was a result of the
7 confidentiality part of your discussion that
8 began the meeting, that they were at least
9 sensitive enough to that, that they'd rather
10 not keep a copy. Is that your --

11 A. (Mr. Large) Confidentiality concerns about
12 "Right To Know."

13 Q. Those are all the questions I have,
14 gentlemen. Thank you.

15 A. (Mr. Large) Thank you.

16 CMSR. HONIGBERG: Ms.
17 Chamberlin, are you going next?

18 MS. CHAMBERLIN: I am.

19 CROSS-EXAMINATION

20 BY MS. CHAMBERLIN:

21 Q. Good morning, gentlemen.

22 A. (Mr. Large) Good morning.

23 A. (Mr. Vancho) Good morning.

24 Q. I am starting with your testimony on Page 4

1 that lists the economic analyses that NU did
2 regarding the Scrubber Project. And that's
3 Bates 411.

4 A. (Mr. Large) I have that.

5 Q. All right. Now, each of those bullets refers
6 to an analysis that you or someone under your
7 direction undertook?

8 A. (Mr. Large) The first four bullets are
9 specific to economic analyses; the fifth
10 incorporates economic analyses.

11 Q. And the last economic analyses of the
12 Scrubber Project was completed before
13 September 2nd, 2008; is that true?

14 A. (Mr. Large) Yes, it is.

15 Q. And your testimony is that no further studies
16 were required after March 19, 2009?

17 A. (Mr. Large) None were done.

18 Q. So it follows that none were done between
19 September 2nd and March 19th, 2009; is that
20 correct?

21 A. (Mr. Large) Yes.

22 Q. And there was an update done for the PUC on
23 October 15th, 2010. Do you recall that?

24 A. (Mr. Large) I do.

1 Q. And so, there were no economic studies
2 between September 2nd, 2008 and October 15th,
3 2010; is that correct?

4 A. (Mr. Large) None that we cannot -- that we
5 conducted, nor that we're aware of that were
6 conducted by Northeast Utilities. Correct.

7 Q. You are familiar with the NU Capital Project
8 Approval Policy and Procedures; correct?

9 A. (Mr. Large) Yes.

10 MS. CHAMBERLIN: I'm going to
11 introduce that as an exhibit.

12 CMSR. HONIGBERG: This will be
13 118.

14 (The document, as described, was herewith
15 marked as Exhibit 118 for identification.)

16 Q. Now, part of your responsibilities includes
17 complying with the NU Capital Project
18 Approval Policy and Procedures; correct?

19 A. (Mr. Large) Yes.

20 Q. And looking at the effective date of
21 May 28th, 2008, this was the policy that was
22 in place when you gave the various
23 presentations in 2008; correct?

24 A. (Mr. Large) There were presentations that

1 predated this. But fundamentally, they're
2 the same, yes.

3 Q. And to the best of your recollection, this
4 Revision 2 of the procedures is more
5 stringent or requires more information than
6 perhaps vision -- Revision 1? Is that a fair
7 summary?

8 A. (Mr. Vancho) I would say that's probably
9 fair. I think what we were trying to do with
10 this version -- again, this policy doesn't
11 belong to my group. But I started getting
12 involved in these types of analyses working
13 with RaCC at this time. I think one of the
14 things we wanted to do is put some procedures
15 in place around the type of financial metrics
16 that we do. So a lot of it might -- a lot of
17 what was expended here might be related to
18 that.

19 Q. So you had procedures in place before, and
20 this was a refinement or -- is that a fair --

21 A. (Mr. Large) I'd call it an "evolution," yes.

22 Q. Evolution. All right.

23 Now, the purpose of the NU Capital
24 Project Review [sic] and Procedures is to

1 provide information to the NU Risk and
2 Capital Committee; correct?

3 A. (Mr. Large) Yes.

4 Q. And the rule of the NU Risk and Capital
5 Committee is to "evaluate, monitor and
6 approve"; correct?

7 A. (Mr. Large) Yes.

8 Q. And this information is provided for each
9 capital project over \$10 million.

10 A. (Mr. Large) Correct.

11 Q. And the information is provided over the life
12 cycle of the Project.

13 A. (Mr. Large) The discussion of risks and
14 project progress, yes.

15 Q. And one element of the Project information
16 that is required is the "Capital Expenditure"
17 category. And I direct your attention to
18 Page 8.

19 A. (Mr. Large) Is there somewhere in particular?

20 Q. Yes. At the top of the page, about Line 5 or
21 6, it says --

22 A. (Mr. Large) Yes. Thank you.

23 Q. So that is one element that is required under
24 this proposal?

1 A. (Mr. Large) Yes.

2 Q. And that means whether the Project is
3 discretionary or non-discretionary; correct?

4 A. (Mr. Large) Yes.

5 Q. The definition of "discretionary" and "non-
6 discretionary" is provided on Page 3 of the
7 policy and procedures; correct?

8 (Witness reviews document.)

9 Q. Middle of the page, little letter C?

10 A. (Mr. Large) I apologize. I'm just reading
11 through it quickly.

12 (Witness reviews document.)

13 A. (Mr. Large) Yes.

14 Q. And PSNH viewed the Scrubber Project as a
15 "non-discretionary project"; correct?

16 A. (Mr. Large) Yes. It was to comply with the
17 law, as defined in that definition.

18 Q. Now, the Capital Project Approval Policy and
19 Procedures goes on to require additional
20 information. And I'm back on Page 8. It
21 requires total capital expenditures per year?

22 A. (Mr. Large) Yes.

23 Q. And a description of how the Project aligns
24 with the Company's strategic objectives and

1 goals?

2 A. (Mr. Large) Yes, that would tend to be more
3 pertinent in a discretionary project, but
4 would be useful in a non-discretionary
5 project.

6 Q. The purpose of the Project is required?

7 A. (Mr. Large) Yes.

8 Q. The need for the Project is required?

9 A. (Mr. Large) Yes.

10 Q. The benefits of the Project is required?

11 A. (Mr. Large) Yes.

12 Q. And any possible alternatives to the Project
13 is required?

14 A. (Mr. Large) As shown here, yes.

15 Q. I'm sorry?

16 A. (Mr. Large) As presented in this document,
17 yes.

18 Q. Yes. Now, under "Project Time Line," which
19 is in the middle of the page --

20 A. (Mr. Large) Yes.

21 Q. -- the Approval Policy and Procedures
22 requires PSNH to identify any flexibility in
23 the timing of capital spending; correct?

24 (Witness reviews document.)

1 A. (Mr. Large) Yes, that's what it says.

2 Q. It also requires PSNH to identify contingent
3 liabilities that could arise?

4 A. (Mr. Large) Yes.

5 Q. And a "contingent liability" is something
6 that takes place when the outcome of an
7 existing situation is uncertain. Is that a
8 fair description?

9 A. (Mr. Large) I'll accept that. Not a phrase
10 that I use frequently, so...

11 Q. And PSNH is required to present an explicit
12 exit strategy; correct?

13 A. (Mr. Large) If one is feasible, yes.

14 Q. "Explicit" means detailed; correct?

15 A. (Mr. Large) I'd agree with that.

16 Q. And the elements of an explicit exit strategy
17 may include minimizing financial loss by
18 contract terms?

19 A. (Mr. Large) It could, sure.

20 Q. Suspending the Project temporarily?

21 A. (Mr. Large) I don't know that that's an exit
22 strategy, no.

23 Q. Well, if you were planning to exit a project,
24 is it a decision you would make in a single

1 day? One day you're full steam ahead and the
2 next day you're done?

3 A. (Mr. Large) Not likely, no.

4 Q. So, suspending the Project is a possible
5 element of an exit strategy?

6 A. (Mr. Large) But the decision-making,
7 thinking -- and I'm not speaking specific to
8 the Scrubber Project here -- but the
9 decision-making with respect to is it
10 appropriate to exit a project doesn't
11 necessarily have to cause the Project to be
12 suspended. Work activities can continue
13 while a decision-making path is being
14 undertaken. So, in terms of project
15 construction work, as an example, you could
16 be full steam ahead one day and stopped the
17 next. They aren't contingent upon or
18 dependent upon one another.

19 Q. Would you say that suspending a project
20 should never be included as a possible
21 element of an exit strategy?

22 A. (Mr. Large) It would not be fair to say that
23 it should never be included as a possible
24 exit strategy.

1 Q. Would selling the Project be an element of a
2 possible exit strategy?

3 A. (Mr. Large) I'm sorry? I didn't hear.

4 Q. Selling the Project.

5 A. (Mr. Large) Selling the Project.

6 Q. Whatever it may be.

7 A. (Mr. Large) In the nature of our business as
8 a regulated utility, selling the Project, I
9 think, would be particularly difficult. So I
10 don't know that that would be a likely
11 probable. Does it fall in the case of
12 "possible"? Yes, but that would be well down
13 on the list of --

14 Q. Selling the Project would transfer whatever
15 risk of the capital construction to another
16 entity, correct, if you sold the Project?

17 A. (Mr. Large) I think, in a simplistic sense, I
18 agree with that view. But these are fairly
19 highly integrated, not only technically,
20 physically, but operationally, assets.

21 So let's take a different kind of
22 example in the Company: An electric
23 substation that had environmental risks.
24 There was a leaking transformer, and

1 therefore there was oil spilled that needed
2 to be cleaned up. So, technically, yes, we
3 could consider selling that asset. But
4 practically, I don't think it's reasonable or
5 feasible. The example associated with the
6 power plants is different, but I think it has
7 many similarities.

8 Q. It would be an element to consider for an
9 exit strategy; whether it was appropriate in
10 every instance remains to be seen after
11 consideration.

12 A. (Mr. Large) It could be. It would be on the
13 list of possibilities, yes. But I value
14 it -- in this instance, I value it quite low.

15 Q. Again, now I'm just talking about a generic
16 exit strategy.

17 A. (Mr. Large) Yes.

18 Q. Requesting relief from a regulatory
19 requirement, that would be another possible
20 element of a exit strategy?

21 A. (Mr. Large) Well, regulatory requirement as
22 opposed to a law? I'm differentiating,
23 but --

24 Q. Let's start with regulatory requirement.

1 A. (Mr. Large) It would be -- one could include
2 that on a list of exit strategy
3 opportunities, yes. It would depend upon
4 one's understanding of that regulatory
5 requirement.

6 Q. And recognizing you've made a distinction,
7 including in an exit strategy a plan to make
8 changes in a piece of legislation or a legal
9 requirement as a possible element of an exit
10 strategy.

11 A. (Mr. Large) I would not think that would be a
12 potential element in an exit strategy for a
13 utility company.

14 Q. All right. And that is because NU does not
15 attempt to effect change in laws that are
16 currently effective?

17 A. (Mr. Large) No, it's because we don't -- we
18 aren't a legislature. We don't have the
19 authority to change law.

20 Q. It's an element that would be out of your
21 direct control; correct?

22 A. (Mr. Large) I'd go well beyond direct
23 control.

24 Q. However, it is something that a regulated

1 utility can do in response to a law that it
2 wishes to change.

3 A. (Mr. Large) Maybe said differently. The
4 Company has engaged at the Legislature to
5 attempt to effect legislation, yes.

6 Q. Now, in your presentation to the Risk and
7 Capital Committee, you did not include an
8 exit strategy for PSNH; is that correct?

9 A. (Mr. Large) I'll do a quick scan, but I'm
10 confident we did not.

11 (Witness reviews document.)

12 Q. And turning back to the Capital Project
13 Approval Policy and Procedures, at the bottom
14 of the page, still on Page 8.

15 A. (Mr. Large) May I add to my previous
16 response?

17 Q. I think you've answered the question. So
18 you're -- not at this time.

19 MR. NEEDLEMAN: Well, he was
20 asking to look before he finished his answer.

21 CMSR. HONIGBERG: I think he
22 had asked to look at the document. He was
23 doing that while you were starting to ask
24 your next question.

1 So, Mr. Large, if you have
2 something you want to add after having looked
3 at the document, you may do so.

4 WITNESS LARGE: Thank you.

5 A. (Mr. Large) I think examining the information
6 on Page 4 and Page 5 describes why we did not
7 view it appropriate or necessary or right to
8 consider an exit strategy as these
9 presentations were being discussed with Risk
10 and Capital Committee.

11 Q. I don't have that in front of me. Can you
12 point to what you're looking at?

13 A. (Mr. Large) Sure.

14 MR. NEEDLEMAN: Can you
15 identify what you're looking at, Mr. Large?

16 WITNESS LARGE: I apologize.
17 So I am in Attachment 3 of the testimony that
18 Mr. Vancho and I presented, which is 23-3.

19 CMSR. HONIGBERG: Mr. Large,
20 is there a page number in the lower
21 right-hand corner?

22 WITNESS LARGE: And I'm
23 referring to Pages 4 and 5.

24 CMSR. HONIGBERG: How about a

1 longer, like a six-digit number?

2 WITNESS LARGE: Yes. 000440

3 and 441.

4 CMSR. HONIGBERG: Thank you.

5 BY MS. CHAMBERLIN:

6 Q. And looking at those pages, you pulled out
7 portions of the New Hampshire Clean Power
8 Act; correct?

9 A. (Mr. Large) Specifically the mercury portion
10 of that, yes.

11 Q. And the second page is the Mercury Reduction
12 Act Specifics; correct?

13 A. (Mr. Large) I'm sorry?

14 Q. I'm looking at Page 5, and it's labeled "New
15 Hampshire Mercury Reduction Act Specifics."

16 A. (Mr. Large) Thank you. I'm sorry. I didn't
17 look at the heading. Yes.

18 Q. And the last bullet has the phrase from the
19 statute: "The mercury reduction requirements
20 set forth in this subdivision represent a
21 careful, thoughtful balancing of costs,
22 benefits and technical [sic] feasibility and,
23 therefore, the requirements shall be viewed
24 as an integrated strategy of non-severable

1 components; correct?

2 A. (Mr. Large) Yes.

3 Q. These two pages are not an exit strategy;
4 correct?

5 A. (Mr. Large) They are not. They're my
6 discussion as to why we did not believe that
7 one was an appropriate element in this case.

8 Q. Returning to Page 8, at the bottom of the
9 page it says "Monitoring Plan." And this
10 element of the Capital Project Approval
11 Policy and Procedures requires a detailed
12 project-specific monitoring plan; correct?

13 A. (Mr. Large) Yes.

14 Q. And this monitoring plan is to occur
15 throughout the development life cycle of each
16 capital project; correct?

17 A. (Mr. Large) Yes.

18 Q. All right. Turning to Page 11, Appendix
19 III --

20 A. (Mr. Large) That pertains specifically to the
21 Project work activities.

22 Q. I'm sorry?

23 A. (Mr. Large) That pertains to the Project work
24 activities.

1 Q. No. 3 in the middle of the page is labeled
2 "Project Analysis"?

3 A. (Mr. Large) Yes.

4 Q. And this paragraph discusses projects that
5 were initially approved as having "adequate
6 financing capability"; correct?

7 A. (Mr. Large) May I have a moment?

8 Q. Sure.

9 A. (Mr. Large) Thank you.

10 (Witness reviews document.)

11 CMSR. HONIGBERG: While
12 Mr. Large is reviewing that, we're going to
13 go another 10, 15 minutes or so and take a
14 break.

15 MS. CHAMBERLIN: I can
16 probably finish.

17 CMSR. HONIGBERG: Thank you.

18 BY MS. CHAMBERLIN:

19 Q. Let me know when you're ready.

20 A. (Mr. Large) Sorry. It's a long section.

21 (Witness reviews document.)

22 Q. In the middle of that paragraph that you just
23 read to yourself -- oh, wait. Before I go
24 on, do you agree with my characterization

1 that it discusses projects that were
2 initially approved as having "adequate
3 financing capability"?

4 A. (Mr. Large) Yes.

5 Q. And in the middle of that paragraph it
6 states, "A current assessment will be made as
7 to whether any significant project,
8 company-specific or macroeconomic, issues
9 have arisen since the last approved forecast
10 or budget that could now constrain capital
11 spending."

12 A. (Mr. Large) Yes.

13 Q. I've read that correctly?

14 A. (Mr. Large) You have.

15 Q. That essentially means that a project may be
16 reassessed. Is that a fair summary?

17 A. (Mr. Vancho) This was getting at sort of
18 looking at the Company's five-year forecast
19 and if we had a \$457 million number with the
20 forecast. And we determined at that time
21 this --

22 (Court Reporter interrupts.)

23 A. (Mr. Vancho) So this was looking at it from
24 sort of a forecast and budgeting perspective,

1 where we had capital dollars in there. And
2 when it went in, we made an assessment that
3 this is a project that could be financed.
4 And so we were looking at macro conditions,
5 changes in credit markets, or something that
6 would have affected our ability to finance a
7 project, and could we still have this project
8 included in our five-year plan. So that's
9 what we were looking at for that section.

10 Q. Okay. And it includes examples of relevant
11 issues, such as "deteriorated financial
12 market conditions." Do you see that on the
13 second bullet?

14 A. (Mr. Large) Yes.

15 Q. So, for projects that were in your capital
16 budget, deteriorated financial market
17 conditions would trigger a reassessment?

18 A. (Mr. Large) If that deterioration was
19 expected to have an impact on the Company's
20 ability to finance.

21 Q. And down at the bottom of the page, if
22 deteriorated financial market conditions
23 occur, the forecast could be rerun with
24 updated assumptions; is that correct?

1 A. (Mr. Large) And that's essentially what --
2 well, regardless of deteriorating financial
3 conditions, that rerun is fundamentally what
4 occurred in June of 2008.

5 Q. And if deteriorated finance market conditions
6 occur, one of the questions the Company must
7 ask is: Can the Project be postponed?

8 A. (Mr. Large) Those are one of the
9 considerations, yes.

10 Q. Now turning to Bates 437.

11 A. (Mr. Large) Am I correct that that's the
12 June 25 RaCC presentation?

13 Q. Yes.

14 A. (Mr. Large) Thank you.

15 Q. And this is in the form of a PowerPoint
16 presentation; correct?

17 A. (Mr. Large) I prefer to refer to them as
18 "discussion documents." Yes.

19 Q. What's the difference? I hesitate to ask.

20 A. (Mr. Large) The tool that produced it is
21 PowerPoint, yes. "PowerPoint presentations"
22 certainly have taken on different meanings
23 for different people. This was not a sit in
24 a room with a slide projector and have people

1 sit and watch as slides were put on the
2 screen. That's my typical characterization
3 of a "PowerPoint presentation." A
4 "discussion document" utilizes the same tool
5 but provides information so that people can
6 talk about the information that's contained
7 on the page.

8 Q. And the goal is to summarize the most
9 important information about the Project for
10 the RaCC Committee; correct?

11 A. (Mr. Large) Yes.

12 Q. And it's a clear and easy way to bring out
13 discussion points. Is that --

14 A. (Mr. Large) Yes.

15 Q. Now, on Bates 444, there's a chart labeled
16 "Financial Sensitivities."

17 A. (Mr. Large) Yes.

18 Q. And you raised this in your discussion with
19 Mr. Sheehan. The first column is the
20 "Assumption Category"?

21 A. (Mr. Large) Yes.

22 Q. And there were four areas of sensitivity:
23 Capital cost, gas prices, coal prices and
24 carbon costs; right?

1 A. (Mr. Large) Yes.

2 Q. Now, in June of 2008, capital costs were not
3 the area of most sensitivity to customer
4 costs; correct?

5 A. (Mr. Large) In terms of operation of
6 Merrimack Station, that would be true. I'm
7 not certain I follow specifically your
8 question.

9 Q. In June of 2008, you had a figure of
10 \$457 million, and there was confidence that
11 that was a good figure, or a fairly robust
12 analysis of the cost; correct?

13 A. (Mr. Large) Yes.

14 Q. So, in these assumptions, capital costs was
15 not the most sensitive area; correct?

16 A. (Mr. Large) That is correct.

17 Q. And the financial sensitivities are
18 identified in the second bullet as future
19 natural gas and coal prices; correct

20 A. (Mr. Large) The second and third assumptions
21 discussed are gas prices and coal prices,
22 yes.

23 Q. And net customer cost is most sensitive to
24 those two assumptions; correct?

1 A. (Mr. Large) That is correct.

2 Q. Now, turning to Bates 470.

3 A. (Mr. Large) And this is in the board of
4 trustees presentation.

5 Q. Correct. This chart is labeled "Key
6 Financial Takeaways"; correct?

7 A. (Mr. Large) Yes.

8 Q. And this is a summary of the most important
9 financial information about the financial
10 aspects of the Scrubber Project?

11 A. (Mr. Large) I would say it puts in words the
12 numerical analyses and sensitivity analyses
13 in one place, yes.

14 Q. And this is the page that's called "Key
15 Financial Takeaways." And you want the NU
16 Board of Trustees to take this information
17 away with them as significant. Is that a
18 fair characterization?

19 A. (Mr. Large) Well, we want them to take all of
20 the information away as significant. But
21 this is an attempt to highlight or provide a
22 summary.

23 Q. Now, PSNH did not provide this page of Key
24 Financial Takeaways in the September 2nd,

1 2008 comprehensive report; correct?

2 A. (Mr. Large) We did not.

3 Q. And this was not provided to the Electric
4 Utilities Restructuring Legislative Oversight
5 Committee in 2008; correct?

6 A. (Mr. Large) I don't believe so, though I
7 don't know that I participated directly in
8 that process. So I do not believe so, but I
9 can't testify to that.

10 MS. CHAMBERLIN: Well, I'd
11 like to offer an exhibit. I have -- well, I
12 don't need to offer it. It's Long Exhibit
13 No. 16, so it's already included as an
14 attachment to the Long deposition. But I can
15 provide it to the witness. It's a data
16 request that says, "Please provide copies of
17 all reports to the Legislative Oversight
18 Committee on Electric Restructuring." And
19 it's a Staff 012 and answered by Mr. Smagula.

20 (Ms. Chamberlin hands document to Mr.
21 Large.)

22 A. (Mr. Large) Thank you.

23 Q. Let me know when you're ready.

24 (Witness reviews document.)

1 A. (Mr. Large) Thank you.

2 Q. And so your answer to the question: "PSNH
3 did not provide this page of Key Financial
4 Takeaways to the Electric Utility
5 Restructuring Legislative Oversight
6 Committee"?

7 A. (Mr. Large) Well, I apologize for only having
8 scanned the entire document. But I believe
9 that to be true.

10 Q. All right. Looking at Bates 467 --

11 A. (Mr. Large) Ms. Chamberlin, would you like
12 this back?

13 Q. You can keep that.

14 A. (Mr. Large) The piles grow.

15 CMSR. HONIGBERG: I'm sorry,
16 Ms. Chamberlin. Which page are we looking
17 at?

18 MS. CHAMBERLIN: Bates 467.

19 A. (Mr. Large) I have that.

20 Q. And this is the chart labeled "Financial
21 Sensitivities."

22 A. (Mr. Large) Yes.

23 Q. And 467 is the one provided to the NU Board
24 of Trustees; correct?

1 A. Yes.

2 Q. And it's the same chart that was provided to
3 the Risk and Capital Committee; correct?

4 A. (Mr. Large) There are slight variations,
5 but...

6 Q. Well, I'll let people review that on their
7 own.

8 I'm interested in one column. And the
9 last column is labeled "Net Customer Impact
10 Break-Even Rates."

11 A. (Mr. Large) Yes.

12 Q. And am I correct that this column shows the
13 number -- looks like they're dollars --
14 required for each assumption for customers to
15 break even?

16 A. (Mr. Large) Yes.

17 Q. So, looking at capital costs compared to the
18 base case, capital costs of the Scrubber
19 could go up about \$200 million more before
20 reaching the break-even point?

21 A. (Mr. Large) So, to be clear, that presumes
22 all of the other assumptions are held
23 constant; so it's changing only that one
24 assumption. But what you said is true, with

1 that understanding.

2 Q. Yes. And for natural gas prices, natural gas
3 prices could drop 90 cents before hitting the
4 break-even point?

5 A. (Mr. Large) Again, all other assumptions
6 being consistent, yes.

7 Q. And coal prices could go up 47 cents before
8 hitting the break-even amount?

9 A. (Mr. Large) I think it's more than that.

10 Q. You can do the math. It's probably -- you're
11 probably better at it than I am. Just
12 comparing the base case and the coal price.

13 A. (Mr. Large) The right-hand column is \$5.49,
14 and the base case is \$4.82. So...

15 Q. Well, I tried to do the math, and this is
16 what I came up with...

17 A. (Mr. Large) Sixty-seven cents.

18 Q. Yeah, 67 cents. All right. So, coal prices
19 could go up 67 cents before hitting the
20 break-even amount; correct?

21 A. (Mr. Large) Yes.

22 Q. All right. Thank you. That's all I have.

23 CMSR. HONIGBERG: I think this
24 is a good time for a break, so we will take

1 15 minutes and come back at five minutes to
2 eleven.

3 (Whereupon a recess was taken at 10:39
4 a.m., and the hearing resumed at 10:56
5 a.m.)

6 CMSR. HONIGBERG: Who's up
7 next? Mr. Patch.

8 CROSS-EXAMINATION

9 BY MR. PATCH:

10 Q. Good morning, Mr. Large and Mr. Vancho. I'm
11 Doug Patch. I am counsel for the TransCanada
12 affiliates who are intervenors in the docket.

13 A. (Mr. Large) Good morning, Mr. Patch.

14 A. (Mr. Vancho) Good morning.

15 Q. During the time frames that are most at issue
16 in this docket, '08 and '09, Mr. Large, you
17 were the Director of Business Planning and
18 Customer Support Services for PSNH; is that
19 correct.

20 A. (Mr. Large) Yes.

21 Q. And included in those responsibilities was
22 the preparation of the 2007 LCIRP; is that
23 correct?

24 A. (Mr. Large) Yes.

1 Q. And that's what's been marked as Exhibit 73.

2 A. (Mr. Large) Mr. Vancho, you were the Manager
3 of Financial Planning and Analysis during
4 that time period; is that correct?

5 A. (Mr. Vancho) That's correct.

6 Q. And am I correct that you, I believe, both
7 are the ones who prepared the assumptions
8 about the price of natural gas and the price
9 of coal that were used in the presentations
10 made to the RaCC and the board of trustees in
11 June and July of 2008? Is that correct?

12 A. (Mr. Large) I had responsibility for that
13 more so than Mr. Vancho.

14 Q. Okay. Well, I'd like to introduce and show
15 you a copy of a response to a TransCanada
16 data request. It's 6-197. And also 6-196,
17 while we're at it.

18 CMSR. HONIGBERG: Two separate
19 exhibits?

20 MR. PATCH: Yes.

21 CMSR. HONIGBERG: So, 119 and
22 120.

23 (The documents, as described, were
24 herewith marked as Exhibits 119, 120

1 for identification.)

2 CMSR. HONIGBERG: So, 119 is
3 TC 6-197 and 120 is TC 6-196.

4 (Ms. Goldwasser distributes documents.)

5 MR. BERSAK: Thank you.

6 BY MR. PATCH:

7 Q. And do you have those in front of you?

8 A. (Mr. Large) Yes, we do.

9 Q. And the question at 197, which has been
10 marked as Exhibit 119 is, were either of you
11 involved in preparing the presentations made
12 to RaCC and the board of trustees, and were
13 either of you present for those
14 presentations. And there's a description
15 there of both of your involvement; correct?

16 A. (Mr. Large) Yes.

17 A. (Mr. Vancho) Yes.

18 Q. And then the next exhibit, Exhibit 120, was a
19 response to 196, 6-196, asking: Did you
20 prepare the assumptions on natural gas
21 prices; and if you did not, who did? Please
22 describe your level of involvement. And as I
23 read that, Mr. Large, you prepared the
24 assumptions on natural gas prices that were

1 included in the report presented by PSNH to
2 the Commission in 08-103 and in connection
3 with Senate Bill 152; is that correct?

4 A. (Mr. Large) Yes, that's what I was trying to
5 say in your initial questions. Yes.

6 Q. And those assumptions are the same as the
7 ones that are in the documents contained in
8 the response to Staff 2-2, which are the RaCC
9 and the board of trustees presentations;
10 correct?

11 A. (Mr. Large) Yes. We strove to be consistent
12 throughout the process.

13 Q. Did you have any conversations with Mr. Long
14 at all about those presentations?

15 A. (Mr. Large) Oh, absolutely. Mr. McDonald, as
16 well as Mr. Smagula, many others.

17 Q. Do you know, then, why Mr. Long, during the
18 course of his deposition, would not have been
19 able to identify either of you as the person
20 who did this? And I'm looking at Page 78,
21 Line 20 [sic] of the deposition.

22 (Witness reviews document.)

23 SP. CMSR. IACOPINO: Page 78,
24 Mr. Patch?

1 MR. PATCH: Page 78, Line 20.

2 (Witness reviews document.)

3 BY MR. PATCH:

4 Q. Do you see on that page where I asked him the
5 question, "Do you know who did this
6 forecast?" Do you see his response?

7 A. (Mr. Large) I do.

8 Q. And the response was "No"; correct?

9 A. (Mr. Large) Response there listed is "No,"
10 yes.

11 Q. And you said you had a number of
12 conversations with him?

13 A. (Mr. Large) During this period of time, I was
14 a direct report to Mr. Long. He and I would
15 speak many times a week. During courses of
16 time when we were working on these kinds of
17 analyses, we might speak many times a day. I
18 had extensive discussions and conversations,
19 as I said, with Mr. Long, Mr. McDonald and
20 others. So...

21 Q. Did you talk with him about what information
22 to put in the various presentations?

23 A. (Mr. Large) He was a contributor to the
24 development of the discussion documents, yes.

1 Q. And in particular, I'm focusing on the
2 differences between the presentation to the
3 board and not to the Staff. Did you talk to
4 either of those gentlemen, Mr. McDonald or
5 Mr. Long, about that?

6 A. (Mr. Large) Yes, I believe I referred to that
7 while discussing things with Mr. Sheehan
8 earlier.

9 Q. And so you took your direction on what to put
10 in the Staff presentation from both of them;
11 is that correct?

12 A. (Mr. Large) I think "direction" is an
13 overstatement. They certainly were engaged
14 in the process. They would have had final
15 authority to determine what we did or didn't
16 include. But it would be unfair to say that
17 they told me what to do and I did it.

18 Q. And you both were present for the RaCC
19 Committee presentation, as I understand it;
20 correct?

21 A. (Mr. Vancho) Yes.

22 Q. And you both worked on the presentation for
23 the board of trustees but were not present
24 for that; correct?

1 A. (Mr. Large) Correct.

2 Q. And Mr. Large, you prepared the presentation
3 to Staff and the OCA that was used for the
4 July 8th meeting with them to discuss the
5 Scrubber. I'm going to ask you to look at
6 Response TC-199.

7 MR. PATCH: I'd ask that that
8 be marked as well.

9 CMSR. HONIGBERG: This is 121.

10 (The document, as described, was herewith
11 marked as Exhibit 121 for identification.)

12 A. (Mr. Large) To be complete, I along with the
13 management team at PSNH.

14 Q. And you said, Mr. Large, you were present for
15 that meeting with the Staff on July 30th;
16 correct?

17 A. (Mr. Large) Yes.

18 Q. And you've identified I think already the
19 presentations that were made to the RaCC and
20 the board and the Staff that are in the
21 record; correct? We don't need to walk
22 through that again I don't think, do we?

23 A. (Mr. Large) I'm fully aware of them, if
24 that's what you're asking. I'm sorry.

1 Q. You don't have any reason to disagree that
2 what is in the record about those
3 presentations is any different than what was
4 presented to either -- to any of the three of
5 those bodies in the summer of '08.

6 A. (Mr. Large) I'm confident that the discussion
7 documents that are in the record associated
8 with those three meetings is accurate as to
9 what was delivered on those days, yes.

10 Q. I want to walk you through a couple
11 differences in the presentation to the RaCC
12 and the board. And so I don't know if you
13 could get those two presentations in front of
14 you. I think they're attachments to your
15 testimony. That may be the easiest place to
16 look for it. And in the first instance, I'd
17 ask you to look at the chart on Page 8 of the
18 RaCC presentation.

19 MR. NEEDLEMAN: Is there a
20 Bates number for that?

21 CMSR. HONIGBERG: That's 444.

22 MR. NEEDLEMAN: Thank you.

23 BY MR. PATCH:

24 Q. And I would ask you to look at the

1 presentation there with regard to the
2 downside and upside assumptions for gas
3 prices and coal prices. And on that chart
4 they are plus or minus 5 percent; correct?

5 A. (Mr. Large) Yes.

6 Q. Could you compare that with the board
7 presentation, Page 7. And we can get the
8 Bates page number for that --

9 A. (Mr. Large) I can help you. It's 467.

10 Q. Thank you. I mean, it looks like those
11 downside and upside assumptions changed to
12 plus or minus 10 percent; correct?

13 A. (Mr. Large) That is correct, yes.

14 Q. Could you explain why?

15 A. (Mr. Large) Certainly. As part of the RaCC
16 discussion, and recognizing the sensitivities
17 associated with those costs, it was
18 recommended to Mr. Long and Mr. Breed that we
19 consider a broad range of sensitivity
20 associated with coal and gas prices.

21 Q. That was a discussion with who again?

22 A. (Mr. Large) Mr. Long and Mr. Breed.

23 Mr. Long, my boss; Mr. Breed, Mr. Vancho's
24 boss.

1 Q. And that was a discussion during the course
2 of the RaCC Committee meeting or subsequent?

3 A. (Mr. Large) I would say subsequently.

4 Q. And that change changed the total dollars on
5 the upside and downside; correct?

6 A. (Mr. Large) They're just corollary numbers.

7 Q. So, for example: In the RaCC, you know, next
8 to gas prices, if you follow that line
9 across, it's \$213 million on the downside.
10 Do I have that correct?

11 A. (Mr. Vancho) That's on the positive side.

12 Q. I'm sorry. Yup, I have that. \$213 million
13 on the positive side and \$51 million on the
14 negative side, for the net present -- under
15 the column "2008 PV of Net Customer Cost."
16 Do I have that correct?

17 A. (Mr. Vancho) The impact was 81 million up or
18 down, but the resulting change to the NPV was
19 213 to the positive and 51 to the positive on
20 the other side.

21 Q. Okay. And then compare that to the board of
22 trustees presentation, Bates 467. What's the
23 difference? What are those numbers that
24 correspond on that chart?

1 A. (Mr. Vancho) It's just reflecting a higher
2 sensitivity. So, the 81 million is becoming
3 163 million; so a higher sensitivity. So,
4 the ultimate impact to net present value is
5 obviously different. You have a greater
6 benefit on the board of trustees side on the
7 upside and lower benefit, or a net cost, I
8 guess, on the downside.

9 A. (Mr. Large) So, simply put: By doubling the
10 band width of the sensitivity from 5 percent
11 to 10 percent on a plus or minus basis, it
12 essentially doubles what the NPV value would
13 be over the life of the Project.

14 A. (Mr. Vancho) Right.

15 Q. Now, the board and the RaCC presentations
16 both have historic fuel spread charts; is
17 that correct?

18 A. (Mr. Large) They do.

19 Q. And if you could just focus on those for a
20 minute. The board one includes the numbers
21 for the average spread for the last 15 years;
22 correct?

23 A. (Mr. Large) I'm working my way towards that
24 slide, if I may, Mr. Patch.

1 Q. Okay.

2 (Witness reviews document.)

3 A. (Mr. Large) I apologize, but I'm not finding
4 it in the RaCC presentation at the moment.

5 Oh, I stopped too soon. I have it now.

6 Q. Bates Page 469?

7 A. (Mr. Large) 459, I believe, and 469.

8 Q. Okay. Good. So, 459 is what was presented to
9 the RaCC, and 469 was what was presented to
10 the board; correct?

11 A. (Mr. Large) Yes.

12 Q. And 469 has some numbers on there that
13 weren't presented to the RaCC; am I correct?

14 A. (Mr. Large) That don't appear on the RaCC
15 document.

16 Q. So, by making that distinction, you're
17 suggesting that maybe the numbers were
18 actually given to the RaCC, but just not put
19 on the document?

20 A. (Mr. Large) That's correct.

21 Q. Is that your specific recollection?

22 A. (Mr. Large) It is not my specific
23 recollection, no.

24 Q. You're just saying that's a possibility.

1 A. (Mr. Large) Yes.

2 Q. But there are differences, are there not,
3 between the two presentations, at least that
4 we pointed out?

5 A. (Mr. Large) The circles and the discussion of
6 average spread are different between the two
7 presentations, yes.

8 Q. Can you explain why?

9 A. (Mr. Large) Yes. Yes, I certainly can.

10 To add additional information to the
11 board of trustees, recognizing that Northeast
12 Utilities is a very large company, and within
13 this very large company, PSNH is the only
14 portion that is a regulated generation
15 entity, we felt it important to try and
16 provide additional context for the board of
17 trustees that deal with these issues less
18 regularly, in a less detailed way than the
19 Risk and Capital Committee.

20 Q. Mr. Sheehan asked you a similar question
21 yesterday. I'm going to ask it a little bit
22 differently.

23 If we were to accept PSNH's argument
24 about the law being a mandate, then isn't it

1 irrelevant whether the Project would be
2 economic for customers?

3 A. (Mr. Large) Not necessarily in the minds of
4 Company management and the board of trustees.
5 I think they would want to know the impact on
6 customers. They'd want to know the impact on
7 as many entities that we have effect on as is
8 reasonable.

9 Q. But it's only a matter of informing them.
10 There was no -- was there no break-even point
11 there? Was there any point at which you
12 think the board of trustees, for example,
13 would have chosen not to proceed with the
14 Project or would not have approved the
15 Project?

16 A. (Mr. Large) I couldn't speculate as to where
17 that would have occurred. If in fact we had
18 a different estimate of any of these elements
19 at the time of the analysis that we
20 conducted, the same process would have
21 transpired, would have taken place. We would
22 have come to the PUC to advise them. We
23 would have responded to all inquiries that
24 were presented to us. What would have

1 transpired, I don't know.

2 Q. But if you look at Page 467, Bates page --
3 and I think Ms. Chamberlin had asked you a
4 couple questions about this. But the number
5 at the top, the \$684 million in the "Capital
6 Cost" line under "Net Customer Impact
7 Break-Even Rates," assume for a minute that
8 it had been \$700 million, or something in
9 excess of that. Do you believe the board
10 would have approved at that point in time?
11 Do you believe they had the option not to
12 approve I guess is really the appropriate
13 question? Do you think they had the option
14 to say, No, we're not going to go ahead
15 because it exceeds that amount? I'm asking
16 you to assume hypothetically that it did.

17 A. (Mr. Large) I understand your request for me
18 to consider it hypothetically. I believe
19 that at those values, the board would have
20 approved, as they did, and that we would have
21 moved forward with the process in very much
22 the same manner that we did at 457.

23 Q. And if that had happened, what information
24 would you have provided to the Commission or

1 the Commission Staff that's any different
2 than what you did provide? Again, assuming
3 that hypothetical.

4 A. (Mr. Large) Again, I believe that the
5 information presented would have been very
6 consistent with what we've provided.

7 Q. So you wouldn't have told them about this
8 break-even; you wouldn't have told them about
9 this 684; you wouldn't have told them about
10 the \$5.49 spread.

11 MR. NEEDLEMAN: I'll object to
12 the question. Multiple questions. And part
13 of it is contradictory to evidence that's
14 already been presented.

15 CMSR. HONIGBERG: Why don't
16 you break it up into multiple questions.

17 MR. PATCH: It's a single --

18 CMSR. HONIGBERG: Well, you
19 asked him a series of questions in there.

20 BY MR. PATCH:

21 Q. Okay. Let's take them one at a time. What
22 if -- assume, hypothetically, that the
23 number, the \$684 million, had been higher.
24 What information would you have presented to

1 the Commission or Staff with regard to that
2 particular figure?

3 A. (Mr. Large) Simply taking the information,
4 the changed information, and inputting into
5 the discussion document that we talked about
6 on July 30th would have identified that the
7 net present value to customers would have
8 been zero as opposed to a positive number, a
9 positive benefit to customers. We would have
10 shared that information.

11 Q. With Staff and with the Commission.

12 A. (Mr. Large) Yes.

13 Q. And do you think that would have produced a
14 different result if you had presented that?

15 MR. NEEDLEMAN: Objection.

16 BY MR. PATCH:

17 Q. Again, hypothetically, assume for a minute.

18 A. (Mr. Large) And the answer is: I don't know,
19 in that the process to change the law and our
20 requirement to comply with it was not the
21 Staff's, not the Commission's, and not the
22 Company's.

23 Q. On Page 3 of your testimony, Line 20, I
24 believe it is --

1 A. (Mr. Large) Mr. Patch, are we finished with
2 these? I'd just like to reassemble --

3 Q. Probably not. We'll probably come back to
4 them at some point.

5 A. (Mr. Large) Just trying to manage the chaos
6 here if I can.

7 Q. I understand.

8 A. (Mr. Large) Page 3 did you say?

9 Q. Page 3 of your testimony. I'm looking at
10 Lines 19 through 24. And this is where you
11 said -- and tell me if I read it correctly --
12 "For such a legislatively-mandated project,
13 economic analysis can be instructive in terms
14 of sanity-checking the investment
15 requirements for budgeting purposes, as well
16 as obtaining a directional understanding of
17 the major drivers of the Project development
18 and execution risk. However, it is not
19 appropriate to consider economic analysis as
20 a stand-alone product to confirm the
21 investment in a project that is required by
22 law, such as the Scrubber." Did I read that
23 correctly?

24 A. (Mr. Large) Yes, you did.

1 Q. So I wonder if you can explain to me
2 "directional understanding of the major
3 drivers of project development and execution
4 risk." What does that mean?

5 A. (Mr. Large) Certainly. The economics portion
6 is the pages that we've just been speaking to
7 in the RaCC board presentation documents. If
8 something goes up, what does it do? If
9 something goes down, what does it do?
10 Execution risk is not part of that analysis.
11 Execution risk is, are we able to get
12 contractors to build it? Are there
13 engineering firms that can construct it?
14 What if there's a lengthy, snowy winter in
15 New Hampshire? How will that impact your
16 ability to complete the Project on time?
17 Those are my short list. Probably much, much
18 longer list of what execution risk would look
19 like.

20 Q. So, even though the Project was mandated by
21 law as PSNH has argued in this docket, the
22 board needed to know about the uncertainty
23 and the economics, and they needed to know
24 about the upsides and downsides from the base

1 case; correct?

2 A. (Mr. Large) It was appropriate for them to
3 know. And our corporate policy required
4 that, for a capital investment in excess of
5 \$50 million, we needed to present that
6 information to them. It would have been
7 appropriate at the \$250 million original
8 price. Our corporate requirements would have
9 required that.

10 Q. So the analysis we're talking about that was
11 done -- I mean, there was one analysis done
12 in 2008; correct? That's the one referred to
13 in the RaCC and the board, although it
14 changed a little bit between the two; is that
15 fair to say?

16 A. (Mr. Large) I don't think the analysis
17 changed. I think the presentation of
18 information borne out of the analysis was
19 different -- as we pointed out, 5 percent
20 versus 10-percent band width. But there, in
21 fact, was a second analysis that was
22 undertaken after the August 22nd Commission
23 secretarial letter -- or additional analysis.
24 I don't want to call it a second.

1 Q. And how is it different than the one that was
2 presented to the RaCC and the board?

3 A. (Mr. Large) In the -- well, Mr. Vancho's
4 probably better able to give those
5 definitions.

6 A. (Mr. Vancho) Those were the comparisons to
7 building a natural gas facility or a coal
8 facility instead of just the market
9 comparison that we did in the initial
10 analysis.

11 Q. But the assumptions were basically the same,
12 weren't they? Were any "key assumptions," as
13 you refer to them, in the '08 report any
14 different?

15 A. (Mr. Large) No. We strove over that few
16 months' period of time to keep the
17 assumptions as consistent -- perfectly
18 consistent -- seemed as though I was going to
19 offer leeway. The assumptions were
20 completely consistent.

21 Q. And that's the last time you ever did an
22 analysis like that in relation to this
23 Scrubber Project; correct?

24 A. (Mr. Large) That is true.

1 Q. And I want to focus for a minute on the
2 presentation made to Staff and the Consumer
3 Advocate. I think it's in the docket in a
4 few different places. I don't remember if
5 it's attached to your testimony, if that's
6 the easiest place to look for it.

7 A. (Mr. Large) It is not, but I do have a copy
8 of it with me.

9 Q. Okay. It's Exhibit 39, I believe, in the
10 record, and then also Exhibit 20-11. And we
11 have marked as Exhibit 43 the response to
12 Data Request TC 6-201, where TransCanada had
13 asked you about differences in the facts that
14 were shared with the Staff as compared to
15 what was presented to the board and the RaCC.
16 And I believe your response was that it was
17 only the presentation format that was
18 different; is that correct?

19 A. (Mr. Large) No that's not.

20 Q. Okay. Do you want to read the response?
21 Could you read the response into the record?

22 A. (Mr. Large) I'd be happy to. Do you have a
23 copy of it?

24 (Mr. Needleman hands document to witness.)

1 WITNESS LARGE: Thank you, Mr.
2 Needleman.

3 A. (Mr. Large) The response says, "The facts
4 shared with the PUC Staff and OCA were the
5 same as those shared with the RaCC. The
6 presentation formats were different since the
7 material was being presented to different
8 audiences."

9 Q. And so I heard you testify in response to,
10 guess it was actually in response from
11 questions from Mr. Sheehan this morning, that
12 it's your recollection that the facts about
13 the \$5.29 per MMBtu and the fact about the
14 gas/coal spread averaging \$3.18 over the last
15 15 years were actually presented orally in
16 that meeting, but were not presented in
17 writing; is that correct?

18 A. (Mr. Large) They were not presented in
19 writing. And I spoke -- when speaking with
20 Mr. Sheehan, I referred to the \$5.29 per
21 million Btu coal/gas spread.

22 Q. So that's why you answered this data request
23 the way you did, because you believe that you
24 presented those facts verbally to the

1 Commission Staff and to the OCA.

2 A. (Mr. Large) That is my testimony.

3 Q. Now, were you here when I asked Mr. Frantz a
4 couple questions about this earlier in this
5 docket?

6 A. (Mr. Large) I was.

7 Q. And I would just -- we do have a transcript
8 of that particular testimony, and I would
9 just like to refer to that. And I asked him
10 a question -- and this is on Page 110 of the
11 afternoon session of October 15th -- 14th
12 sorry.

13 And I said, "Okay. We'll start with the
14 \$5.29."

15 And his response was, "We did not
16 receive the \$5.29."

17 And then I asked him, "And did you
18 receive the \$3.18, the actual spread over the
19 historical period going back to 1993? Was
20 that a fact you received?"

21 And his answer was, "Not in the
22 July 30th, 2008 submission."

23 Do you recall him saying that?

24 A. (Mr. Large) Not as clearly as you've been

1 able to read it back from the record.

2 MR. GLAHN: Mr. Patch, show us
3 the transcript he's reading from. We don't
4 have it in front of us.

5 CMSR. HONIGBERG: Nor do we.

6 MR. PATCH: Well, I can make
7 copies during a break if it would be
8 appropriate. But it's the record of this
9 proceeding.

10 MR. GLAHN: Just show it to
11 Barry.

12 CMSR. HONIGBERG: Well, why
13 don't you just show it to Mr. Needleman,
14 since it's a document you're reading from.
15 You want everyone to assume it's been read
16 accurately.

17 (Ms. Goldwasser hands document to Mr.
18 Needleman)

19 MR. NEEDLEMAN: Thank you.

20 BY MR. PATCH:

21 Q. And I'd ask you to look for a minute at
22 Exhibit 39, which is an exhibit that PSNH
23 introduced when they were doing
24 cross-examination of Mr. Frantz. And it

1 contains Mr. Mullen's copy of the
2 presentation with his notes on the copy of
3 that presentation. I don't know if you've
4 seen that document.

5 A. (Mr. Large) I have seen it. I don't have one
6 with me today.

7 (Mr. Sheehan hands document to witness.)

8 BY MR. PATCH:

9 Q. I'd ask you to take a look through there and
10 see if you see any notes on there from Mr.
11 Mullen indicating that he or the members of
12 Staff that were present at that meeting were
13 told about the \$5.29 or the \$3.18.

14 (Witness reviews document.)

15 Q. Do you see any note like that in there? If
16 you do, if you could identify it for the
17 record.

18 A. (Mr. Large) I see a number of notes from Mr.
19 Mullen. I'll look through the whole thing,
20 if I can.

21 (Witness reviews document.)

22 A. (Mr. Large) I do not see a reference. I
23 don't see him having marked \$5.29 on the
24 page. But I do see that he underlined the

1 statement with respect to the third bullet on
2 the page, "most sensitive to the coal/natural
3 gas price spread and far less sensitive to
4 capital cost or RGGI cost increases."

5 Q. Well, don't you think if you'd given him that
6 information it would have been written right
7 next to where that was underlined?

8 A. (Mr. Large) No, not necessarily, and the
9 reason being is that we -- as I indicated in
10 previous discussion, we expressed our very
11 significant concerns about discoverability
12 when we were at this early stage in the
13 process.

14 Q. I think -- have you reviewed Mr. Hachey's
15 testimony that was filed in December of last
16 year in this docket?

17 A. (Mr. Large) To a very limited extent.

18 Q. Do you remember that he made an issue of the
19 differences -- in his testimony, the
20 differences between what was in the board
21 presentation and the RaCC and then what was
22 in the Staff presentation? Do you recall
23 that?

24 A. (Mr. Large) I do not.

1 Q. And you filed rebuttal testimony in this
2 docket, what, about six months later?

3 A. (Mr. Large) I can tell you when we filed the
4 testimony. Its relationship to Mr. Hachey's
5 testimony -- I can do the math, but I don't
6 have that. I'm sorry.

7 Q. Okay. Well, would you accept, subject to
8 check, that it was about six months later
9 that you filed rebuttal testimony, six months
10 after you would have had his testimony?

11 A. (Mr. Large) I'm happy to accept that, subject
12 to check.

13 Q. And you didn't put anything about this in
14 your rebuttal testimony, did you? And when I
15 say "this," what I mean is about the fact
16 that you orally disclosed to Staff the \$3.29
17 [sic] and the \$3.18 numbers.

18 A. (Mr. Large) I did not include it in my
19 rebuttal testimony, no.

20 Q. Why not?

21 A. (Mr. Large) I didn't know it was necessary to
22 rebut Mr. Hachey on that point.

23 Q. Your counsel, in a question to Mr. Hachey,
24 suggested that Staff and the OCA are smart

1 people, so they didn't need to have the \$5.29
2 spread between the price of natural gas and
3 coal that was required to make the Project
4 economic presented to them. Do you remember
5 him asking that question?

6 MR. NEEDLEMAN: Well,
7 before -- could we see the portion of the
8 transcript and allow the witness to read it?

9 MR. PATCH: I don't have that.

10 A. (Mr. Large) And I can identify that I was not
11 here during the cross-examination of Mr.
12 Hachey. So, no.

13 Q. Would you accept, subject to check, or
14 hypothetically, however you want to accept
15 it, that that's in fact a question that your
16 counsel asked of Mr. Hachey?

17 MR. NEEDLEMAN: I'm sorry.
18 Could I hear the question again?

19 CMSR. HONIGBERG: Yeah, I need
20 to hear the question, too.

21 BY MR. PATCH:

22 Q. Your counsel, in a question to Mr. Hachey,
23 suggested that Staff and the OCA are smart
24 people, so they didn't have to have the \$5.29

1 spread between the price of natural gas and
2 coal that was required to make the Project
3 economic presented to them.

4 CMSR. HONIGBERG: Mr. Patch,
5 are you purporting to quote a question there,
6 or is that your notes of a question that was
7 asked? Because I don't remember a question
8 coming out like that. It may have been the
9 implication of a question, but I just don't
10 remember the question being asked like that.

11 MR. PATCH: Okay. Well, I'm
12 quite sure it was, and we'll come back to
13 that. We'll find a cite.

14 CMSR. HONIGBERG: Okay.

15 (Commission conferring)

16 BY MR. PATCH:

17 Q. I'm going to ask you to look at the Risk and
18 Capital Committee presentation again,
19 Page 18.

20 A. (Mr. Large) I have that.

21 Q. There's a point in that presentation where
22 you indicate that the loss of Merrimack
23 Station "would call into question the
24 viability of operating the remaining

1 generating assets as a fleet." Do you recall
2 that?

3 A. (Mr. Large) I do.

4 Q. Now, I guess I want to understand why you
5 would even raise that possibility of not
6 operating Merrimack Station if you believed
7 it was a mandate to proceed with the Scrubber
8 Project.

9 (Witness reviews document.)

10 A. (Mr. Large) It was feasible that someone
11 could ask: What do you do if you don't have
12 Merrimack? And we were being informative and
13 preemptive in making clear that we viewed the
14 importance of the operation of the fleet,
15 specifically including Merrimack, and that
16 with the requirements of the Scrubber Law, it
17 further integrated the operation of our power
18 generation fleet.

19 Q. So, if for some reason you hadn't proceeded
20 with Merrimack Station, if Merrimack Station
21 had gone out of operation in the summer of
22 2013 because the Scrubber Project hadn't been
23 built and you couldn't comply with the law,
24 are you saying that that would have put in

1 jeopardy, as you say in that particular
2 bullet, the operation of the rest of the
3 generation fleet?

4 A. (Mr. Large) Mr. Patch, would you direct me
5 specifically to that bullet? It would be
6 helpful.

7 CMSR. HONIGBERG: Mr. Patch,
8 if you could give us a Bates number. I'm not
9 sure any of us are on the same page you're
10 looking at.

11 MR. PATCH: I'm sorry. I'm
12 flipping back and forth, and it's going to
13 take me a minute to find it.

14 A. (Mr. Large) I think I can help. It's 450.

15 BY MR. PATCH:

16 Q. Thank you. And it's right at the bottom of
17 that page; correct?

18 A. (Mr. Large) It is.

19 Q. So, do you recall my question?

20 A. (Mr. Large) I'm sorry, no.

21 Q. My question was: In the event that -- assume
22 hypothetically, I guess I'll begin, that
23 Merrimack Station had not constructed the
24 Scrubber Project, for whatever reason, and

1 Merrimack Station no longer operated after
2 July of 2013. Would that have put in
3 jeopardy the rest of the generation assets as
4 a fleet?

5 A. (Mr. Large) The operation by PSNH of the
6 fleet of generation assets, yes, that's what
7 that phrase is referring to, that the case
8 for continuing to operate them or own them
9 would be diminished absent Merrimack.

10 Q. Why?

11 A. (Mr. Large) Clearly, at that point in time,
12 as we were considering these facts, Merrimack
13 Station produced the greatest amount of
14 energy from our operation. It would be fair
15 to say that it included and received the
16 greatest amount of attention from not only
17 PSNH generation management, but from many of
18 the external entities, many of whom are here
19 today. So it was the centerpiece of our
20 operation at that juncture in time. And to
21 have that separated would have made,
22 administratively, things less beneficial for
23 customers, I think, on a
24 cost-per-kilowatt-hour basis. But as well,

1 the integrated nature, particularly as it
2 relates to the New Hampshire Clean Power Act,
3 would have made it administratively difficult
4 also.

5 Q. I think you've already testified that you
6 were involved in the preparation of the
7 information that was submitted to the
8 Commission on September 2nd of '08 in 08-103
9 docket; correct?

10 A. (Mr. Large) Yes.

11 Q. And that filing, which is at Exhibit 20-7, an
12 attachment to the deposition, and I think it
13 may be in one or two other places in the
14 docket -- I'd ask you to get that particular
15 filing in front of you, if you could.

16 A. (Mr. Large) It's also Attachment 5 to our
17 testimony.

18 Q. Okay. And that particular filing included a
19 cover letter from Mr. Long of five pages;
20 correct?

21 A. (Mr. Large) Yes.

22 Q. And then there's a report of 16 pages;
23 correct?

24 A. (Mr. Large) Well, I come up with 11 pages of

1 report followed by attachments.

2 Q. Okay. I think you're right. I miscounted
3 because I was assuming the page numbers at
4 the bottom referred to the beginning of the
5 report. But they include the five-page
6 letter; is that fair?

7 A. (Mr. Large) Yes.

8 Q. So there are eight attachments, as I
9 understand it. I'll just read them off
10 quickly, and you tell me if I've left
11 anything out.

12 A Wall Street Journal article from May
13 of '08; FERC's Office of Enforcement's Report
14 from June 19th of '08; a confidential
15 detailed project cost breakdown; a one-page
16 spreadsheet regarding net present value of
17 revenue requirements; an SNL article from
18 July 1, 2008; an SNL article from June 26,
19 2008; and then a 67-page memorandum of law
20 arguing that the Commission's authority with
21 regard to the Project was limited because the
22 law was a mandate; and then, also included
23 was a motion for protective order on contract
24 and bid information.

1 A. (Mr. Large) So, if it's okay that I not count
2 the number of pages in the memorandum of law,
3 I'm happy to agree with your statement.

4 Q. Okay. Thank you.

5 What SO2 allowance price assumption did
6 you use for the .03 estimate that was in this
7 filing?

8 A. (Mr. Large) Five hundred dollars per SO2
9 allowance.

10 Q. And what overall kilowatt demand assumption
11 did you use for that estimate?

12 A. (Mr. Vancho) It would have been about
13 8.7 million megawatt hours. I can get the
14 exact number.

15 Q. At Page 6, at the bottom, I want to direct
16 your attention to --

17 A. (Mr. Large) Of the report, Mr. Patch? I'm
18 sorry.

19 Q. Yes.

20 A. (Mr. Large) Thank you.

21 Q. I mean, it's the first page of the report,
22 but it says Page 6 on the bottom on the
23 right. Bates page, on the attachments to
24 your testimony, 486. Let me know when you're

1 there?

2 A. (Mr. Large) I have it, yes. Thank you.

3 Q. Could you read the last sentence on that page
4 into the record.

5 A. (Mr. Large) The first portion before
6 "Scrubber Status"?

7 Q. No, the last, the very last sentence on the
8 page.

9 A. (Mr. Large) I'm sorry. Okay. It says, "To
10 date, PSNH has spent approximately
11 \$10 million on the Clean Air Project."

12 Q. And this report makes numerous references to
13 the need to avoid delays in order to save
14 customers money, I think is the bottom line
15 on it. Is that fair to say? And I can
16 direct you to places in the report that it
17 says that, if that would be helpful. Is that
18 your recollection?

19 A. (Mr. Large) Absolutely. And having to do
20 with the incentives that Mr. Sheehan and I
21 spoke about earlier, that I think I finally
22 got right, and as well the reduction in
23 accumulated funds used during construction,
24 which would become fairly significant on a

1 large project like this.

2 Q. And then on Page 12, it says that PSNH has
3 been actively engaging in negotiating
4 contracts, though none have been signed as of
5 then. I mean, it doesn't say "though none
6 have been signed." But I think it says, if
7 you look at F1, the first sentence, "PSNH has
8 been actively engaged in negotiating
9 contracts for various aspects of the
10 Project." Correct?

11 A. (Mr. Large) That is the first sentence of
12 Section F1, yes.

13 Q. You don't have any reason to disagree with
14 that statement.

15 A. (Mr. Large) No.

16 Q. And then at the top of Page 14, that
17 Paragraph A, I have a couple questions about
18 this. It begins, "PSNH has assured the cost
19 of energy produced by Merrimack Station will
20 remain lower cost for customers than
21 reasonable potential alternatives, even when
22 the costs of the Clean Air Project are
23 included." Did I read that correctly?

24 A. (Mr. Large) That's what printed there, yes.

1 Q. And then, in that same paragraph, it goes on
2 to say that an analysis, the net present
3 value analysis, basically demonstrates the
4 continued economics of installing the
5 Scrubber, and that's what provides the
6 assurance. I didn't read all those words,
7 but isn't that essentially what it says?

8 A. (Mr. Large) The result of the analysis that
9 we conducted indicated that, with the
10 assumptions that we utilized, operation of
11 the Scrubber at Merrimack Station was in the
12 interest of customers. Yes.

13 Q. And this is the same analysis that was on
14 Pages 7 and 8 of the July 15 presentation to
15 the board?

16 A. (Mr. Large) It's clearly built off of that,
17 yes. And I'm quite confident that they're
18 perfectly consistent.

19 Q. Okay. And so, on Pages 7 and 8, then, if we
20 can look back at that --

21 A. (Mr. Large) To which, Mr. Patch?

22 Q. The July presentation.

23 A. (Mr. Large) Okay. Thank you.

24 Q. Page 7 and 8 includes the 2012 gas prices; is

1 that correct?

2 A. (Mr. Large) Yes, it does.

3 Q. And Page 8 includes a reference to the
4 assumed gas prices also; correct?

5 A. (Mr. Large) All right. I apologize. So,
6 Page 7 and 8 of the board presentation is in
7 agreement with what's shown on Page 14 of the
8 report? Is that what you're asking?

9 Q. Well, I'm just asking if it's the same
10 analysis that we're talking about there.
11 Isn't the same analysis that we're talking
12 about on Page 14 of the September 2nd, '08
13 filing the same analysis that's on Pages 7
14 and 8 of the presentation to the board?

15 A. (Mr. Large) I'm sorry. I thought I had said
16 that. Yes.

17 Q. Okay. And then, on Page 14, under
18 Paragraph D, it refers to the sensitivity
19 analyses that were conducted. And again, are
20 these the same ones that are referenced in
21 the board presentation --

22 A. (Mr. Large) Yes, they are.

23 Q. -- that are on Page 7?

24 A. (Mr. Large) Yeah, they are.

1 Q. And again, that includes gas and coal prices
2 and an implied gas/coal price spread;
3 correct?

4 A. (Mr. Large) Yes, it does.

5 Q. So then, I have to admit I'm a little
6 confused by the response you gave to Mr.
7 Sheehan with a couple of questions he asked
8 yesterday about why you didn't list gas under
9 the primary assumptions and why you didn't
10 list gas under the key assumptions in
11 Paragraph B and D on Page 14 of the '08
12 report filed with the Commission.

13 A. (Mr. Large) I apologize. I need to retract
14 my statement about gas prices being utilized
15 as part of the discussion in this subset Part
16 III.

17 Q. So they should have been identified on this
18 page in the report to the Commission you're
19 saying?

20 (Witness reviews document.)

21 A. (Mr. Large) The analysis in Roman III was a
22 Merrimack Station-only analysis; so it was
23 not a comparative case. So, in the entirety
24 of this report, there is a gas price

1 assumption that's utilized for other
2 analyses, not those, that are Part III.

3 Q. So the references to "sensitivity analysis"
4 on Page 14, and the reference to "detailed
5 net present value of revenue requirements,"
6 those are different analyses than the ones
7 that were done for the board, or are they the
8 same? I don't understand.

9 A. (Mr. Large) I'll strive to clarify. It's a
10 subset of what was provided to the board.
11 Roman III speaks only to the operation of
12 Merrimack Station with the Scrubber, not a
13 comparison to alternatives. So, the
14 "sensitivities" that are spoken to there --
15 "future price of coal," Merrimack Station
16 burning coal, "far less sensitive to... the
17 capital cost," i.e., the cost to construct
18 the Scrubber, or "CO2 allowances," that would
19 have pertained to Merrimack Station.
20 Sensitivities associated with the Merrimack
21 Station-only analysis were not contingent or
22 dependent on natural gas prices.

23 Q. I'm going to ask you to look at Page 16.
24 It's marked as Paragraph H --

1 A. (Mr. Large) Yes.

2 Q. -- of this report. It refers to "comparison
3 and sensitivity analyses" being "conducted
4 using the Scrubber and market purchase plus
5 retirement scenarios."

6 A. (Mr. Large) Yes.

7 Q. And it says there, "Under the base-case
8 assumptions" -- which are the ones included
9 in the board presentation; correct? Same
10 ones?

11 A. (Mr. Large) That is correct. We're now in
12 Roman Section IV of the report.

13 Q. And it says "\$132 million benefit on a net
14 present value basis over the depreciable life
15 of the Scrubber"; correct?

16 A. (Mr. Large) Yes, it does.

17 Q. "Additional net present value benefit of
18 \$34.2 million is attributable to customers
19 associated with the Scrubber..." and goes on
20 from there. But I don't see any mention in
21 there of natural gas prices. Is there some
22 reason you didn't mention it there?

23 A. (Mr. Large) It's discussed specifically in
24 Item E.

1 Q. Do you see anything about the \$5.29 spread or
2 the \$3.18 average over 15 years?

3 A. (Mr. Large) No, it does not.

4 Q. Does it say anything about a sensitivity
5 analysis here?

6 (Witness reviews document.)

7 A. (Mr. Large) I think if you connect E and H of
8 Roman IV, you get a discussion of sensitivity
9 analyses and associate it with those cases.

10 Q. So, the expectation was that the Commission
11 would connect E and H.

12 A. (Mr. Large) They're all contained in Section
13 Roman IV. So, yes.

14 Q. Now, I heard you say yesterday that PSNH,
15 quote, unquote, monitored the two Scrubber
16 bills in 2009; correct?

17 A. (Mr. Large) Yes.

18 Q. Do you think it's fair to say that PSNH did a
19 little more than "monitor" those bills?

20 MR. NEEDLEMAN: Mr. Chairman,
21 I'll object. I think the Commission has
22 previously ruled that any efforts PSNH made
23 with respect to influencing legislation in
24 any way is beyond the scope of the

1 proceeding.

2 CMSR. HONIGBERG: I'm not sure
3 how much more he might be able to answer, but
4 he can answer that question.

5 A. (Mr. Large) In that we have presentations
6 that are part of this record associated with
7 those bills, "more than monitored" would be
8 appropriate, yes.

9 BY MR. PATCH:

10 Q. And you were involved in the preparation of
11 materials submitted to the Legislature in
12 connection with Senate Bill 152. I think you
13 said that in the response to TransCanada at
14 6-196 that's in the record; correct?

15 A. (Mr. Large) I was part of the team that was
16 engaged in that effort, yes.

17 Q. And I'm going to show you a copy of -- well,
18 actually, it's already been marked as
19 Exhibit 32. But this is a copy of -- we
20 asked for all of the materials that PSNH
21 provided to legislators during the 2009
22 legislative session. It's Exhibit 32. It's
23 the response to TransCanada 1-9. I don't
24 know if you have that in front of you or...

1 A. (Mr. Large) I do not. I have a copy of it
2 elsewhere, if you want to give me that time.
3 If it's quicker for you to provide it to me,
4 I'm happy to do it that way.

5 (Ms. Goldwasser hands document to
6 witness.)

7 CMSR. HONIGBERG: How much
8 more do you think you have, Mr. Patch?

9 MR. PATCH: Oh, I'd say
10 probably an hour, hour and a half maybe.

11 CMSR. HONIGBERG: We're not
12 going to finish your questioning of these
13 witnesses then. So we'll plan to go till
14 12:30.

15 MR. NEEDLEMAN: Sure.

16 BY MR. PATCH:

17 Q. Do you have that in front of you?

18 A. (Mr. Large) We've been able to locate it,
19 yes. So, just confirming, TransCanada Set
20 1... no. It's originally TransCanada 1,
21 Question 9.

22 Q. Yes.

23 A. (Mr. Large) Thank you.

24 Q. In the upper right-hand corner of the

1 attached pages, I'd ask you to look at Page 3
2 of 36.

3 A. (Mr. Large) Page 3 of 36? Yes.

4 Q. And in the left-hand column there are sort of
5 three paragraphs under the heading. The
6 third paragraph -- ask you if I have read
7 this correctly: "At Merrimack Station in
8 Bow, we're currently halfway through a
9 six-year project to install 'scrubber
10 technology.'" Did I read that correctly?

11 A. (Mr. Large) Yes.

12 Q. So this is what was said to the Legislature
13 in March of '09; correct?

14 A. (Mr. Large) That's correct.

15 Q. Page 4 of 36.

16 A. (Mr. Large) I have it.

17 Q. Near the top on the left there's "Facts About
18 Cost." And the first -- not the first arrow,
19 but the first bullet under there says, "The
20 difference between preliminary cost estimates
21 in 2005 and firm price contracts in 2008" is
22 the reference there. Did I read that
23 correctly?

24 A. (Mr. Large) Yes, you did.

1 Q. And that's a little different than what PSNH
2 told the Legislature in 2006, isn't it, where
3 they -- and we have this in the record --
4 where PSNH said -- specifically told
5 different people that it was a "not-to-exceed
6 number" of \$250 million. So, here we are in
7 2009, and they're referring -- PSNH is
8 referring to this as "preliminary cost
9 estimates in 2005." Did I read that
10 correctly?

11 CMSR. HONIGBERG: Wait.
12 There's an objection coming.

13 MR. NEEDLEMAN: I'm going to
14 object to the characterization of what PSNH
15 supposedly told the Legislature in 2006. If
16 there's a specific document he wants to put
17 in front of Mr. Large, I'd ask that he do so.

18 CMSR. HONIGBERG: Mr. Patch.

19 MR. PATCH: Well, I guess I
20 can do that. I think we all know the
21 documents by now. They're the two Nolan
22 letters and there's the fiscal note on the
23 bill in 2006. And I think Mr. Large knows
24 them pretty well, too. Maybe I'd start

1 there?

2 CMSR. HONIGBERG: Well, I
3 think your question said, "PSNH said to the
4 Legislature..." And what you just referenced
5 are Nolan letters and the fiscal note. As
6 far as I know, neither of those are prepared
7 by PSNH. So the premise of the question I
8 think is where Mr. Needleman has a problem,
9 and I agree with him.

10 MR. PATCH: Okay. I will
11 reask the question.

12 BY MR. PATCH:

13 Q. Mr. Large, do you recall from the 2006
14 session that there were two letters from
15 Commissioner Nolan to the Legislature, and
16 both of them referenced the fact that, based
17 on information from PSNH, it was a
18 "not-to-exceed number" of \$250 million? Do
19 you recall that?

20 A. (Mr. Large) I would benefit from having the
21 opportunity to see them, if I may.

22 Q. Okay. We'll do that. What I'm going to put
23 in front of you is Attachment 2 to Mr.
24 Hachey's testimony, and it's a January 12,

1 2006 letter and an April 11, 2006 letter; one
2 to the House -- the Chairman of the House
3 Committee and one to The chairman of the
4 Senate Committee. And both letters, I think,
5 have very similar language in them. And on
6 Page 2 of the letter to the House, the
7 January letter -- I'm going to read this.
8 Maybe -- I'm sorry. I'll read this and just
9 ask you if I read it correctly.

10 "Based on data shared by PSNH, the total
11 capital cost for this" -- I can't read it too
12 well from here -- "redesign will not exceed
13 \$250 million in 2013 dollars or \$197 million
14 in 2005 dollars." Did I read that correctly?

15 A. (Mr. Large) Well, the sentence does go on,
16 but --

17 Q. Okay. If you want to read more, go ahead.

18 A. (Mr. Large) So there was a comma after the
19 "\$197 million 2005 dollars." And the rest of
20 the sentence says, "a cost that will be fully
21 mitigated by the savings in --

22 (Court Reporter interrupts.)

23 A. (Mr. Large) So, following the "\$197 million
24 in 2005 dollars," comma, "a cost that will be

1 fully mitigated by the savings in SO2
2 emissions allowances." So that is what is
3 stated there, yes. Certainly there's implied
4 that there's some variability in that. It's
5 \$250 million, not to exceed, as written
6 there, in 2013 dollars, or \$197 million in
7 2005 dollars. So there's escalation and
8 things of that nature.

9 If the discussion is about the use of
10 the words "not to exceed," I'd be happy to
11 have that debate with you.

12 Q. Well, and then -- sorry. I'm going to ask
13 you to look at the letter that was provided
14 to the Senate, the Chair of the Senate
15 Committee, about four months later, in April,
16 maybe three months, whatever. And it has a
17 similar reference; does it not?

18 SP. CMSR. IACOPINO: Who is
19 this letter from?

20 MR. PATCH: Another one from
21 Commissioner Nolan. Both of these are from
22 Commissioner Nolan.

23 MR. NEEDLEMAN: Where is this
24 letter?

1 MR. PATCH: It's Attachment 2,
2 I think it is, to Mr. Hachey's testimony.

3 MR. NEEDLEMAN: Thank you.

4 MR. SHEEHAN: 0039.

5 BY MR. PATCH:

6 Q. And we can read all of that wording in there.
7 But is it fair to say that it says something
8 very similar to what you just read? And if
9 you want to read it, you can.

10 A. (Mr. Large) My quick scan is that it's
11 identical.

12 Q. And then I would ask you -- see if I can find
13 this. I have in front of you the House Bill
14 1673 from the 2006 legislative session.
15 There's a fiscal note. This is, I believe,
16 Attachment 1 to Mr. Hachey's testimony. It's
17 the third page of that attachment. And I'm
18 going to read to you a sentence from there.

19 "PSNH estimates that the installation
20 will be at a cost not to exceed \$250 million
21 in 2013 dollars or \$197 million in 2005
22 dollars."

23 A. (Mr. Large) Yes, it does say that PSNH
24 estimates that the cost will not exceed in

1 2013 dollars and 2005 dollars.

2 I do also want to point out that in the
3 first paragraph defining the "fiscal impact,"
4 it says that DES and the PUC state that the
5 bill will have "indeterminable impact." So
6 it raises some level of question as to how
7 this was going to impact customers.

8 Q. Thank you.

9 Were you here when the Jacobs witnesses
10 testified?

11 A. (Mr. Large) I was, yes.

12 Q. Do you recall an exhibit that I showed to
13 them, which was a PSNH response to a data
14 request which said that PSNH considered the
15 \$250 million estimate to be all-inclusive?

16 A. (Mr. Large) I would benefit from having the
17 opportunity to see that. I'm sorry.

18 MR. NEEDLEMAN: Is there an
19 exhibit number?

20 MR. PATCH: There is, and
21 we're just having a -- taking a minute to
22 find it. Sorry. I'll move on from here. We
23 can come back to it. I think it's in the
24 record and it says what it says.

1 But I guess what I would like
2 to then point you next to in this exhibit
3 that we're talking about, this response to
4 TC 1-9 --

5 A. (Mr. Large) Sorry. I put it back.

6 Q. I'm back on Page 4 of 36 again.

7 A. (Mr. Large) Thank you. I appreciate it.
8 Sorry about that.

9 MR. PATCH: I mean, just to
10 note for the record, I don't think I need to
11 ask any questions. But that's Exhibit 58,
12 the one I was referring to, where PSNH said
13 that the price is all-inclusive in the \$250
14 million.

15 BY MR. PATCH:

16 Q. But Mr. Large, Page 4 of 36, in the left-hand
17 column, doesn't it say under the second
18 bullet, "A massive increase in the price of
19 raw materials, steel, labor" --

20 (Court Reporter interrupts.)

21 Q. In terms of the cost increase from \$250- to
22 \$457 million, there's a reference there to,
23 "a massive increase in the price of raw
24 materials." Did I read that correctly?

1 A. (Mr. Large) Yes.

2 Q. And then, above the heading with the
3 Scrubber, there's a bullet or an arrow there
4 that says, "Customers are protected on price
5 because every dollar spent will be
6 scrutinized by New Hampshire Public Utilities
7 Commission before it can be recovered through
8 rates." Is that what it says?

9 A. (Mr. Large) That's what it says, and that's
10 my understanding of what we're doing here
11 today.

12 Q. And then, over on the right-hand column under
13 "Senate Bill 152," the second bullet says, "A
14 shutdown of Merrimack Station would mean:
15 Higher energy rates for PSNH customers." Is
16 that what it says?

17 A. (Mr. Large) That's what it says.

18 Q. And then, if you go down under the second,
19 sort of bolded area on that page, it says,
20 "\$230 million (more than half the Project
21 cost) has already been spent or contractually
22 committed." Did I read that correctly?

23 A. (Mr. Large) Yes.

24 Q. And it goes on to say, "This cost would have

1 to be recovered from PSNH customers whether
2 or not the Scrubber installation is
3 completed"; correct?

4 A. (Mr. Large) It says that, yes.

5 Q. Were you involved in the preparation of these
6 materials, too?

7 A. (Mr. Large) Not that specific one, no.

8 Q. And then, again on Page 7, there's a
9 reference to the fact that --

10 A. (Mr. Large) Page 7, Mr. Patch?

11 Q. Well, I said 7, but I think I got the page
12 number wrong. It's actually 12 of 36. It
13 says, once again, "PSNH is currently halfway
14 through the six-year project. \$230 million
15 (over half of the cost to engineer and build
16 the Scrubber) has been spent or contractually
17 committed." Isn't that what it says?

18 A. (Mr. Large) Yes, it does. And just if I can
19 clarify, "halfway through a six-year project"
20 means that, with the passage of the Scrubber
21 Law in 2006, permitting, detailed
22 engineering, all of the preliminary work
23 that's necessary before you really can put a
24 shovel in the ground was what was

1 accomplished. So I'm hearing a sensitivity
2 not to having spent half the money, but
3 identifying that we're halfway through the
4 Project. So I wanted to clarify.

5 Q. Okay. And then on Page 16 of 36, it says at
6 the top, "Upon completion, the Clean Air
7 Project will add an average of about
8 three-tenths of one cent to PSNH's Energy
9 Charge"; correct?

10 A. (Mr. Large) Yes.

11 Q. And that's the same estimate that was
12 provided to the Commission back in September
13 of 2008; correct?

14 A. (Mr. Large) Yes.

15 Q. And here we are in March of 2009. Was that
16 estimate updated at all?

17 A. (Mr. Large) It was not.

18 Q. Do you think there was any reason to update
19 that estimate? Had things changed over that
20 period of time?

21 A. (Mr. Large) A number of things had changed,
22 and a number of things would continue to
23 change.

24 Q. And then on Page 19 of -- sorry. It's Page

1 24 of 36, but it's 19 in the lower right-hand
2 corner. It says, "At every step of the way,
3 we have affirmed pricing to ensure it is in
4 line with marketplace." Do you see that?

5 A. (Mr. Large) I do.

6 Q. And then it refers to "independent firms"
7 being retained to provide market analysis and
8 price benchmarking in five different years,
9 2005 through 2009; correct?

10 A. (Mr. Large) Yes.

11 Q. And "confirmed project costs are consistent
12 with market prices for projects of similar
13 scope and size"; correct?

14 A. (Mr. Large) Yes.

15 Q. So, I mean, you were telling the Legislature
16 at that point that you had contracted with a
17 number of independent firms to do market
18 analyses; correct?

19 A. (Mr. Large) Associated with construction
20 materials, labor. This is associated with
21 the building of the Scrubber.

22 Q. Nothing to forecast natural gas prices;
23 correct?

24 A. (Mr. Large) We had not done further analysis

1 with respect to natural gas prices.

2 Q. In fact, you never contracted with anyone to
3 do a forecast of natural gas prices
4 associated with the Scrubber Project, did
5 you?

6 A. (Mr. Large) We utilized as information to
7 inform our selection and assumption
8 contracted natural gas price information.

9 Q. And how much was spent on this project? \$422
10 million, roughly?

11 A. (Mr. Large) Yes.

12 Q. So you didn't spend a penny on hiring any
13 natural gas -- anyone to forecast natural gas
14 prices; is that right?

15 A. (Mr. Large) We did not do an independent
16 contract to obtain natural gas price
17 forecasts, no. We utilized contracted
18 natural gas price forecasts to educate,
19 illuminate our discussion and our final
20 choice of an assumption of natural gas
21 prices. We used a contracted firm that we --
22 my words, I apologize if it's unclear --
23 "blanket order," someone that we work with on
24 a regular basis.

1 Q. And you didn't hire any expert on economics
2 at the Project. There was no outside person
3 you hired to evaluate the economics of the
4 Project. That was all done internally;
5 correct?

6 A. (Mr. Large) Yes, it was. We have the
7 capability to do that work.

8 Q. On Page 24 --

9 A. (Mr. Large) Lower right-hand corner, 24?

10 Q. Yes.

11 A. (Mr. Large) Thank you.

12 Q. Upper right-hand corner, 29 of 36. At the
13 bottom it says, "PSNH customers could be on
14 the hook for \$300 million in stranded costs,
15 with nothing to show for it." Did I read
16 that correctly?

17 A. (Mr. Large) Yes, you did.

18 Q. Two hundred and thirty for Scrubber costs and
19 63 million for undepreciated cost of
20 Merrimack Station in 2013; correct?

21 A. (Mr. Large) That's what's shown there. So
22 clearly, we rounded up.

23 Q. And then on Page 25, the next page, under
24 "What A Study Will Not Do," the third bullet

1 is, it will not "provide accurate forecasts
2 for the price of oil, gas, coal or financing
3 rates." Did I read that correctly?

4 A. (Mr. Large) Yes, you did.

5 Q. Do you think the assumptions that you did in
6 the summer of '08 provided accurate
7 forecasts?

8 A. (Mr. Large) They were the best information
9 available and knowable at the time.

10 Q. Why were those any more accurate than what
11 would have been done if a further study had
12 been done?

13 A. (Mr. Large) They would have contained the
14 same uncertainty and lack of precision that
15 the assumptions utilized in any of these
16 analyses have.

17 Q. And then, on Page 26, it says, "The only
18 logical purpose for performing a study is to
19 create momentum to derail the Scrubber
20 installation"; correct?

21 A. (Mr. Large) That's the fourth bullet. Yes.

22 Q. Where in the information presented to the
23 Legislature is there any information about
24 the importance of the spread between gas and

1 coal?

2 A. (Mr. Large) I don't see it in this document.

3 Q. These are all the documents presented to the
4 Legislature; correct? That was the question
5 we asked, and this is what we got.

6 A. (Mr. Large) May I have the question again,
7 please?

8 Q. I said, where in the information that PSNH
9 presented to the Legislature is there
10 information about the importance of the
11 spread between gas and coal?

12 A. (Mr. Large) I don't find it in the documents
13 that we've just reviewed.

14 Q. Are you aware of any other documents other
15 than these?

16 A. (Mr. Large) I am not aware of any other
17 documents.

18 Q. And where in those documents is there any
19 information about the spread required to make
20 the Project economic for customers?

21 A. (Mr. Large) It's not contained in these
22 documents. And I believe these to be all
23 that we've presented to the Legislature.

24 Q. In TransCanada 1-2, on June 4th of 2012, we

1 had asked PSNH to provide all fuel forecasts
2 available to PSNH at the time of the initial
3 decision to construct the Scrubber. And the
4 response that was provided, after the
5 Commission granted a motion to compel on
6 January 11, 2013, was what has been marked as
7 Exhibit 20-16. This is an attachment to Mr.
8 Hachey's testimony. I guess I'd like to
9 direct your attention to that.

10 A. (Mr. Large) So, I apologize again. I don't
11 have Mr. Hachey's testimony. I probably have
12 the document in my own materials.

13 Q. Okay. Could we take a minute to try to
14 locate it?

15 A. (Mr. Large) Can you describe it?

16 Q. It's the PSNH response to TransCanada 1-2.

17 SP. CMSR. IACOPINO: Do you
18 have a Bates Stamp page number, Mr. Patch?

19 MR. PATCH: No, but I can find
20 it for you.

21 (Pause in proceedings)

22 CMSR. HONIGBERG: You're going
23 to be looking at Mr. Hachey's testimony?

24 That's what I have in front of me, and that

1 has Bates numbers that would be helpful.

2 MR. PATCH: Yes, I'll try to
3 find that. It begins on Bates Page 159.

4 A. (Mr. Large) I have that now. Thank you.

5 Q. I believe, in response to some questions from
6 Mr. Sheehan -- I believe in response to some
7 questions from Mr. Sheehan yesterday you had
8 indicated that the EVA forecasts were marked
9 as Bates Pages 591 through 601.

10 A. (Mr. Large) I'll agree to that, subject to
11 check. I'm sorry. I just don't remember the
12 specifics of the pages.

13 Q. I guess that's actually a different exhibit
14 number he was using. But let's see if we can
15 use these Bates page numbers here in the
16 document I'm showing you. I think it would
17 be Bates Pages 162.

18 A. (Mr. Large) I think you want to go all the
19 way to 172.

20 Q. Yes.

21 A. (Mr. Large) That's what Mr. Sheehan and I
22 spoke about, the Boston City Gate prices.
23 And I'm confident that these are from the
24 early 2008 EVA forecasts that we received.

1 Q. I think you said yesterday, from the February
2 '08 forecasts; correct?

3 A. (Mr. Large) As I looked through my notes, I
4 was able to find that notation. Yes.

5 Q. And you said these are EVA forecasts.

6 A. (Mr. Large) That is correct.

7 Q. Where on those pages does it say they were
8 done by EVA?

9 A. (Mr. Large) Unfortunately, it does not.

10 Q. And where in the response to the data request
11 does it say they were done by EVA?

12 (Witness reviews document.)

13 A. (Mr. Large) It doesn't refer specifically to
14 "EVA." It does refer to "industry
15 consultants," who was -- EVA would be one of
16 our industry consultants.

17 Q. There's another response to a data request,
18 TC 3-6, that I'm going to ask be marked as an
19 exhibit. It's my understanding that this is
20 actually an attachment to your testimony,
21 Bates Page 668.

22 CMSR. HONIGBERG: So we're not
23 going to need to mark anything? Correct?

24 MS. FRIGNOCA: Could you

1 please identify the exhibit number?

2 MR. PATCH: It's the rebuttal
3 testimony of Large and Vancho. And I just
4 don't have the exhibit list right in front of
5 me, so... but it's Bates Page 668 in that
6 exhibit.

7 A. (Mr. Large) So it could be Exhibit 23-15, if
8 that makes it any easier.

9 Q. Thank you. And from the footnote on the
10 response to this request on Page 668, it
11 looks like you used the EVA forecast from
12 February of '08 for this purpose as well;
13 correct?

14 A. (Mr. Large) Yes.

15 Q. I'm going to show you a response to a
16 Deposition Data Request No. 4 and ask that it
17 be marked.

18 CMSR. HONIGBERG: This will be
19 122.

20 MR. PATCH: We're just having
21 a problem locating that. I'm sorry. I don't
22 know if this would be a good time to take a
23 break for lunch. Or do you want me to move
24 on and come back to it? I'm sorry. There's

1 a lot of documents, and we're doing the best
2 we can.

3 CMSR. HONIGBERG: We could
4 break now. That's fine.

5 MR. PATCH: Okay. Thank you.

6 CMSR. HONIGBERG: So we'll
7 come back at quarter to two.

8 SP. CMSR. IACOPINO: Mr.
9 Patch, are you looking for the TC 13,
10 Attachment 4? If it is, that's on Page 48,
11 the Bates Stamp page 48 of Mr. Hachey's
12 testimony, in the book containing Mr.
13 Hachey's testimony. Just to help you out if
14 that's what you're looking for. I'm not
15 sure.

16 MR. PATCH: No. Attachment 4?

17 SP. CMSR. IACOPINO: Yes.

18 MR. PATCH: No, it's actually
19 a response to a deposition data request.

20 CMSR. HONIGBERG: So we'll
21 break now and come back at 1:45.

22 Mr. Needleman.

23 MR. NEEDLEMAN: After we go
24 off the record.

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CMSR. HONIGBERG: All right.
Go off the record.
(Whereupon, a lunch recess was taken at
12:24 p.m., with the afternoon session
resuming under separate cover.)

[WITNESS PANEL: LARGE|VANCHO]

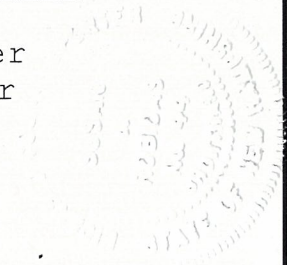
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C E R T I F I C A T E

I, Susan J. Robidas, a Licensed Shorthand Court Reporter and Notary Public of the State of New Hampshire, do hereby certify that the foregoing is a true and accurate transcript of my stenographic notes of these proceedings taken at the place and on the date hereinbefore set forth, to the best of my skill and ability under the conditions present at the time.

I further certify that I am neither attorney or counsel for, nor related to or employed by any of the parties to the action; and further, that I am not a relative or employee of any attorney or counsel employed in this case, nor am I financially interested in this action.

Susan J. Robidas, LCR/RPR
Licensed Shorthand Court Reporter
Registered Professional Reporter
N.H. LCR No. 44 (RSA 310-A:173)



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