

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 18, 2012 - 10:12 a.m.
Concord, New Hampshire

RE: DE 12-292
PUBLIC SERVICE OF NEW HAMPSHIRE:
2013 Default Energy Service Rate.

NHPUC JAN24'13 PM 4:11

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
Susan W. Chamberlin, Esq., Consumer Advocate
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.

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

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 FREDERICK B. WHITE
 STEPHEN R. HALL

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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: Good morning. I'd
3 like to open the hearing in Docket DE 12-292. This is
4 Public Service Company of New Hampshire's 2013 Default
5 Energy Service rate. The Company filed a petition to set
6 the ES rate on January 1, 2013, that has since been
7 revised with a filing submitted on December 12th, 2012.
8 We issued an order of notice to address the case, and have
9 received no intervention requests, other than the notice
10 from the Office of Consumer Advocate that it would be
11 participating.

12 So, let us begin first with appearances.
13 Mr. Fossum.

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

16 CHAIRMAN IGNATIUS: Good morning.

17 MS. CHAMBERLIN: Susan Chamberlin,
18 Consumer Advocate, for the residential ratepayers. With
19 me is Steve Eckberg.

20 CHAIRMAN IGNATIUS: Good morning.

21 MS. AMIDON: Good morning. Suzanne
22 Amidon, for Commission Staff. And, to my left is Steve
23 Mullen, the Assistant Director of the Electric Division.

24 CHAIRMAN IGNATIUS: Good morning. I

[WITNESS PANEL: Baumann~White~Hall]

1 understand we have a panel of witnesses this morning. Are
2 there any procedural matters to take up before we begin
3 with evidence?

4 (No verbal response)

5 CHAIRMAN IGNATIUS: It appears there are
6 none. So, I'll ask the court reporter to swear the
7 witnesses.

8 (Whereupon *Robert A. Baumann*,
9 *Frederick B. White*, and *Stephen R. Hall*
10 were duly sworn by the Court Reporter.)

11 **ROBERT A. BAUMANN, SWORN**

12 **FREDERICK B. WHITE, SWORN**

13 **STEPHEN R. HALL, SWORN**

14 **DIRECT EXAMINATION**

15 BY MR. FOSSUM:

16 Q. And, even though we just did this, we'll do it again.
17 We'll start with Mr. Baumann and work down from there.
18 Mr. Baumann, can you state your name and place of
19 employment for the record?

20 A. (Baumann) My name is Robert Baumann. I'm employed by
21 Northeast Utilities Service Company, in Berlin,
22 Connecticut. And, I'm the Director of Revenue
23 Requirements for New Hampshire and Massachusetts.

24 Q. And, have you previously testified before this

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[WITNESS PANEL: Baumann~White~Hall]

1 Commission?

2 A. (Baumann) Yes.

3 Q. And, Mr. Hall, could you state your name and place of
4 employment for the record please.

5 A. (Hall) My name is Stephen R. Hall. I am Manager-New
6 Hampshire Revenue Requirements for PSNH.

7 Q. And, have you previously testified before this
8 Commission?

9 A. (Hall) Yes, I have.

10 Q. And, finally, Mr. White, could you state your name and
11 place of employment for the record please.

12 A. (White) Frederick White. I'm employed by Northeast
13 Utilities Service Company. I'm a Supervisor in the
14 Energy Supply Department.

15 Q. And, Mr. White, have you previously testified before
16 this Commission?

17 A. (White) Yes, I have.

18 Q. Now, Mr. Baumann, on September 28th, did you -- or, did
19 you file prefiled testimony in this docket?

20 A. (Baumann) Yes.

21 Q. And, do you have any changes, corrections or updates to
22 the testimony that you filed on September 28th?

23 A. (Baumann) No.

24 Q. And, is that testimony true and accurate to the best of

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1 your knowledge and belief today?

2 A. (Baumann) Yes.

3 MR. FOSSUM: I'd like to offer as
4 "Exhibit 1" for identification the September 28th filing.

5 CHAIRMAN IGNATIUS: So marked.

6 (The document, as described, was
7 herewith marked as **Exhibit 1** for
8 identification.)

9 BY MR. FOSSUM:

10 Q. Mr. Baumann, could you very briefly summarize what was
11 in that testimony.

12 A. (Baumann) The September 28th filing supported with
13 schedules an initial Energy Service rate proposed for
14 2013 of 8.97 cents per kilowatt-hour. And, that Energy
15 Service rate was an increase from the current rate that
16 is being billed of 7.11 cents per kilowatt-hour that
17 will end in December. That increase was driven by a
18 few factors. Primarily, a large credit that is in the
19 current 7.11 cents will have been refunded by December.
20 That's going away. And, then, we have an increase in
21 market prices in the fourth quarter of 2012, and
22 projected into 2013. And, those increase in market
23 prices are also driving up the rate. And, in the 7.11
24 cents, we also had a one-time sale of oil of

[WITNESS PANEL: Baumann~White~Hall]

1 approximately \$8 million, which was, in effect, a
2 credit in the existing rate, which was also a one-time
3 credit. So, that's going away. So, all of those
4 factors, combined with a slight increase in migration,
5 has driven the Energy Service rate as proposed up from
6 the current rate.

7 Q. And, Mr. Baumann, did you prepare a technical statement
8 and update in this docket?

9 A. (Baumann) Yes.

10 Q. And, that was a joint technical statement with Mr.
11 White, is that correct?

12 A. (Baumann) Yes. That was the one that was filed on
13 December 12th.

14 Q. And, that was -- and, that was filed on December 12th
15 in this docket with this Commission?

16 A. (Baumann) That's correct.

17 Q. And, do you have any changes or updates to that filing
18 at this time?

19 A. (Baumann) No, I do not.

20 Q. And, the information in that filing is true and
21 accurate to the best of your knowledge and belief
22 today, is that correct?

23 A. (Baumann) Yes.

24 MR. FOSSUM: I would like to offer as

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[WITNESS PANEL: Baumann~White~Hall]

1 "Exhibit 2" for identification the technical statement of
2 December 12th.

3 CHAIRMAN IGNATIUS: So marked.

4 (The document, as described, was
5 herewith marked as **Exhibit 2** for
6 identification.)

7 BY MR. FOSSUM:

8 Q. And, Mr. Baumann or Mr. White, who may be appropriate,
9 can you describe very briefly what updates or changes
10 are in that technical statement?

11 A. (Baumann) Well, in the December 12th filing, we filed a
12 final updated proposed ES rate effective in
13 January 2013 of 9.54 cents. That is up from the
14 September rate of 8.97 cents, which was our initial
15 filing, primarily due to increase in market prices for
16 that time period. The rates contain the same cost and
17 cost detail analysis that was contained in the
18 September rate, just updated for market prices, and
19 actual known costs for September and October as well.

20 Q. I have one other exhibit. I believe Mr. Hall will be
21 the witness for this. Mr. Hall, I'm handing you a copy
22 of a document. Can you please very briefly describe
23 what that document is?

24 A. (Hall) Certainly.

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[WITNESS PANEL: Baumann~White~Hall]

1 (Atty. Fossum distributing documents.)

2 BY MR. FOSSUM:

3 Q. Whenever you're ready.

4 A. (Hall) This is a document that summarizes the rate
5 changes that we're proposing, both in this docket and
6 in the Stranded Cost Recovery Charge docket that was
7 held -- the hearing was held this morning, that was DE
8 12-291. This exhibit we have --

9 Q. Hold on just a moment.

10 A. (Hall) Whoops.

11 Q. Thank you. I just wanted a brief description.

12 MR. FOSSUM: So, I would like to mark
13 then for identification as "Exhibit 3" the rate comparison
14 sheet that Mr. Hall has just described.

15 CHAIRMAN IGNATIUS: Before we mark it,
16 let me make certain that this accurately reflects what we
17 just heard in the prior hearing. Is the Stranded Cost
18 Recovery Charge changed to accommodate the mistake that
19 was discovered in the rate that was submitted before?

20 MR. FOSSUM: That is not reflected in
21 this document.

22 WITNESS HALL: But I think I can provide
23 -- I did some quick calculations, and I think I can
24 provide at least some summary information.

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[WITNESS PANEL: Baumann~White~Hall]

1 CHAIRMAN IGNATIUS: All right. And, do
2 the parties have copies of this?

3 MS. CHAMBERLIN: Yes.

4 CHAIRMAN IGNATIUS: All right. Then,
5 let's mark it as "Exhibit Number 3" for identification.

6 (The document, as described, was
7 herewith marked as **Exhibit 3** for
8 identification.)

9 CHAIRMAN IGNATIUS: Please proceed.

10 MR. FOSSUM: Thank you.

11 BY MR. FOSSUM:

12 Q. With that identification, please, Mr. Hall, continue
13 with your description of the document.

14 A. (Hall) Sure. This is an exhibit that we've presented
15 in the last three or four Energy Service and Stranded
16 Cost Recovery Charge proceedings. And, the purpose of
17 the exhibit is basically to show what current rates are
18 and what we're proposing, and the impact of all of the
19 changes, so that the Commission can get a feel for what
20 we're proposing and what the result would be.

21 The first page shows PSNH's overall
22 average rate level expressed in cents per
23 kilowatt-hour, by rate component. Rate component is
24 distribution, transmission, Stranded Cost Charge, and

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[WITNESS PANEL: Baumann~White~Hall]

1 so on. Those are the columns. And, the rows are the
2 various classes of customers: Residential, General
3 Service Rate G, Rate GV, and so on. So, that's a
4 snapshot of where we are today.

5 If you go to the next page, the next
6 page shows what the proposed rate levels are for each
7 of those components. And, in this case, the only
8 numbers that are changing from what was on Page 1 are
9 numbers in the "SCRC" column and in the "Energy
10 Service" column. Now, as we talked about just a few
11 minutes ago, if you look at the bottom line of the
12 "SCRC" column, it still says "0.67 cents" or "\$0.0067".
13 We've now amended that request to "0.00737" for an
14 overall average SCRC rate. I haven't had time to go
15 through and recalculate all of the numbers. We can do
16 so, and file this later today or first thing tomorrow.

17 CHAIRMAN IGNATIUS: Okay.

18 **BY THE WITNESS:**

19 A. (Hall) With the change to the SCRC number, in the
20 bottom line, if you look at the far right-hand side,
21 the "Total Revenue" column, bottom line, instead of
22 "16.115 cents", that should be "16.182 cents". So,
23 again, Page 2 is basically a spreadsheet that shows
24 where we would be if our proposals today, and in the

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[WITNESS PANEL: Baumann~White~Hall]

1 docket earlier this morning, were approved by the
2 Commission.

3 The third page shows the change between
4 Page 1, today's rates, and Page 2, the proposed rates
5 for effect January 1st. And, as you can see, the only
6 columns that change are the "SCRC" column and the
7 "Energy Service" column. And, again, the bottom line
8 of that "SCRC" column, instead of a "negative 0.01210",
9 with our revised proposal in the earlier docket, that
10 should be a "negative \$0.01142" per kilowatt-hour.

11 CHAIRMAN IGNATIUS: Can you do that
12 number again please?

13 WITNESS HALL: Sure. Replace "0.1210"
14 with "0.01142", or 1.142 cents.

15 **BY THE WITNESS:**

16 A. (Hall) Going to the far right-hand column, the "Total
17 Revenue" column, replace the bottom line, the
18 "0.01220", that should be a "\$0.01288" per
19 kilowatt-hour, or 1.288 cents.

20 CHAIRMAN IGNATIUS: I'm sorry, I got
21 lost.

22 WITNESS HALL: Okay.

23 CHAIRMAN IGNATIUS: Tell me again why
24 the SCRC number -- oh, I'm sorry it says there's a

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[WITNESS PANEL: Baumann~White~Hall]

1 difference. I got it.

2 WITNESS HALL: Yes.

3 **BY THE WITNESS:**

4 A. (Hall) The third page of the attachment -- I'm sorry,
5 the fourth page of the attachment, shows the percent
6 changes that we're proposing by rate component. So, if
7 you look at the bottom line of the "Stranded Cost
8 Recovery Charge" column, instead of "negative
9 64.38 percent", that ought to be "negative 60.78
10 percent". And, what that means is, the change that
11 we're proposing in just the Stranded Cost Recovery
12 Charge portion of rates, from "1.879 cents" on Page 1,
13 to "0.737 cents" on Page 2, that's a decrease of
14 60.78 percent in that one component of rates. And, of
15 course, the "Total Revenue" column should also change,
16 from "8.19 cents" to "8.64 percent" -- I should have
17 said "8.19 percent" to "8.64 percent".

18 The last page also shows percent
19 changes. But, instead of percent changes to individual
20 rate component, it shows percent change to overall
21 revenue level. So, let's first make the correction to
22 the "SCRC" bottom line amount, instead of a "negative
23 8.12 percent", that ought to be "negative
24 7.67 percent". And, what that says is, the Stranded

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[WITNESS PANEL: Baumann~White~Hall]

1 Cost Charge decrease that we're proposing, on average,
2 would result in a 7.67 percent overall bill decrease,
3 if you will. And, the "Total Revenue" column,
4 "8.19 percent", that should also be "8.64 percent".
5 And, we will revise these, and we can submit them very
6 quickly.

7 CHAIRMAN IGNATIUS: Thank you.

8 **BY THE WITNESS:**

9 A. (Hall) Yes. The "Total Revenue" column, that
10 represents an overall rate change, assuming customers
11 are taking Energy Service rates. We have to somehow
12 make an assumption as to what the Energy Service
13 portion of the customer's bill will be. Since we don't
14 know what customers are paying competitive suppliers,
15 customers who don't take Energy Service from PSNH, we
16 make a simplifying assumption for the purpose of this
17 calculation, assuming that all customers do take Energy
18 Service from PSNH. And, therefore, we come up with the
19 total revenue percent changes shown in that "Total"
20 column.

21 **BY MR. FOSSUM:**

22 Q. Just very briefly, I just wanted to ask one other
23 question. In a prior ES docket, the Commission had
24 requested that PSNH produce a report of certain

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[WITNESS PANEL: Baumann~White~Hall]

1 generation-related information. Has PSNH produced that
2 report?

3 A. (Baumann) Yes, we have.

4 Q. And, has that been filed in this docket?

5 A. (Baumann) Yes. It was filed in a letter dated December
6 12th, 2012, under Docket 12-292, which is this docket.

7 Q. Oh. And, one --

8 A. (Baumann) It's a separate filing.

9 Q. Yes. One last question I had, regarding Exhibit 2, the
10 technical statement, just as a point of clarification.
11 In the technical statement, there's a reference to the
12 Rate ADE, in Docket DE 11-216. Is the Company
13 requesting anything relative to that docket in this
14 docket?

15 A. (Baumann) No, we are not. We just put that in for
16 perspective, as the paragraph states.

17 MR. FOSSUM: Thank you. Just wanted to
18 make that clear. I have no further direct.

19 CHAIRMAN IGNATIUS: Thank you.

20 Ms. Chamberlin.

21 MS. CHAMBERLIN: Thank you.

22 **CROSS-EXAMINATION**

23 BY MS. CHAMBERLIN:

24 Q. Mr. Hall, to follow up on Exhibit 3, when you talked

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[WITNESS PANEL: Baumann~White~Hall]

1 about the assumptions that you're making for customers
2 taking the ES rate, when you referred to "all
3 customers", who is that?

4 A. (Hall) It's all customers taking delivery service.

5 Q. Today?

6 A. (Hall) Yes.

7 Q. Today? Right now, you've got some customers that have
8 migrated and some that have not.

9 A. (Hall) Correct.

10 Q. Are you talking about all those collectively or are you
11 just talking about the customers that have stayed?

12 A. (Hall) The former.

13 Q. All customers collectively?

14 A. (Hall) Yes. And, again, the reason that we make the
15 assumption is we're trying to demonstrate what the
16 overall rate change amount would be that we're
17 proposing on customer's bill amounts. If a customer
18 isn't taking Energy Service from us, we don't know what
19 they're paying for their Energy Service rates. I mean,
20 they're all different. So, in order to try to demon --
21 in order to try to show an approximate average percent
22 increase in total bill amounts from what we're
23 proposing, we have to make some sort of assumption for
24 the amount that they pay for Energy Service. And,

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[WITNESS PANEL: Baumann~White~Hall]

1 without any other information available, all we assume
2 is that they would pay PSNH's Energy Service rate.

3 Q. So, for the Energy Service rate, it's an actual -- it's
4 an actual cost?

5 A. (Hall) Yes.

6 Q. Because the whole transmission rate has all of these
7 variable components, but you're not talking about
8 those. You're just talking about the actual market
9 components?

10 A. (Hall) I'm not quite following your question.

11 Q. Well, I just -- let me get at it another way, perhaps.
12 I was looking at your December 12th filing. And, you
13 had -- it's the Joint Technical Statement, Section C,
14 and you're going over the changes. And, in Line 4 you
15 talk about -- I mean, in Line 5 on, I don't know what
16 this -- the page number is not given, you talk about
17 "an increase in migration from 40 to 42 percent."

18 A. (Hall) Uh-huh.

19 Q. And, I'm just not understanding why you don't reflect
20 that in this particular total revenue calculation?

21 A. (Hall) Because you'd get some pretty unusual results.

22 Q. Well, I must be looking at apples and oranges. Tell me
23 what I've done wrong.

24 A. (Hall) Yes. The only purpose of this total revenue

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[WITNESS PANEL: Baumann~White~Hall]

1 calculation is for illustration.

2 Q. It has no actual rate impact?

3 A. (Hall) No.

4 Q. Oh.

5 A. (Hall) No. Exhibit 3 is just illustrative, to try to
6 show the impact of all of the changes.

7 Q. All right. Then, let me go back to the Joint Technical
8 Statement and go through your major drivers of the
9 changes. Number 1, you talk about "higher forward
10 electric market prices". What are the major drivers
11 increasing the prices?

12 A. (White) The major drivers in the forward market prices?

13 Q. Right. Why do you project that they're going up?

14 A. (White) Well, we don't project. Those are -- those are
15 publicly provided prices from brokers in the market.
16 So, it's not unlike quotes on the New York Stock
17 Exchange, is at the end of the day there are publicly
18 published results of the trading day for transactions
19 for electricity in New England in forward months. And,
20 through time, as market conditions change, major
21 drivers being weather forecasts and gas price forecast,
22 natural gas price forecast, as the dynamics change due
23 to those factors, what people are willing to buy and
24 sell energy for in the future changes through time.

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[WITNESS PANEL: Baumann~White~Hall]

1 So, we monitor those markets. And, generally speaking,
2 that's -- those are accepted assumptions for the price
3 of power going forward.

4 Q. And, do you have a single source or is this a composite
5 of various sources that you put together?

6 A. (White) There are multiple sources. And, they all
7 essentially arrive at the same answer at the end of
8 every day. We get what are referred to as "broker
9 sheets" from a couple of different brokers, and, in
10 addition, NYMEX publishes electronically results from
11 their trading days.

12 Q. Okay. Going to Line 2, you've got Newington generation
13 decreasing. This is the Newington gas plant, and it's
14 decreasing because the gas prices are going higher?

15 A. (White) Yes. It's a dual-fired capability plant. But,
16 generally, in these times, it's on -- it's fired by
17 gas. And, what happened is, although market energy
18 prices increased, gas prices, its fuel, increased more.
19 So, its relative economics decreased slightly, and it
20 generated a bit less.

21 Q. And, Line 3 simply follows that, it's the IPP prices
22 are based on market prices, they are now going up, as
23 we discussed in the last docket?

24 A. (White) Correct. Those are in the ES rate at market

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1 prices.

2 Q. Line 4, you talk about "higher coal generation and
3 lower loads". Can you explain that a little more
4 fully?

5 A. (White) Well, on the "higher coal generation", which I
6 believe is Item 1 in this list of changes, since market
7 prices increased, the amount of energy provided from
8 our coal-fired generating fleet has increased. At the
9 same time, migration has increased. So, it's lowered
10 the overall load, the energy requirements to serve
11 load. The combination of those factors roughly equals
12 the "407 gigawatt-hours" noted in Item 4, adjustments
13 to market energy purchases.

14 Q. So, this projection for the next year doesn't take into
15 account a plant being shut down, this assumes a plant
16 continuing to operate?

17 A. (White) Well, it takes into account periods when
18 generating plants are on "economic reserve" status.

19 Q. Which is simply not operating, but still available to
20 operate?

21 A. (White) Yes.

22 Q. So, all I'm getting at is that you've made this
23 assumption that this plant is operating, it's going to
24 operate a little bit more, maybe not a lot more, but

[WITNESS PANEL: Baumann~White~Hall]

1 that's your projection for the year?

2 A. (White) Correct.

3 Q. Did you include the Berlin Plant coming on line? Is it
4 the Laidlaw Plant? He's telling me the proper name is
5 the "Berlin BioPower Plant"?

6 A. (White) We have not included the assumption that that
7 will be on line in the fall. We're aware that's the
8 current projection. We haven't made the assumption
9 that that's going to come to pass. It may well, but
10 schedules, construction schedules can change
11 dramatically through time. It's far enough out that we
12 have not included that in this forecast.

13 Q. In terms of customer migration, on Line 5, you have the
14 increase from "40 to 42.5 percent". Do you, in your
15 projection, does that line continue to go up or does it
16 flatten at about 42 percent?

17 A. (White) In this forecast, for the proposed 2013 rate,
18 42 percent is the assumed migration throughout 2013.

19 Q. And, you're not looking beyond that, you're just
20 looking at 2013?

21 A. (White) Well, this is a 2013 ES rate docket. So, in
22 that context, no, we're not looking beyond 2013. Some
23 of the thinking with that is that, if you were to
24 assume increasing or decreasing migration, you've

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[WITNESS PANEL: Baumann~White~Hall]

1 modeled an assumption into the rate that could in and
2 of itself impact migration. If we assumed increasing
3 migration, the rate would be higher, that would drive
4 further migration. If we assumed less, it would lower
5 the rate, that could drive reverse migration. So, we
6 feel it's best to use the figure, actual data that we
7 know, the latest available, at the time of the
8 forecast.

9 Q. One way to stop or slow migration would be to lower
10 your prices, correct?

11 A. (White) A lower rate you would believe would tend to
12 stop or slow migration, or reverse it.

13 Q. Which you're not proposing in this docket?

14 A. (White) No, we're not.

15 Q. From historic numbers, looking at migration, has the
16 curve gone up, down, up, you know, wavered, from the
17 past to the present?

18 A. (White) There are -- there's a monthly variation to
19 this migration statistic. It's not continually
20 increasing. It goes up and down some. The general
21 slope of migration over the past three years has been
22 positive, which perhaps is what you're getting at. In
23 2012, the rate of migration is a bit higher than it was
24 in 2011. So, that slope is a little higher. Is

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[WITNESS PANEL: Baumann~White~Hall]

1 that --

2 Q. That's what I was getting at. Yes.

3 A. (White) Just to add one point. I mentioned the
4 "monthly variation", in fact, that statistic decreased
5 a bit through November. We now have available actual
6 data through November, and it dropped to below
7 42 percent. So, there are -- it does vary a bit on a
8 monthly basis.

9 Q. One of the other points, are we on number -- number 7,
10 we're talking about increases to Schiller 5, "Other
11 forecasted changes totaling a net 1.3 million". Are
12 you with me?

13 A. (White) Yes.

14 Q. Can you explain the updates to Schiller 5?

15 A. (White) The update to Schiller 5 has to do with the
16 credit to customers based on the value of Class I RECs
17 that are sold, generated by Schiller 5 and sold in the
18 market. And, the assumed price at which those sales
19 would occur was lowered slightly in this forecast. So,
20 the credit to customers is a little bit less than in
21 the prior forecast.

22 Q. "Congestion and losses" is the next issue?

23 A. (White) The primary component of that is the cost to
24 move output from our coal fleet, from their price nodes

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[WITNESS PANEL: Baumann~White~Hall]

1 at their locations to the New Hampshire load zone,
2 which is the price that load sees. There's a small
3 price separation, and with -- and it's an overall cost,
4 it's an added cost, with higher generation that cost
5 has increased somewhat.

6 Q. Are there plans to improve the transmission to lower
7 that increasing price?

8 A. (White) The transmission topography is always changing.
9 Maintenance and projects are always in play. I don't
10 believe we're aware of any that would dramatically
11 change the relationship we've seen.

12 Q. The "ISO ancillary and expenses", what makes that?

13 A. (White) That component actually decreased. And,
14 essentially, those are ratable components. And, with
15 less load, there are administrative charges from
16 ISO-New England that are charged off to load, that
17 we've modeled a little less load in this forecast,
18 those costs have gone down.

19 Q. And, is that the same with the "RGGI expenses", if you
20 modeled less load, the expenses go up?

21 A. (White) No.

22 Q. Oh. All right.

23 A. (White) RGGI expenses are actually based on generation
24 output at our coal fleet and Newington, and the coal

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[WITNESS PANEL: Baumann~White~Hall]

1 fleet producing more energy, moves RGGI costs up.

2 Q. Okay. On the Class I RECs, there were changes in the
3 Massachusetts definition of a "REC". Does that affect
4 your ability to count on those revenues coming out of
5 Massachusetts?

6 A. (White) It would affect our ability to make sales into
7 Massachusetts. However, there are other markets out
8 there to sell into, New Hampshire, Rhode Island, we
9 have transacted in those markets in the past. They
10 will be available in the future. In addition, we
11 intend to sell into Connecticut markets as well. So,
12 it's true that some of our RECs will not qualify in
13 Massachusetts markets anymore, but there are other
14 outlets to make those sales.

15 Q. So, this is a regional market, the New England region,
16 essentially?

17 A. (White) Yes.

18 MS. CHAMBERLIN: That's all I have.

19 CHAIRMAN IGNATIUS: Thank you. Ms.
20 Amidon.

21 MS. AMIDON: Thank you. I ask that
22 Steve Mullen be permitted to conduct the cross. Thank
23 you.

24 CHAIRMAN IGNATIUS: That's fine.

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[WITNESS PANEL: Baumann~White~Hall]

1 MR. MULLEN: Good morning.

2 WITNESS BAUMANN: Good morning.

3 BY MR. MULLEN:

4 Q. Sticking with the REC issue for a moment, with respect
5 to Massachusetts, could you explain, Mr. White, the
6 changes for 2013 and how that impacts the sale? And,
7 for the next couple of years or so after that, what, if
8 anything, may change beyond that?

9 A. (White) I'm going to qualify my statements up front
10 that I'm not an expert on this. And, if what I provide
11 isn't sufficient, there are others in the room who
12 could probably provide more detail. Massachusetts has
13 changed their REC regulations in that, for the output
14 from biomass facilities to qualify in Massachusetts,
15 they have made the requirement stricter. And, my
16 understanding is, it's based on an addition to how the
17 wood is harvested, the type of wood, and even soil
18 composition. The impact on us is that we believe that
19 we -- we acquire wood for burning at Schiller 5 from
20 many different suppliers. And, some of the fuel
21 supplied will qualify, some of it won't. We believe it
22 will be less than 50 percent of what we buy as fuel
23 will qualify in Massachusetts. Therefore, as discussed
24 previously, we'll sell the other output into other

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[WITNESS PANEL: Baumann~White~Hall]

1 markets.

2 There's been a little price separation
3 seen in the markets, in that Class I RECs, in
4 Massachusetts, their price has increased a bit relative
5 to Class I RECs in other markets. In addition to that,
6 the Mass. regs are changing efficiency requirements
7 effective in 2016. And, Schiller 5 output will not
8 qualify under those stricter efficiency standards.

9 Q. But, with that, you currently still expect to be able
10 to sell those RECs, as you mentioned, in New Hampshire
11 and Rhode Island? And, are you certified yet in
12 Connecticut?

13 A. (White) I believe that's in process. That's subject to
14 check. I don't believe we are yet.

15 Q. Okay.

16 A. (White) But, yes. Yes. The price assumptions in this
17 forecast are from the broker sheets from the markets
18 we've been talking about. And, there hasn't been a
19 decrease in the market assumptions for the value of
20 RECs. As I said, the only change has been the
21 Massachusetts RECs have increased slightly. So, for a
22 portion of our output, it may actually have a little
23 bit more value, to the extent we can still sell into
24 Massachusetts.

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[WITNESS PANEL: Baumann~White~Hall]

1 Q. Overall, in terms of not just Class I, but for the
2 various classes of RECs, do you see PSNH's costs
3 increasing going forward?

4 A. (White) In out years?

5 Q. We'll start with 2013, and then beyond that.

6 A. (White) Well, I guess, yes. I mean, the market is
7 designed, I think, that prices will increase, the
8 requirements for the various classes are typically --
9 the volume necessary is typically a percent of load.
10 And, those percentages increase every year, at varying
11 rates for the different classes. In addition, the
12 Alternative Compliance Payment is indexed to CPI. So,
13 absent a physical sale or purchase, the rate that's
14 applied is a rate that increases through time,
15 presumably as the CPI increases. So, costs would go up
16 through time, I think, by design.

17 Q. And, that's essentially, all else being equal, assuming
18 like your load stayed the same, if your load were to
19 decrease, then, of course, your percentage of that load
20 that you have to pay in -- that you would have to
21 acquire RECs would also change accordingly?

22 A. (White) That's correct.

23 Q. So, it's kind of a trade-off from one to the other?

24 A. (White) Yes. I was speaking more in terms of a rate.

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[WITNESS PANEL: Baumann~White~Hall]

1 But, in terms of dollars, absolutely, your load volume
2 would have a large impact on the dollar amount.

3 Q. In terms of, and I don't know if you could address
4 individually, the Newington and Schiller and Merrimack
5 Station, how the planning assumptions for those may
6 have changed for purposes of this filing, as compared
7 to the past?

8 A. (White) Okay. I'll start with Newington, which the
9 planning assumptions for Newington are essentially
10 unchanged, compared to previous projections. Newington
11 is a gas-fired utility. Gas is the most economic fuel
12 currently, and has been for the last few years. So,
13 our approach for modeling Newington really hasn't
14 changed.

15 With regard to Merrimack, not a lot of
16 change there. We adjust -- we adjust months during
17 which they will operate, based on changes in forward
18 market prices. And, given different forward prices,
19 the pattern of generation changes, as we've seen from
20 our September projection to now. And, we typically
21 view Merrimack dispatch on either a monthly or a weekly
22 basis. That hasn't changed a whole lot.

23 With regard to Schiller, as our fuel
24 stock for Schiller has increased a bit, and its

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[WITNESS PANEL: Baumann~White~Hall]

1 capacity factor was decreasing in our projections, when
2 based on a monthly average view. So, we've, this year,
3 implemented a more rigorous dispatch algorithm for the
4 Schiller plants based on a daily dispatch, to, we feel,
5 more accurately represent its expected operation during
6 2013. So, it's a more detailed dispatch algorithm.

7 Q. Mr. Baumann, if you could turn to Exhibit 2, and I'm
8 looking at Attachment RAB-2, Page 7. And, this is
9 showing detail of wood IPP purchases. We had some
10 discussion of the Wood IPPs in the prior proceeding
11 this morning, and I wanted to just touch base on this a
12 little bit.

13 CMSR. SCOTT: Mr. Mullen, can you tell
14 us where we are again?

15 MR. MULLEN: Sure. I'm on Attachment
16 RAB-2, Page 7, of Exhibit Number 2. It should have at the
17 top, the top right corner should say "Docket Number DE
18 12-292". And, this should be a spreadsheet that has
19 detail of wood IPP purchases for the year 2013.

20 CMSR. SCOTT: Just for clarity sake,
21 that's "RAB-4", correct? "Attachment RAB-4"?

22 MR. MULLEN: No. I'm looking at RAB-2,
23 Page 7.

24 CMSR. SCOTT: Got it. Thank you.

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[WITNESS PANEL: Baumann~White~Hall]

1 MR. MULLEN: Okay.

2 BY MR. MULLEN:

3 Q. Mr. Baumann, looking at this, if I was to look at the
4 first set of horizontal lines that are labeled
5 "Generation - Megawatt-Hours", and starting in the
6 months where the zeros show, does that mean that those
7 contracts will be ending in the prior month?

8 A. (Baumann) Yes.

9 Q. So, as we look through the end of 2013, looks like
10 there's only one of those contracts that's still in
11 effect as of the end of the upcoming year?

12 A. (Baumann) Yes. That would be Springfield.

13 Q. And, beyond -- and, beyond those contracts, there's no
14 additional commitments to purchase from those units?

15 A. (Baumann) That's correct.

16 Q. Would it be a fair summary of the changes in Exhibit 2,
17 as compared to Exhibit 1, to say that gas prices have
18 increased a bit and market prices have increased a bit,
19 therefore, you plan to run the Newington on gas less,
20 but your coal plants more to meet the load?

21 A. (White) Yes. That's accurate.

22 Q. And, with the other major change associated, it has to
23 do with customer migration, in terms of the loads?

24 A. (White) Yes.

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[WITNESS PANEL: Baumann~White~Hall]

1 Q. Mr. Baumann, will this be the last time you're before
2 the Commission as a witness?

3 A. (Baumann) No. I believe I may be here in January, some
4 week in January.

5 Q. Then, I won't put the cart before the horse.

6 A. (Baumann) Giddy-up.

7 (Laughter.)

8 MR. MULLEN: Thank you. I have nothing
9 further.

10 WITNESS BAUMANN: But thanks, though.

11 CHAIRMAN IGNATIUS: I feel like we
12 missed an announcement somewhere. I guess we have to wait
13 until January. Questions from the Commissioners?

14 CMSR. HARRINGTON: Yes.

15 CHAIRMAN IGNATIUS: Commissioner
16 Harrington.

17 BY CMSR. HARRINGTON:

18 Q. Okay. I guess we'll start with Exhibit 2, on Section
19 C.1. And, I guess it's Page 2. And, on the top line
20 there, which is 1, it says "Projected coal generation
21 increases...due to higher forward electric market".
22 So, apparently, what you're saying is, because the
23 clearing price in the electric market -- the energy
24 markets is going to increase, that the coal plants

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[WITNESS PANEL: Baumann~White~Hall]

1 will, therefore, clear more often and they will be
2 dispatched more often economically?

3 A. (White) That's correct.

4 Q. So, then, in your previous estimate, what were you
5 estimating for your capacity factor for the coal plants
6 for the year?

7 A. (White) Approximately 25 percent at the Merrimack
8 units, and 5 percent at the Schiller units.

9 Q. And, now, the new estimates had them go to?

10 A. (White) Just over 30 percent at the Merrimack units,
11 and seven and a half percent at the Schiller units.

12 Q. Okay.

13 A. (White) Eight percent, actually.

14 Q. Okay. Thank you for that information. And, on, I
15 guess, again, whoever is most appropriate should
16 answer, rather than me try to select them, on Exhibit
17 3, which has the various charts of how rates get
18 affected and so forth, on each of the charts, up in the
19 title, it talks about "Based on Actual Sales for the
20 Twelve Months Ending December 2009." First, I guess to
21 start with, why are we using old information? I assume
22 we know actual sales much more updated than that.

23 A. (Hall) This information is prepared from information we
24 use to file what's known as a "bingo sheet" for rate

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[WITNESS PANEL: Baumann~White~Hall]

1 changes. The Commission rules require the filing of a
2 document called a "bingo sheet".

3 Q. A "bingo sheet"?

4 A. (Hall) "Bingo sheet", yes. It's basically a -- I can't
5 remember what rule it is, but it's basically a table
6 that shows present rates, proposed rates, amount change
7 and percent change, by rate class. And, bingo sheets
8 are based on kilowatt-hour sales from the test year,
9 which is also the time frame used to calculate PSNH's
10 rates and prices -- rates and charges in its tariff.
11 So, to be consistent with the rates and charges that
12 are calculated in the tariff, and with the bingo sheet
13 requirement, we use the same data here. So that the
14 "twelve months ending 2009" was the test year in our
15 last rate case.

16 Q. Okay. Now, I understand. Then, when you say "actual
17 sales" here, are you talking sales as in distribution
18 or sales as in energy?

19 A. (Hall) Distribution.

20 Q. Distribution?

21 A. (Hall) Yes.

22 Q. And, has there been much of a change over that period
23 of time?

24 A. (Hall) Bear with me for just one moment.

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[WITNESS PANEL: Baumann~White~Hall]

1 Q. I'm not looking for an exact number, but just maybe a
2 round --

3 A. (Hall) Well, I can give you sales from the test year.
4 In megawatt-hours, it was 7,657,472 megawatt-hours,
5 7,657,472. What I was doing is I was going to try to
6 compare that to the numbers in Mr. Baumann's attachment
7 that was a projection of sales for 2013.

8 Q. Which, if memory serves me right, it's going to be
9 pretty close.

10 A. (Hall) It is. 2013 projected sales are 7,785,920.

11 Q. Okay. Thank you. There was discussion on the
12 migration. And, it was stated that the migration
13 dropped through November or is that -- I guess I take
14 it, some customers who left had come back?

15 A. (White) Yes. I think there's always customer movement.
16 It could also be the way different customers' energy
17 usage changes from month to month, as they adjust
18 operations, because it's really a statistic that looks
19 at the relative consumption between two groups.

20 Q. So, that could be a statistical anomaly showing a small
21 return?

22 A. (White) It's possible. I think it's real, it's actual
23 data.

24 Q. Uh-huh.

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[WITNESS PANEL: Baumann~White~Hall]

1 A. (White) And, there's a seasonal pattern to it. So, it
2 may well have to do with heating, some customers
3 heating more than others, things like that.

4 Q. Okay. And, you -- in the exhibit, it says "45" --
5 "42.5 percent" was the migration rate that you were
6 using for the year. Now, does that represent what you
7 project it to be on January 1st or is it a monthly
8 average or for the whole year or what exactly does that
9 figure mean?

10 A. (White) That's based on actual data through October of
11 2012, which was the latest available data we had for
12 this filing.

13 Q. Okay. And, as I think in the questions from the OCA,
14 you said that the trend for migration has been going
15 up. So, it would be safe to say that, if this is
16 actual data from October, that, once we hit January,
17 that number is probably going to be outdated, and, in
18 fact, the number would be higher, and it would continue
19 to get higher as the higher rate came in and progressed
20 that way throughout the year?

21 A. (White) You could make that assumption, I suppose. I
22 think market conditions would probably logically leave
23 you there -- lead you there. Again, we don't want to
24 influence that by making an assumption up front. So,

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[WITNESS PANEL: Baumann~White~Hall]

1 we go with what we know.

2 Q. So, you go with what you know, and you go into 2013 and
3 you just close your eyes and cover your ears and hope
4 that "I don't know anything about migration rates, and
5 let's hope they don't go up when we look at them next
6 time"? I mean, there's no projection by the Company as
7 to what you think a year from today, for example, the
8 migration rate will be?

9 A. (White) Well, again, if we made those assumptions, we
10 would influence the result. Keep in mind also that
11 weather patterns can have a great deal to do with load
12 volume.

13 Q. Well, let me make my question a little bit clearer
14 then. I can understand where you're afraid of the
15 cause-and-effect relationship of making an assumption
16 that will tend to drive more people to migrate, so you
17 don't want a public number. But are you sitting there
18 telling me that the Company has no internal
19 confidential number of what they think the migration
20 rate will be in 2013? You just ignore that fact?

21 A. (White) Well, no. I think it's been the subject of
22 much discussion, internally and in this forum. That,
23 should migration continue to increase, what are the
24 impacts to customers and the Company? There have been

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[WITNESS PANEL: Baumann~White~Hall]

1 some discussions and proposals around that. There was
2 a docket established to discuss migration. I don't
3 think we're unaware of what's been happening and what
4 may happen in the future.

5 Q. But the Company, for economic planning purposes, has
6 not done any analysis as to what they think the
7 migration rate will be in 2013?

8 A. (White) Well, --

9 Q. That should be a "yes" or "no" question please.

10 A. (White) No. We have looked at different scenarios.
11 Was that -- does that answer --

12 Q. Yes. So, you have done analysis then. I guess you
13 would say that would qualify, looking at different
14 scenarios, would say you've done analysis on what could
15 be migration rates in 2013?

16 A. (White) Yes.

17 Q. Okay.

18 A. (Baumann) Commissioner, just to add, there is -- I
19 believe there's a data request in this docket that
20 asked for that. And, Mr. White may be referring to
21 that as his analysis. I think it assumed a migration
22 rate up to 48 percent, and what the rate impact
23 potentially would be.

24 Q. That's what I was looking for.

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[WITNESS PANEL: Baumann~White~Hall]

1 A. (Baumann) And, I think that -- I think it was about a
2 tenth of a cent for every two, two and a half percent
3 of migration, would be a general ballpark figure.

4 CHAIRMAN IGNATIUS: Can you say that
5 again? A tenth of percent -- a tenth of a cent for --

6 WITNESS BAUMANN: Yes. About a tenth of
7 a cent, which I call a "mill", some people like mills, for
8 about two, two and a half percent. It's Data Request OCA
9 1, Number 2.

10 CHAIRMAN IGNATIUS: All right. We don't
11 have that available to us. So, perhaps OCA can produce
12 that when Mr. Eckberg is on the stand. Thank you.

13 CMSR. HARRINGTON: That would be
14 helpful. Thank you.

15 BY CMSR. HARRINGTON:

16 Q. Getting off migration rates for a little bit. Someone
17 had said that bringing on the -- I guess the correct
18 term is "Berlin Biomass Power Plant", something to that
19 effect, it was scheduled to come on in the fall. But,
20 in your projected rates, you didn't account for that
21 coming on line, is that correct?

22 A. (White) That is correct.

23 Q. And, the reason for that is, do you know something
24 about it? Are they behind schedule? Are they facing

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[WITNESS PANEL: Baumann~White~Hall]

1 some delays or --

2 A. (White) No. I believe that projected fall in-service
3 date is actually a significant acceleration to the
4 original schedule, which was something like mid 2014.

5 Q. And, then, why was that not incorporated into the rate
6 for 2013, if it looks like it could have an impact on
7 the rates? Excuse me.

8 A. (White) I guess the confidence level in that in-service
9 date is -- didn't lead us to believe it should be
10 included.

11 Q. Okay. So, what happens then, if it does come on,
12 let's, for the sake of argument, October 1st, that's
13 kind of mid fall, the fall, then would you be coming
14 back with your Default Service rates for next year and
15 have to recoup that money, so it would be slightly
16 higher to make up for, say, whatever, October,
17 November, December, the Laidlaw production?

18 A. (White) Yes. Eventually, it would have to be
19 recovered. Typically, we would update the ES rate for
20 July 1st.

21 Q. Uh-huh.

22 A. (White) Filing in the May and June time frame. We'll
23 know more at that point whether that schedule has
24 moved.

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[WITNESS PANEL: Baumann~White~Hall]

1 Q. So, you have a high confidence level of the schedule at
2 that time, so you're waiting until then to make any
3 adjustments?

4 A. (White) We'll have a higher confidence level, yes.

5 Q. Fair enough. The ISO has been looking at things for
6 probably this winter, and maybe the winter after this,
7 there's been a concern over overdependence on natural
8 gas, the fact that there's a lack of dual-fuel
9 capability from a lot of the plants. And, one of their
10 proposals is to basically run some plants out of merit
11 in preparation for potential cold snaps, where they
12 would think that they would need non-gas provided
13 generation. Is there any thing in your proposed rate
14 that would account for this fact that, you know, that
15 Merrimack Station could possibly be dispatched a day or
16 two in anticipation of extremely cold weather, and they
17 could, even if the cold weather didn't materialize,
18 that they would be paid uplift costs, and, of course,
19 if it did, then they would be up and running and ready
20 to go at a time of what would potentially be higher
21 rates? I know that's very difficult to account for.
22 I'm just wondering if there was any attempt to do that
23 in here?

24 A. (White) We haven't explicitly modeled that. And, we do

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[WITNESS PANEL: Baumann~White~Hall]

1 communicate with ISO regarding fuel inventories. And,
2 so, they're aware of our ability to run in those
3 circumstances. So, we are prepared to meet those
4 needs. Our coal facilities may be some they turn to.

5 Q. And, in Newington, you mentioned selling the oil. If
6 there was one of these cold snaps, and gas -- does
7 Newington have firm gas? Let me start with that.

8 A. (White) Newington does not have firm gas. They would
9 be impacted by constraints on the system. Newington
10 does have oil inventory.

11 Q. So, they would be able to run in a gas constraint
12 situation?

13 A. (White) That's correct.

14 Q. Okay. Good. Just a general question on, when you do
15 your projections, you had said you had had capacity
16 factors, and then they went up slightly due to increase
17 in market rates. Overall, is there a point where the
18 -- I'm trying to get the level of where the cost
19 becomes beneficial, the running becomes more beneficial
20 to the consumer? In other words, we have the cost, and
21 let's just take Merrimack, whether it's running or not,
22 it's in the rate base, the customers are paying for
23 that. Now, if it's running at a lower percentage,
24 that's because it's cheaper for the customers to buy

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[WITNESS PANEL: Baumann~White~Hall]

1 the power from the market than it is to turn that on
2 and absorb the additional cost of fuel. So, is there
3 some point where -- some capacity factor where you
4 actually could lower rates through increased running or
5 is that just strictly based on getting a market rate
6 high enough so that that would occur?

7 A. (White) As market prices increase, a pure market -- a
8 pure full requirements service off the market increases
9 faster than our ES rate would increase. Because, as
10 you said, as the price increases, our units would come
11 on line at a certain price and cap costs at that point.
12 So, yes, there is a price point in the market. And, if
13 it was met in every month, our units would generate in
14 every month.

15 Q. And, that is around 45? I mean, or is that
16 confidential?

17 A. (White) Forty-eight dollars, let's say.

18 CMSR. HARRINGTON: Forty-eight dollars,
19 okay. All right. Thank you. That's all I had.

20 CHAIRMAN IGNATIUS: Commissioner Scott.

21 CMSR. HARRINGTON: I appreciate, because
22 those were kind of complicated questions, bearing with me.
23 Thank you.

24 CMSR. SCOTT: Thank you. Good after --

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[WITNESS PANEL: Baumann~White~Hall]

1 good morning still. And, again, I'll direct these
2 questions to whoever is best.

3 BY CMSR. SCOTT:

4 Q. And, probably, back to the migration question, and this
5 may be just my faulty memory, which is not unheard of.
6 So, on Exhibit 2, you talk about an increase in
7 migration up to 42 and a half percent. I thought I
8 remembered recent filings on 44 to 45 percent, is that
9 correct?

10 A. (White) I believe that's correct. There are a -- there
11 are separate filings for migration, that I'm not
12 directly involved with. It's a slightly different
13 statistic than what's utilized here. This looks at
14 both energy and capacity. The other quarterly filings
15 that the Company makes are energy only. And, this is
16 monthly load, and the other filing is based on sales,
17 which has some meter read components to it, in the
18 timing. So, I think you're correct, some of those more
19 recent filings indicated a higher migration level than
20 what's shown here. They're two -- they're calculated
21 two different ways, both are valid statistics. We feel
22 that, for this purpose, this is the correct calculation
23 to be made. Does that get to your question?

24 Q. Okay. I think so. So, you don't find the two

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[WITNESS PANEL: Baumann~White~Hall]

1 inconsistent then, the way you've done it?

2 A. (White) No. There are good reasons for the differences
3 between the two.

4 Q. Okay. I'll accept that. All right.

5 A. (White) Well, as I said, they are calculated -- the
6 calculations are simply different.

7 A. (Baumann) The calculations that he's referring to, some
8 of them are based on billed sales. So, they're not as,
9 in my opinion, they're not as accurate, on a monthly
10 basis, on looking at the actual monthly migration
11 rates. Because, you know, Mr. White goes off of actual
12 generation load in a particular calendar month.
13 Whereas, billed sales will be calendar reads from the
14 previous month and the current month, it's kind of a
15 blend. So, any time you do an analysis of energy and
16 generation, we always stay with the load analysis.
17 Because, when you start looking at billed sales, you
18 know, you may say "gee, the billed sales were down in
19 November". Well, not really, because half of those
20 billed sales in November come from October, depending
21 on weather patterns. Billed sales analysis can get a
22 little less intuitive, just because of the change and
23 the impact that you have on billed sales, and then the
24 delay and timing of those billed sales, you know,

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[WITNESS PANEL: Baumann~White~Hall]

1 getting on the customers' meters.

2 Q. Okay.

3 A. (White) The data used here is actual monthly data.

4 It's load that actually occurs during a calendar month.

5 Q. Okay. And, again, I apologize for rehashing this with
6 some of the same questions. So, I believe I understand
7 the Company's position, that you don't want to project
8 -- you want to take a snapshot, I don't mean -- I don't
9 want to put words in anybody's mouth, but you
10 effectively want to take a snapshot of migration and
11 apply that, so you don't, basically, have an impact on
12 causing more migration by doing a projection. Is that
13 a fair statement?

14 A. (White) Yes. That's a fair statement. We use the most
15 recently -- the most current actual data available.

16 Q. Okay. But, having said that, and I understand they're
17 perhaps apples and oranges, obviously, your projection
18 on fuel prices and other things that potentially raise
19 your service rate, is that correct?

20 A. (White) Yes. There are many assumptions that go into
21 this forecast. Cost of fuel being a major one.

22 Q. Okay. I'll go onto another topic.

23 A. (Baumann) Commissioner, I just want to add, I'm sitting
24 here with a burning desire, but we've talked about this

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[WITNESS PANEL: Baumann~White~Hall]

1 internally. But, then, you have to start bringing the
2 situation, let's say we get the Alternative Default
3 Service rate. How would that impact migration? I
4 mean, there are a lot of, really, a lot of unknowns.
5 And, that's one of the drivers that has, you know,
6 brought us to the decision as to not to try to project
7 something because of the unknowns. Certainly, we're
8 not sitting here today saying that this increasing rate
9 is going to decrease migration. But the question is,
10 what will the markets do and what is going to happen
11 with an ADE, and how might that impact the markets?
12 Because the ADE rate that we've put down here in the
13 lost paragraph of the technical statement is starting
14 to become market competitive. Depending on when we set
15 that ADE rate, it may even be set lower in the future.
16 What's the presumption of large customers? It doesn't
17 take a lot of customers to come back, potentially, to
18 impact migration, if they're large. You know, tens of
19 thousands of small residential customers can be dwarfed
20 by one or two large industrials. So, relationships
21 that they might have with their suppliers; sometimes
22 they're smooth and sometimes they're not, and sometimes
23 customers want a little more stability.

24 So, there's just so many unknowns to us.

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[WITNESS PANEL: Baumann~White~Hall]

1 And, we've sat there and discussed this, and we said
2 "not sure how we would even do it." Other than, "yes,
3 well, price is going up, will probably be some more
4 migration." But then we get into the "what ifs" and
5 "what ifs" and "what ifs", and it's just very difficult
6 to quantify.

7 Q. Okay. Thank you for that. So, moving on to RAB-4 --
8 excuse me, 2. I just, generally, when I look at, in
9 this case, the RGGI costs, there are certain months
10 where you show zero cost. I was just curious how you
11 project all that?

12 A. (White) RGGI costs are a result of generation --
13 emissions from generation. So, in months where our
14 generation is not running, --

15 Q. Oh. Okay.

16 A. (White) -- we show no RGGI costs in those months.

17 Q. Okay. That makes a lot of sense. Okay. Thank you.
18 Similarly, the RPS costs, I assume, since you're
19 projecting selling as much as you can in the
20 Massachusetts market, where you get -- I assume that's
21 because you get the most money for the RECs you
22 generate, you've already talked about perhaps selling
23 into the New Hampshire and Connecticut markets to make
24 up for anything that you can't do for the Massachusetts

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[WITNESS PANEL: Baumann~White~Hall]

1 market. So, are the costs shown here for the RPS, are
2 those for making the New Hampshire ACP payments? Is
3 that what that is?

4 A. (White) Essentially, yes. Those are the costs
5 associated with our load. They do not include the
6 credits associated with the revenues we receive for
7 Schiller 5, which are actually netted out of Line 12 in
8 RAB-2, "Fossil energy costs".

9 Q. Okay. You anticipated my question, so that's -- all
10 right. Great.

11 CMSR. SCOTT: Excuse me for just a
12 second.

13 (Cmsr. Scott conferring with Chairman
14 Ignatius.)

15 BY CMSR. SCOTT:

16 Q. I wanted to briefly discuss your separate filing, which
17 you've asked to be considered "confidential". And, my
18 intention is to ask you questions that are not
19 confidential in nature, but general. But, again, we
20 can go, well, --

21 CHAIRMAN IGNATIUS: Yes. I think, in
22 any of these, when we have confidential information, we
23 want to be very careful to first start general, and see
24 how far we can go without going into confidential matters.

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[WITNESS PANEL: Baumann~White~Hall]

1 If it's necessary to do that, we will. We just need to
2 make sure the court reporter knows that we're heading
3 there, and we need to have people who are not authorized
4 to receive the confidential information to be out of the
5 room. So, it's a cumbersome thing to do. We want to
6 block those questions together and not have people popping
7 in and out. So, think about questions and answers, and
8 try to reserve anything that really delves into the
9 confidential matters to do as a block.

10 MR. FOSSUM: And, Commissioner, before
11 you begin, I don't know that, necessarily, the members of
12 the panel who are present up there are the best -- would
13 be the best to answer any questions you might have. We
14 have others in the room who would probably be better
15 suited for your questions about that report specifically.
16 If you'd like, we can have them sworn, I guess. But that
17 would depend on the nature of your questions.

18 CMSR. SCOTT: So, would it be best to do
19 this later in the proceeding?

20 CHAIRMAN IGNATIUS: Maybe so. Why don't
21 we continue with the materials contained in the Energy
22 Service filing, testimony and Joint Statement, Joint
23 Technical Statement. And, then, maybe think about what
24 the questions are, and whether we need to call Mr. Smagula

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[WITNESS PANEL: Baumann~White~Hall]

1 or otherwise, whoever else to the stand.

2 CMSR. SCOTT: If that's the case, I'm
3 all set for now.

4 CHAIRMAN IGNATIUS: All right. I have a
5 few more questions on the matters having to do with the
6 calculations for Energy Service.

7 BY CHAIRMAN IGNATIUS:

8 Q. You gave us capacity factors for Merrimack 1 and 2, and
9 the Schiller coal units, in questioning from
10 Mr. Harrington. Do you have the current capacity
11 factors for, and then the projected ones, for 2013, for
12 Newington and for the Schiller Bio, Unit 5?

13 A. (White) The projected capacity factors in this filing,
14 will that answer your --

15 Q. If you have current and projected, that would be
16 helpful.

17 A. (White) Current being our September filing versus the
18 December filing?

19 Q. If that's -- if that was the basis of the ones to
20 Commissioner Harrington, --

21 A. Yes.

22 Q. -- was it September?

23 A. (White) Yes, it was.

24 Q. Okay. That's fine.

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[WITNESS PANEL: Baumann~White~Hall]

1 A. (White) Excuse me. Schiller 5 was 79 percent, and
2 remains at 79 percent. It's baseload dispatch.
3 Newington went from 3 percent to 2 percent. I believe
4 there's some rounding in those numbers. I don't know
5 that it's a full one percent delta there, but those are
6 the rounded numbers. The hydro facilities were at
7 67 percent, and are still at 67 percent. And, the ICUs
8 do not dispatch in either, in either case.

9 Q. What are "ICUs"?

10 A. (White) The jets, the internal combustion units, the
11 very high-priced peaking units.

12 Q. All right. So, that's consistent with a response I
13 think you gave to Ms. Chamberlin, that you expected
14 that, with market increases in natural gas, you would
15 dispatch Newington a bit less, and coal, the coal units
16 a bit more?

17 A. (White) Correct.

18 Q. So, is it correct then that the increases in natural
19 gas you're expecting are significant enough that coal
20 is now a more economic fuel source?

21 A. (White) Yes. That's what's occurred in the changes to
22 price projections. So, they have dispatched in more
23 months and saved customers money. They're still
24 available in all months, should prices increase in

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[WITNESS PANEL: Baumann~White~Hall]

1 those months, to a certain level. But that's what's
2 happened.

3 Q. Also, on the RPS changes in Massachusetts, and the
4 impacts on Class I RECs, is it -- is it a flash-cut in
5 the changes under the new Massachusetts rules or is
6 there a phasing out of the -- or, a phasing in of the
7 new requirements, if anyone knows? It seems to me I've
8 heard that it's a phased process, but it seems as
9 though your testimony was it was a flash-cut?

10 A. (White) It's my understanding that it's a "flash-cut",
11 as you say, effective January 1st, 2013, for the new
12 qualification as Class I RECs. The efficiency
13 standards are phased in in 2015 and '16, I believe.

14 Q. All right. Is there any analysis of what it would take
15 for Schiller Unit 5 to become eligible under the new
16 standards in Massachusetts?

17 A. (White) Again, I'm not the expect. We worked with a
18 consultant to look at exactly that. As we discussed,
19 we have multiple suppliers of wood fuel for the
20 facility. So, it would -- it's a look at each
21 supplier's capability to provide the new RECs that meet
22 the new Mass. qualifications. So, that's probably
23 about as much as I know about it.

24 Q. So, it's wood supply, and not the operating efficiency

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[WITNESS PANEL: Baumann~White~Hall]

1 of the plant, that would make the difference? Or, are
2 there two different changes going on at once?

3 A. (White) It's both. There are two different changes to
4 the regulations.

5 Q. On the changes to how the Company intends to dispatch
6 Schiller, were you talking about Schiller Unit 5 or
7 would it be the other Schiller units?

8 A. (White) It was the coal units, 4 and 6.

9 Q. Okay. And, that you were, instead of looking at them
10 on a monthly basis, you'd be looking at them on a daily
11 basis?

12 A. (White) Correct. That's a change to the modeling that
13 we made.

14 Q. Is it your expectation that, by looking at on a
15 day-by-day basis, there will be more opportunities
16 where it would be economic to bid in the Schiller unit
17 -- those Schiller coal units?

18 A. (White) Yes. And, that's why we did it. In the past,
19 it was, let's say, it was efficient to look at monthly
20 averages. We didn't feel that was an accurate
21 representation any longer. Schiller 4 and 6 do, in
22 fact, have a fair amount of dispatch flexibility. So,
23 and, in fact, ISO, in recent months, has utilized them
24 in that fashion more and more. So, we felt it was the

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[WITNESS PANEL: Baumann~White~Hall]

1 correct adjustment to make.

2 CHAIRMAN IGNATIUS: All right. I have
3 no other questions. I think what would make sense --
4 okay, another question, Commissioner Harrington, not on
5 the confidential portion?

6 CMSR. HARRINGTON: Yes. Just getting
7 back -- excuse me for all this coughing, I apologize.

8 BY CMSR. HARRINGTON:

9 Q. On, let's say, Merrimack, you said your projection was
10 going up to about a 30 percent capacity factor for next
11 year. And, again, if this is anything confidential,
12 just say so. As far as bidding strategy, you bid into
13 the day-ahead market?

14 A. (White) Yes.

15 Q. And, is there a minimum time offer associated with
16 that? Because, being a large thermal plant, you don't
17 -- you know, clearing for one hour is not going to do
18 you much good.

19 A. (White) Unit parameters are part of the offers that go
20 into ISO-New England on a daily basis.

21 Q. So, you bid in daily. And, then, when those parameters
22 are met, and the clearing price is high enough, then
23 you would be dispatched?

24 A. (White) That's correct.

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[WITNESS PANEL: Baumann~White~Hall]

1 CMSR. HARRINGTON: Okay. That's what I
2 was trying to get clarified. Thank you.

3 CHAIRMAN IGNATIUS: What I'd like to do
4 is take a fifteen minute break to give everybody a chance
5 to think about questioning in the confidential matters,
6 and including the ultimate question, "is it appropriate at
7 this point to go there or should that be taken up at
8 another time?" I've just been sort of stewing over that
9 in my own mind for the last few minutes. I know it was
10 submitted on September -- excuse me, December 12th. I
11 don't know if the OCA received a copy of it?

12 (Atty. Chamberlin nodding in the
13 affirmative.)

14 CHAIRMAN IGNATIUS: Looks like you did.
15 And, I know, in Mr. Eckberg's testimony, there was a
16 comment about, you know, not being able to really address
17 things that haven't yet been received. It has now been
18 received, but not for very long. And, whether there's
19 been any discovery among the parties on those matters.

20 MS. CHAMBERLIN: Your Honor, we were
21 going to ask that we address this sometime in the future.
22 Because we've read it, but we've done no discovery, and we
23 don't really have time to do an analysis of it.

24 CHAIRMAN IGNATIUS: Ms. Amidon.

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[WITNESS PANEL: Baumann~White~Hall]

1 MS. AMIDON: Thank you. I would echo
2 that. And, our approach, as Staff, is that we, obviously,
3 didn't have time to look at it, when we have an Energy
4 Service rate that they want for effect January 1. And, as
5 this docket continues into 2013, we believe it will be
6 appropriate to make inquiry of it, and perhaps have some
7 kind of recommendation in the mid year review or the mid
8 year adjustment to the rates. And, we briefly sort of
9 aired that with everyone, which is why we, the Consumer
10 Advocate mentioned that, we envision this going forward
11 and being able to take more careful examination going
12 forward. Thank you.

13 CHAIRMAN IGNATIUS: Mr. Fossum, any
14 thoughts on that to add or --

15 MR. FOSSUM: No. That is accurate.
16 That was shared with us, the desire to continue reviewing
17 this, the report, going forward, with a potential
18 recommendation or discussion sometime down the road.

19 CHAIRMAN IGNATIUS: All right. Let's
20 take a short break, and we'll talk about that among
21 ourselves as well. Thank you. Let's resume, actually, in
22 ten minutes, at 11:45.

23 (Recess taken at 11:37 a.m. and the
24 hearing resumed at 11:50 a.m.)

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1 CHAIRMAN IGNATIUS: We had a chance to
2 think a little bit about how best to approach the filing
3 that the Company made at our request. And, I think, for a
4 number of reasons, we're not going to go into it today
5 with witnesses. We agree with all of the parties'
6 comments that there is more discovery and more detailed
7 analysis needed on all of our parts, and don't want to
8 launch into it today.

9 There are a couple of things that would
10 help to clarify, really, let the parties know that we
11 would find it useful to clarify as you go through the
12 discovery process. And, so, really just to make sure that
13 you know a couple of things that occurred to us in the
14 first very quick read through the materials, just let you
15 know what we were thinking, and that will help in the
16 discovery, so you're not caught by surprise when we do
17 come back to go into it in more detail. I think each,
18 both Commissioner Scott and Commissioner Harrington had
19 things they wanted to raise, to just sort of give you a
20 heads-up.

21 CMSR. SCOTT: This may be the same issue
22 for both of us. As you move forward, I would just ask the
23 Company to, in the filing you gave us a little lot of
24 metrics, and we certainly appreciate it, what you've done

1 here. It would be helpful for the Commission to -- if the
2 Company could make an attempt to look at and give us,
3 basically, a frame of reference. So, what do other
4 companies, to the extent of your knowledge, do for these
5 different metrics that you've discussed. Certainly, the
6 closer you can get to New Hampshire and your competition,
7 so to speak, that that would be helpful. Obviously, you
8 have other sister/brother entities in the region,
9 certainly could do that, I'm sure, also. So, it would be
10 helpful just to have a baseline of that type of
11 information, if that's clear enough. I can go into more
12 details, if you need it.

13 MR. FOSSUM: I guess I would be curious,
14 since it's a generation report, and you said, you know,
15 the Company has sister companies in the area, none of
16 which own generation, though. So, I'm not sure what
17 comparisons it is that you'd be looking for us to make
18 there.

19 CMSR. SCOTT: All right. I'll be more
20 specific, so thank you. The last thing I want is you to
21 walk away with a big question mark in your mind, which I
22 may cause anyway. So, on the generation side, to the
23 extent you can, and I know merchant plants are, again, it
24 may not be public, but, to the extent you can compare some

1 of the data you've provided to a comparable merchant
2 plant, that's important to us.

3 Less generally, your labor costs, that
4 type of thing, and, you're right, it has to do with
5 generation. But, if there are other type of overhead-type
6 things that you can compare to your sister companies, and
7 if that's not -- you don't feel that's constructive,
8 that's fine also. But I was really looking for something
9 we could look at to judge against others, if that makes
10 sense.

11 CHAIRMAN IGNATIUS: Commissioner
12 Harrington.

13 CMSR. HARRINGTON: Yes. Just to sort of
14 follow up on that, I feel the same thing that Commissioner
15 Scott did, that, you know, you need to look at your
16 competition in this market, what sets the price that we
17 talked, of the \$48, is being set by merchant plants. And,
18 whether we -- everybody likes it or doesn't like it,
19 that's the way the market works in New England. So, I
20 think that's what you need to compare to. There's
21 certainly a large number of, for example, oil plants that
22 have a very low capacity factor, even lower than the
23 proposal for Newington. How much do they reduce staff?
24 What do they do with maintenance requirements? Have they

1 been able to cut their operating costs substantially,
2 simply because they're not running very often? So, those
3 are the type of things that we need to be looking at
4 there. There's other coal plants in New England that have
5 had a major reduction in capacity factor as well. What
6 kind of reaction have they taken? I don't know how much
7 of this information is public, but, to the best you could,
8 to provide that would be very helpful.

9 One other, just as a question on the
10 report, without getting into specifics or anything
11 confidential, I'm just looking for a definition. On Page
12 3, it says "Overview: Capacity factor discussions". And,
13 on the top of the page, it talks about "high capacity
14 factor", and then goes into Newington Station
15 historically. And, you're talking what I assume is the
16 standard use of the word "capacity factor". How many
17 hours do you run at what percentage of full power in the
18 course of a year? And, then, down the bottom of the page,
19 sort of a new term comes out that I'm not that familiar
20 with, where you talk about Newington's operation "45 to
21 50 percent of the days", and Merrimack Unit 1 and 2 from
22 "60 to 70 percent of the days". So, I just would like to
23 see that defined. And, I could guess to mean, if you
24 operated one hour in each day for a year, you would be

1 operating 100 percent of the days, is that what that
2 implies, even though your capacity factor would be very,
3 very low? So, maybe for consistency, this seems to be a
4 new term, if you could stick with the standard definition
5 of "capacity factors", rather than this new one, or at
6 least define what this new one is, it would help me out.
7 And, thanks for putting up with all my coughing, by the
8 way.

9 CHAIRMAN IGNATIUS: One other, just
10 clarifying thing. On the Pages 10 through 12, there are a
11 number of graphs. And, I'm sure, in color, it's clear
12 which is which, but, in black and white, it's a little
13 mysterious. Do the numbers -- do the lines follow the
14 order, you know, to the right, is it "Merrimack",
15 "Schiller", "Newington", and "Totals", do the lines
16 depicted follow that same pattern or do they move up and
17 down? They all look the same to me.

18 MS. TILLOTSON: You want an answer? The
19 totals would typically be on the top. So, even though
20 it's listed on the bottom, that -- so, no, they don't go
21 together. Sorry.

22 CHAIRMAN IGNATIUS: So, maybe, if it's
23 possible, to resubmit at some point, with either one in
24 color or change to some sort of hash marks across them or

1 something, so that we can follow. You don't need to print
2 everything in color, that's expensive. But something to
3 differentiate would be helpful. Thank you.

4 We have the OCA calling Mr. Eckberg in
5 this case, correct?

6 MS. CHAMBERLIN: Yes.

7 MR. FOSSUM: Before continuing, may I
8 ask one process question about this report is, the request
9 itself from the Commission was set out in an order, and
10 was very particular to PSNH and PSNH's operations,
11 materials, and capital costs. And, it sounds like now
12 you're looking for a comparison with other companies or
13 other entities and additional information. Will there be
14 an additional order that comes out that sort of explains
15 this differently, in light of the questions that you have
16 about the report?

17 CHAIRMAN IGNATIUS: That wasn't our
18 intent. It was really to be able to have some sort of a
19 benchmark to compare, put the submission in context with
20 other units. If you feel you don't have that information,
21 we can explore other ways to obtain it.

22 MR. FOSSUM: No, no. As I said, it was
23 a process question mostly. Because the way that I had
24 read the Commission's request before, it was very

1 particular to PSNH's costs and what those costs are, and
2 that's what we had provided. So, to the extent that it's
3 a comparison of PSNH's costs to some other costs, that's
4 what I was curious as to -- if you'd prefer not to issue
5 that as part of a separate order, we can simply issue an
6 addendum to the report for some additional information or
7 to just expand the report and resubmit it, we can do that.

8 CHAIRMAN IGNATIUS: All right. And,
9 we'll consider your question, whether we should have an
10 order. I don't think it was a conclusion that you weren't
11 in compliance or there was something inadequate in the
12 filing. It's just, as we looked at it, realized that that
13 context was important.

14 All right. Anything further? I think
15 our hope is to plow forward right now, call Mr. Eckberg,
16 not take a lunch break, and see if we wrap up without need
17 to take a break. Is that acceptable to everyone?

18 MS. CHAMBERLIN: That's fine.

19 CHAIRMAN IGNATIUS: All right. Good.
20 Then, Ms. Chamberlin.

21 (Whereupon **Stephen R. Eckberg** was duly
22 sworn by the Court Reporter.)

23 **STEPHEN R. ECKBERG, SWORN**

24 **DIRECT EXAMINATION**

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[WITNESS: Eckberg]

1 BY MS. CHAMBERLIN:

2 Q. Mr. Eckberg, please state your name and position for
3 the record.

4 A. My name is Stephen R. Eckberg. I'm employed by the
5 Office of Consumer Advocate.

6 Q. And, did you file testimony in this docket on
7 November 21st, 2012?

8 A. Yes, I did.

9 Q. And, do you have any changes to make to that testimony?

10 A. No, I do not.

11 MS. CHAMBERLIN: I'd ask that this be
12 submitted as the next exhibit, "Exhibit 4".

13 CHAIRMAN IGNATIUS: So marked.

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

17 MS. CHAMBERLIN: And, I'll go ahead and
18 do this now. At the request of the Commission, I think
19 everybody already has copies of this, but this is the
20 response to OCA 1 of 1 -- 002 of 01. So, we will hand
21 that out.

22 (Atty. Chamberlin distributing
23 documents.)

24 CHAIRMAN IGNATIUS: This is the response

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[WITNESS: Eckberg]

1 to OCA 01-002, is that correct?

2 MS. CHAMBERLIN: That's correct. Right?

3 CHAIRMAN IGNATIUS: All right. And, I
4 appreciate you digging that out. And, we will mark this
5 as Exhibit 5.

6 (The document, as described, was
7 herewith marked as **Exhibit 5** for
8 identification.)

9 MS. CHAMBERLIN: We're going to assume
10 that everyone has read the testimony, and we'll forgo a
11 summary, unless you wish it?

12 CHAIRMAN IGNATIUS: Can you speak into
13 the microphone?

14 MS. CHAMBERLIN: Oh.

15 CHAIRMAN IGNATIUS: Thank you.

16 MS. CHAMBERLIN: Would the Commission
17 like a summary of the testimony or are you fine?

18 CHAIRMAN IGNATIUS: I think everyone has
19 read it, I know everyone's read it. So, I don't think we
20 need to do a summary.

21 MS. CHAMBERLIN: Then, I would make
22 Mr. Eckberg available for cross-examination.

23 CHAIRMAN IGNATIUS: All right. Mr.
24 Fossum.

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[WITNESS: Eckberg]

1 MR. FOSSUM: Thank you. I just had a
2 few clarifying questions for Mr. Eckberg.

3 **CROSS-EXAMINATION**

4 BY MR. FOSSUM:

5 Q. In your testimony, you had noted a couple of things
6 that you had concern about, and you were waiting for
7 more information. So, I would just like to ask about
8 those very briefly. The first one that I'm looking at
9 is on Page 4 of your testimony. And, on Lines 15 to
10 19, you noted a concern about the "increase in property
11 taxes for Merrimack Station that may be related
12 to...the Clean Air Project". Has that concern been
13 addressed by the Company?

14 A. Yes. As you correctly stated, at the time I prepared
15 my testimony, we were waiting for additional
16 information from the Company. And, additional tech
17 session data responses were provided by the Company.
18 And, one of those responses addressed this issue. And,
19 the Company replied, in fact, that the increase in
20 property taxes that was observed, that was of concern,
21 was related to an increase in the property tax rates
22 for 2013, rather than any increase in the plant value
23 for -- that may have been related to the Clean Air
24 Project. So, that response did alleviate my concern on

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[WITNESS: Eckberg]

1 that issue, yes.

2 Q. Thank you. And, I think, similarly, going onto the
3 next page, you had mentioned a concern about "possible
4 payroll tax increases". And, has the Company addressed
5 that concern as well?

6 A. To the best of my knowledge, I don't believe that any
7 additional information was provided by the Company on
8 that issue. Though, there were -- I may be in error
9 there, and you're welcome to correct me. Looks like
10 I'm about to be corrected.

11 Q. I'll just provide this to you. Tell me what that
12 document is.

13 A. This looks to be the Company's response to Tech Session
14 Question 1-3.

15 Q. And, does that address the payroll tax issue from your
16 testimony?

17 A. It does address this issue, generally, yes. It may
18 very well be the case that, in reading the many data
19 responses and tech session responses, that I missed
20 this one. But this is -- that is certainly the subject
21 of this response, yes.

22 Q. Okay. Thank you. I don't have any particular question
23 on it. I just wanted to make sure that the Company had
24 indeed addressed the concern that you had raised?

{DE 12-292} {12-18-12}

[WITNESS: Eckberg]

1 A. I can confirm that by looking at that response, yes.

2 Q. Thank you. And, again, just, as I say, just going
3 right down your testimony and the concern that you
4 raised, a little lower on Page 5, you had raised a
5 concern about "depreciation costs" for Schiller
6 Station. Has the Company addressed that concern as
7 well?

8 A. I did have -- I do have that response. And, indeed,
9 the Company did provide some additional information
10 about the depreciation amounts in their response, Tech
11 Session 1-1, a supplemental response that they provided
12 to that. And, I would say that, generally, they did
13 address the issue. I think that I still have some
14 outstanding questions about this issue. But I
15 understand that the Energy Service rate that is under
16 consideration here today is comprised of the Company's
17 best estimates for a number, a large number of
18 ingredients that go into that rate. And, whereas the
19 Commission has directed its Staff to engage in a
20 specific review of depreciation costs in the
21 reconciliation docket for 2012, which is not yet filed,
22 I believe that there will be certainly plenty of
23 additional opportunities to review these numbers for
24 2012, as well as for 2013 ongoing. So, I would say

{DE 12-292} {12-18-12}

[WITNESS: Eckberg]

1 that I am comfortable with the numbers that are in the
2 filing now. And, I don't need to -- I don't feel the
3 need to make any recommendation to change the amounts
4 that are included in the filing.

5 MR. FOSSUM: Thank you. I have nothing
6 further at this time.

7 CHAIRMAN IGNATIUS: Thank you. Ms.
8 Amidon.

9 MS. AMIDON: We have no questions for
10 Mr. Eckberg.

11 CHAIRMAN IGNATIUS: All right.
12 Questions from Commissioners? I have a question about a
13 couple of things of the clarifications you just made.

14 BY CHAIRMAN IGNATIUS:

15 Q. On the depreciation, on Page 6 of your testimony, you
16 described that, because of certain changes to
17 depreciation rates, the overall impact was a reduction
18 in depreciation expense, but that, for Schiller
19 Station, there was an increase. Is that something
20 that, the clarification you just went through with Mr.
21 Fossum, which we haven't seen, is it -- does it explain
22 how that happens, that some things going down, some
23 things going up, or were some of the number assumptions
24 not correct?

{DE 12-292} {12-18-12}

[WITNESS: Eckberg]

1 A. Well, the explanation that was provided by the Company
2 said that there was no change to the depreciation rate
3 for Schiller Station, which the Company has confirmed
4 in other responses, and I believe actually an
5 attachment to my testimony, Attachment SRE-5, which
6 would be Bates Page 25, the next to last page of my
7 testimony package. This is a data response from a
8 prior Energy Service docket, last year. And, where the
9 Company -- where we got more information about the
10 changes to average year of final retirement for certain
11 generation plants. And, the reader can see that, on
12 Line 8 here, for instance, the Schiller Station shows
13 no change in the average year final retirement. That
14 means that there was no change to the depreciation rate
15 or the period over which the remaining asset value is
16 going to be depreciated. However, this supplemental
17 response that the Company provided indicated that there
18 was a change to the book value of the Schiller Station
19 plant. And, that is one of those areas where I would,
20 you know, seek to get some more information from the
21 Company in future proceedings. This docket will remain
22 open, and we'll probably have an opportunity to pursue
23 that further, or we'll have an opportunity to inquire
24 about that in the reconciliation docket for 2012 as

{DE 12-292} {12-18-12}

[WITNESS: Eckberg]

1 well.

2 Q. All right. And, the payroll tax issue that you said
3 was resolved with further discovery information, since
4 we haven't seen that, and it's all right, you don't
5 need to make that an exhibit, but can you just
6 summarize what the resolution of your concern now is?

7 A. Well, Mr. Fossum provided the response for me. I
8 looked at it briefly. And, I can see, as I tried to
9 indicate in my statement a few moments ago, that it
10 seems clear that the Company was responsive and
11 provided some additional information. But I haven't
12 looked at it extensively in response to Mr. Fossum's
13 question. I was indicating that the Company was
14 responsive to the issue that I raised.

15 So, I guess I don't know -- I don't have
16 an exact further clarification on the information that
17 was provided in that response. I don't feel able to
18 expound upon that for you further at the moment.

19 Q. So, is there still a concern for this docket or is this
20 still one of the items to make note of for future --
21 the reconciliation docket, perhaps, the issue of
22 payroll taxes?

23 A. I would say that I would continue to look at this issue
24 and examine it a little further as future opportunities

{DE 12-292} {12-18-12}

[WITNESS: Eckberg]

1 arise. I know there's certainly plenty of information
2 in the general press about changes in tax rates
3 potentially coming January 1st. And, so, I don't know
4 whether the Company has included some possible impact
5 of that. I think that we know that there's a very high
6 likelihood that Social Security taxes or FICA taxes
7 will increase by about two percent. And, so, one of
8 the components that they may refer to in this increased
9 payroll taxes might be related to that. It's all about
10 that "fiscal cliff" thing that we've been hearing a lot
11 about.

12 CHAIRMAN IGNATIUS: Thank you. Those
13 are my questions. Anything further from the
14 Commissioners?

15 (No verbal response)

16 CHAIRMAN IGNATIUS: No. Any redirect,
17 Ms. Chamberlin?

18 MS. CHAMBERLIN: No. Nothing further.

19 CHAIRMAN IGNATIUS: All right. Then,
20 you're excused. Thank you, Mr. Eckberg. Although, why
21 don't you just stay where you are.

22 The only procedural matters that I'm
23 aware of before we conclude have to do with, obviously,
24 the exhibits, but also whether the parties have positions

{DE 12-292} {12-18-12}

1 on the Motion for Confidential Treatment of the materials
2 submitted in response to the Commission's request on
3 generation costs. Thank you for submitting a Motion for
4 Confidential Treatment. And, do the OCA and Staff have
5 positions on whether confidentiality is appropriate?

6 MS. CHAMBERLIN: Your Honor, I have to
7 say I did not analyze it with that question in mind. It
8 looked to me that, you know, quite a bit of it is
9 non-confidential, but I did not parse it. And, would be
10 interested in meeting with the Company to see if we could
11 at least agree on certain areas.

12 CHAIRMAN IGNATIUS: One second.

13 (Cmsr. Scott and Chairman Ignatius
14 conferring.)

15 CHAIRMAN IGNATIUS: Mr. Fossum.

16 MR. FOSSUM: I was just thinking that
17 the Company, to the extent that the OCA and/or the Staff
18 would like to discuss further possible revisions to the
19 report to provide some public information, the Company is
20 willing to have that conversation certainly.

21 CHAIRMAN IGNATIUS: All right. I think
22 we would welcome that in any filing, to try to make it a
23 redacted document, rather the entire document, and that
24 some -- much of this it seems to me appropriate to

1 protect. So, it may be not all that useful in the
2 redacted version, but still to try to -- to try to limit
3 the amounts protected as much as possible. So, I'd
4 welcome that. And, then, maybe people can submit in
5 writing, if they have -- if there's a revised version and
6 any responses people want to submit in response to that,
7 before we rule on it, on the motion. Prior to completion
8 of that process, we will keep it confidential. That's
9 always our practice, that it not be released during the
10 pendency of sorting out the appropriate level of
11 confidentiality.

12 Is there any objection to striking the
13 identification on the exhibits?

14 (No verbal response)

15 CHAIRMAN IGNATIUS: Seeing none, we will
16 make them full exhibits. Are there any other matters to
17 take up before closings?

18 MS. CHAMBERLIN: Your Honor, I have one.
19 And, it is a request, essentially, to the Commission to
20 address RSA 378:40. This was an issue that was raised in
21 a filing in the Least Cost Integrated Resource Plan. And,
22 it just states that "no rate change shall be approved with
23 respect to any utility that does not have an IRP plan
24 filed and approved." However, the Commission has the

1 authority to waive that. And, so, since it has been more
2 than two years since they filed the IRP filing, to keep us
3 statutorily and procedurally in line, I would simply ask
4 that the Commission exercise its authority to either
5 direct PSNH to file a new plan or to suspend -- to allow
6 rate changes to take place, even though the integrated
7 rate plan is over two years old.

8 CHAIRMAN IGNATIUS: It's actually a
9 funny statute, because I think it says "changes have to be
10 in conformance with the last plan approved", not
11 necessarily the last plan "submitted". And, so, it's a
12 little bit odd as it was drafted. But it's a very good
13 point. I think we're a little behind in getting that
14 order out on the LCIRP docket, and working to be able to
15 issue it. Asking for a new plan right now I don't think
16 serves anyone's purposes. And, it -- we have not gone --
17 it's a good point, we have not gone into questions of
18 witnesses today on whether the plan -- that the rate
19 changes that are requested are in accordance with the last
20 plan that was filed and reviewed.

21 I suppose we have a couple of choices.
22 One is to recall a witness and address that. The request
23 that we waive the requirement, we couldn't do, because we
24 have a statute. Or a rule, we can waive a rule, but we

1 can't waive a statute. So, and I think we, at times, are
2 more focused on this provision than others, and at times
3 we think to ask it and at times we do not. One second.

4 (Chairman and Commissioners conferring.)

5 CHAIRMAN IGNATIUS: All right.
6 Everyone's been madly flipping through -- now you can go
7 sit down.

8 MR. ECKBERG: Thank you, madam Chairman.
9 I was hoping I wouldn't get any questions about that new
10 issue.

11 CHAIRMAN IGNATIUS: We've all been
12 flipping through the statute. And, I think you really
13 need to read 378:40 and 378:41 together, that -- to be
14 able to make sense of what, to the extent you can, make
15 sense of what this is requiring, it helps.

16 Mr. Fossum, it looks like you do have a
17 view on this, before I go any further?

18 MR. FOSSUM: Well, I have a view sitting
19 here right now, you know, subject to further discussion
20 and research that may be appropriate. My understanding
21 about the issue in the Least Cost Integrated Resource Plan
22 came up in a filing from Conservation Law Foundation that
23 was made yesterday. And, as I understand the nature of
24 that filing, that was made in response to our motion to

1 strike a filing that they had made. Their statements
2 about "PSNH not being in compliance for having not filed a
3 plan within two years", we've not really had a chance to
4 review those meaningfully. They don't appear to have any
5 bearing whatsoever on the motion to strike, that at least
6 it would presume to be their genesis. So, you know, the
7 nature of that request and where that came from and why
8 that's all of a sudden a front and center issue before the
9 Commission is not entirely clear to us at the moment.

10 That said, while, again, we haven't had
11 time to fully review this issue, there was not, to my
12 reading, any place in that statute that indicated when the
13 two years begins to run. And, if it is, in fact, two
14 years between dates of filing, then, yes, more than two
15 years has passed. But, if it's two years from the date of
16 the most recently approved Commission plan, we filed our
17 previous plan in 2010. It's still pending. It's pending
18 review. To file another plan now, before that review has
19 been finished, and we know what the Commission is
20 expecting of us for future filings, I think would serve no
21 practical purpose whatsoever. So, those are some other
22 issues that are bound up in this request. And, so, to
23 deny PSNH the opportunity to have a rate change in that
24 circumstance would seem to be at least unfair.

1 CHAIRMAN IGNATIUS: Well, I don't think
2 anyone's suggesting that. I think it was, and I don't
3 know, I haven't looked at the other filing, and I want to
4 keep that very separate, because Commissioner Scott is not
5 a part of that other docket, but assuming it's -- well,
6 maybe I've got the wrong docket, I don't know.

7 MR. FOSSUM: It's 2010 -- or, DE 10-261.

8 CHAIRMAN IGNATIUS: Oh. All right. I
9 was assuming a different docket. So, I think that the
10 real question today is, for full conformance with the
11 statutory requirements, and there are times where we have
12 inquired in any rate change proceeding the relationship
13 between the request and the Least Cost Plan on file, we
14 haven't done that in this case. And, in some we have --
15 sometimes we do and sometimes we don't, and that's our
16 problem, that we should be more consistent on.

17 I think the only question is today, what
18 -- how best to complete the record? Not to require a new
19 filing or to reject the petition in this docket. So, my
20 thought is to ask one of your witnesses to take the stand
21 who could address, and if you look particularly at 378:41,
22 the extent to which the request the Company's made today,
23 and in the 292 -- 291 docket we heard earlier this
24 morning, that the request is in conformance with the Least

1 Cost Integrated Resource Plan most recently filed and
2 found adequate by the Commission, which would refer you
3 back to the prior -- the prior filing, not the one that's
4 currently pending.

5 MR. FOSSUM: I suppose we could do that.
6 We don't have anybody here today who's particularly
7 familiar with our existing and approved Least Cost
8 Integrated Resource Plan. So, to the extent that you'd be
9 looking for any specifics, I don't know that we could
10 provide them as we sit here today.

11 So, you know, I don't know, we could
12 provide a statement perhaps later today from somebody more
13 familiar, you know. Yes. I'm not exactly sure what else
14 to offer right at the moment. I don't -- I don't know
15 that the Company could, in good faith, offer somebody to
16 make that representation at this moment.

17 (Chairman and Commissioners conferring.)

18 MS. CHAMBERLIN: Your Honor, if I may?

19 CHAIRMAN IGNATIUS: Yes, please.

20 MS. CHAMBERLIN: My intent was to
21 forestall a collateral attack on whatever order is issued,
22 essentially. I certainly don't have any objection to the
23 Company bringing the -- you know, making a filing from
24 someone who's best, you know, who can best do it in a

1 short turnaround. I also -- I learned about this statute,
2 this is new for me, too. I learn about the statute
3 yesterday. And, in reading it, I realized that it had an
4 effect. I'm also happy to write up what I think the
5 effect is. I don't know that you need -- that you want
6 that. But, if you do, I'd certainly do that.

7 CHAIRMAN IGNATIUS: Well, I appreciate
8 that. Our thought had been to, rather than have someone
9 take the stand today, to offer to do it through a record
10 request, if that's agreeable to the parties. There's no
11 opportunity for questioning on it. And, so, that's the
12 only issue, if that would be a concern. But, if not, then
13 to do it through a record request, submit it in the next
14 few days would be acceptable to us. Is there any --

15 MR. FOSSUM: We are willing to do that.

16 CHAIRMAN IGNATIUS: Okay. Does that
17 work for everyone?

18 MS. CHAMBERLIN: So, the record request
19 would come in and we would not have an opportunity to say
20 anything about it?

21 CHAIRMAN IGNATIUS: That's the
22 difficulty in doing it through a record request. There's
23 no cross-examination. We could further expand the record
24 by an opportunity for people to respond through briefs to

1 the evidence that's submitted, or even to have some
2 further recalling of witnesses and questioning. But I
3 don't -- my sense is it's not an issue that really calls
4 for that.

5 MS. CHAMBERLIN: No, I don't think so
6 either. Well, it's hard to make a decision with not
7 knowing what they're going to file. But I see it from my
8 -- primarily as a procedural one. I'm not looking for
9 them to file another IRP before they can get this rate. I
10 just wanted to be, you know, to get things in order and to
11 keep things moving forward, and that was my intent.

12 CHAIRMAN IGNATIUS: Okay. Thank you.

13 (Chairman and Commissioners conferring.)

14 CHAIRMAN IGNATIUS: All right. We've
15 got two different ideas to throw out as a way to wrap this
16 up. One would be to forgo oral closings today, give
17 everyone an opportunity, within a couple of days of
18 receipt of the record request we just spoke about, to
19 submit a written closing, and in that address any
20 responses that they feel they need to say, having seen the
21 Company submission. The alternative would be to, in
22 addition to reserving the record request for the Company's
23 submission, to set aside a exhibit, to the extent anyone
24 wants to respond, from OCA or Staff, to the Company's

1 exhibit, so that there's both, you know, there could be
2 two additional exhibits, if people felt the need to
3 respond to that, and go forward with oral closings this
4 afternoon. Because of the timing and trying to meet a
5 January 1 date, we just don't have a lot of days to work
6 with, and know that people are maybe traveling over
7 Christmas Holiday and that sort of thing. So, do you have
8 a preference on the two? We can do either one.

9 MS. AMIDON: Staff prefers oral closing.

10 CHAIRMAN IGNATIUS: And, just the
11 opportunity, if you felt the need to respond to the
12 Company's submission, to submit your own?

13 MS. AMIDON: Yes.

14 MS. CHAMBERLIN: OCA will agree with
15 that.

16 CHAIRMAN IGNATIUS: Is that all right
17 with the Company?

18 MR. FOSSUM: That's fine.

19 CHAIRMAN IGNATIUS: Okay. Let's do that
20 then. So, we'll set aside Exhibit 6 for the Company
21 submission. And, then, to the extent OCA or Staff want to
22 submit, the OCA would be 7 and Staff would be 8. All
23 right. And, if there's no need to submit, you don't need
24 to use your number.

1 **(Exhibit 6, Exhibit 7, and Exhibit 8**
2 **were reserved.)**

3 CHAIRMAN IGNATIUS: All right. Let's go
4 then to Ms. Chamberlin for a closing statement.

5 MS. CHAMBERLIN: Thank you, your Honor.
6 If I were looking at this filing from a vertically
7 integrated utility that did not have any competition, I
8 would have very few problems with it. The information
9 that I received certainly is consistent with market data
10 and other information that I have reviewed and my staff
11 has reviewed.

12 My ongoing problem is that we've got a
13 large amount of older generation, which has now become
14 peaking generation, essentially. The cost of that
15 generation being borne by an ever-diminishing number of
16 people. And, just that inverted triangle is -- it's an
17 unjust -- it results in an unjust rate. It's an unjust
18 concept. It's simply -- it's neither -- it's neither
19 competition nor regulation. And, that has to -- we have
20 to move out of that.

21 And, my example I think of is, you know,
22 my mom, who is 80 years old, and she's on a fixed income,
23 and she's paying her electric rate, and she's probably not
24 going to switch, even if I told her to. She should not

1 have to pay for the Merrimack Station and the Schiller
2 Station. That's simply -- that simply is not correct.

3 The fact now that there are competitive
4 options for residential ratepayers is a good thing.
5 Absolutely, there's some more options, people are
6 exercising them. As the witness said, the rate of
7 migration is going up. I would argue that it's likely to
8 continue to go up when the rates increase even further.
9 They're getting further away from the market price and
10 they're getting more and more top heavy. And, people are
11 going to really dig in and look at their options.

12 I don't think there's a magic number,
13 once we hit X rate, it's no longer fair. I think the
14 situation is unfair. Where the industrial customers have
15 all left already, they're not sharing this cost. It may
16 be, and it likely is, that these coal plants have some
17 value, but to have that value borne by primarily the
18 residential ratepayers is unjust and unreasonable.

19 As I said, the actual -- the actual
20 filing, when we look at its components, it's a reasonable
21 filing. It's consistent with the information I'm aware
22 of. But it's the overall structure that cannot -- cannot
23 continue. And, exactly when that changes? The sooner the
24 better. Will it change by January 1? No, probably not.

1 But that it just needs to move.

2 CHAIRMAN IGNATIUS: Are you recommending
3 a different rate for January 1st?

4 MS. CHAMBERLIN: I cannot recommend a
5 different rate, because I don't have any indication that
6 the rate that they are proposing is not consistent with
7 Default Energy Service rates. All their components seem
8 to add up. My issue is the larger -- the larger issue,
9 the structural one, which is not specifically at issue in
10 this case, but is really the overall problem with the
11 rates.

12 CHAIRMAN IGNATIUS: Thank you. Ms.
13 Amidon.

14 MS. AMIDON: Thank you. Staff has
15 reviewed the filing, and has determined that the Company
16 calculated the Energy Service rate for 2013 as they have
17 in the past. But we can't ignore the fact that the
18 resulting rate is above market, and that is of concern for
19 customers of PSNH.

20 And, further, you know, if customer
21 migration continues to be an issue, we are concerned that
22 there will be an additional increase as time goes by.
23 However, insofar as the rate proposed for January 1 in the
24 December 12th filing, we have no objection to that.

1 CHAIRMAN IGNATIUS: Thank you. Mr.
2 Fossum.

3 MR. FOSSUM: Thank you. Just briefly.
4 While we understand the concerns of the OCA and Staff,
5 and, to a degree, share them ourselves, this is a docket
6 to set PSNH's proposed Energy Service rate going forward.
7 And, as you've heard, PSNH has done so in a manner
8 consistent with that which it has done in the past, and
9 has done so based on the costs that are part of its
10 structure. So, to that extent, PSNH would request that
11 the Energy Service rate as proposed be permitted to go
12 into effect January 1st. Thank you.

13 CHAIRMAN IGNATIUS: All right. Unless
14 there's anything further, we will take it under
15 advisement. Excuse me, Commissioner Harrington.

16 CMSR. HARRINGTON: The record request on
17 the Least Cost Integrated Plan, when will we expect to see
18 that?

19 MR. FOSSUM: My hope would be before the
20 close of business tomorrow.

21 CHAIRMAN IGNATIUS: Thank you. That's
22 fine. Then, we will take it under advisement. We know
23 that there's a January 1 date for this, which we will
24 meet. And, we appreciate everyone's time and attention in

1 sorting out a couple of unusual things today. Thank you.
2 We're closed.

3 (Whereupon the hearing ended at 12:37
4 p.m.)

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