

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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Concord, New Hampshire

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RE: DE 12-358
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
*Petition for Renewable Default Energy
Service Rate.*

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

Sandy Deno, Clerk

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

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

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Al-Azad Iqbal, Electric Division

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

ORIGINAL

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P R O C E E D I N G

CHAIRMAN IGNATIUS: I'd like to open the hearing in Docket DE 12-358. This is Public Service Company of New Hampshire's petition to adjust the Renewable Default Energy Service rate. The filing made on December 19, 2012 asked for two things, to increase the rate in each of the classifications, but also to impose a new requirement that there be a minimum number of customers signed up to continue to offer the rate. And, we've already had a prehearing conference. And, I think there's been a tech session, and some exchange of information. So, we are ready now for a hearing on the merits.

Let's begin first with appearances.

MR. FOSSUM: Good morning, Commissioners. Matthew Fossum, for Public Service Company of New Hampshire. And, with me today are Richard Branch and Heather Tebbetts from the Company.

CHAIRMAN IGNATIUS: Good morning. Welcome.

MS. CHAMBERLIN: Good morning, Commissioners. Susan Chamberlin, Commissioner Advocate, for the residential ratepayers. And, with me today is Stephen Eckberg.

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1 CHAIRMAN IGNATIUS: Good morning.

2 MS. AMIDON: Good morning,

3 Commissioners. Good Monday morning to you. This is

4 Suzanne Amidon, for the Commission Staff. With me today

5 is Al-Azad Iqbal, who is an Analyst with the Electric

6 Division.

7 CHAIRMAN IGNATIUS: Good morning,

8 everyone. Do we have anything to take up from a

9 procedural point of view before Mr. Branch testifies?

10 MS. AMIDON: No.

11 CHAIRMAN IGNATIUS: Appears not. Then,

12 Mr. Fossum, why don't you seat your witness, and

13 Mr. Patnaude can swear him in.

14 MR. FOSSUM: Okay. The Company would

15 call Mr. Richard Branch then.

16 (Whereupon **Richard H. Branch** was duly

17 sworn by the Court Reporter.)

18 **RICHARD H. BRANCH, SWORN**

19 **DIRECT EXAMINATION**

20 BY MR. FOSSUM:

21 Q. Good morning. Could you state your name, place of
22 employment, and position for the record please.

23 A. Sure. Richard H. Branch. I work for Public Service of
24 New Hampshire. And, I'm an Analyst in the New

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1 Hampshire Revenue Requirements Department.

2 Q. And, as an Analyst, what are your responsibilities in
3 that position?

4 A. Docket management, docket support, and general *ad hoc*
5 analysis.

6 Q. Including in the present docket for today?

7 A. Yes, including management of our Renewable Program.

8 Q. And, back on December 19th, did you file prefiled
9 testimony in this matter accompanying a petition as was
10 described by the Commissioner this morning?

11 A. Yes.

12 Q. And, that was, what, approximately nine pages of
13 testimony, plus attachments?

14 A. Correct.

15 Q. And, do you have any changes or updates to that
16 testimony today?

17 A. I do not.

18 MR. FOSSUM: And, I would offer the
19 original Petition as the first exhibit for identification
20 this morning.

21 CHAIRMAN IGNATIUS: And, so, that's the
22 Petition, with the testimony and attachments all together?

23 MR. FOSSUM: It is the entire Petition,
24 yes.

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1 CHAIRMAN IGNATIUS: That's fine. So
2 marked.

3 (The document, as described, was
4 herewith marked as **Exhibit 1** for
5 identification.)

6 BY MR. FOSSUM:

7 Q. And, then, on April -- well, under a cover letter from
8 me of April 10th, did you submit a technical statement
9 in this docket?

10 A. Yes, I did.

11 Q. And, that was a statement to update certain elements of
12 your testimony?

13 A. Yes.

14 Q. And, do you have any changes or updates to that
15 Technical Statement this morning?

16 A. I do not.

17 MR. FOSSUM: I would offer the Technical
18 Statement as the second exhibit for identification this
19 morning.

20 CHAIRMAN IGNATIUS: So marked for
21 identification as "Exhibit 2".

22 (The document, as described, was
23 herewith marked as **Exhibit 2** for
24 identification.)

1 BY MR. FOSSUM:

2 Q. Now, we've already had a brief summary from the
3 Chairman this morning, but could you very briefly
4 summarize what PSNH has requested by this filing, as
5 updated?

6 A. Yes. We're seeking two things: Number one would be to
7 increase the renewable rate from its current rate of
8 3.579 cents per kilowatt-hour to 5.5 cents per
9 kilowatt-hour. And, the second request would be to set
10 a minimum participation level in order to keep offering
11 the rate.

12 Q. And, on the first issue of the rate level, how did you
13 determine the rate level that is proposed this morning?

14 A. Yes. The 5.5 cents per kilowatt-hour we essentially
15 set at the 2013 ACP level, the Alternative Compliance
16 Payment level for 2013. And, that's the ACP for both
17 Class I and Class II. We have noticed over the past
18 couple years a broad swing in REC prices, on mostly
19 Class I, from lows in the mid teens a couple of years
20 ago, to levels now just south -- just below the ACP.
21 So, we thought it best to take a conservative approach
22 to setting the rate, and setting set it at the ceiling
23 for REC prices, which is the ACP.

24 Q. And, assuming that the Commission approves the rate as

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1 has been proposed this morning, would there be an over-
2 or an undercollection?

3 A. Well, to the extent, for 2013, to the extent that we're
4 able to get RECs below the ACP, there could be an
5 overcollection just for 2013. It's worth noting,
6 though, that, for the years 2010 to 2012, we're
7 anticipating an undercollection in the program. And,
8 we haven't fully reconciled 2012 yet, mostly because we
9 haven't finished purchasing RECs for the 2012
10 compliance year yet. But we're thinking that
11 cumulative undercollection, again, from 2010 through
12 the end of 2012, that cumulative undercollection will
13 be no worse than \$31,400 approximately.

14 Q. And, you say you haven't completed purchases for 2012
15 yet. When would you anticipate completing those
16 purchases?

17 A. We are actively seeking RECs right now for Class I.
18 That's all we have left to purchase is, I think, 130
19 Class I RECs. The compliance period closes at the end
20 of June. So, at the very latest, if we are not able to
21 secure Class I RECs by the end of June, we'll have to
22 pay the ACP on those RECs.

23 Q. And, in general terms, how have RECs been acquired as
24 part of this program since its inception?

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1 A. We either purchase them directly via a broker or
2 through an RFP directly from a generating resource.

3 Q. And, will there be an opportunity for the Commission to
4 review how the Company acquired those RECs?

5 A. Absolutely. We'll need to reconcile, again, that 2010
6 -- excuse me, 2010 through the end of 2012, we'll need
7 to reconcile that this year, probably towards the
8 second half of the year. And, that is irregardless of
9 our second request, to set the minimum participation
10 level. And, at that point, Staff and OCA would have an
11 opportunity to check prudence and the appropriateness
12 and the value of the RECs that we purchased.

13 Q. Now, if the rate is reset as the Company has proposed,
14 and there is an over- or undercollection, I guess an
15 undercollection as you described it, how would that be
16 handled?

17 A. Well, in the past, in a past docket, we submitted
18 testimony to recover that underrecovery through the
19 renewable rate itself. And, we could certainly do that
20 when it came time to reconcile it again. The problem,
21 though, with that is, again, with that cumulative
22 undercollection of about \$31,400, and given the
23 extremely low participation rate, somewhere in the 140
24 customer range, that the effect that that would have on

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1 the rate, it would essentially push it from its current
2 5.5 cents per kilowatt-hour, to somewhere around 9.7
3 cents per kilowatt-hour. And, keeping in mind that
4 that's on top of the Default Energy Service rate.

5 Q. Now, you said --

6 CHAIRMAN IGNATIUS: I'm sorry, can we
7 back up? I think I spaced out. What accounts for going
8 from 5.5 to 9 something?

9 WITNESS BRANCH: That if we were to
10 recover that \$31,500 through the renewable rate itself.
11 So, the --

12 CHAIRMAN IGNATIUS: Oh, just to that
13 small class of customers who take it?

14 WITNESS BRANCH: Exactly. That's
15 correct.

16 CHAIRMAN IGNATIUS: Got it.

17 BY MR. FOSSUM:

18 Q. And, speaking --

19 CMSR. HARRINGTON: Excuse me, could you
20 just wait.

21 MR. FOSSUM: Oh, excuse me.

22 CMSR. HARRINGTON: Where are you
23 proposing you recover the 31,000 from then?

24 WITNESS BRANCH: Well, we're not, in

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1 this docket, we're not actually proposing to reconcile the
2 rate. We'll do that later in the year. And, one option
3 is to reconcile it through the rate itself. But there are
4 probably other options, perhaps through the Default Energy
5 Service rate, where we can --

6 CMSR. HARRINGTON: Okay. More to come
7 on that?

8 WITNESS BRANCH: Absolutely.

9 BY MR. FOSSUM:

10 Q. And, very briefly, you had mentioned, I believe the
11 term -- so, what you described as "about 140
12 customers", is that number down from even what was
13 filed in the Technical Statement in April?

14 A. Yes. Before I left the office this morning, I had the
15 person responsible for tracking this run a quick query
16 on our accounts. And, 141 as a couple of hours ago,
17 that's down from 160 at the end of March. And, that's
18 even down from 186 customers, which is our peak number,
19 and that would have been in the Summer of 2012.

20 Q. And, I guess that leads us to the second issue, which
21 would be why has PSNH proposed to discontinue the rate?

22 A. Well, it's essentially the low customer count, in
23 coordination with or in conjunction with just the
24 administrative burden to handle the rate. And, I would

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1 further point out that I understand that Liberty
2 Utilities is seeking to end their renewable program in
3 their current rate case. And, I've been led to believe
4 that Unitil will do something similar.

5 Q. Now, given the low customer count, do you believe PSNH
6 has been reasonable in how it marketed the rate to
7 customers?

8 A. Absolutely. From the time that the rate started in May
9 2010 through I would say late 2011, we spent
10 approximately \$104,000 on newspaper advertisements,
11 direct mail, bill inserts, we did some radio tags on
12 New Hampshire Public Radio. We also have a website,
13 *psnh.com/greenrate*, which I think we put a lot of
14 thought and effort into designing. And, we also, when
15 someone signed up for the rate, we sent them a survey.
16 And, using the results of that survey, it helped us
17 target the future marketing a bit more.

18 Q. And, despite all of that, we still have the low
19 customer count?

20 A. Indeed, yes.

21 Q. Now, if PSNH doesn't offer this program, would similar
22 programs be available to customers who desire them?

23 A. Yes. There are numerous third party providers that
24 offer this rate or this type of product that don't

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1 necessitate the involvement of the utility. Really,
2 all you need is a phone or an Internet connection and a
3 credit card.

4 Q. And, why hasn't PSNH proposed to make an arrangement
5 with a provider, some third party provider for this
6 service?

7 A. Well, making the assumption that a third party provider
8 would integrate with our billing system, there would
9 still be a similar administrative burden, in terms of
10 revenue reporting, regulatory oversight, legal
11 oversight, for what would remain a very limited amount
12 of customers. And, again, back to the Liberty
13 Utilities, they have a third party provider running
14 their renewable option, and they're currently seeking
15 to end it.

16 Q. Now, if the rate is to be -- if the Commission agrees
17 that the rate should be discontinued, how would PSNH
18 propose to discontinue the rate?

19 A. Well, the first thing we would do is notify the
20 customers. We would send a letter to current
21 customers, customers that are currently on the
22 renewable rate, notifying that (a) that the rate is
23 increasing to 5.5 cents per kilowatt-hour, but also
24 letting them know that, unless we get this minimum

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1 participation level, hopefully, by December, depending
2 on when we could get an order, that we would cease to
3 offer the rate. In addition to that, we would change
4 the wording on our website, making similar notes, and
5 we would do a bill insert as well.

6 So, presuming, come December 1st, in
7 that we haven't reached that threshold of a customer
8 participation level, at that point we would, as part of
9 the Default Energy Service rate, we'd submit tariff
10 pages essentially ending the rate effective January 1,
11 2014.

12 Q. So, just to be clear, you had previously testified
13 that, if the rate is continued, there would be a
14 further discussion about how to reconcile any over- or
15 undercollection; if the rate is not continued, you're
16 saying that we would -- the rate would be discontinued
17 effective January 1st, and the over- or undercollection
18 would be reconciled through the Default Service, is
19 that --

20 A. That's correct. If the rate were to end, we would need
21 to reconcile the program. And, considering that the
22 rate would no longer exist, there would be no way to
23 reconcile via the renewable rate itself. So that the
24 only other option that we've discussed is the Default

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1 Energy Service rate.

2 Q. And, understanding that you're not a lawyer, is it your
3 understanding, though, that reconciling through the
4 Default Service rate is permitted?

5 A. I believe the law says that -- the law that said the
6 distribution companies need to offer this rate, that
7 reconciliation should take -- should take place through
8 the renewable rate, not that it "must".

9 MR. FOSSUM: Thank you. That's all I
10 have for direct.

11 CHAIRMAN IGNATIUS: Thank you.
12 Ms. Chamberlin.

13 MS. CHAMBERLIN: Thank you.

14 **CROSS-EXAMINATION**

15 BY MS. CHAMBERLIN:

16 Q. This program was initiated by PSNH in response to
17 legislation, correct?

18 A. That's correct.

19 Q. And, at the time that the legislation was passed, would
20 you agree that there were not options for renewable
21 rates for residential customers?

22 A. It's my belief that at that point there was not.

23 Q. And, is it your understanding that the intent of the
24 legislation was to support renewable options?

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1 A. I believe that was their intent.

2 Q. And, now, it was your testimony that there are other
3 renewable options available to residential customers?

4 A. Yes, ma'am.

5 Q. The rate of customers entering or leaving the program
6 now, is it going up or is it going down?

7 A. The exiting from the program seems to be accelerating.

8 Q. And, once the rate goes up to 5.5, do you expect that
9 to continue?

10 A. Some laws of economics would say "yes". That, as the
11 price goes up, demand would go down.

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

14 CHAIRMAN IGNATIUS: Thank you. Ms.
15 Amidon.

16 MS. AMIDON: Thank you. Good morning.

17 WITNESS BRANCH: Good morning.

18 BY MS. AMIDON:

19 Q. I wanted to go back and discuss some of the history of
20 the discussions that the Staff had with the various
21 companies, including PSNH, regarding the Renewable
22 Service Option Programs that are required by RSA
23 374-F3:3 Roman -- I mean, :3, V(f). And, I know that
24 that statutory reference is probably not meaningful to

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1 you, but I just wanted to put that in the record for
2 the Commission and for the record itself. Do you
3 recall a meeting that Staff and the OCA organized and
4 had in January, last year, to discuss improvements on
5 marketing the program, the options for the various
6 utilities and how they can improve marketing this
7 program?

8 A. Yes, I recall that meeting.

9 Q. And, do you recall a letter that was sent over my
10 signature dated January 24th, 2012, in Docket 11-255,
11 on sort of summarizing that meeting?

12 A. Yes.

13 (Court reporter interruption.)

14 **CONTINUED BY THE WITNESS:**

15 A. Yes. I have the letter in front of me.

16 BY MS. AMIDON:

17 Q. And, I provided a copy of that letter to you before the
18 hearing, is that correct?

19 A. Yes. That's correct.

20 Q. Okay. Thank you. Without -- have you had a chance to
21 review this letter, Mr. Branch?

22 A. Yes.

23 Q. Could you just summarize for the Commission what you
24 recall from this meeting and the recommendations in the

1 letter.

2 A. Sure. It was essentially a meeting between Staff, OCA,
3 and the administrators of these programs at the various
4 utilities. And, it was a chance to get together and
5 discuss participation rates, as well as what we were
6 putting into it from an administrative marketing
7 standpoint. And, I think the big takeaway from the
8 meeting was that all the companies had put considerable
9 effort into marketing their renewable programs, for
10 what remained a very, very low customer participation
11 rate. And, that we mutually decided going forward that
12 we would do our best to keep marketing levels low --
13 or, sorry, marketing costs low, in a sense, to keep
14 down the cost burden for all customers.

15 MS. AMIDON: Madam Chairman, I'd like to
16 offer this and mark it for identification as "Exhibit 3",
17 this letter dated January 24th, 2012. I've provided a
18 copy to Attorney Fossum and Attorney Chamberlin.

19 CHAIRMAN IGNATIUS: And, I assume
20 there's no objection?

21 MS. CHAMBERLIN: No objection.

22 CHAIRMAN IGNATIUS: All right. We'll
23 mark that as "Exhibit 3". Thank you for the copies.

24 (The document, as described, was

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1 herewith marked as **Exhibit 3** for
2 identification.)

3 BY MS. AMIDON:

4 Q. And, if we look at Page 2 of this letter, the second
5 full paragraph, it indicated that "As of October 2011,
6 169 PSNH customers were enrolled in PSNH's Renewable
7 Service Rate." Is that correct?

8 A. That's correct.

9 Q. And, if I recall your testimony this morning, is that
10 has now, although it's vacillated, it's now decreased
11 to 141 customers?

12 A. That's correct.

13 Q. Thank you. And, in summary, you did engage in the
14 marketing recommendations that resulted from that
15 meeting by increasing, for example, the visibility on
16 the website and other low-cost marketing techniques, to
17 try to draw more participation into the program, is
18 that right?

19 A. That is correct. We increased the number of bill
20 inserts we did, which are essentially zero incremental
21 cost to the program, because we already do a newsletter
22 in our billing. So, we just increased the frequency of
23 the "Green Rate" mentions in that.

24 Q. And, the reason that the Company is now asking for the

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1 Commission's approval to require a minimum number of
2 customers is because the statute does not permit PSNH
3 to voluntarily terminate the program on its own, is
4 that correct?

5 A. That's my understanding, yes.

6 Q. And, I'll just read that portion of the statute into
7 the record just for your recollection. It's 374-F:3,
8 V(f)(10), which says as follows: "A utility, with
9 commission approval, may require that a minimum number
10 of customers, or a minimum amount of load, choose to
11 participate in the program in order to offer an RES
12 option." And, that is the provision that PSNH is
13 invoking in this filing, is that right?

14 A. That's correct.

15 Q. Could you explain why you would seek -- why the Company
16 would seek a participation rate of 1 percent?

17 A. Sure. The National Renewable Energy Laboratories puts
18 out an annual report on these types of programs, and I
19 believe that's Attachment 2 in my testimony. And, in
20 that, the most recent report that we had at the time of
21 filing, they -- the report stated that, of utilities
22 that offer this type of program, the average
23 participation rates in the programs were one percent.

24 Q. And, it's fair to say that, before you prepared this

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1 December filing, you discussed this proposal with both
2 Staff and the Office of the Consumer Advocate, is that
3 right?

4 A. Yes, we did.

5 MS. AMIDON: Okay. Thank you. That
6 concludes my questions.

7 CHAIRMAN IGNATIUS: Thank you.
8 Commissioner Harrington, questions?

9 CMSR. HARRINGTON: Yes, just a couple.
10 You must have drew the short straw, so Public Service had
11 to do this first. I was wondering how you decided who was
12 going to come first.

13 BY CMSR. HARRINGTON:

14 Q. You had mentioned that you either obtained RECs for
15 this from either an RFP or from a broker. Now, I'm
16 assuming the broker charges a fee for that service?

17 A. That's correct. And, we haven't gone the broker route
18 since early on in the program. The issue has been
19 we're really looking for a low amount of RECs, as
20 opposed to, say, general RPS obligations. So, we felt
21 the RFP method was much more efficient.

22 Q. Okay. And, when you buy the RECs for this program, do
23 you buy them in conjunction with the bigger RPS
24 program?

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1 A. Yes. When they send out an RFP for RPS obligations, we
2 just tack on the number of RECs we need for this
3 program.

4 Q. And, you say that the -- there's third party providers
5 that offer a similar service as this out there now.
6 So, is Public Service proposing that the program just
7 end or is it going to -- and, if someone wants it, they
8 will pick it up through a third party or --

9 A. What we're proposing, and what I proposed in the
10 written testimony, is that we would keep our webpage,
11 *psnh.com/greenrate*. And, we would keep the educational
12 material on there about what a REC is and how it fits
13 into the New England market. And, we would also
14 include a link to I believe it's the federal Department
15 of Energy's website, and there they maintain a list by
16 state of companies that offer a similar product.

17 Q. And, just being realistic here, given the fact that the
18 rates are going up, the numbers are going down, you're
19 looking for about a 200 -- over 250 percent increase in
20 order to get to one percent. So, I think we can
21 probably make, with a fairly high degree of confidence,
22 that what you're proposing is to end the program on
23 January 1st?

24 A. Essentially, yes.

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1 CMSR. HARRINGTON: Okay. That's all the
2 questions I had. Thank you.

3 CHAIRMAN IGNATIUS: Commissioner Scott.

4 CMSR. SCOTT: Thank you.

5 BY CMSR. SCOTT:

6 Q. I guess I'd like to explore a little bit the
7 discontinuation of the program, versus suspension of
8 the program. So, if I understood correctly, you'll do
9 some outreach, some bill inserts, saying "Look, if we
10 don't have more people subscribe to the program, the
11 program won't be in effect, won't be offered to you
12 after January 1st." Correct?

13 A. That's correct.

14 Q. So, a year from now, people have second thoughts, and
15 suddenly they want to have a program like this, how
16 does that happen? And, how would they know about the
17 availability or potential for it?

18 A. Well, we certainly haven't discussed a resumption by
19 PSNH offering a similar product. Again, what we're
20 offering customers -- or, we're providing them with
21 options that would give them essentially the same
22 product, without the utility's involvement. But,
23 again, we haven't discussed, if demand were to change,
24 how we would start it up again, or how we would know

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1 that demand had changed.

2 Q. Right. And, that's -- I guess that's my -- your last
3 comment is my concern, is it's a self-fulfilling
4 prophesy, if you don't advertise, and nobody knows
5 about it, then they won't be telling you they want to
6 do it, if that makes sense?

7 A. That's a fair statement.

8 Q. Anyways, so, I wouldn't mind having that explored. I
9 don't know if it would make sense, if there's some
10 venue, on a yearly basis, or something, that there
11 would be some kind of mechanism to know or allow people
12 to at least signal their interest, I guess.

13 A. Oh. So, you're suggesting that we, I guess, to make it
14 simple, maintain some sort of list that customers
15 phone, that we have some sort of measure of demand. Is
16 that --

17 Q. That, and, again, if it's not advertised that this
18 could be available, I don't know how it would ever
19 happen again, I guess is what the question was.

20 A. Sure.

21 Q. So, something I wouldn't mind seeing explored anyways.

22 CMSR. SCOTT: That's all I had.

23 CHAIRMAN IGNATIUS: Thank you.

24 BY CHAIRMAN IGNATIUS:

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1 Q. Mr. Branch, you had said that you know there are other
2 options out there that customers can turn to so they
3 can have a similar sort of product. And, in your
4 testimony, you mentioned specifically "Sterling
5 Planet", is that the right name?

6 A. That's correct. Yes.

7 Q. Yes. How do they work? How is it -- is it any -- let
8 me ask more specifically. Do you know what rate they
9 charge? And, do you know what sort of success Sterling
10 Planet has had or any of the others out there who are
11 offering renewable products?

12 A. I don't know the success that they have had, except to
13 the extent that it's Sterling Planet that runs -- that
14 administers Liberty Utilities' renewable option. And,
15 Liberty hasn't exactly, I don't know what their
16 customer count, but I don't think it's much different
17 than ours.

18 Q. I'm wondering how is it that some of these other
19 providers have been more successful at keeping
20 customers for this product than the utilities have?
21 Or, if, in fact, they have been successful at it, I
22 guess we don't know that, do we?

23 A. Well, no, we don't. I guess I would offer that
24 Sterling is a national company. So, they are offering

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1 this program in not just New Hampshire, but across the
2 country. So, perhaps its their administrative costs
3 are considerably lower, because it's spread over a much
4 larger customer base or potential customer base.

5 Q. When you selected the ACP, and then brought it down
6 with the legislative change to use as an assumption for
7 the cost for this rate, it made me wonder how that
8 compares to how you -- what ACP assumptions you use in
9 regular Energy Service rate setting?

10 A. I'm not involved in the Default Energy Service filing,
11 but I believe we'll be making the filing soon. So, I
12 don't have an answer to that.

13 Q. If it were the case that, for regular Energy Service,
14 there is not an assumption of going to the ACP level,
15 but something less than that, and I frankly don't
16 remember, but, if that were the case, why would it be
17 appropriate for this rate to assume the maximum ACP
18 level, but not to assume that on the Energy Service
19 side?

20 A. I don't know, again, from the Energy Service side, I
21 don't -- I can't answer from their side. But, from our
22 side, again, we have just seen the variability in the
23 REC prices. And, knowing that there is already this
24 undercollection hanging on from 2010 through 2012, we

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1 felt it appropriate to not guess, and exacerbate that
2 undercollection by guessing wrong, as opposed to
3 setting it at the ceiling, and knowing that, if we err,
4 it's to the positive side of the ledger and not the
5 negative side.

6 Q. So, collect possibly a little more up front, and then
7 be able to reconcile it later?

8 A. Yes.

9 Q. And, why did you assume the ACP for Classes I and II,
10 but not III and IV?

11 A. For the program, we only purchase RECs from Class I and
12 Class II; 98 percent of the RECs we buy are from Class
13 I and 2 percent from Class II.

14 Q. It's in your testimony somewhere, but I've forgotten
15 where to find it, the percentage, if you had a
16 one percent test for an adequate level, minimum level
17 of participation, that works out to how many customers?

18 A. That would be about 4,200, 4,300 customers.

19 Q. And, that's a one percent of what?

20 A. It would be one percent of eligible customers. And, to
21 be eligible for the Green Rate, you need to be taking
22 Default Energy Service from PSNH; you need to not be on
23 EAP; and you need to not be collecting money from the
24 Community Action Plan, I believe is what the acronym

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1 is, for your electricity.

2 Q. And, so, by applying those three tests, you end up with
3 one percent being somewhere between 4,200 and 4,300
4 customers?

5 A. That's correct.

6 Q. And, I think you said earlier the peak enrollment, the
7 highest you've ever been at, is 186?

8 A. That's correct.

9 Q. And, that's all for all three of the products?

10 A. That's correct.

11 CHAIRMAN IGNATIUS: Thank you. I have
12 no other questions. Anything else from the Bench?
13 Commissioner Scott.

14 CMSR. SCOTT: Thank you. I just wanted
15 to clarify my earlier question, and maybe make it a
16 question instead of a statement.

17 BY CMSR. SCOTT:

18 Q. Is the Company's desire to permanently discontinue the
19 program, assuming, by the end of the year, there's not
20 enough participation? Or, is the Company's desire, the
21 utility's desire, to have the program in abeyance until
22 such time there is enough desire for participation?

23 A. It would be to permanently discontinue it.

24 Q. Okay. And, does, and I'll put you on the spot, does

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1 the utility see a value in having a mechanism so that
2 you could be gauging customer interest in a program for
3 the future?

4 A. I guess, in a very general way, we want to keep our
5 customers happy. And, if there is a way to easily
6 track the number of people that wanted to sign up for
7 this type of rate through PSNH, and if it ever met that
8 threshold, then, you know, again, we want to give our
9 customers what they want.

10 Q. Okay. And, I've lost sight of the exact language in
11 the law, but the law would seem to allow, obviously, a
12 minimum level of participation to have a program?

13 A. That's correct.

14 Q. So, if the Company were to effectively terminate the
15 program, but later there was enough desire, would you
16 agree that the law would seem to imply that you should
17 have a program?

18 A. Well, I think the law says we need to provide an
19 "option". And, I believe we are still providing the
20 customers with an option, that option just doesn't
21 happen to be involved with the utility.

22 Q. So, would that option be advertised through the utility
23 to your customers?

24 A. We haven't discussed that. But we could certainly, you

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1 know, include in bill inserts that you can certainly
2 buy this type of product by restarting your research on
3 PSNH's website.

4 CMSR. SCOTT: Okay. Thank you.

5 CHAIRMAN IGNATIUS: Commissioner
6 Harrington.

7 CMSR. HARRINGTON: Yes.

8 BY CMSR. HARRINGTON:

9 Q. Just on this "option" part of it, I'm reading from
10 374-F:3, V(f)(1) -- (2). And, it says "A utility shall
11 provide to its customers one or more RES options, as
12 approved by the commission, which may include RES
13 default service", which is what you presently offer,
14 correct?

15 A. That's correct.

16 Q. -- "provided by the utility or the provision of retail
17 access to competitive sellers of RES attributes." And,
18 you're proposing that you would do that through your
19 website?

20 A. That's correct. The listing of those.

21 Q. And, so, even though there is, in Section (10) of the
22 law, a thing that says you "may require a minimum
23 amount of customers, or a minimum amount of load, that
24 choose to participate in the program in order to offer

[WITNESS: Branch]

1 the RES option", you're not taking that approach,
2 you're taking sort of like the middle approach of,
3 you're not providing it through your Default Service,
4 but you are going to provide, as it states in the law,
5 "retail access to competitive sellers of RES
6 attributes"?

7 A. That's correct. We recognize that, even though it's
8 exceptionally small, there is a very small subset of
9 customers that are interested in this type of product.

10 CMSR. HARRINGTON: Thank you.

11 CHAIRMAN IGNATIUS: Thank you. Any
12 redirect, Mr. Fossum?

13 MR. FOSSUM: None.

14 CHAIRMAN IGNATIUS: All right. Then,
15 Mr. Branch, thank you for your testimony. You're excused.
16 Although, you may want to just stay put for a few minutes
17 more.

18 Any opposition to striking the
19 identification on the three exhibits and making them full
20 exhibits?

21 (No verbal response)

22 CHAIRMAN IGNATIUS: Seeing none, we will
23 do that. So, unless there's anything further, it's the
24 time for closing statements?

1 (No verbal response)

2 CHAIRMAN IGNATIUS: Ms. Chamberlin.

3 MS. CHAMBERLIN: Thank you. And, I'd
4 like to start by thanking the Commissioners for having
5 this Monday morning hearing. We requested expedited
6 treatment because of this concern about the amount of
7 money being collected from a very small number of
8 customers. And, even though that's not -- that mechanism
9 is not before you today, that's the ultimate result of
10 this. And, we looked at the possibility or thought about
11 the possibility of having to require a great deal more
12 costs in advertising and promotion to increase the
13 enrollment, or going the other way, pulling the costs
14 down, so that the costs would not overwhelm the value of
15 the program. And, it was a balancing act. And, clearly,
16 the legislation is trying to promote renewable energy
17 options. Clearly, the market has evolved in some ways so
18 that there are other options. When we could actually get
19 data from the suppliers, I know that ENH has a green
20 option, and I'm sure some of other suppliers do as well.

21 So, the question was "well, does it make
22 sense to continue utility promotion of this, when it's the
23 customers bearing the costs?" And, we came down on the
24 side that, because the statute does allow a minimum number

1 of customers, if they're not even close to that, and they
2 have never been close to that, I mean, they have never
3 been close to one percent, which I think is a pretty small
4 minimum number. And, the fact that none of the utilities
5 have been close. It's not just the utilities that do it
6 internally, it's the utilities that use a third party
7 supplier, they're not getting participation either.

8 And, arguably, people have some
9 tolerance to pay a little bit more for green energy, but
10 not a huge tolerance to pay a lot more. And, that is
11 completely understandable. And, my concern was that, if
12 these customers are going to be hit with a large
13 reconciliation, only 140 customers or something, that that
14 is not what was intended, and that's a burden that they
15 should not be saddled with, because it wasn't anticipated
16 that the price differential would be so huge.

17 So, there is an ambiguity in the law
18 about, "should it be recovered from the customers who are
19 using the renewable or can it be recovered from all
20 customers?" We are submitting that all customers is more
21 in line with the intent, simply because \$30,000 to
22 hundreds of thousands of customers is a *de minimis* number,
23 but \$30,000 to 120 customers is a very significant number.
24 And, so, that's our ultimate balancing of the conflicting

1 desires of the Legislature as represented in their
2 legislation.

3 CHAIRMAN IGNATIUS: Can I ask, are you
4 distinguishing, the statute says "costs of the program
5 have to be borne by the participants in the program".
6 And, would you agree that the costs of offering the
7 service have been borne by the participants? It's a
8 question of reconciliation, if the rates turn out to be
9 inadequate to cover all of those costs, is where you then
10 split and say "well, that shouldn't be borne by just
11 renewable customers"?

12 MS. CHAMBERLIN: It depends how you
13 define the "costs". You know, is the cost the cost of the
14 REC or is the cost the administrative cost from the
15 utility. And, exactly how they have defined it, I'm not
16 -- I can't draw that line. But I can say that having the
17 price estimate at the REC, just the power cost for the
18 renewable energy, having the undercollection be \$30,000,
19 should that be collected from the participants, which is,
20 you know, 140 or so, that that would be an unreasonable
21 rate for those folks to pay, even if that's the actual
22 rate of the REC. Because I don't think you can go back
23 and charge people such a high rate, if they didn't know it
24 ahead of time.

1 CHAIRMAN IGNATIUS: All right. Thank
2 you. Ms. Amidon.

3 MS. AMIDON: Thank you. PSNH initiated
4 this program in a settlement agreement that was approved
5 by the Commission in Docket 09-186. And, many of the
6 things that Mr. Branch testified to today reflect the
7 terms of that agreement, which include, for example, that
8 compliance -- that the Company only offer Class I and
9 Class II RECs, that grew out of that agreement. Other
10 provisions of the statute were incorporated into the
11 agreement. For example, all the administrative costs
12 associated with RES could be recovered from all customers,
13 and not just the customers in the program. That's in the
14 statute. And, they also designed the program
15 appropriately so that the cost of participation, and any
16 over-/underrecoveries reflected with that would be borne
17 by the customers who are in the program.

18 Finally, there was a provision in the
19 settlement agreement that the Commission approved that
20 said "any perverse result", and they did use that word
21 "perverse", would -- "for the renewable energy customers
22 would result in perhaps an over- or undercollection of a
23 significant size being recovered from the Default Service
24 customers generally." And, I believe that, in the

1 reconciliation, if the program is terminated as the
2 Company has requested, we would be looking to avoid a
3 perverse result and require that any -- a significant
4 underrecovery be collected through the Default Service
5 rate pursuant to that settlement agreement.

6 Having said that, going to the subject
7 matter of this particular Petition, the Staff has reviewed
8 the calculation of the Renewable Service Option rates, and
9 we believe it's consistent with the manner in which we
10 agreed they would be calculated, and we would not object
11 to that portion of the Petition being approved.

12 In addition, we worked collaboratively
13 with the Company, with the OCA, to encourage the Company
14 to consider whether or not they should require a minimum
15 amount of participation in the program to continue the
16 program, specifically in light of the fact that the
17 administrative costs were being borne by all customers,
18 and not just by the customers who participated in the
19 program. And, we support the Company's proposal to
20 terminate the program, if a minimum amount of
21 participation or load is not continued.

22 Having said that, I guess we approve --
23 we would recommend the Commission approve the Petition as
24 modified by the Technical Statement, and appreciate your

1 time today. Thank you.

2 CHAIRMAN IGNATIUS: Thank you.

3 Mr. Fossum.

4 MR. FOSSUM: Thank you. As noted in the
5 prefiled testimony and today by the other parties, the
6 Company has requested both to change the renewable rate,
7 and ultimately discontinue the rate, if participation does
8 not increase. As to the rate change initially, and has
9 been testified to this morning, PSNH has proposed to set
10 that rate at the ACP for Class I and Class II RECs going
11 forward. And, PSNH believes that setting the rate at the
12 ACP is reasonable and appropriate, and it reflects the
13 real cost of procuring RECs as part of this program.

14 Furthermore, I would note that 374-F:3,
15 V(f)(2), does say that "Costs associated with an RES
16 option should be paid for by those customers choosing to
17 take such an option." And, so, to that extent, setting
18 that cost in that way would place those costs
19 appropriately where they belong.

20 Furthermore, PSNH would note, as it did
21 during the prehearing conference in this case, that the
22 request to change this rate conforms with PSNH's most
23 recently filed and approved IRP from Docket DE 10-261. In
24 that IRP, which the Commission has only -- has recently

1 approved, PSNH does make specific reference to this rate
2 and its availability. And, we would note that the
3 underlying purpose of the rate is to permit customers to
4 choose to contribute to the cost of retiring RECs, and in
5 that way that would conform with PSNH's plans for
6 complying with its RPS requirements, as discussed in
7 Section 10 of the IRP. Therefore, PSNH would request that
8 the Commission approve PSNH's proposed change to the rate.

9 Further, as it's been noted extensively
10 this morning, PSNH has requested to discontinue the rate
11 consistent with 374-F:3, V(f)(10), and have the Commission
12 establish a minimum number of customers to continue
13 offering the RES option. The current enrollment rate is
14 very low, and is declining, and it simply doesn't justify
15 the cost of maintaining this rate. Despite our attempts,
16 despite the attempts of, in fact, other utilities to
17 promote their rates, there doesn't seem to be any real
18 customer appetite for such an offering from the utilities.
19 And, as Mr. Branch has pointed out, there are third party
20 services offering essentially identical products and do
21 not involve the utility at all.

22 PSNH believes that the one percent
23 threshold is a reasonable number, and that, as was noted,
24 that would be approximately 4,200, 4,300 customers, rather

1 than the 140 that take it now. PSNH has requested that
2 the one percent be set so that we would be looking for
3 one percent of customers to take the rate within six
4 months of the effective date of the rate change that we
5 requested. PSNH believes that six months is an
6 appropriate time to determine whether, in fact, the
7 one percent will be achieved.

8 As was noted, we'd be notifying
9 customers that, absent a rise in participation, the rate
10 would be eliminated. Perhaps that would spur more people
11 to sign up, or not, but we believe that six months is an
12 adequate time to review for determining whether the rate
13 should be continued. If that one percent threshold is not
14 met, as noted by Mr. Branch, we would, at the same time as
15 the Energy Service filings are made later in the year, we
16 would discontinue the rate. And, at that time, any over-
17 or undercollection, which was noted by the OCA, would be
18 effectively *de minimus*, and would be reconciled through
19 the ES rate.

20 And, so, with that, the Company would
21 ask that the Commission approve the rate change, the
22 minimum customer number, and the ability of the Company to
23 discontinue the rate, if that minimum customer number is
24 not met, consistent with the filings in this docket.

1 Thank you.

2 CHAIRMAN IGNATIUS: Mr. Fossum, I should
3 have done this before, but I just didn't think of it. One
4 other question before we go.

5 Given the way the compliance year runs,
6 starting July 1st -- I'm sorry, the compliance year is the
7 calendar year, but the date at which you have to
8 demonstrate compliance runs from July 1st through
9 June 30th, correct? Would it be your intent, if we were
10 to approve your Petition, that you would refrain from
11 purchasing RECs for this program until you see what the
12 participation level is? And, if it turns out that it is
13 discontinued within -- after that six-month period, there
14 would then be a chance to purchase whatever remaining RECs
15 are necessary for the few months left and the obligation
16 you have to meet, rather than prepurchase, and then find
17 you may have bought more than you needed to?

18 MR. FOSSUM: I will say I don't recall
19 any specific conversations that we had about that precise
20 issue, although what you recommend does make a lot of
21 sense. Given that the time period, if, as we requested,
22 that a rate would go into effect by June 1st, so that we
23 would know by December 1st whether it was going to be
24 continued, refrain from purchasing during that period and

1 essentially refraining from incurring additional --
2 potential additional cost, does make a measure of sense.
3 But, as I say, I don't know that we have discussed that
4 specifically. I don't know if Mr. Branch knows otherwise?

5 WITNESS BRANCH: Well, for this program,
6 we do not proactively buy RECs. We only buy RECs once we
7 know exactly what the customers have offset. So, we won't
8 buy RECs until a certain period has gone by.

9 CHAIRMAN IGNATIUS: And, so, the period
10 from December, let's say this were to all go in as you had
11 requested, the period from December through June of 2014
12 would be adequate time to obtain whatever number of RECs
13 would be necessary for the program?

14 WITNESS BRANCH: For the second six
15 months of the year? Yes. I think, given, if the
16 Commission were to approve our proposal, we would have to
17 work closely with our RPS purchasing folks to make sure
18 that we had a timely reconciliation at the ending of the
19 program. Keeping in mind that we don't want to
20 proactively buy RECs, but keeping it month-by-month, to
21 make sure that we -- that come December, that we're not
22 too far off of what we need in that second six months.

23 CHAIRMAN IGNATIUS: All right. Thank
24 you. Commissioner Harrington.

1 CMSR. HARRINGTON: Just one -- oh, I'm
2 sorry. One clarification. The discussion in a number of
3 the closings on the costs associated with the RES option,
4 and you read from the law there. And, I'm just trying to
5 figure how this works. If you -- let's, just for the sake
6 of argument, say that there is an undercollection, so you
7 need more revenue to compensate for the costs associated
8 with the RES option. And, you then increase the rate to
9 somebody, and they simply say "well, I'm not longer in
10 that program, so send the bill to somebody else." How
11 does that work?

12 MR. FOSSUM: Well, I think it would work
13 however the Commission decided. I mean, as I read the
14 statute, it provides some flexibility. It does say the
15 costs associated "should be paid for by those customers
16 choosing to take such an option". So, potentially, if
17 there's a shortfall that needs to be made up, there's any
18 one of a number of ways that that could be done.

19 As was noted by Attorney Amidon, there
20 was thoughts given to, if there was a "perverse outcome",
21 that adjustments would be made to address that. If
22 there's sort of a large undercollection, and somebody just
23 says "Well, no. Now that you're looking to raise the
24 rates, it's too high. I'm leaving." That's a

1 possibility. And, I would think, to the degree that that
2 would produce a perverse outcome, we would have to propose
3 something to address that. But I don't have a specific
4 proposal at hand that would do so.

5 CMSR. HARRINGTON: But wouldn't that
6 even be exacerbated by the fact that the program ends, so,
7 there is basically nobody left to send the bill to under
8 that option?

9 MR. FOSSUM: Well, I think that's what
10 we proposed already, that the program would end, and then
11 we would -- whatever costs are left would be shifted over.
12 I mean, if we got to, say, you know, 4,399 customers, and
13 we needed to get to 4,400, and, so, we've incurred
14 tremendous costs, well, obviously, I don't think we would
15 -- I don't think that we would propose the same cost
16 shifting that we are for the costs associated with
17 obtaining RECs for 130 or 140 customers.

18 CMSR. HARRINGTON: But, as far as this
19 docket goes, the reconciliation is not on the table,
20 that's to come later?

21 MR. FOSSUM: Correct.

22 CMSR. HARRINGTON: Okay. Thank you.

23 CHAIRMAN IGNATIUS: Thank you. All
24 right. Unless there's anything else?

1 (No verbal response)

2 CHAIRMAN IGNATIUS: Thank you. And, we
3 will take all of this under advisement. Understand that
4 you don't have a set date for a rate change, but,
5 obviously, the sooner the better. And, we will issue an
6 order soon. Thank you.

7 MR. FOSSUM: Thank you.

8 **(Whereupon the hearing ended at 10:57**
9 **a.m.)**

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