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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

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March 25, 2014 - 10:07 a.m.  
Concord, New Hampshire

\* \* REDACTED \* \*  
(for public use)

RE: DE 14-031  
LIBERTY UTILITIES (GRANITE STATE ELECTRIC)  
CORP. d/b/a LIBERTY UTILITIES:  
Default Service Request for Proposals.  
*(Hearing regarding Default Service for  
the Large Customer Group and the Small  
Customer Group for the period May 1, 2014  
through October 31, 2014)*

PRESENT: Chairman Amy L. Ignatius, Presiding  
Commissioner Robert R. Scott  
Commissioner Martin P. Honigberg

Clare Howard-Pike, Clerk

APPEARANCES: Reptg. Liberty Utilities (Granite State  
Electric) Corp. d/b/a Liberty Utilities:  
Sarah B. Knowlton, Esq.

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

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
David Wiesner, Esq.  
Grant Siwinski, Electric Division

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

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**I N D E X**

**PAGE NO.**

**WITNESS PANEL:            JOHN D. WARSHAW**  
**DAVID B. SIMEK**

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**E X H I B I T S**

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1	Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities Default Service filing for the Period Beginning May 1, 2014, including Testimony and Schedules of John D. Warshaw and David B. Simek (03-21-14) <b>(CONFIDENTIAL &amp; PROPRIETARY)</b>	6
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3	Corrected pages to Confidential version of Default Service Rates, consisting of Bates Pages 073-086 <b>(CONFIDENTIAL &amp; PROPRIETARY)</b>	7
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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 14-031 regarding  
4 Liberty Utilities' Default Service 2014. On January 31st,  
5 2014, Liberty filed a letter setting forth its schedule  
6 for Default Service solicitations. And, in February, it  
7 issued RFPs for a six-month power supply for its Large  
8 Customer Group, broken into two blocks, and a six-month  
9 power supply for its Small Customer Group, both of those  
10 beginning May 1st, 2014 and running until October 31st,  
11 2014. And, on March 21st, we received the final bid  
12 package pursuant to the structure that's been created over  
13 the years to deal with Default Service.

14 So, we're here today for the hearing on  
15 the merits. We had an order of notice issued February  
16 12th, 2014 scheduling a hearing for this morning.

17 Let's begin first with appearances.

18 MS. KNOWLTON: Good morning,  
19 Commissioners. My name is Sarah Knowlton. I'm here today  
20 on behalf of Liberty Utilities (Granite State Electric)  
21 Corp. With me today from the Company are the Company's  
22 two witnesses, John Warshaw and David Simek, and at  
23 counsel's table is Stephen Hall.

24 CHAIRMAN IGNATIUS: Good morning.

1 MS. CHAMBERLIN: Good morning, Chairman  
2 Ignatius and Commissioners. I'm Susan Chamberlin,  
3 Consumer Advocate for the residential ratepayers, and with  
4 me today is Stephen Eckberg.

5 MS. AMIDON: Good morning. Suzanne  
6 Amidon, for Commission Staff. At counsel's table with me  
7 is David Wiesner, from the Legal Department, and Grant  
8 Siwinski, an Analyst with the Electric Division.

9 CHAIRMAN IGNATIUS: Welcome, everyone.  
10 Is there anything to take up before we begin with  
11 testimony?

12 (No verbal response)

13 CHAIRMAN IGNATIUS: I don't see any  
14 intervenors here today and nothing in the file. So, I  
15 don't believe we have any other parties. Any  
16 administrative matters you would like to address before we  
17 begin with the evidence?

18 MS. KNOWLTON: Yes. I would propose  
19 marking the following exhibits for identification. The  
20 first exhibit, Exhibit 1, would be the confidential  
21 version of the Company's filing.

22 CHAIRMAN IGNATIUS: And, that's the  
23 full, thick packet, with all of the schedules and  
24 testimony?

1 MS. KNOWLTON: That's correct. That is  
2 Bates Page 1 through Bates Page 217. And, that was filed  
3 on March 21st, 2014.

4 CHAIRMAN IGNATIUS: We'll mark that as  
5 "Exhibit 1" for identification.

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

9 MS. KNOWLTON: Exhibit 2 is the redacted  
10 version of that filing.

11 CHAIRMAN IGNATIUS: All right.

12 (The document, as described, was  
13 herewith marked as **Exhibit 2** for  
14 identification.)

15 MS. KNOWLTON: I propose marking as  
16 "Exhibit 3" a document which I brought to the hearing room  
17 today, which is -- begins on Bates Page 73, and goes  
18 through Bates Page 86. And, these are confidential  
19 replacement pages that go to Exhibit 1. Mr. Warshaw will  
20 explain the changes to these.

21 CHAIRMAN IGNATIUS: And, everyone has a  
22 copy of that packet, additional confidential documents?

23 MS. AMIDON: Yes.

24 CHAIRMAN IGNATIUS: All right. Let's

[WITNESS PANEL: Warshaw~Simek]

1 mark that for identification as "Exhibit 3".

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

5 MS. KNOWLTON: I'd propose marking as  
6 "Exhibit 4" the March 20th, 2014 Default Service Loss  
7 Factor Investigation Update that the Company filed in this  
8 docket. That is a three-page document.

9 CHAIRMAN IGNATIUS: So marked.

10 (The document, as described, was  
11 herewith marked as **Exhibit 4** for  
12 identification.)

13 MS. KNOWLTON: That's all the Company  
14 has for exhibits. I would note that, in the cover letter  
15 associated with the filing, the Company did request  
16 confidential treatment, as it always does, of bid-related  
17 information. And, so, at some point, I would ask the  
18 Commission to consider that request for protective  
19 treatment.

20 CHAIRMAN IGNATIUS: Is there any  
21 opposition to the request?

22 (Atty. Chamberlin shaking head in the  
23 negative.)

24 CHAIRMAN IGNATIUS: It strikes us as the

[WITNESS PANEL: Warshaw~Simek]

1 standard materials that have been protected for years and  
2 market information that should be kept protected. So,  
3 we'll grant the request.

4 MS. KNOWLTON: Thank you.

5 CHAIRMAN IGNATIUS: Then, do you want to  
6 swear the witnesses, Mr. Patnaude?

7 (Whereupon **John D. Warshaw** and  
8 **David B. Simek** were duly sworn by the  
9 Court Reporter.)

10 **JOHN D. WARSHAW, SWORN**

11 **DAVID B. SIMEK, SWORN**

12 **DIRECT EXAMINATION**

13 BY MS. KNOWLTON:

14 Q. Good morning, Mr. Warshaw. I'll start with you. Would  
15 you please state your full name for the record.

16 A. (Warshaw) My name is John D. Warshaw.

17 Q. By whom are you employed?

18 A. (Warshaw) Liberty Energy Utilities New Hampshire Corp.

19 Q. What is your position with the Company?

20 A. (Warshaw) I am the Manager of Electric Supply.

21 Q. What do your job responsibilities include in that role?

22 A. (Warshaw) Among other things, I'm responsible for the  
23 solicitation and contracting of supply for our energy  
24 supply customers, and also for the acquisition of RECs

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[WITNESS PANEL: Warshaw~Simek]

1 to meet the New Hampshire RPS obligation.

2 Q. Do you have any responsibilities as they relate to  
3 so-called "borderline sales"?

4 A. (Warshaw) The only responsibility that I have of that  
5 is filing with the FERC the quarterly EQR information,  
6 and that includes those sales from Liberty Utilities to  
7 Mass. Electric.

8 Q. Do you have familiarity with the borderline sales issue  
9 that is described in Exhibit 1 in your testimony?

10 A. (Warshaw) Yes, I do.

11 Q. If you would look at Exhibit 1, was that document --  
12 was the testimony and schedules with your name on it  
13 prepared by you or under your direction?

14 A. (Warshaw) Yes, it was.

15 Q. Do you have any corrections or updates to your  
16 testimony?

17 A. (Warshaw) The only update I have was those pages that  
18 were handed out.

19 Q. We'll get to that in a minute.

20 A. (Warshaw) Other than that, I have no corrections or  
21 updates. I'm sorry.

22 Q. Okay. So, subject to the corrected pages that we've  
23 marked for identification as "Exhibit 3", you don't  
24 have any changes to Exhibit 1?

[WITNESS PANEL: Warshaw~Simek]

1 A. (Warshaw) No changes.

2 Q. And, with regard to the redacted copy of the filing,  
3 which has been marked as "Exhibit 2", do you have any  
4 corrections or updates to Exhibit 2?

5 A. (Warshaw) None whatsoever.

6 Q. If you would look at what we've marked as "Exhibit 3",  
7 would you please explain what these pages are?

8 A. (Warshaw) These are the transaction confirmations that  
9 we entered into between the two suppliers for Default  
10 Service for the period of May 1st through October 31st.  
11 And, the reason we are replacing what was originally  
12 filed is that there was either a printing or copying  
13 error that resulted in the loss of the markings of the  
14 information that would be -- that was considered  
15 confidential and that would be redacted in the redacted  
16 version of the filing.

17 Q. And, is that confidential material shaded gray on these  
18 pages?

19 A. (Warshaw) Yes, it is.

20 Q. I've noticed that you've also included Bates Pages 76  
21 and 77, as well as 84 and 85. Those pages don't appear  
22 to have any gray shading. Could you explain why you  
23 included those pages in this correction?

24 A. (Warshaw) That was just to complete all of the

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1 confirmation.

2 Q. If you would go to the original --

3 A. (Warshaw) Oh. And, also, yes, on Page 76, the  
4 signature of our CEO was also lost in the printing or  
5 reproduction process.

6 Q. What is that signature on? What is the document?

7 A. (Warshaw) That is on Page 76.

8 Q. What is -- can you just explain briefly what that  
9 document is?

10 A. (Warshaw) That's the signature page of the Master Power  
11 Agreement Confirmation with Dominion Energy.

12 Q. And, that is the case as well with Bates Page 84?

13 A. (Warshaw) Yes. So, I thought it was easier to just  
14 redo the entire confirmation.

15 Q. Subject to those corrections, if I were to ask you the  
16 questions contained in your testimony in Exhibits 1 and  
17 2, would the answers be the same today?

18 A. (Warshaw) Yes, they would.

19 Q. If you would look at Exhibit 4, which is the Loss  
20 Factor Investigation Update that the Company filed on  
21 March 20th, do you have that in front of you?

22 A. (Warshaw) Yes, I do.

23 Q. And, was that prepared by you or under your direction?

24 A. (Warshaw) Yes, it was.

[WITNESS PANEL: Warshaw~Simek]

1 Q. Do you have any corrections or updates to that report?

2 A. (Warshaw) The only update that I would have is that we  
3 have signed and executed an amendment to the Metering  
4 and Settlement Agreement. That has been forwarded back  
5 to National Grid and we are awaiting their execution of  
6 that amendment. And, that amendment was actually  
7 drafted by National Grid to start.

8 Q. And, where in the report does that report get  
9 mentioned?

10 A. (Warshaw) That would be on -- in Section 4(c) on Page 3  
11 of the report itself, at the top of the page.

12 Q. And, do you anticipate any issues with National Grid  
13 signing that document?

14 A. (Warshaw) None whatsoever.

15 MS. KNOWLTON: Unless the Commission  
16 would like me to do any further direct examination of Mr.  
17 Warshaw, at this point I would conclude my direct  
18 examination of him and move to Mr. Simek?

19 CHAIRMAN IGNATIUS: That's fine.

20 BY MS. KNOWLTON:

21 Q. Mr. Simek, would you please state your full name for  
22 the record.

23 A. (Simek) David -- excuse me. David B. Simek.

24 Q. By whom are you employed?

[WITNESS PANEL: Warshaw~Simek]

1 A. (Simek) Liberty Energy Utilities New Hampshire Corp.

2 Q. What is your position with the Company?

3 A. (Simek) I am a Utility Analyst.

4 Q. What do you do in that capacity?

5 A. (Simek) I'm responsible for providing rate-related  
6 services for the Company.

7 Q. And, is that for both electric and gas?

8 A. (Simek) Primarily electric.

9 Q. Are you familiar with the document that has been marked  
10 as "Exhibit 1", which is the testimony and schedules of  
11 Mr. Warshaw and yourself?

12 A. (Simek) Yes.

13 Q. Do you have any corrections or updates to that  
14 testimony?

15 A. (Simek) Yes, I do. The first correction I have is on  
16 Bates Page 112.

17 MS. KNOWLTON: Would you like another  
18 copy of the filing?

19 CMSR. HONIGBERG: The copy that I have  
20 appears not to have all the pages, which I didn't even  
21 realize when I read it. I looked at the words, not the  
22 numbers.

23 MS. KNOWLTON: I have a --

24 CMSR. HONIGBERG: You know what, they're

[WITNESS PANEL: Warshaw~Simek]

1 out of order. I found it.

2 MS. KNOWLTON: Okay.

3 CMSR. HONIGBERG: I don't know why, but,  
4 after Page 213, we jump to Page 97.

5 **BY THE WITNESS:**

6 A. (Simek) Okay. On Page 112, one correction that I have  
7 is for Line 7, where it says "The Default (Energy)  
8 Service", I'd like to strike that, and replace it with  
9 "RGGI", R-G-G-I, "Auction Excess Revenue". And, then,  
10 also make the same change on Line 9.

11 The next change I would like to make is  
12 on Page 113, on Line 13, where it references "DBS-6",  
13 I'd like to change the "6" to a "7".

14 And, then, the next correction I'd like  
15 to make is on Page 157.

16 CMSR. HONIGBERG: Does that same change  
17 get made on Line 12 of Page 113? Obviously, it's not your  
18 answer, it's the question, but it seems logical that that  
19 same change should be made there?

20 WITNESS SIMEK: Yes. Thank you.

21 **BY THE WITNESS:**

22 A. (Simek) On Page 157, on Line 5, I would like to change  
23 the kilowatt-hours that are listed there to  
24 "608,504,924". And, then, also --

1 BY MS. KNOWLTON:

2 Q. Mr. Simek, actually, if I could stop you there and ask  
3 you a question. When you make that change to the  
4 kilowatt-hour deliveries, does that impact the  
5 calculation in Line 6?

6 A. (Simek) It does not. The calculation on Line 6 is  
7 truncated to five decimal points. And, due to  
8 rounding, it does not change the calculation.

9 The other change on Page 157 I would  
10 like to make is on Line 5, at the bottom of the page.  
11 I'd like to change those deliveries to "950,206,124".

12 The next change I would like to make is  
13 on Page 184. And, at the very top of the page, on the  
14 third line, where it says "Schedule DBS-9", I would  
15 like to change that "9" to a "10". And, this change  
16 would be the same for Pages 185, 186, and 187.

17 Then, the next correction would be on  
18 Page 209. Towards the top of the chart there, where it  
19 says "Rates effective April 1st, 2014", the rates  
20 actually become effective on May 1st. So, there's the  
21 two lines there that I'd like to change from "April" to  
22 "May", on 209. And, then, on 210, it also has an  
23 effective rate [date?] there, on the left-hand side,  
24 the third line down, where I'd like to change it from

[WITNESS PANEL: Warshaw~Simek]

1 "April" to "May" as well. And, then, on Pages 211 and  
2 212, they're just the clean copies of the same data.  
3 So, I'd like to make the same changes there at the top,  
4 from "April" to "May", and, then, on the bottom -- I  
5 mean, I'm sorry, on Page 212, the effective date there  
6 as well from "April" to "May".

7 And, that's all the changes that I  
8 have.

9 Q. And, those same changes would apply to Exhibit 2, which  
10 is the redacted form of the filing?

11 A. (Simek) Correct.

12 Q. Subject to those changes, if I were to ask you the  
13 questions in your testimony today, would your answers  
14 be the same?

15 A. (Simek) Yes.

16 Q. And, was the testimony prepared by you or under your  
17 direction?

18 A. (Simek) Yes.

19 MS. KNOWLTON: With that, I would offer  
20 the two witnesses for cross-examination.

21 CHAIRMAN IGNATIUS: Thank you.

22 Ms. Chamberlin.

23 MS. CHAMBERLIN: Thank you.

24 **CROSS-EXAMINATION**

1   BY MS. CHAMBERLIN:

2   Q.   Mr. Warshaw, on the borderline sales question, can you  
3       give an estimate as to when that will be resolved?

4   A.   (Warshaw) Not at this time.  We are working diligently  
5       to negotiate with National Grid to resolve all of our  
6       issues regarding that.  But, exactly when that will be  
7       resolved, I couldn't tell you.  We had hoped to have it  
8       resolved before this filing, but it didn't happen.

9   Q.   Do you have an accounting of the amount of money in  
10       question?

11  A.   (Warshaw) Yes, we do.  I don't have it with me, but,  
12       yes, we do have an accounting of exactly how much money  
13       is in question.

14  Q.   And, that's money due to customers, correct?

15  A.   (Warshaw) The majority is due to customers, a portion  
16       of that would be due to the Company.

17  Q.   And, this issue has been -- was identified at least in  
18       2012, is that correct?

19  A.   (Warshaw) Yes.  It was identified at the time when we  
20       were diligently working towards the transfer of Granite  
21       State from National Grid to Liberty Utilities.

22  Q.   This is likely to -- wait, I'll stick with you for a  
23       minute.  On the RECs, do you believe, if the ACP were  
24       higher, that it would be easier for you to get RECs in

1 New Hampshire?

2 A. (Warshaw) Yes. If the ACP was higher, and if the  
3 various classes that the New Hampshire RPS resources  
4 were in better matched up with the other classes in the  
5 other states, I would say that I would have an easier  
6 chance of getting -- purchasing RECs for our customers,  
7 but at a higher cost.

8 Q. Do you purchase RECs for other New England states?

9 A. (Warshaw) No, I do not. Liberty Utilities is only in  
10 New Hampshire at this time.

11 Q. So, you're basing your answer on your general  
12 familiarity with the New England regional markets?

13 A. (Warshaw) Yes. And, also my time when I worked for  
14 National Grid, as at that time I purchased RECs for New  
15 Hampshire, Massachusetts, and Rhode Island.

16 Q. If the legislation stays the same, do you see the lack  
17 of RECs as a short-term -- or, the lack of RECs in all  
18 classes as a short-term phenomenon that will likely  
19 change over time or a long-term problem, if nothing  
20 changes with the legislation?

21 A. (Warshaw) I would say that the ability to resolve the  
22 supply of Class I and Class II RECs, which are new, can  
23 be resolved in the future as more suppliers build  
24 resources to meet the need and the increasing

[WITNESS PANEL: Warshaw~Simek]

1 obligation in the New Hampshire RPS. For the Class III  
2 and IV, those are existing resources that, just by  
3 definition, you can't make any more of them. And, I  
4 believe that they will consistently be harder to  
5 purchase, if those -- many of those resources are able  
6 to sell into different markets at a higher price.

7 MS. CHAMBERLIN: Thank you. That's all  
8 I have.

9 CHAIRMAN IGNATIUS: Thank you.

10 Ms. Amidon.

11 MS. AMIDON: Thank you. Good morning.

12 WITNESS WARSHAW: Good morning.

13 BY MS. AMIDON:

14 Q. I wanted to -- I'll continue along discussing the RPS  
15 adder and the price of RECs. If we go to, I think it's  
16 Page 63 of -- and I'm looking at Exhibit 1, this -- I  
17 know there's some confidential information on this  
18 page, and that is shaded. But am I correct that this  
19 represents, Mr. Warshaw, the analysis that the Company  
20 has done comparing the ACP with market prices?

21 A. (Warshaw) Yes. Yes, it is.

22 Q. And, if you look at that, it's -- and go down that  
23 whole, you know, you have done this analysis by class,  
24 if you go down that, you can see what you were just

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[WITNESS PANEL: Warshaw~Simek]

1 saying, in other words, that the market prices are very  
2 close to the ACP?

3 A. (Warshaw) Yes, they are.

4 Q. And, based on the acquisition of RECs that you've  
5 accomplished so far in connection with calendar year  
6 2013, does the Company believe they will be paying ACPs  
7 to meet their RPS requirements?

8 A. (Warshaw) Yes, we do.

9 Q. In addition, I notice that the Company is making an  
10 adjustment to the RPS adder, and it's a downward  
11 adjustment, is that right?

12 A. (Warshaw) That's correct.

13 Q. Could you explain why there's a downward adjustment,  
14 especially when we look at this exhibit and see how  
15 close the market prices are to ACPs?

16 A. (Warshaw) Yes. The main -- the reason for the downward  
17 adjustment reflects the changes that the New Hampshire  
18 Legislature and also the Commission made in the changes  
19 in the percentage of obligation that is required to be  
20 met in the year 2013, and also in the year 2014. And,  
21 at the time that I had initially developed this RPS  
22 cost adder last year, I had not seen that the 2014  
23 obligation for the Class III had been reduced from  
24 7 percent to 3 percent. So, I had -- the calculation

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1 that I had done was based on a 7 percent obligation.  
2 But, in verifying back in January of this year, when I  
3 was verifying the new ACP rates for 2014 that were  
4 published by the Commission, I did notice at the time  
5 that the 2014 RPS was different than what I had assumed  
6 it to be. So, I have made that correction in this  
7 document.

8 Q. And, in addition, there's an overcollection for the RPS  
9 adder, is that correct?

10 A. (Warshaw) Yes, there is.

11 Q. How come?

12 A. (Warshaw) And, the overcollection for the RPS adder was  
13 also as a result of the inter -- as a result of the  
14 fact that at the time that we had set the RPS adders,  
15 the Legislature and the Commission had not yet acted to  
16 reduce the obligation. So, once the obligation was  
17 reduced, in subsequent filings, we had reduced the  
18 adder, but that had already been collected. And, this  
19 is the first filing that we will be making where we are  
20 adjusting -- are able to refund to customers the  
21 overcollection of the adder as a result of the changes  
22 that were made by the state -- by Legislature and the  
23 Commission.

24 Q. And, that amount is about \$1.7 million, is that fair to

1 say?

2 A. (Warshaw) That's my understanding.

3 Q. Thank you. Is this the first solicitation where you  
4 bid the two 3-month periods for the Large Customer  
5 Group?

6 A. (Warshaw) Yes, it is.

7 Q. And, on Page Bates stamp 13 of your testimony, you  
8 discuss the issues with respect to the run-up of  
9 electric wholesale prices due to the increases of  
10 natural gas?

11 A. (Warshaw) Yes.

12 Q. And, in fact, you included a press release by the ISO  
13 which describes that phenomena at the market, is that  
14 right?

15 A. (Warshaw) Yes.

16 Q. And, if I go to Page -- and this, again, I'm looking at  
17 the confidential Exhibit 1, Page 54, and most of this  
18 is redacted, but I just want to point out to the  
19 Commission. If we look at this exhibit, Block A and B  
20 represent the two 3-month blocks for the Large Customer  
21 Group, is that correct?

22 A. (Warshaw) That is correct. Those are the indicative  
23 bids that we received on March 11th.

24 Q. And, that illustrates the number of bids that you got,

1 is that fair to say?

2 A. (Warshaw) That is correct, yes.

3 Q. And, for the final bids, that would be, sorry, I  
4 believe that is Bates stamp 57, is that right?

5 A. (Warshaw) That's correct.

6 Q. Okay. So, my question generally has to do with, it's a  
7 hypothetical, and, as you know, Unitil procures its  
8 Large Customer Group service a different way than  
9 Granite State. Are you familiar with the way they do  
10 that?

11 A. (Warshaw) Yes, I am.

12 Q. Okay. If Granite State issued a bid for either  
13 customer group and received only one bid, could the  
14 Company justify that that was a competitive bid?

15 A. (Warshaw) We'd look at that and have a couple of  
16 options that we can take with a -- if we have one bid.  
17 One would be to compare the bid, the final bid, to our  
18 estimate of what the market should be bidding and see  
19 how close that is. And, if it's, you know, reasonably  
20 close to our estimate, with discussions with Staff, we  
21 would propose to accept that bid. Our other option  
22 would be to not accept the bid and rebid, reissue a  
23 solicitation for just those bids on a very quick basis,  
24 to see if we could drum -- we could drum up some more

1 bids from suppliers.

2 Q. And, in your reference to the ISO market evaluation, do  
3 you think that this is going to be a persistent issue  
4 with respect to the New England market?

5 A. (Warshaw) I think the New England market right now  
6 is -- it is going to have this problem going forward  
7 until there is a resolution of the limitations on  
8 transportation for natural gas. Everybody in New  
9 England is looking to get inexpensive natural gas to  
10 meet their needs. And, the issue is that, during the  
11 winter, the transportation capabilities into New  
12 England for natural gas do not meet all of the LDC gas  
13 requirements and also electric power supply  
14 requirements in New England when we have extreme cold  
15 weather.

16 Q. And, if we look at the Customer Migration Report, I  
17 think that's the last page, Page 217. No, that's the  
18 one that's intentionally left blank. Page 216. I  
19 notice that, for the months of January and February  
20 2014, with respect to the Large Customer Group, it  
21 looked like there was a slight increase in the G-1  
22 customers who were taking default service from the  
23 Company. Is that -- am I reading this the right way?

24 A. (Warshaw) Yes. No, that is correct.

[WITNESS PANEL: Warshaw~Simek]

1 Q. And, do you have -- have you inquired as to why that  
2 happened or do you have any general understanding as to  
3 why that occurred?

4 A. (Warshaw) I have not looked into or inquired with any  
5 specific G-1 customer as to why they would have moved  
6 from their competitive supplier to our Default Service  
7 rates. I could only assume that they did that because  
8 our Default Service rates at the time were probably  
9 lower than a market-based contract that they may have  
10 had with their competitive supplier.

11 Q. Well, thank you. It's not much of an increase, but it  
12 was just one thing that I noticed. Usually, we see  
13 that going -- we see more customers going to  
14 competitive supply. So, it was just something that I  
15 observed.

16 I have some questions now on the  
17 cross-border sales. And, Mr. Simek, these questions  
18 may be for you, or, if Mr. Warshaw can answer them,  
19 that's fine. Does Liberty have to manually bill the  
20 customers served across the border?

21 A. (Warshaw) Actually, Liberty does not bill the  
22 customers. What Liberty does is bill Mass. Electric.

23 Q. Okay. And, is it manual or --

24 A. (Warshaw) It is a combination of automated and manual.

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[WITNESS PANEL: Warshaw~Simek]

1 Well, for Liberty, it's all manual. For Mass.  
2 Electric, they are reading the meters through their  
3 automated meter reading process and forwarding the  
4 information to our Customer Care Group that then uses  
5 that information to develop the charge that they then  
6 rebill back to Mass. Electric on a monthly basis.

7 Q. Is that a resource-intensive activity for the Company?

8 A. (Warshaw) Not really. The latest information that I've  
9 received from Customer Care is that it's about four  
10 hours a month --

11 Q. Okay.

12 A. (Warshaw) -- for an analyst to perform that billing.

13 Q. And, is that, that four hours a month, is absorbed in  
14 the Default Service cost or --

15 A. (Warshaw) I would say that that four hours a month are  
16 in -- are in more the general distribution rates --

17 Q. Okay.

18 A. (Warshaw) -- eh, excuse me, general distribution rates  
19 that are developed for all of the employees within the  
20 Liberty Utilities' electric side.

21 Q. Thank you. And, Mr. Simek, one of your exhibits, at  
22 Bates stamp 137, let me know when you're there.

23 A. (Simek) I'm there.

24 Q. Okay. If we look at Column (c), the month of

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[WITNESS PANEL: Warshaw~Simek]

1 "May 2013", there appears to be a negative amount of  
2 \$424,000, do you see?

3 A. (Simek) Yes.

4 Q. How do you account for that?

5 A. (Simek) Sure. If you actually look at Schedule  
6 DBS-6, --

7 MS. CHAMBERLIN: What Bates stamp Page  
8 is that?

9 WITNESS SIMEK: Yes. I'm bringing that  
10 up here. It's Bates stamp Page 149.

11 **BY THE WITNESS:**

12 A. (Simek) And, about the middle of the page, it talks  
13 about the "Remaining Recovery", which was related to  
14 the prior year reconciliation, of "\$431,365".

15 BY MS. AMIDON:

16 Q. Uh-huh.

17 A. (Simek) And, that's being accounted for under Column  
18 (c) on Bates stamp Page 137 for the month of May.

19 Q. Okay.

20 A. (Simek) So, it's the prior year undercollection that is  
21 being included under Column (c) for May '13, on Page  
22 137, of "431,365". And, then, it's slightly offset by  
23 the monthly borderline sales of 6,845. And, that's the  
24 difference that equals the "424,520".

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[WITNESS PANEL: Warshaw~Simek]

1 Q. Thank you. Okay. And, the last question I have is --  
2 well, I have a couple more. I know, Mr. Simek, your  
3 testimony addressed the RGGI rebates, that's the rebate  
4 of those auction amounts that are in excess of a  
5 dollar. Can you explain how the Company has  
6 apportioned those rebates associated with calendar year  
7 2013 and how it intends to perform those calculations  
8 for 2014, just so that it's clear in the record?

9 A. (Simek) Yes.

10 Q. Thank you.

11 A. (Simek) If we switch to DBS -- Schedule DBS-3, and I'll  
12 get you a Bates stamp number in a moment please. And,  
13 if we look at Bates stamp Page 133, under Column (b),  
14 those were two of the payments that we had received  
15 related to 2013. It was one in May and one in August.  
16 And, this is the reconciliation for those two payments.  
17 And, then, these funds were given back to customers  
18 from our May solicitation that's in process now, and  
19 then we also, if you can look at --

20 Q. So, if I could interrupt, these are going back to  
21 Default Service customers?

22 A. (Simek) Correct.

23 Q. All right. Thank you.

24 A. (Simek) So, the first four payments for 2013 are going

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[WITNESS PANEL: Warshaw~Simek]

1 back to Default Service customers. And, that's exactly  
2 what we're showing in these two reconciliations on  
3 Bates Page 132 and Bates Page 133.

4 And, then, going forward for the 2014  
5 payments, we plan on including those credits within our  
6 transmission filing. So, they would accrue the  
7 interest until we do that filing, which would become  
8 effective January 1st of 2015.

9 Q. And, that is to allow the excess amounts to go back to  
10 all customers as required by the --

11 A. (Simek) Correct.

12 Q. Thank you.

13 A. (Simek) You're welcome.

14 Q. And, Mr. Simek, would you just describe generally what  
15 the rate impacts are for the Small Customer Group and  
16 the Large Customer Group?

17 A. (Simek) Sure.

18 Q. And, if you could -- if you could reference, for the  
19 residential customers, the average customer use?

20 A. Absolutely.

21 Q. I think it's a 600 kilowatt-hour -- 600 plus  
22 kilowatt-hours per month. Thank you.

23 A. (Simek) On Bates stamp Pages 116 and 117, there's a  
24 comparison there for the typical residential customer

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[WITNESS PANEL: Warshaw~Simek]

1 of 500 kilowatt-hours, and then there's also a  
2 comparison there for the typical use of the 679  
3 kilowatt-hours per month. And, --

4 Q. And, Mr. Simek, it indicates on your testimony that's a  
5 "7 percent decrease" overall on monthly bills, is that  
6 correct?

7 A. (Simek) Correct.

8 Q. Thank you.

9 A. (Simek) And, that would be for the Residential Group.  
10 And, then, for the Large Customer Group, the bill  
11 decreases, on average, are from 6.3 percent to  
12 9.3 percent.

13 Q. For the --

14 A. (Simek) Oh, I'm sorry. That's for the Small Customer  
15 Group. For the Large Customer Group, the decreases  
16 range from 12.9 percent to 15.6 percent. And, that's  
17 based on the last six-month weighted average for  
18 illustrative purposes for the Large Customer Group  
19 compared to the weighted average six-month of the last  
20 solicitation.

21 Q. Thank you.

22 A. (Simek) You're welcome.

23 Q. And, Mr. Warshaw, I had one final question. At Bates  
24 stamp 69, which is entitled "Comparison of Change in

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[WITNESS PANEL: Warshaw~Simek]

1 Futures Prices to Change in Procurement Costs"?

2 A. (Warshaw) I'm there.

3 Q. And, so, this talks about the commodity costs only, is  
4 that fair to say?

5 A. (Warshaw) Two is commodity, and the third is the bids.

6 Q. Okay. And, this shows that there is an increase from  
7 the summer -- last summer, is that correct?

8 A. (Warshaw) Correct. Yes.

9 Q. And, so, could you just say for the record what that  
10 is?

11 A. (Warshaw) The increase from last summer to this summer,  
12 for the electric futures, is about 20.5 percent. And,  
13 for natural gas, it's 10.4 percent. And, then, for our  
14 bid prices, it was a 24.2 percent increase.

15 Q. And, then, the second to the last column, "Percent  
16 Change (Winter to Summer)", what does that represent?

17 A. (Warshaw) That represents the change from this past  
18 winter to this summer period.

19 Q. So, this really demonstrates also your comment about  
20 the natural gas prices increasing electricity costs?

21 A. (Warshaw) Correct.

22 MS. AMIDON: Okay. Thank you. I have  
23 no further questions.

24 CHAIRMAN IGNATIUS: Thank you.

[WITNESS PANEL: Warshaw~Simek]

1 Commissioner Scott.

2 CMSR. SCOTT: Thank you. And, good  
3 morning.

4 WITNESS WARSHAW: Good morning.

5 CMSR. SCOTT: And, again, whoever feels  
6 best qualified, or both of you, to answer my questions is  
7 certainly fine.

8 BY CMSR. SCOTT:

9 Q. I want to talk a little bit more about the number of  
10 bids. And, if I incorrectly paraphrase, let me know.  
11 But what I think I've read and heard is you're citing  
12 the lower number of bids than may be optimal to --  
13 because of the gas pipeline constraints and the  
14 variability in the market that creates. Is that a  
15 fair --

16 A. (Warshaw) There's a combination of things that I feel  
17 are driving the lower -- the less-than-historic  
18 participation of bidders in our solicitation. And, I  
19 think that has to do, part of it, with what occurred  
20 this winter. There was some significant variability in  
21 electric pricing as a result of natural gas pricing.  
22 There also was some increases in some of the ancillary  
23 services that were experienced in the winter in the ISO  
24 marketplace that I would say the suppliers were unable

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[WITNESS PANEL: Warshaw~Simek]

1 to hedge against. And, as a result, a number of these  
2 suppliers are either rethinking or deciding not to  
3 compete in the New England market at this time.

4 Q. So -- and, here's where I'm struggling. So, I can see  
5 that extra risk, if you will, I can see that resulting  
6 in somebody bidding at a higher cost, because they're  
7 going to build in a bigger risk factor, given  
8 everything you just discussed. But why do you feel  
9 that results in no bids, rather than the higher bids?

10 A. (Warshaw) When we issued this RFP in February, I took  
11 it upon -- I actually went out and called all of the  
12 suppliers that we have contracts with that are active  
13 in New England, plus I also contacted a number of  
14 suppliers that I would like to have a contract with  
15 that are active in New England. And, a number of  
16 them -- a couple of them actually said that they were  
17 either under merger or being purchased or looking to  
18 evaluate if they want to be in this marketplace. Some  
19 of the suppliers told me that the marketplace is very  
20 competitive and it's, you know, as much as they would  
21 like to sell into New England, they have not been  
22 successful in some of these, in many of these bids.  
23 So, they basically don't feel that they would put in  
24 the effort to put in a bid just to not be chosen. So,

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[WITNESS PANEL: Warshaw~Simek]

1 we're running into that, too. None of the bidders  
2 mention the issue of moving from one to two blocks for  
3 the Large Customer Group. And, I specifically asked  
4 them that, and that was not their concern. Their  
5 concern is more there's almost an irrational response  
6 to what's happening in the New England marketplace.  
7 And, it's not just what has happened in this past  
8 winter, there are some significant changes that are  
9 being developed and, you know, proposed for the Forward  
10 Capacity Market in New England. There are some --  
11 there are a number of proposals to try to better work  
12 out some of the gas issues in New England to alleviate  
13 some of this problem, at least until additional  
14 transportation pipelines can be built in New England,  
15 to provide the level of demand that New England sees,  
16 especially when we have a very cold winter. And,  
17 that's about the sum of it.

18 Q. So, again, I'm trying to tease out why that would  
19 result in no bids, rather than just a higher bid. I  
20 can understand a higher bid, the more risk, the higher  
21 your bid is going to be, because I need to cover that  
22 risk. So, again, I don't want to paraphrase you  
23 incorrectly. So, what I think I'm hearing out of what  
24 you just said was that there is some reluctance to even

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[WITNESS PANEL: Warshaw~Simek]

1 get into the market because of variability, and the  
2 presumption is, as you alluded to, that some don't want  
3 to bid knowing they won't, if they put that risk factor  
4 in, they won't basically win the bid. So, that would  
5 presume they feel there's some other people out there  
6 who would get a lower -- enter a lower bid without  
7 that, is that --

8 A. (Warshaw) Yes.

9 Q. Okay. I guess that helps. So, you talk about -- you  
10 mention about "contacting suppliers". Can you help me  
11 with that, too? Is the field of potential suppliers  
12 shrinking or is it staying the same? You talked about  
13 "mergers" and people talking about whether they wanted  
14 to stay in New England or not. And, so, that would  
15 imply that your eligible bidders is shrinking, is that  
16 correct?

17 A. (Warshaw) Yes. The number of bidders that I have  
18 contracts with have shrunk. Some of that has to do  
19 with mergers, and some of that has to do with companies  
20 that have left the marketplace.

21 Q. Okay. Thank you. And, I had an assumption, but I just  
22 want to verify it. So, for you're indicative bids, is  
23 that a process, so, if I want to become a final bidder,  
24 I'm required to do an indicative bid also?

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[WITNESS PANEL: Warshaw~Simek]

1 A. (Warshaw) That is the normal process. But, in this  
2 RFP, we did -- I did contact, after the indicative bids  
3 came in and after contacting the Staff and letting them  
4 know what had happened, I did beat the bushes, and was  
5 able to get other bidders, who have in the past bid in  
6 our solicitation, to make a final bid.

7 Q. So, in that case, they did not do an indicative bid,  
8 but you allowed them to do a final bid?

9 A. (Warshaw) Correct. And, indicative bids are usually  
10 more to see who's -- you know, again, what  
11 participation we're going to get, and also to verify  
12 that they have an understanding of what it is that we  
13 are asking for, and there's no errors in their model or  
14 other odd things that can result in possibly, you know,  
15 a significantly lower price than market. I mean, if I  
16 see that, I will tell them if they're, you know, way  
17 lower than what the marketplace is showing, because the  
18 last thing I want is a bidder that is unhappy because  
19 they have an error and they now have to serve something  
20 at a consistent loss.

21 Q. So, is -- and, that's good. The reason why I asked  
22 that, I was curious, I'm trying to tease apart are  
23 there any barriers to people wanting to, and you  
24 obviously outlined the big barrier, but is the

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1 administrative cost of -- if they're perceived as "I  
2 have to do an indicative bid", is the administrative  
3 cost of bidding twice a hurdle, you think, or is that  
4 not a problem?

5 A. (Warshaw) No, I don't believe that that's a hurdle. I  
6 believe that it's a good test of their models, as they  
7 run through it, you know, a week in advance of finals,  
8 gives them a chance to make sure everything has been  
9 updated for the current marketplace and for our current  
10 loads. And, like anything, to make sure there are no  
11 errors that have crept into their model that could  
12 create, you know, either a too high a price or a too  
13 low a price that could either make them uncompetitive  
14 or super competitive, but at a loss.

15 Q. And, it sounds like, from your last actions, you made  
16 them aware that it's not a requirement, if they want to  
17 bid a final, then, obviously, you just went through  
18 that exercise?

19 A. (Warshaw) No, it's not a requirement. But, in general,  
20 the ones that do indicative do final.

21 Q. Okay. Have you got any indication of the size to be  
22 served, the amount of electricity to be served is one  
23 of the hurdles, meaning are you just too small for them  
24 to bother or is that an issue?

[WITNESS PANEL: Warshaw~Simek]

1 A. (Warshaw) No, they have not said that. You know, I  
2 have heard that, you know, they are looking at, you  
3 know, everyone has, you know, limited resources, and  
4 sometimes they have to make a decision that we're going  
5 to go with another bidder -- another company's  
6 solicitation, because it's just, you know, more work,  
7 and a possible better potential outcome, because there  
8 are more blocks that they can bid on. But, other than  
9 that, the size of load has not been an issue that they  
10 have a problem with.

11 Q. Okay. And, a somewhat related question. Looking at  
12 the amount of G-1 customers or your Large Customers,  
13 should I be worried that, obviously, the more that  
14 shrinks, and we look at the competitive market out  
15 there, whether it's because of a competitive supplier  
16 perhaps defaulting or just people looking at the cost  
17 and deciding to go back to Default Service, obviously,  
18 there could be a large -- if a very large or a couple  
19 very large customers come back, that kind of throws  
20 your equilibrium off, if you will. Should that be a  
21 concern? Is that a concern?

22 A. (Warshaw) That's one of the concerns that suppliers  
23 have voiced, is the ability of customers to easily move  
24 back and forth within -- from competitive market to

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1 Default Service back to competitive market, depending  
2 upon the market price, and as compared to the Default  
3 Service price. But one of the advantages of our  
4 program so far is that we have prices that are short  
5 term in nature and are relatively close to the  
6 marketplace.

7 Q. Okay. So, if that were to happen, especially since  
8 it's short term, you would be able to effectively  
9 reconcile that fairly soon. So, there would be a --  
10 so, how do you adjust for that, if that happens, so you  
11 have large customers come back in?

12 A. (Warshaw) That volumetric risk is something that the  
13 supplier actually takes on and would include in their  
14 bids. And, if we start seeing more of a, I would  
15 industry describe it, turmoil or, you know, more  
16 movement back and forth of the Large Customer Group, I  
17 would say that they would include a larger risk factor  
18 for the volume to make up for that risk.

19 Q. And, you've not seen that to be an issue so far, as far  
20 as nobody has --

21 A. (Warshaw) Not that I've seen, no.

22 Q. Okay. Thank you. On the borderline sales issue, it  
23 seems to be dragging out quite a while, the  
24 negotiations. Is that a fair assessment?

[WITNESS PANEL: Warshaw~Simek]

1 A. (Warshaw) Yes. They are taking much longer than any  
2 one at Liberty ever expected them to take.

3 Q. So, what mechanism is there to ensure that this gets  
4 resolved? I mean, how should the Commission -- again,  
5 give me a warm/fuzzy why I think this is going to be  
6 resolved in a timely manner, I guess?

7 A. (Warshaw) I don't have a warm/fuzzy, other than to say  
8 that we're continuing to discuss this with National  
9 Grid. And, as far as what actions, if we're unable to  
10 come to a resolution with Grid, as far as what actions  
11 other parties could take, I'm not at liberty to really,  
12 you know, opine on that piece.

13 Q. Okay. That's fair. And, my last question, you alluded  
14 to this, too, when you were asked, I think, by the  
15 Consumer Advocate about RECs. You alluded to other  
16 states' ACPs and synergizing. So, our understanding,  
17 and I was curious if this is yours, too, to the extent  
18 that New Hampshire ACPs are lower than other states, if  
19 there is a shortage of RECs, then, effectively, you'll  
20 see ACP shopping. Meaning you'll pay the lowest ACP,  
21 not the highest. And, if New Hampshire is the lowest,  
22 we will see ACPs being paid. Is that a fair  
23 assessment?

24 A. (Warshaw) Yes.

[WITNESS PANEL: Warshaw~Simek]

1 CMSR. SCOTT: Okay. Thank you. That's  
2 all I have.

3 CHAIRMAN IGNATIUS: Commissioner  
4 Honigberg, questions?

5 CMSR. HONIGBERG: Good morning.

6 WITNESS SIMEK: Good morning.

7 WITNESS WARSHAW: Good morning.

8 BY CMSR. HONIGBERG:

9 Q. Mr. Warshaw, you obviously put a lot of time and  
10 thought into all of this. Is there -- or, do you have  
11 any thoughts on the process that we're going through  
12 right now, as to whether this process can be improved  
13 or streamlined or changed in some way, other than what  
14 you've already talked about, going forward?

15 A. (Warshaw) We have made some, you know, improvements in  
16 the process in the past, including moving to, you know,  
17 from four solicitations to two. Continuing to move  
18 away from the bidding around National Grid. They seem  
19 to be, I guess, the large, you know, 450 pound gorilla  
20 in the marketplace. So, we're trying to bid when  
21 they're not actively in the market. I mean, there  
22 probably are other processes that we can use, but I'm  
23 not sure that these other processes are set up or would  
24 be useful for a full requirements type deal that we're

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[WITNESS PANEL: Warshaw~Simek]

1 looking for. These deals are very specific, in that  
2 they are putting all of the volumetric risk and all of  
3 the cost to serve these customers onto the supplier  
4 with -- and, in return, we get a fixed price that we're  
5 able to pass onto our customers, so that they do have a  
6 known price for a specific period of time.

7 Other regions ladder prices to reduce  
8 the variability that is delivered to the customers in  
9 their retail price. But, I think, not having the  
10 laddering and staying relatively close to the market  
11 provides a reasonable balance between receiving a fixed  
12 price for a short period of time versus moving  
13 everybody to like a monthly variable price, where no  
14 one knows what the price will be until the end of the  
15 month.

16 Q. Are there things that the Commission could do to make  
17 the process better? You talked a lot about what you  
18 could do. But are there things the Commission could  
19 do?

20 A. (Warshaw) I think the Commission is very responsive to  
21 our filing, and providing an order within five days  
22 after the filing. And, the Staff is -- we work  
23 relatively closely with Staff with our issues, and, if  
24 Staff has questions, you know, whether it's during

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1 the -- you know, during a solicitation, or even  
2 afterwards, when they have some questions. So, there's  
3 not -- I have not really thought of anything specific  
4 that the Commission could do to streamline this  
5 process.

6 CMSR. HONIGBERG: Thank you. That's all  
7 I have.

8 CHAIRMAN IGNATIUS: Thank you. I have  
9 just a few other questions. We've covered an awful lot of  
10 it.

11 BY CHAIRMAN IGNATIUS:

12 Q. Let me ask you a little more about the negotiations  
13 with National Grid. And, you've been very careful to  
14 be general in your comments, and I understand it's a  
15 sensitivity while you're in negotiations. But I'm not  
16 in negotiations, so, I get to be a little bit more  
17 pointed. It troubles me that this has taken so long,  
18 and the period of sort of the required interaction  
19 between National Grid and Liberty is coming to an end.  
20 Hopefully, the companies will work together well in the  
21 future, but the period under which they're mandated to  
22 work together terminates at the end of the -- is it the  
23 Transition Service Agreement, is that the right name  
24 for it?

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[WITNESS PANEL: Warshaw~Simek]

1 A. (Warshaw) That is correct.

2 Q. And, is that in June of 2014?

3 A. (Warshaw) A number of the TSAs end at the end of May.  
4 And, it's not my area of knowledge of which TSAs would  
5 continue on past that, but -- so, I don't know. There  
6 may be, you know, as they're trying to resolve some,  
7 you know, billings, accounting, and other issues that  
8 take, you know, that take a little bit longer to  
9 resolve as a result of the reconciliations and  
10 resolving billing issues and other such information.

11 Q. To the extent that the TSA terms give you any greater  
12 leverage with the Company, with National Grid, to  
13 resolve matters, it would be important to try to have  
14 this resolved before they all expire. Would you agree  
15 with that?

16 A. (Warshaw) I really don't have the knowledge to agree or  
17 disagree with that statement.

18 Q. Fair enough. What are the consequences, if any, of the  
19 delay in resolving these matters? For example, is  
20 there interest accruing for monies owed either  
21 direction?

22 A. (Warshaw) Yes. There are interest that will accrue in  
23 the dollars that National Grid owes us that National  
24 Grid will pay on top of the values that we have

{DE 14-031} [REDACTED - for public use] {03-25-14}

1           calculated.

2   Q.    So, that builds in some incentives to try and get it  
3           resolved sooner than later on the part of National  
4           Grid?

5   A.    (Warshaw) Yes, it does.

6                   MS. KNOWLTON:  If I may --

7                   CHAIRMAN IGNATIUS:  Yes.  Please.

8                   MS. KNOWLTON:  -- interrupt for a  
9           minute.  I know in the past, when this has come up, we've  
10          gone on a confidential record.  I haven't felt the need to  
11          request a confidential record as of this point in the  
12          questioning.  But, if the Chair desires additional  
13          information about the status of the matter, if we went on  
14          a confidential record, I would be willing to give a little  
15          bit more detail.

16                   CHAIRMAN IGNATIUS:  Well, we'll probably  
17          do that.  Let's go a little further on the public record,  
18          and then we may need to.

19  BY CHAIRMAN IGNATIUS:

20  Q.    On the corrective actions for -- looking at Page 2,  
21          this is Item 3(b), for the meters that would be  
22          installed, I guess there was agreement about installing  
23          meters, but not agreement on who was to pay for the  
24          installation of the meters.  Is there an identification

1 of the cost of the installation yet? And, you may not  
2 want to put the number on the record, but has that been  
3 an identified number, what would the cost be?

4 A. (Warshaw) I don't know what the cost of those meters  
5 were. But I know that they were installed by National  
6 Grid or, actually, by NEP, and they went into service  
7 November 2013. The one exception to that was the  
8 metering location that was identified in the  
9 Charlestown, New Hampshire substation. And, due to the  
10 uncertainty of the final resolution of the Charlestown  
11 Substation, it was decided not to invest any additional  
12 metering in that, and instead to implement a manual  
13 process, if any switching is done that would result in  
14 load going to the New Hampshire Co-op that was either  
15 unmetered or creating a inaccurate meter value, and  
16 that would have to be manually adjusted. But, other  
17 than that, all of the meters have been installed. NEP  
18 will install them. Because of the way NEP's  
19 transmission tariff is written, we take on some of the  
20 responsibility of the cost of reading those meters.

21 Q. So, looking down at the bottom of Page 2, where you  
22 talk about the Charlestown Substation, and I'm looking  
23 at Section 4(b), what's the projected retirement date  
24 that's the reason for why there's no -- it's not wise

1 to install new meters?

2 A. (Warshaw) I don't have that information. That is not  
3 my area of expertise.

4 Q. Can you give a ballpark? Is it 2014, '15, '16?

5 A. (Warshaw) To be honest, I really don't know.

6 Q. Have you quantified the cost of the manual -- I assume,  
7 under 4(b), it's a manual meter reading. And, then,  
8 under both 3 and 4, there's a manual billing that needs  
9 to be done, correct?

10 A. (Warshaw) This is more of a -- something, an action  
11 that has to be taken for a very low probability  
12 incident that would require switching to a different  
13 line to serve the -- to serve the customer. And,  
14 that's only why that's there. It's sort of a backup  
15 line that, if one line is failing, has failed or has to  
16 be taken out of service for any numbers of reasons,  
17 they're able to switch over to another line and serve  
18 them. There's very little, other than that, there's  
19 very little in the way of calculation that's required.

20 Q. So, if you don't have the need to switch over, there's  
21 no need to read anything or bill for it?

22 A. (Warshaw) That is correct.

23 Q. Okay. That's helpful. Thank you. We're talking about  
24 the Charlestown?

1 A. (Warshaw) Correct.

2 Q. I know you said that you had just filed an agreement  
3 looking at 4(c), you had just filed an agreement on the  
4 Charlestown corrective action. Does that mean that  
5 there's nothing further to be done or does the  
6 agreement that you just filed now require new things to  
7 be done?

8 A. (Warshaw) The only thing that that agreement does is  
9 put in -- to memorialize the manual process that is  
10 being implemented for Charlestown.

11 Q. All right. And, on the "New Meter Domain" section,  
12 Section 5, you have a projected go live date of May 27,  
13 2014, is that right? I'm looking at the bottom of Page  
14 3.

15 A. (Warshaw) Yes. That is the go live date for the  
16 transfer of our billing system from National Grid to  
17 Liberty Utility.

18 Q. So, that's a much larger issue than anything to do with  
19 these cross -- any of this particular agreement, that's  
20 part of the full transfer?

21 A. (Warshaw) Correct. Correct.

22 Q. And, the progress on that transition is something that  
23 the Commission is working with Liberty on and with the  
24 consultant, G3 Group, correct?

[WITNESS PANEL: Warshaw~Simek]

1 A. (Warshaw) I don't know the name of the consultant, but  
2 that is my understanding, that the Commission is  
3 working and watching closely that transition.

4 CHAIRMAN IGNATIUS: Those are my  
5 questions. If there are things that, Ms. Knowlton, that  
6 you think should be put on the record regarding those  
7 negotiations that would help or clarify, I'm perfectly  
8 fine with that, and we designate it as a confidential  
9 record?

10 MS. KNOWLTON: I can do that. Before we  
11 proceed to that subject matter, I have some limited  
12 redirect for Mr. Warshaw.

13 CHAIRMAN IGNATIUS: That's fine.

14 MS. KNOWLTON: If I may do so?

15 CHAIRMAN IGNATIUS: Please do.

16 **REDIRECT EXAMINATION**

17 BY MS. KNOWLTON:

18 Q. Mr. Warshaw, back to this issue of the Loss Factor  
19 Investigation Report, and looking at Page 2,  
20 Section 3(b), the corrective actions that need to be  
21 taken. Am I correct that this section refers to meters  
22 that Mass. Electric had previously agreed to install on  
23 the 10L1 circuit, which is the circuit that serves --  
24 the Granite State circuit that serves the Mass.

1           Electric customers?

2   A.     (Warshaw) Oh-oh.  I don't recall.  I apologize.

3   Q.     Okay.  Maybe take a minute, if you could read Sections  
4           3(a) and 3(b).

5   A.     (Warshaw) Oh, yes.  Yes.

6   Q.     These are separate meters than the metering situation  
7           at the Charlestown Substation, correct?

8   A.     (Warshaw) Correct.

9   Q.     And, when the Chair was asking you about whether there  
10          were any costs associated with the lack of installation  
11          of meters on the 10L1 circuit to serve the borderline  
12          customers, you know, can you identify whether there are  
13          any costs that the Company incurs now that we've  
14          learned that those meters are not going to be installed  
15          by MECo?

16  A.     (Warshaw) Right.  Yes.  The only cost, the cost that we  
17          do incur is the general cost to serve those customers  
18          that we then bill to MECo through the borderline  
19          tariff, plus we have some additional analyst costs on a  
20          monthly basis to create that bill.

21  Q.     And, are you -- do you have any recollection about what  
22          the cost of those meters on the 10L1 circuit would have  
23          been, just a range of costs?

24  A.     (Warshaw) I'm coming up with maybe \$100,000, but, you

[WITNESS PANEL: Warshaw~Simek]

1 know, that's just my first take. But I really don't  
2 remember the details. I apologize.

3 Q. And, did Liberty make any effort to attempt to resolve  
4 that cost issue with MECo, when MECo informed Liberty  
5 that it wasn't willing to install those meters?

6 A. (Warshaw) Yes, we had. And, we had offered to pay for  
7 half of those, the cost of those meters. But National  
8 Grid had -- or, Mass. Electric, it's, you know, they're  
9 kind of one in the same, had decided that they didn't  
10 want to install those meters, and that was that.

11 Q. And, because those meters haven't been installed,  
12 Liberty continues to provide the borderline sales to  
13 Mass. Electric, correct?

14 A. (Warshaw) Yes. Through our borderline sales tariff,  
15 yes.

16 Q. And, if those meters were installed, that Liberty would  
17 no longer need to do that?

18 A. (Warshaw) Correct. Then, they would just become a tie  
19 line between us and another adjacent utility that would  
20 be factored into the development of our wholesale load  
21 costs.

22 CHAIRMAN IGNATIUS: Ms. Knowlton, before  
23 you go to a new topic, are you done with that?

24 MS. KNOWLTON: Yes.

1 CHAIRMAN IGNATIUS: Can I just ask a  
2 clarification?

3 BY CHAIRMAN IGNATIUS:

4 Q. I think I misunderstood something you said before. I  
5 thought you had said under, in looking at 3(b), that  
6 meters were now in service as of I think you said  
7 "November 2013", except on the Charlestown Substation,  
8 where they weren't being done. So, that was obviously  
9 referencing it sounds like something different.

10 A. (Warshaw) Right. I think, if I remember, the Metering  
11 and Settlement Agreement did not -- may not have  
12 explicitly identified the meters that would be  
13 installed for the borderline customers, but it did have  
14 language that basically said "and other points of  
15 interconnect that may be identified going forward."  
16 What we're talking about here were specific points of  
17 interconnect that had been identified prior to the  
18 development of the Metering and Settlement Agreement  
19 that NEP had agreed to install meters on that were  
20 unmetered. And, one of them -- one of those three  
21 locations was the Charlestown Station that subsequently  
22 both parties agreed to delay until the ultimate  
23 resolution of Charlestown is made.

24 Q. But, for the 186 customers in Massachusetts that

[WITNESS PANEL: Warsaw~Simek]

1 Liberty is serving, there are no new meters installed?

2 A. (Warshaw) That is correct.

3 CHAIRMAN IGNATIUS: Thank you. Please  
4 go ahead.

5 BY MS. KNOWLTON:

6 Q. Mr. Warshaw, when you referred to the "amendment to the  
7 Metering and Settlement Agreement", the status of that  
8 document is what?

9 A. (Warshaw) It has been signed by Liberty Utilities, and  
10 has been forwarded onto National Grid for execution.  
11 And, as of now, I have not heard if National Grid has  
12 executed and returned it back.

13 Q. You mentioned in your direct testimony that "Liberty  
14 Utilities only provides service in New Hampshire".  
15 When you made that statement, were you referring to  
16 electric sales?

17 A. (Warshaw) In general, yes.

18 Q. Are you aware that Liberty Utilities has an affiliate  
19 in Massachusetts that provides retail gas distribution  
20 service?

21 A. (Warshaw) Yes, I am.

22 Q. And, are you familiar with any other utility in New  
23 England that has expressed any concerns to their  
24 regulator about limited market participation by Default

{DE 14-031} [REDACTED - for public use] {03-25-14}

[WITNESS PANEL: Warshaw~Simek]

1 Service bidders?

2 A. (Warshaw) Yes. At the same time that Liberty Utilities  
3 was receiving their indicative bids, I reached out to a  
4 compatriot in National Grid to basically see if they  
5 were seeing the same level of participation, and they  
6 also were seeing a reduction in the number of bids that  
7 were coming in. And, in fact, as they -- they even  
8 filed a letter with the Mass. Department of Public  
9 Utilities that informed them of this possible  
10 situation, and what their possible actions would be if  
11 it continued when they receive the indicative bids.

12 And, it's my understanding that NSTAR is  
13 also seeing some of this difficulty at the same time,  
14 but that's more secondhand information than direct  
15 information.

16 MS. KNOWLTON: I have no further  
17 redirect.

18 CHAIRMAN IGNATIUS: Thank you. Nothing  
19 further, I guess we wouldn't do any recross, but -- all  
20 right. Then, the witnesses are excused. Thank you very  
21 much for your testimony.

22 I assume there's no other witnesses?

23 (No verbal response)

24 CHAIRMAN IGNATIUS: Then, is there any

1 objection to striking the identification?

2 (No verbal response)

3 CHAIRMAN IGNATIUS: Seeing none, we'll  
4 do so. We'll have an opportunity for people to make some  
5 final closing statements regarding the filing. I do want  
6 to say what is probably clear from the questions. The  
7 delay in resolving these issues is a little baffling to  
8 us. We keep hearing that you're working hard at it, and  
9 don't have any reason to think you're not, but that, for  
10 some reason, it doesn't appear to be getting to a  
11 resolution. And, things that had hoped would be resolved  
12 were turned out not to be, and I won't ask you to go into  
13 all of the details of why. But it makes me think of a  
14 punch list on a house. You know, we're going to get down  
15 to the end, and the formal relationship between the  
16 companies will end, and it's very hard to get the  
17 contractor back to do those small items, if they go back  
18 to the punch list image. And, so, I just really implore  
19 you to do what you can to get to a resolution on that, and  
20 on any other pieces that are hanging out there, while we  
21 still have a structured relationship and some leverage  
22 under the TSA.

23 MS. KNOWLTON: Can we go on the  
24 confidential record for a moment?

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CHAIRMAN IGNATIUS: That's fine. Yes.  
(Whereupon **Pages 57** and **58** of the  
hearing transcript are contained under  
separate cover in a transcript  
designated as **CONFIDENTIAL** and  
**PROPRIETARY.**)

1                   **(Hearing resumes on the public**  
2                   **record.)**

3                   CHAIRMAN IGNATIUS: So, we have a chance  
4 now for some closing statements. Ms. Chamberlin, we'll  
5 begin with you.

6                   MS. CHAMBERLIN: Thank you. To follow  
7 up on the borderline sales concern, I petition the  
8 Commission to use its authority to its full extent by  
9 withholding escrow funds, to the extent that they can be  
10 withheld, to get National Grid's attention. I also  
11 request intervention in the FERC proceeding, if it is a  
12 PUC Commission that gets their attention, perhaps in the  
13 FERC proceeding Commission involvement will continue to  
14 get their attention. I would also ask that there be an  
15 accounting of the exact money at stake. Because this is  
16 customer money, and it should be returned to customers. I  
17 don't think there's any doubt about that.

18                   On the bidding process, I would ask for  
19 Commission investigation into the differences between  
20 Liberty's results and Unitil's results. I was pleasantly  
21 surprised that Liberty's market prices are, you know,  
22 lower than what we have seen in recent other proceedings.  
23 It's 7 cents, approximately. I don't know if that is a  
24 timing issue, if it's the bid structure. I don't know why

1 there's such a difference between two seemingly similar  
2 utilities. So, I would ask that that be examined. If  
3 there's changes that could be made to Unitil's process  
4 that would get a better rate, then I would certainly  
5 recommend that those changes be made.

6 And, the only other recommendation is  
7 that, for the OCA, this is generally a less of an  
8 adjudicative hearing than it is a simple report, because  
9 we get the filing on Friday, we read it, and try to pull  
10 out anything as quickly as we can. We really don't do  
11 discovery or analysis in any depth. If there could be a  
12 greater period of time between the filing and the hearing,  
13 where we could go into that a little bit more, that would  
14 be helpful to us. And, we believe helpful to you, as it  
15 would create a stronger record. That's all I have. Thank  
16 you.

17 CHAIRMAN IGNATIUS: Thank you. Let me  
18 ask you this, and maybe Staff can answer it. Does Staff  
19 see earlier information from the indicative bids or are  
20 you also receiving it the same way, the Friday before the  
21 hearing?

22 MS. AMIDON: Well, that's pursuant to  
23 the Settlement Agreement that was established, approved in  
24 Order 24,577. In that process, establishing the process

1 for Liberty or Granite State Electric Company to solicit  
2 Default Service, this was the process that Staff and the  
3 OCA and the Company agreed to. And, it was derived with  
4 the intent that all of the Default Service related costs  
5 would go into this docket, and with recognition that, you  
6 know, unique to New Hampshire, we have, any time a rate  
7 change, we have to have notice and hearing. So, to be  
8 responsive to the quick turnaround that the suppliers  
9 need, we agreed to this five-day process. I mean, to me,  
10 the preferable way would be for the statute to be amended  
11 to allow these competitive supply solicitations to, you  
12 know, go forward without a hearing, maybe have an  
13 investigation after-the-fact. I think they do that in  
14 Massachusetts. But we're stuck with the statute.

15 And, any change to, as far as I can  
16 recall, the Settlement Agreement, I haven't looked at it  
17 lately, but any change to the process, including the  
18 timing of the filing, would have to be through a  
19 modification of the Settlement Agreement.

20 CHAIRMAN IGNATIUS: But does the Staff  
21 see anything earlier than the same filing the OCA sees?

22 MS. AMIDON: We see the exact same thing  
23 the OCA sees when they receive it.

24 CHAIRMAN IGNATIUS: Thank you. Anything

1 further, Ms. Chamberlin?

2 MS. CHAMBERLIN: I just wanted to  
3 respond that the report or the filing includes details  
4 about reconciliation from last year. Perhaps they could  
5 be put in a separate docket, so that we could at least  
6 look at those details that would not impede the  
7 implementation of the rate. It would give us a chance to  
8 look into things a little bit more.

9 CHAIRMAN IGNATIUS: All right. Thank  
10 you. Ms. Amidon.

11 MS. AMIDON: Thank you. Staff has  
12 reviewed the filing, and we've determined that it comports  
13 with the Settlement Agreement approved by the Commission  
14 in Order 24,577, and subsequent orders which modified the  
15 Settlement Agreement. And, that the Company abided by the  
16 solicitation, evaluation and selection process that was  
17 set forth in that Settlement Agreement. The resulting  
18 rates we believe are market-based, and it was  
19 competitively bid, consistent with RSA 374-F. And,  
20 therefore, we would recommend that the Commission approve  
21 the Petition.

22 I recognize the interest that the OCA  
23 has, but I just want to caution the Commission that we do  
24 have a Settlement Agreement in place on this. I would

1 assume that, if we are going to modify any aspect of the  
2 elements of the Default Service docket and the review of  
3 those, we would have to amend the Settlement Agreement or  
4 it would have to be something in the form of an  
5 informational filing where there was no subsequent action  
6 involved. But I would have to say that this is the first  
7 I've heard of this problem in the, I don't know, seven  
8 years I've worked on this docket. And, I would just  
9 recommend caution in moving forward with any changes  
10 without getting agreement of all the parties. Thank you.

11 CHAIRMAN IGNATIUS: Thank you.

12 Ms. Knowlton.

13 MS. KNOWLTON: Thank you. The bid  
14 process that was followed for this solicitation was  
15 consistent with the terms of the Settlement Agreement that  
16 Ms. Amidon just referenced. That Settlement Agreement is  
17 very particular and detailed in terms of the parameters it  
18 establishes for how default service is to be put out for  
19 bid and the timing of every step along the way. I do  
20 agree that, if we're going to make any changes to that  
21 process, we would need to be very careful about doing  
22 that. That was an adjudicative docket. I believe there  
23 were suppliers that participated in that docket. So, we  
24 would need to also work with the supplier community, if

1 there were to be changes, because all of the documents  
2 that lead up to the award of a contract are based on that  
3 process. So, you know, if you look at the bid, the RFP  
4 that's issued, it lays that all out for the suppliers.  
5 So, I think, you know, if there were changes, they would  
6 need to be certainly made aware of the possibility of that  
7 occurring.

8 As Mr. Warshaw demonstrated in his  
9 testimony, the rates that are proposed are market-based.  
10 We ask that you approve those rates as just and reasonable  
11 and in the public interest for effect May 1st. The  
12 reconciliation that was prepared by Mr. Simek is  
13 consistent with how prior reconciliations have been  
14 conducted, and would ask that that be approved as well.

15 With regard to the borderline sales  
16 issue, there is no docket at FERC involving this matter at  
17 this time. It's possible that, if there is an agreement  
18 that is reached, that there may be a filing that is made  
19 at FERC. We certainly will be making a filing at this  
20 Commission when we have received funds to flow back to  
21 customers, and that filing will provide a lot of detail  
22 about the calculations that underlie any payment for  
23 transmission and commodity rates. Those are the funds  
24 that would flow back to customers. And, we would also

1 provide information about any payment that we may receive  
2 for compensation for distribution rates, and that piece  
3 would remain with the Company. So, we will keep the  
4 Commission, the Staff, the OCA apprised as this issue  
5 progresses. I promise I will notify everybody if an  
6 agreement is reached, I will do that in a filing to the  
7 Commission, to let you know. And, I'll make a phone call  
8 as well to Staff and the OCA as soon as that occurs,  
9 assuming that it does.

10 So, with that, I thank you. And, I  
11 certainly thank the Commission for its continued support  
12 in the resolution of this difficult issue.

13 CHAIRMAN IGNATIUS: Thank you. Two  
14 administrative things I just want to double check with  
15 you. One is the order, if it was filed on May -- excuse  
16 me, March 21st, the order is due tomorrow, the 26th, is  
17 that right?

18 MS. KNOWLTON: No.

19 MS. AMIDON: It would be the 28th.

20 MS. KNOWLTON: The 28th.

21 MS. AMIDON: By Friday.

22 CHAIRMAN IGNATIUS: Oh, it's business  
23 days.

24 MS. KNOWLTON: Business days, correct.

1                   CHAIRMAN IGNATIUS: So, Friday, the  
2 28th, I'm sorry, is our deadline. All right. And, on the  
3 confidential substitution pages that you distributed this  
4 morning, do you know if they, when they went to the  
5 Clerk's office, they just simply pulled off the website  
6 the ones that should have been redacted and did not?

7                   MS. KNOWLTON: So, the corrections were  
8 not to the redacted version, the redacted version was  
9 correctly redacted. It was the confidential version that  
10 didn't do the gray shading so that you could see what was  
11 confidential.

12                   CHAIRMAN IGNATIUS: Okay.

13                   MS. KNOWLTON: We haven't made a filing  
14 with the Clerk's office. If you would like us to do that,  
15 we certainly can.

16                   CHAIRMAN IGNATIUS: My main concern was  
17 that the public version be correctly redacted. So, I'm  
18 glad that it is. I think, because we have the original  
19 and the substitute pages explained this morning, there's  
20 no reason to refile those. I think we're okay on that.

21                   MS. KNOWLTON: Thank you.

22                   CHAIRMAN IGNATIUS: Is there anything  
23 else.

24                   (No verbal response)

1                   CHAIRMAN IGNATIUS:  If not, then thank  
2   you, everyone, for your help.  And, we understand we've  
3   got a short deadline, though not quite as short as I  
4   thought it was.  And, we'll take all this under  
5   advisement.  We're adjourned.

6                   **(Whereupon the hearing was adjourned at**  
7                   **11:36 a.m.)**

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