

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

December 18, 2014 - 10:02 a.m.  
Concord, New Hampshire

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RE: DE 14-235  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:  
*Proposed Default Energy Service Rate  
for 2015.*

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:  
Susan Chamberlin, Esq., Consumer Advocate  
James Brennan, Finance Director  
Office of Consumer Advocate

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Thomas C. Frantz, Director/Electric Division  
Grant Siwinski, Electric Division

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

ORIGINAL

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## I N D E X

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                              **FREDERICK B. WHITE**  
                              **CHRISTOPHER A. PLECS**

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**P R O C E E D I N G**

CHAIRMAN HONIGBERG: All right. Good morning. We're going to open the hearing in Docket DE 14-235, which is PSNH's Energy Service docket. This is what others refer to as "Default Service". It's a rate that needs to be reset regularly. PSNH has made its filings, and we have them. The witnesses have already taken their seats.

But, before we begin, before we go any further, let's take appearances.

MR. FOSSUM: And, good morning, Commissioners. Matthew Fossum, for Public Service Company of New Hampshire.

MS. CHAMBERLIN: Susan Chamberlin, Consumer Advocate. And, with me today is Jim Brennan.

MS. AMIDON: Good morning. Suzanne Amidon, with the Commission Staff. With me today is Tom Frantz, the Director of the Electric Division, and Grant Siwinski, an Analyst in the Electric Division.

CHAIRMAN HONIGBERG: Mr. Fossum, how are we going to proceed this morning?

MR. FOSSUM: We have -- we have the exhibits, which have been provided to the Clerk, that would be entered this morning as it may be appropriate,

[WITNESS PANEL: Goulding~White~Plecs]

1 would be the September 15th filing, the initial filing in  
2 this case, would be "Exhibit 1" for identification. The  
3 December 15th technical statement would be "Exhibit 2" for  
4 identification. And, then, a series of spreadsheets would  
5 be entered as "Exhibit 3" for identification. And, we  
6 will have the witness explain those exhibits as we go  
7 along.

8 (The documents, as described, were  
9 herewith marked as **Exhibit 1, Exhibit 2,**  
10 and **Exhibit 3,** respectively, for  
11 identification.)

12 CHAIRMAN HONIGBERG: And, we have a  
13 panel of three witnesses I see?

14 MR. FOSSUM: Yes.

15 CHAIRMAN HONIGBERG: Mr. Patnaude.

16 (Whereupon **Christopher J. Goulding,**  
17 **Frederick B. White,** and  
18 **Christopher A. Plecs** were duly sworn by  
19 the Court Reporter.)

20 **CHRISTOPHER J. GOULDING, SWORN**

21 **FREDERICK B. WHITE, SWORN**

22 **CHRISTOPHER A. PLECS, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. FOSSUM:

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[WITNESS PANEL: Goulding~White~Plecs]

1 Q. Mr. Plecs, could you state your name and your title and  
2 your responsibilities for the record in this docket  
3 please.

4 A. (Plecs) My name is Christopher Plecs. My title is the  
5 Manager of Forecasting for Northeast Utilities. And,  
6 my responsibilities for the Company are I'm responsible  
7 for sales and revenue forecasting.

8 Q. And, Mr. Plecs, have you ever testified before this  
9 Commission before?

10 A. (Plecs) No, I have not.

11 Q. Mr. Goulding, if you could state your name and your  
12 title and your responsibilities for the record please?

13 A. (Goulding) My name is Christopher John Goulding. I'm  
14 employed by Northeast Utilities as the Manager of  
15 Revenue Requirements for PSNH. My primary  
16 responsibilities are to oversee the  
17 coordination/implementation of revenue requirement  
18 calculations associated with the Distribution rates,  
19 SCRC rates, Energy Service rate, and TCAM.

20 Q. And, Mr. White, if you could also state your name, your  
21 title, and your responsibilities for the record please.

22 A. (White) My name is Frederick White. I'm a Supervisor  
23 in the Energy Supply Group for Northeast Utilities  
24 Service Company. My primary responsibilities include

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1 the analysis of the portfolio of load and resources for  
2 the Public Service of New Hampshire Energy Service  
3 rate, for the purpose of rate-setting and  
4 reconciliation of costs.

5 Q. And, Mr. Goulding, on September 15th, did you submit  
6 prefiled testimony in this docket?

7 A. (Goulding) Yes.

8 Q. And, was that testimony prepared by you or under your  
9 direction?

10 A. (Goulding) Yes.

11 Q. And, do you have any corrections or updates to that  
12 testimony today?

13 A. (Goulding) Yes, I do.

14 Q. Could I explain the correction or corrections.

15 A. (Goulding) On Page 3 of 13, Bates stamp 006 of the  
16 testimony, there's a column that says "Date of  
17 Service", and it has a bunch of Energy Service rates  
18 for different periods in time. The last one says "July  
19 2013 to December 2014". It should be "July 2014 to  
20 December 2014".

21 Q. Do you have any other corrections or updates?

22 A. (Goulding) No, I do not.

23 Q. Mr. Goulding, if you were asked the same questions that  
24 are in this testimony today, would your answers be the



1 same?

2 A. (Goulding) Yes, they would.

3 Q. And, this testimony is true and accurate to the best of  
4 your knowledge and belief today?

5 A. (Goulding) Yes.

6 Q. And, Mr. Plecs, did you also, on September 15, 2014,  
7 submit prefiled testimony in this matter?

8 A. (Plecs) Yes.

9 Q. And, was that testimony prepared by you or under your  
10 direction?

11 A. (Plecs) Yes.

12 Q. And, do you have any corrections or updates to that  
13 testimony?

14 A. (Plecs) No.

15 Q. And, if you were asked the same questions that are in  
16 that testimony today, would your answers be the same?

17 A. (Plecs) Yes.

18 Q. And, that testimony is true and accurate to the best of  
19 your knowledge and belief today?

20 A. (Plecs) Yes.

21 Q. Just for completeness, Mr. Goulding, did you, on  
22 December 15th, 2014, submit a technical statement and  
23 updated exhibits in this docket?

24 A. (Goulding) Yes.

[WITNESS PANEL: Goulding~White~Plecs]

1 Q. And, is the information -- was the information in that  
2 technical statement prepared by you or under your  
3 direction?

4 A. (Goulding) Yes, it was.

5 Q. And, do you have any corrections or updates to the  
6 information in that statement?

7 A. (Goulding) No, I do not.

8 Q. And, the information in that statement is true and  
9 accurate to the best of your knowledge and belief  
10 today?

11 A. (Goulding) Yes.

12 Q. And, Mr. White, did you also submit -- were you also  
13 part of the technical statement that was submitted on  
14 December 15th, 2014?

15 A. (White) Yes.

16 Q. And, the same questions to you was, to the extent that  
17 your testimony or statement was included, is the -- are  
18 those statements or were they prepared by you or under  
19 your direction?

20 A. (White) Yes, they were.

21 Q. And, do you have any corrections to the information in  
22 that statement?

23 A. (White) No.

24 Q. And, the information in that statement is true and

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[WITNESS PANEL: Goulding~White~Plecs]

1 accurate to the best of your knowledge and belief  
2 today?

3 A. (White) Yes, it is.

4 Q. Mr. Goulding, could you very briefly just explain  
5 the -- at a somewhat high level, explain the Company's  
6 proposal as it was made back in September, in what has  
7 been marked for identification as "Exhibit 1".

8 A. (Goulding) Okay. The September 15th proposal was  
9 proposing a rate -- an Energy Service rate of 9.61  
10 cents, which was a decrease from the current rate of  
11 9.87 cents. And, the main drivers of that rate -- or,  
12 the rate change was the removal -- or, the forecasted  
13 under recovery again of '14 to be zero. So that itself  
14 removed about 0.3 cents from the rate. And, then a  
15 decrease in fuel expense, forecasted fuel expense for  
16 2015, which was offset by an increase in RPS expense  
17 for 2015.

18 Additionally, in that filing, we used  
19 historic migration, consistent with how we had filed in  
20 the past. And, the migration level that we used was  
21 50.2 percent.

22 Q. In calculating the rate as proposed on September 15th,  
23 did the Company make any changes relative to the amount  
24 of assessment that was included in that rate?

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[WITNESS PANEL: Goulding~White~Plecs]

1 A. (Goulding) Yes, we did. Consistent with the law that  
2 was passed for July 1st, we removed all the assessment,  
3 with the exception of \$10,000, from the Energy Service  
4 rate. And, those costs were moved over to the  
5 Distribution rate.

6 Q. Now, if you could then please describe, Mr. Goulding or  
7 Mr. White as may be appropriate, what changes from that  
8 proposal were made as part of the December 15th update  
9 that has been marked for "Exhibit 2" -- marked as  
10 "Exhibit 2" for identification please?

11 A. (Goulding) Okay. I'll start with the primary changes  
12 from the December 15th to 9/15 filing. The primary  
13 changes was, in the 9/15 filing, we had a 2014 -- a  
14 minimal 2014 under recovery. But, in the September --  
15 or, the December 15th filing, we had a forecasted under  
16 recovery of roughly \$13 million. Additionally, we have  
17 increased fuel expense for 2015, which wasn't offset by  
18 a reduction -- or, by an increase in purchases -- I  
19 mean increase in sales. And, the reason why it wasn't  
20 offset by an increase in sales is because, for the  
21 December 15th filing, we incorporated the forecasted  
22 migration. So, the level of forecasted -- on an annual  
23 basis, the level of forecasted migration for 2015 was  
24 51.7 percent, compared to the 50.2 percent in the

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[WITNESS PANEL: Goulding~White~Plecs]

1 September 15th filing. And, when we looked at the  
2 forecasted migration, we didn't just apply it on an  
3 annual basis, we took into account the migration trends  
4 on a month-to-month basis.

5 Q. So, if I could stop you there. You said the Company,  
6 for purposes of the December 15th filing, used  
7 forecasted migration, rather than the historic  
8 migration that was in the September 15th. Could you  
9 explain the change or the reasons for the change?

10 A. (Goulding) Yes. So, in 13-275, we received an order  
11 from the Commission that directed the Company to  
12 develop a forecasted migration. So, for the  
13 September 15th filing, we filed the forecasted  
14 migration consistent with the order. And, then, based  
15 on the trends that we are seeing, where customers are  
16 migrating back in the high priced months, and leaving  
17 in the lower priced months, we incorporated that  
18 migration forecast into our December 15th rate update.

19 Q. And, that was the migration forecast contained in  
20 Mr. Plecs's testimony?

21 A. (Goulding) That's correct.

22 Q. Since you mentioned, I'll ask you also, you described  
23 an under recovery of \$13 million as part of the  
24 December update. Could you explain the reasons for

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[WITNESS PANEL: Goulding~White~Plecs]

1           that under recovery.

2   A.   (Goulding) That under recovery was driven primarily by  
3       migration in the months of August, September, and  
4       October. So, it resulted in less sales.

5   Q.   Mr. Goulding, is it the Company's position that the  
6       rate that is proposed for effect on January 1st as  
7       contained in this filing is a just and reasonable rate?

8   A.   (Goulding) Yes, it is.

9                   MR. FOSSUM: And, with that, I'll make  
10   them --

11                  CHAIRMAN HONIGBERG: Mr. Fossum, do you  
12   want to ask at all about Exhibit 3 in this hearing?

13                  MR. FOSSUM: I apologize. Yes, I do. I  
14   very much should have, and I apologize for that.

15   BY MR. FOSSUM:

16   Q.   Mr. Goulding, then could you please explain very  
17       briefly what Exhibit 3 is?

18   A.   (Goulding) So, Exhibit 3, on Page 1, is the percent  
19       change in each rate component. And, we're talking  
20       about the Energy Service rate right here. So, if you  
21       go to the "Energy Service" column, you'll notice the  
22       6.9 percent change for Residential rate, 6.9 percent  
23       change for General Service rate, and down the line it's  
24       a 6.9 percent change, because the revenues generated by

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[WITNESS PANEL: Goulding~White~Plecs]

1       that class, under the old rate compared to the new  
2       rate, is a 6.9 percent change, because everyone is  
3       charged on a per kWh basis.

4   Q.   And, the second page of that exhibit is demonstrating?

5   A.   (Goulding) The second page is how much percent change  
6       of total revenue for each class. So, for Residential  
7       class, of the total customer's bill, the Energy Service  
8       rate change is going to have a 3.8 percent change on  
9       their total bill. So, it's an increase in the total  
10      bill by 3.86 percent.

11   Q.   And, just for clarity, if I look at the third to the  
12      last column labeled "Total Delivery Service", and the  
13      "Energy Service" column next to it, those two changes  
14      combined make up the changes that are noted in the last  
15      column labeled "Total Revenue"?

16   A.   (Goulding) That's correct.

17   Q.   And, finally, could you explain the final page of  
18      Exhibit 3 please.

19   A.   (Goulding) So, the final page of Exhibit 3 is a typical  
20      bill comparison for a residential customer. And, what  
21      it shows is the total bill for a customer taking the  
22      usage specified in Column 1. So, the total bill  
23      effective July 1st, and what their total bill would be  
24      effective July 1st taking that same usage. And, then,

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[WITNESS PANEL: Goulding~White~Plecs]

1 the next column shows the change in dollars between the  
2 old rate and the new rate, and the percent change in  
3 the total bill from the old bill to the new bill. And,  
4 this incorporates all three rate changes that we're  
5 proposing for January 1st. It incorporates the  
6 Distribution rate change, the Stranded Cost Recovery  
7 Charge rate change, and the Energy Service rate change.

8 Q. So, just two questions for clarification. I believe I  
9 heard you say that the effective was showing the  
10 difference between July 1 of 2014 and July 1 of '15,  
11 but it's for January 1st, is that correct?

12 A. (Goulding) January 1st, 2015.

13 Q. And, the other question is this, the typical bill  
14 comparison, the amounts shown there, those presume that  
15 a customer is taking energy service from Public  
16 Service, is that correct?

17 A. (Goulding) That's correct.

18 Q. And, so, if a customer is not taking energy service  
19 from PSNH, these numbers would be somewhat different?

20 A. (Goulding) They would, yes.

21 MR. FOSSUM: Thank you. And, with that,  
22 I will make them available for cross.

23 CHAIRMAN HONIGBERG: Ms. Chamberlin.

24 MS. CHAMBERLIN: Thank you.

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**CROSS-EXAMINATION**

BY MS. CHAMBERLIN:

Q. The September proposal was an expectation of an 11 percent decrease in the rate, correct? I guess Mr. Goulding.

A. (Goulding) Did you say an "11" --

Q. Well, it was a decrease. It went from -- the proposal was from 9.87 to 9.61, is that --

A. (Goulding) That's correct, a decrease in the rate.

Q. And, your December update is an increase of about a dollar? From the 9 to the 10?

A. (Goulding) Yes, roughly 0.75 cents or somewhere around there.

Q. The major driver of that significant difference is the change in the forecasting methodology for migration, is that correct?

A. (Goulding) That's one of the drivers. The other major drivers are, there was a roughly \$13 million forecasted under recovery at the end of 2014 that wasn't forecast for the 9.61 cent rate. So, that \$13 million is roughly a 0.3 cent increase in the rate. Additionally, there was an updated load forecast that was incorporated into the December 15th filing, where there was a decrease in load of approximately 1.4 percent.

[WITNESS PANEL: Goulding~White~Plecs]

1 And, which was -- so that change right there was an  
2 approximate 0.3 cent change in the rate. And, then,  
3 the remaining change was due to the updating of the  
4 migration. It wasn't all associated with changing the  
5 forecasted migration -- forecasted migration  
6 methodology, because our migration rate changed in the  
7 initial filing from 50.2 percent, down to -- up to  
8 51.7 percent using forecasted migration.

9 Q. The decrease in load that you just mentioned, is that  
10 separate from migration or is that caused by migration?

11 A. (Goulding) No. It's completely separate from  
12 migration.

13 Q. So, that would just be lower sales due to the economy  
14 or whatever?

15 A. (Goulding) Yes.

16 Q. All right. The 13 million under recovery, the new  
17 forecasting methodology increases accuracy, so it  
18 should decrease under recoveries. Is that --

19 A. (Goulding) That would be the expectation.

20 Q. That is the expectation, okay. So, this significant  
21 rate impact shouldn't happen again. We'll find out,  
22 because this is a new proposal, but that's, you know,  
23 that's what we're hoping for?

24 A. (Goulding) Correct. The rate impact associated with

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1 the under recovery should hopefully be mitigated.

2 Q. So, this will be a better matching between the people  
3 who are actually paying the rate and the people who are  
4 causing the rate to be whatever it is, it's just a  
5 better match?

6 A. (Goulding) Yes.

7 Q. Okay. Turning to Page 2 of Exhibit 2, it's the  
8 December 15th filing. And, the middle of the page is  
9 Paragraph D, "Changes". And, it's "Attachment CJG-2,  
10 Page 3". Can you go through, and I'll just walk you  
11 through, on Line 1 you're talking about "coal fuel  
12 expense". Can you explain the difference in the  
13 projections?

14 A. (White) In this filing, in the projection that's filed  
15 here, coal generation increased, because there was an  
16 increase in forward energy market prices. And, the  
17 projections are based on economic dispatch modeling of  
18 the units. So, as the value of energy increases due to  
19 the forward energy market increase, the coal generators  
20 are projected to run more and produce more  
21 megawatt-hours, increasing their fuel cost.

22 Q. So, the price of coal itself, it may have gone up a  
23 little bit, but not a lot?

24 A. (White) The price of delivered coal went up a little

[WITNESS PANEL: Goulding~White~Plecs]

1 bit in this projection, but not as much as the market  
2 prices for energy went up.

3 Q. And, moving to Line 2, this is referring to Schiller 5  
4 operation, correct?

5 A. (White) That's correct.

6 Q. And, can you explain why the wood generation is  
7 projected to decrease?

8 A. (White) We, through time, are always reviewing  
9 assumptions that go into our projections. And, in  
10 doing so, we made a decrease to the megawatt output  
11 level for the Schiller units, to be more reflective of  
12 their daily operating levels. We had been using a  
13 qualified capacity megawatt level, which the unit has  
14 the capability to generate, but it's not as  
15 reflective -- it's not completely reflective of the way  
16 we operate on a daily basis and how we offer the unit  
17 to ISO-New England. So, we made that adjustment to  
18 lead to a more accurate projection.

19 Q. So, the actual operation of Schiller 5 is not expected  
20 to change. You are incorporating a better estimate of  
21 that actual operation?

22 A. (White) That's correct. Actual operations have not  
23 changed.

24 Q. And, in Line 3, we're talking about the Newington plant

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[WITNESS PANEL: Goulding~White~Plecs]

1 generation. And, can you explain the increase?

2 A. (White) Again, the fuel that Newington burns follows  
3 market prices. It's more volatile than, for example,  
4 coal prices. And, what's happened in this projection  
5 is, energy prices went up, the cost of natural gas,  
6 which is its primary fuel these days, also went up, but  
7 to a lesser degree than the energy market prices. So,  
8 Newington dispatched more, really, for very similar  
9 reasons as the coal generation increase.

10 I'll also note that, in January through  
11 March in this projection, I talk about natural gas, the  
12 more economic fuel in January through March is actually  
13 oil. So, the projection is Newington is burning oil in  
14 those months.

15 Q. And, do you expect Newington to run after the winter  
16 period in April on oil or gas?

17 A. (White) Both fuels are always available for dispatch.  
18 And, we operate the unit on the more economic fuel.  
19 The expectation is that, after the winter period,  
20 natural gas will be the more economic fuel, and that  
21 generation beyond March will be fired with natural gas.

22 Q. On the same page, Paragraph Number 4, you talk about  
23 the "IPP energy expenses". These are the wood plants,  
24 that does not include the Burgess Biopower Plant, is

[WITNESS PANEL: Goulding~White~Plecs]

1           that correct?

2   A.   (White) No. That's not correct.

3   Q.   Oh.

4   A.   (White) These are not the wood plants. Those contracts  
5       have terminated. These are what I'll refer to as the  
6       "original IPPs", that have been under rate orders for  
7       quite some time. Most of them are very small hydro  
8       units. But the wood IPPs are no longer in the  
9       portfolio.

10   Q.   Okay. So, the small hydros, are these contracts -- do  
11       they have an expected end date or are they just  
12       continuous?

13   A.   (White) There are many different units. I'm going to  
14       put it in the neighborhood of 25, and they have varying  
15       expiration dates. These are the -- these are the  
16       resources that flow through Energy Service at actual  
17       energy market prices. And, the difference between that  
18       and their contract prices is collected through the SCRC  
19       charge.

20   Q.   So, what makes up their energy expense, if they're  
21       hydro?

22   A.   (White) Well, they have contracts with Public Service  
23       of New Hampshire at a fixed rate, or some of them  
24       simply have the ability to flow their energy through

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[WITNESS PANEL: Goulding~White~Plecs]

1 the Energy Service portfolio so as to receive energy  
2 revenues from ISO-New England. But the cost that's in  
3 Energy Service is the energy value at the time they're  
4 producing energy. They're also -- the difference  
5 between that and their contract rate, is the  
6 over-market portion, is paid through the SCRC.

7 Q. Okay.

8 A. (White) So, the costs here are the projected value of  
9 energy that they're going to produce.

10 Q. And, turning the page to Paragraph Number 5, there is a  
11 projected reduction for the Burgess Biopower  
12 generation. Could you explain that please.

13 A. (White) The reduction is two gigawatt-hours. It's  
14 relatively small, and all of it occurs in the month of  
15 January. And, it's due to ISO-New England informing  
16 the unit that, due to transmission work through  
17 mid-January, on a day-to-day basis, they may have -- be  
18 limited to 60 megawatts of output, which is a roughly  
19 10 percent reduction from their rated output. And, so  
20 given that notification, we have modeled that reduction  
21 into the projections.

22 Q. And, how is the Burgess Biopower plant operating these  
23 days? Is it operating generally at full capacity?

24 A. (White) They have been operating on a stable basis

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[WITNESS PANEL: Goulding~White~Plecs]

1       since the September timeframe. A few typical hiccups  
2       here and there. They recently came back from a six-day  
3       planned maintenance outage to tune up and prepare for  
4       the winter period. They came back on line this past  
5       Sunday, and have been operating well since then.

6   Q.   And, by "September", you mean "September 2014"?

7   A.   (White) That's correct.

8   Q.   This year?

9   A.   (White) Yes.

10   Q.   On Line 6, there is discussion of a "fixed price  
11       purchase for peak energy in May". Can you describe why  
12       PSNH thought that was a good idea?

13   A.   (White) Our coal resources are not projected to operate  
14       in the month of May. And, so, there is a gap between  
15       the resource level and the projected load level. There  
16       was an opportunity to lock in savings versus our coal  
17       generation resources. So, we did so, 100 megawatts of  
18       on-peak power, at a price below the cost of coal  
19       generation. So, for a portion of the gap, we locked in  
20       a portion of those megawatt-hours at a level below our  
21       alternative source of energy.

22   Q.   And, is this a typical practice of PSNH or is this an  
23       unusual opportunity that you received?

24   A.   (White) This is a typical practice. We periodically

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[WITNESS PANEL: Goulding~White~Plecs]

1 review the portfolio looking out a year. And, we  
2 usually contemplate any market purchases over the next  
3 six months, because prices can move around a fair  
4 amount. And, so, during a recent review, we looked  
5 closely at April, May, and June, and made a  
6 determination that prices were \$10 at least below the  
7 cost of coal generation. So, we locked in a portion of  
8 that. So, it's a review and a -- that we go through  
9 several times a year.

10 Q. Then, the last sentence of that Paragraph 6 says "The  
11 decreases in purchases and sales are primarily due to  
12 higher generation and lower loads." Is it "higher  
13 generation", is there supposed to be a word in there,  
14 like "costs" or something, or "amount of" -- or, just  
15 the fact that you are generating more? If you could  
16 just explain that sentence, that would be helpful.

17 A. (White) Okay. I think it is most easily understood by  
18 referring back to Item 1, where we talk about the  
19 "increase in coal generation". And, that's the higher  
20 generation that's referred to here. Since our units  
21 are providing energy to serve default load, it has  
22 replaced the need to make spot purchases from the  
23 energy market.

24 Likewise, lower loads, over the course

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[WITNESS PANEL: Goulding~White~Plecs]

1 of the year, results in the same outcome. That there's  
2 less need for spot energy market purchases.

3 Q. And, moving to Line 7, can you just describe the  
4 interaction between RGGI, congestion, and loss  
5 adjustments?

6 A. (White) Okay. RGGI is simply, when there is more  
7 generation at our fossil units, there are more  
8 emissions. And, so, the cost for RGGI allowances goes  
9 up a commensurate amount.

10 Regarding congestion and loss  
11 adjustments, again, related to more generation at our  
12 plants, there is a cost to move the energy from the  
13 pricing nodes where the generators put power on the  
14 system to the load zone where the load resides. So,  
15 this is capturing the congestion and loss difference  
16 between the generation nodes and the New Hampshire load  
17 zone, where the load -- where the load is located.

18 Q. When you're -- when PSNH is making the decision whether  
19 or not to run its own plants or purchase from the  
20 market, all of these elements are taken into  
21 consideration, correct?

22 A. (White) Yes. That's correct.

23 Q. I mean, some of these increase the cost, as in  
24 increased fuel expense, others decrease the cost, as in

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[WITNESS PANEL: Goulding~White~Plecs]

1       it's less than market, and you have to balance all of  
2       those out?

3   A.   (White) Yes.  We -- our goal is to operate our units in  
4       the most economically efficient manner that we can,  
5       incorporating all cost components and all revenue  
6       components for producing energy.

7   Q.   Okay.  And, looking at Paragraph numbered 8, I think  
8       we've talked about the changes in sales.  Could you  
9       just quickly summarize that.

10  A.   (White) Well, overall, the base load forecast  
11       decreased.  And, in addition, average generate --  
12       average migration rate in the September filing was  
13       50.2 percent.  Average generate -- average migration  
14       rate over the course of the year, 2015 in this filing,  
15       is 51.6 percent.  It now has a monthly pattern.  But  
16       the decrease in the base load forecast and the increase  
17       in generate -- in migration has LED to a lower load and  
18       lower sales levels.  And, that's detailed in the table  
19       at the top of Page 4 of the Technical Statement, which  
20       is part of Item 8.

21  Q.   And, this entire filing shows the sensitivity of the  
22       Energy Service rate to migration.  Is that a fair  
23       characterization?

24  A.   (White) I'm sorry.  Would you say that again please.

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[WITNESS PANEL: Goulding~White~Plecs]

1 Q. Well, these changes in the Energy Service rate in this  
2 filing shows the sensitivity of the Energy Service rate  
3 to migration. Is that a fair characterization?

4 A. (White) Yes. And, in particular, the monthly migration  
5 pattern. Yes.

6 Q. And, have you projected in the future whether this  
7 monthly pattern is going to change?

8 A. (White) I would say, as long as the current monthly  
9 price patterns in the energy market stays like it is,  
10 where it's very high in the winter and much lower in  
11 the shoulder and summer periods, we would expect  
12 migration to behave similarly, except for the fact that  
13 we've -- that's going to be mitigated, we hope, due to  
14 implementation of Rate ADE, which is effective on  
15 January 1st.

16 Q. So, this filing does not incorporate any of the changes  
17 to Rate ADE? I thought that was a softball.

18 A. (Goulding) No, it isn't.

19 A. (White) I think that's fair to say, yes.

20 Q. Okay. And, just to complete the review, turning to  
21 Page 4, "ISO-New England Ancillary expenses", can you  
22 describe what those are?

23 A. (White) They include all the administrative expenses  
24 that ISO-New England charges to load. And, they also

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[WITNESS PANEL: Goulding~White~Plecs]

1 include classic ancillaries, which would be things like  
2 automatic generation control, forward reserves,  
3 real-time reserves, those ancillary services that are  
4 provided by generation units, the costs of which are  
5 charged to load.

6 Q. And, you receive -- you receive some revenue from  
7 ISO-New England as well, correct?

8 A. (White) Yes. Our generation resources receive some  
9 revenues for forward reserves, real-time reserves,  
10 Black Start, and VAR services, yes.

11 Q. And, are they captured in that Paragraph Number 9 or  
12 are they reflected elsewhere?

13 A. (White) I believe those are all captured in Item 9.  
14 So, that is -- those are net figures. Also included in  
15 that item is the Winter Reliability Program.

16 Q. And, can you describe the difference between this  
17 year's Winter Reliability Program and last year's  
18 Winter Reliability Program?

19 A. (White) In terms of the projected economics or --

20 Q. Yes.

21 A. (White) Last year, I believe we realized over  
22 \$2 million in net benefits for ES customers through  
23 participating in the program with our Newington unit.  
24 This year, they have modified the program. It has

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[WITNESS PANEL: Goulding~White~Plecs]

1 different working parameters. And, the outcome of this  
2 year's program is not as -- it's not as definable up  
3 front as it was last year. What we have modeled for  
4 economics this year is 2.6 million of costs to load,  
5 because the costs throughout the region of running the  
6 program gets charged back to all load. So, there's 2.6  
7 million of costs to ES customers. And, we have modeled  
8 2.8 million of revenues to our Newington unit through  
9 participation in the program. So, the net is a  
10 \$200,000 benefit to ES customers in the projection.

11 We hope and have a fair expectation that  
12 the benefits will be greater than that. But, without  
13 the winter playing through, it's just not as easy to  
14 predict. Whereas, last year we were more comfortable  
15 predicting greater net benefits in the rate, which we  
16 did realize.

17 Q. And those, if the benefits are greater than projected,  
18 they will show up in the next Energy Service filing?

19 A. (White) I would expect that all the billing will be  
20 completed in time for our July 1st update filing, yes.

21 Q. And, the "Domestic Manufacturing Deduction Credit",  
22 that's a tax credit, is that correct?

23 A. (Goulding) "Domestic Manufacturing Deduction Credit" is  
24 a deduction that we're able to take on our Federal Tax

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[WITNESS PANEL: Goulding~White~Plecs]

1 return that results in a reduction to expense.

2 Q. And, that's not new legislation. It's available to  
3 PSNH this time because of why?

4 A. (Goulding) It wasn't available -- it was available in  
5 2014, we had about \$600,000 that we forecast into our  
6 Energy Service filing -- in this Energy Service filing  
7 for 2014. Prior to that, it was not available, because  
8 PSNH had a net operating loss. And, when you have a  
9 net operating loss, you can't take the deduction,  
10 because there's no income to deduct against. And, that  
11 net operating loss was primarily driven from 2011,  
12 where there was a 100 percent bonus depreciation, and  
13 the Company had large Scrubber Project go into service  
14 in 2015, along with other investments.

15 Q. Do you have any expectation of getting this deduction  
16 in the future?

17 A. (Goulding) Depends what happens with legislation  
18 changes. I would assume that we would get it, but I'm  
19 not comfortable with saying "yes" or "no".

20 Q. Well, assuming legislation stays the same, in terms of  
21 you're operating, would you expect to continue to get  
22 it?

23 A. (Goulding) As long as there's no net operating losses,  
24 then we would get the deduction -- or, the credit.

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[WITNESS PANEL: Goulding~White~Plecs]

1 Q. And, you can't predict right now whether or not you  
2 expect net operating losses in the future?

3 A. (Goulding) I don't -- I can not, can not predict.

4 Q. Okay. Line -- Paragraph Number 10 talks about the "RPS  
5 expense". Can you explain the relationship between  
6 "RPS expense" and "lower loads"?

7 A. (White) As a load-serving entity, we are required to  
8 possess allowances in the various Renewable Portfolio  
9 Standard classes based on the level of sales that we  
10 serve. And, since our projected level of sales has  
11 decreased, so has the RPS expense associated with it.

12 Q. And, Line 11, "capacity expenses". And, can you  
13 explain why they increased?

14 A. (White) They increased because the projection includes  
15 greater total megawatts of capability responsibility.  
16 When we went to the monthly pattern of migration on  
17 energy, we reviewed the like statistic for capacity,  
18 and the historical relationship between capacity  
19 migration and energy migration. And, in updating that  
20 relationship to be consistent with the monthly  
21 migration pattern for energy, we updated the migration  
22 pattern for capacity, which resulted in a half a  
23 million dollar increase in net capacity expense.  
24 Overall, capacity market still provides a credit to ES.

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1 But the change from the September filing is half a  
2 million dollars.

3 Q. And, a good segue into the forecasting methodology.

4 Mr. Plecs, could you describe what you rely on to make  
5 the new forecasting methodology for the migration?

6 A. (Plecs) Sure. The best place to start for that is in  
7 the September 15th filing. If you look at Attachment  
8 CAP-2. So, what's in Attachment CAP-2 is a chart  
9 showing the historical migrated load and the historical  
10 NYMEX forward electricity prices. So, the reason I  
11 think this is so important to look at is, what we see  
12 here is every time the NYMEX forward prices go up, the  
13 migrated load goes down. So, that's effectively the  
14 relationship that we're relying on to assemble the  
15 forecast of future migrated loads. So, we start by  
16 establishing the relationship with historical data as  
17 shown in this chart, and then we get a forecast of  
18 future NYMEX forward prices -- excuse me, that's not  
19 actually a forecast, that's actually the forward  
20 prices, they're quoted on the New York Exchange. And,  
21 we carry forward the relationship that was established  
22 in the history applied to the future forward prices to  
23 get a future migrated load.

24 Q. And, if there is a change in the market, so that there

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1 is no longer such a big difference between the winter  
2 prices and the summer prices, would you expect your  
3 forecast to capture that change? Let's say somebody  
4 builds a big pipeline, and now we can get natural gas  
5 and --

6 A. (Plecs) Let me simplify my answer a little bit. So,  
7 any time -- the historical relationship would suggest  
8 that any time energy prices go up, migrated loads go  
9 down. So, if a new pipeline were to eliminate seasonal  
10 changes in energy prices, then I would expect that new  
11 pipeline would also change migration levels.

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

14 CHAIRMAN HONIGBERG: Ms. Amidon.

15 MS. AMIDON: Thank you. Good morning.

16 BY MS. AMIDON:

17 Q. One of the reasons, and I guess I direct this question  
18 at Mr. Goulding, one of the reasons that, in the  
19 Technical Statement of December 15th, the Company  
20 decided to use the forecast customer migration prepared  
21 by Mr. Plecs is because Staff said it supported that.  
22 Is that correct?

23 A. (Goulding) Yes.

24 Q. And, my understanding is that Staff supported it

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[WITNESS PANEL: Goulding~White~Plecs]

1           because of similar reasons that what you say in the  
2           Technical Statement, in other words, the probable  
3           effect will be to lower any under recoveries in future  
4           Default Service filings, is that right?

5   A.   (Goulding) That's correct.

6   Q.   And, the discussion of Newington, which is on Page 2,  
7           and I believe, Mr. White, you're the appropriate person  
8           for this question, is this increased Newington  
9           generation, does that factor in the Winter Reliability  
10          Program or is this outside of the Winter Reliability  
11          Program?

12   A.   (White) It's independent of the Winter Reliability  
13          Program.

14   Q.   And, it's mainly due to market prices, is that correct,  
15          forward market prices?

16   A.   (White) Yes. The relationship between forward market  
17          prices and dispatch costs.

18   Q.   Thank you. And, I believe, Mr. White, you're also, and  
19          correct me if I'm wrong, responsible for the table, the  
20          "Forward Electricity Prices" that appear at the top of  
21          Page 3 in the December 15th Technical Statement. Is  
22          that your work?

23   A.   (White) Yes.

24   Q.   And, if I look at the two filings, September 15th rates

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[WITNESS PANEL: Goulding~White~Plecs]

1           were based on August 20th prices, is that right?

2   A.     (White) That's correct.

3   Q.     And, the December 15th rates were based on  
4           November 20th prices, is that right?

5   A.     (White) That's correct.

6   Q.     Do you believe that those November 20th price forecasts  
7           are still accurate as of today and should be used in  
8           this analysis?

9   A.     (White) I think they are a reasonable projection of  
10          prices for 2015. Current -- more current forward price  
11          curves are -- have decreased from this level. And, it  
12          seems that forward quotations are sensitive to weather  
13          and many other market perceptions. It might be  
14          interesting, when we get some real winter weather, how  
15          those forward curves may change. It is -- this is  
16          above current levels, but I still feel it's a  
17          reasonable assumption for setting a rate for 2015.

18   Q.     Well, just by way of example, how much above current  
19          forecast is the January rate of 148.3?

20   A.     (White) Well, more current for the whole calendar  
21          strip, I don't have it by month, --

22   Q.     Okay.

23   A.     (White) -- but recent prices earlier this week were  
24          about 11 percent lower than the November 20th prices.

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[WITNESS PANEL: Goulding~White~Plecs]

1 Q. And, that's for the whole calendar strip?

2 A. (White) That's the whole calendar strip. That's  
3 roughly \$7 a megawatt-hour.

4 Q. Okay. Thank you. That's what I was looking for. And,  
5 I believe this is to you again, Mr. White. But Burgess  
6 Biopower has a separate line item here, because it's  
7 different than the IPPs, is that pricing or how the  
8 prices are paid is in a different category than the  
9 IPPs, is that right? I mean, all -- if I understand  
10 this and remember the Burgess contract, this is the  
11 point I'm getting at, energy, capacity, and the value  
12 of the RECs that PSNH purchases from Burgess Biopower  
13 are all in the Energy Service rate, is that right?

14 A. (White) Yes. That's correct. It's a fixed price  
15 contract, and all costs flow through Energy Service.

16 Q. And, so, there's nothing that is going into the SCRC?

17 A. (White) That's correct.

18 Q. Thank you. If we go to Page 6 of the December 15th  
19 update, Mr. Goulding, I believe you have here the  
20 individual elements in the contribution to costs. For  
21 example, if I look at Line 17, there is -- it's "New  
22 Hampshire RPS". Are you there?

23 A. (Goulding) Yes, I am.

24 Q. Okay. And, the total cost is "21,535,000", is that

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1 right?

2 A. (Goulding) That's correct.

3 Q. But, if you put that in terms of a cents per  
4 kilowatt-hour, that's over half a cent, right? It's  
5 0.56 cents?

6 A. (Goulding) Yes.

7 Q. Could you explain why there is such a significant cost  
8 for the 2015 RPS compliance? And, I'm not asking you  
9 to, you know, release any confidential information.  
10 I'm just asking for, in general terms, where the  
11 Company sees the cost causers in that factor?

12 A. (Goulding) I believe what was driving that was the  
13 Class III REC requirement in 2014 was 3 percent of  
14 sales and, for 2015, it's 8 percent of sales. So, our  
15 alternative compliance -- and, also the alternative  
16 compliance price, I believe, changed from \$32 to \$45  
17 for ACP.

18 Q. This is for Class III? Or overall?

19 A. (White) For Class III.

20 Q. Okay. And, if any of that is confidential, we can  
21 address that in the record. I'm not sure if it is.

22 A. (White) No. I think it's based on regulation.  
23 Actually, in prior years, I guess it's the Legislature  
24 has adjusted those parameters after-the-fact. They

[WITNESS PANEL: Goulding~White~Plecs]

1 have not done so or indicated they're going to do so  
2 for 2015.

3 Q. And, if I understand correctly, too, the Class III New  
4 Hampshire qualified RECs also find a market outside of  
5 this state at higher levels, is that fair to say? At  
6 higher prices?

7 A. (White) I'm not sure I can answer. I'm not aware that  
8 there's much difference for Class III throughout the  
9 region. I think every state's, what's considered  
10 "various classes" is different. I can't speak very  
11 knowledgeably about that, those specifics.

12 Q. I think you are refreshing my recollection. Class III  
13 is those wood facilities that were in existence as of  
14 2006. So, there are a limited number of eligible  
15 facilities, if I remember the legislation. I  
16 apologize --

17 A. (White) Right.

18 Q. -- if I confused you. But 0.56 cents is -- half a cent  
19 is a fairly significant contribution to rates, wouldn't  
20 you say?

21 A. (White) It's 0.56.

22 Q. Well, I couldn't ask for a better answer. And, the  
23 increase --

24 A. (White) It may be less than other states, actually.

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[WITNESS PANEL: Goulding~White~Plecs]

1 Q. But the increase in the cost for PSNH is about double  
2 of what it was last year?

3 A. (White) Subject to check.

4 Q. Okay.

5 A. (White) I'll take your word for it.

6 Q. All right. And, on Line 18 on that exhibit, it shows  
7 the "RGGI costs". So, and this is because, if I  
8 understand it correctly, all RGGI are paid through  
9 Energy Service, but the excess amounts over a dollar  
10 come back through the SCRC. Is that right?

11 A. (Goulding) That's correct.

12 Q. Okay. Thank you. And, then, again, as I previously,  
13 on Line 20, about the Berlin Station, all of the costs  
14 flow through the Energy Service rate. So, that's why  
15 the Berlin Station contribution is 0.89 cents per  
16 kilowatt-hour, is that right?

17 A. (Goulding) Yes. There's no costs in the SCRC.

18 Q. Okay. Thank you. One minute please. If I turn to  
19 Bates stamp 008 of that December filing, it's CJG-2,  
20 Page 2, let me know when you're there.

21 A. (Goulding) Okay.

22 Q. On Line 14, it says "Return" -- it's "Return on rate  
23 base", that's what constitutes Line 15 [14?]. And,  
24 these for the months -- this is just a partial year,

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[WITNESS PANEL: Goulding~White~Plecs]

1 but I'm just referring to this for this purpose. Could  
2 you explain how you calculate the return on rate base  
3 and what capital structure the Company used in this  
4 filing, and whether that will be changing any time  
5 soon?

6 A. (Goulding) Okay. So, the capital structure used in  
7 here has a return on equity percent of 9.81 percent.  
8 And, the equity and debt split, which was the most  
9 recent quarters on the books, which was Q3, was  
10 54.8 percent equity and 45.2 percent debt.

11 Q. And, you update that on a quarterly basis?

12 A. (Goulding) Yes. We update it on a quarterly basis  
13 based on the books.

14 Q. Do you have any idea at this point whether the capital  
15 structure will change for the fourth quarter?

16 A. (Goulding) Yes. There was an issuance of about I  
17 believe it was \$75 million of long-term debt. So, that  
18 change would change the capital structure from 45  
19 percent debt to 47 percent debt, and from 54 -- roughly  
20 54 and a half percent equity down to 53 percent equity.

21 Q. Okay. Thank you. Again, looking at the December 15th  
22 filing, at Bates 019, at CJG-4, Page 6. And, let me  
23 know when you're there.

24 A. (Goulding) Okay.

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[WITNESS PANEL: Goulding~White~Plecs]

1 Q. Okay. So, on Line 16, it says "Working Cap. Allowance  
2 (45 days of O&M)". Why does the Company use 45 days,  
3 instead of conducting an independent lead/lag study?

4 A. (Goulding) I believe that's a calculation that's  
5 consistent with past filings. I don't have an answer  
6 on why, and if there was an order that issued -- order  
7 issued that directed us to calculate it that way.

8 Q. Let me just ask you this. Are you the right person to  
9 answer this question? Or is it something that I  
10 could -- that could be answered in a record request?

11 A. (Goulding) It should be -- it could be answered in a  
12 record request.

13 MS. AMIDON: Is that okay with you,  
14 Mr. Fossum?

15 MR. FOSSUM: Yes.

16 MS. AMIDON: Well, so, my question is,  
17 why does the Company use the 45 days of O&M, instead of  
18 using a lead/lag study, and whether they can determine, if  
19 they used a lead/lag, it would be less than 45 days? And,  
20 while, Mr. Chairman, I don't believe it's essential to the  
21 Commission's ruling on this filing, it would be helpful  
22 for Staff to have this information.

23 CHAIRMAN HONIGBERG: Mr. Fossum, do you  
24 understand the request?

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[WITNESS PANEL: Goulding~White~Plecs]

1 MR. FOSSUM: I believe I do, but I'm not  
2 the one who has to answer the question.

3 CHAIRMAN HONIGBERG: But I think you're  
4 going to be the one who's speaking for whether you can  
5 answer it, so --

6 MR. FOSSUM: I believe the Company can  
7 answer the question, yes.

8 CHAIRMAN HONIGBERG: Okay. So, we'll  
9 make that --

10 MS. AMIDON: An exhibit?

11 CHAIRMAN HONIGBERG: -- reserve an  
12 exhibit for that. That's going to be "Exhibit 4".

13 MS. AMIDON: Okay. Thank you.

14 **(Exhibit 4 reserved)**

15 CHAIRMAN HONIGBERG: Ms. Amidon, do you  
16 have a timeline? You say it's not essential for the  
17 decision here. When do you want an answer to that  
18 question?

19 MS. AMIDON: If it could be provided  
20 within the next couple of weeks, that would be helpful.  
21 I'm mindful that there's Holiday Season, and I don't want  
22 to disrupt anybody's schedules because of that. But, in  
23 the next two or three weeks would be helpful, by the  
24 first -- around the first of the year.

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[WITNESS PANEL: Goulding~White~Plecs]

1 CHAIRMAN HONIGBERG: Mr. Fossum?

2 MR. FOSSUM: Just a moment.

3 (Atty. Fossum conferring with PSNH  
4 representatives.)

5 MR. FOSSUM: I guess we can aim for an  
6 answer before the first of the year.

7 CHAIRMAN HONIGBERG: Thank you very  
8 much.

9 MS. AMIDON: Thank you. Thank you,  
10 Mr. Fossum. Thank you, Mr. Chairman.

11 BY MS. AMIDON:

12 Q. Mr. Plecs, I don't know if this question is for you,  
13 but how frequently would the Company be updating it's  
14 migration forecast?

15 A. (Plecs) As frequently as required for this filing.

16 Q. Does that mean that you would not -- you would update  
17 the forecast for say a July 1 update?

18 A. (Goulding) Yes, that would be the plan. To update it  
19 for, I guess, the May 1st filing -- or, May 15th  
20 filing, and then also for the filing that we make in  
21 June.

22 Q. Okay. Very good. Thank you. And, just one question,  
23 I think I'm not clear on this. In the December 15th  
24 filing, Bates 004, Line 9, where the Company mentions

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[WITNESS PANEL: Goulding~White~Plecs]

1 the "Domestic Manufacturing Deduction Credit". And,  
2 you said that that was associated with some operating  
3 losses?

4 A. (Goulding) What it is is it's a deduction that you can  
5 take against operating income. But, if you don't have  
6 operating income, you cannot take the deduction. So,  
7 we had net operating losses in 2011, '12, and '13, and  
8 some in '14. So, we weren't able to take that  
9 deduction in '11, '12, and '13.

10 Q. So, to -- just for the record, that's PSNH, and not  
11 your parent company?

12 A. (Goulding) Correct. The operating losses were related  
13 to PSNH.

14 MS. AMIDON: Okay. Thank you. I have  
15 no further questions.

16 CHAIRMAN HONIGBERG: Mr. Scott, I'm  
17 fairly certain you have questions.

18 COMMISSIONER SCOTT: I'll take that as a  
19 compliment. Thank you. Good morning.

20 WITNESS GOULDING: Good morning.

21 WITNESS WHITE: Good morning.

22 COMMISSIONER SCOTT: And, the usual  
23 caveat, for me anyways, is whoever feels best to answer,  
24 please do so.

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1 BY COMMISSIONER SCOTT:

2 Q. I want to talk a little bit more about or understand a  
3 little bit more about migration. If, with these  
4 increases, but compared to the other sources of  
5 electricity, migration back to PSNH is higher than  
6 projected, what's the impact of that? What happens  
7 then?

8 A. (Goulding) Depends on what -- in the winter months, I  
9 guess it depends on what months we're looking at, but,  
10 in the higher priced winter months, if there's more  
11 migration that comes back to us than we're forecasting,  
12 and we're selling into the market, we would sell less  
13 into the market, because we would need that to provide  
14 to satisfy our Energy Service customers. If we're in a  
15 position where we had no surplus sales into the market  
16 because of the migration, and we had customers come  
17 back, we would have to go source that power from the  
18 market at the market prices.

19 Q. So, in both those scenarios, more migration back would  
20 actually increase your costs, does that sound right?

21 A. (Goulding) Yes. And, you have a different scenario, in  
22 the lower cost -- lower priced months, if you have  
23 higher migration than forecast, and if we were buying  
24 all of our power on the market, we would buy less power

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1 on the market. But, then, there's the offset to that,  
2 because of the higher migration means less customers to  
3 spread the fixed cost of generation over, like the O&M  
4 cost and property taxes.

5 Q. Okay. So, Rate ADE was mentioned a little bit. If the  
6 utility was in a situation where you saw migration come  
7 back in the -- because of pricing for the winter  
8 months, and then exit again in the shoulder and summer  
9 months, what's the impact of that?

10 A. (Goulding) With Rate ADE also?

11 Q. Well, I mentioned "Rate ADE". If Rate ADE doesn't cure  
12 that problem, let's put that pretense there?

13 A. (White) I think it's really a comparison on a monthly  
14 basis between marginal cost and average cost, and with  
15 the average cost essentially being the ES rate. So, if  
16 in a month where the marginal cost to provide energy is  
17 below the ES rate and customers leave, effectively,  
18 that's a credit to ES leaving. But I think that's the  
19 dynamic, marginal versus average. And, we see prices  
20 above average in the winter and below average, I think,  
21 in all the other months, at least in the shoulder  
22 months.

23 Q. Okay. Thank you. The other -- let me ask you  
24 generally. This is a -- this request, the final

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[WITNESS PANEL: Goulding~White~Plecs]

1 version, December version, is over a 6 percent increase  
2 for ratepayers. Can you outline a little bit what kind  
3 of communications or what kind of outreach you've done  
4 to prepare the ratepayers for this?

5 A. (Goulding) I believe when the filing was made there was  
6 a press release by the Company. And, then, I know  
7 there was some articles in the Union Leader and some  
8 other publications out there that talked about the  
9 increase in price from the current rate of 9.87 cents.  
10 I believe our press release focused on the increase in  
11 the Energy Service rate.

12 Q. And, I have in front of me the September 16th press  
13 release. And, one of the key things that, I think, if  
14 I were a consumer I would read, is "PSNH anticipates  
15 its energy charge will drop slightly next year." Would  
16 that be a fair assessment of reading that?

17 A. (Goulding) Yes.

18 Q. So, and we talk about energy efficiency and other  
19 conservation measures, but there's not, in a  
20 short-term, there's not a lot the ratepayer can do to  
21 mitigate any kind of increases, and, again, we've  
22 talked a little bit about the expectation for winters  
23 are higher. So, one thing they can do, if they know in  
24 advance, is they can plan a budget. You know, that's



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1 not a great solution, but at least they know it's  
2 coming. Does that sound right?

3 A. (Witness Goulding nodding in the affirmative).

4 Q. So, is there a way to more -- I'm a little bit  
5 concerned, I guess, because what we're saying is, in  
6 September, it looks like, with a lot of caveat, that  
7 language, and I see that, PSNH is saying "we're going  
8 to have a decrease". In December, now we're saying  
9 "okay, we've relooked at it, there will be a slight" --  
10 or, "an increase." Is there a better way for the  
11 future to communicate to the public what the  
12 expectations may be? It's a loaded question, right?

13 A. (Goulding) I struggle with that one, because the rate  
14 that we release in September as part of this filing  
15 isn't the rate that's going to get implemented. So, it  
16 does send a mixed signal to the customers, because the  
17 real rate is the December 15th rate. I guess I've  
18 thought about whether it was possible to not have the  
19 September 15th initial filing be made public, but it's  
20 the way the process is. And, the customers know when  
21 the filing goes in, I'm assuming, so they can look to  
22 see what the indicative or potential rate is going to  
23 be for January 1st.

24 Q. And, obviously, it's a public filing. So, I'm not

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1 suggesting anything to be withheld. I guess what I am  
2 suggesting is, is maybe, as we look forward, is there a  
3 way to couch our language for the public? And, again,  
4 nobody has a crystal ball, I understand that. But I'm  
5 a little bit concerned that there were mixed messages  
6 sent, if you will.

7 A. (Goulding) Yes. That inter -- the Company release  
8 can -- or, Company media release can be modified to not  
9 sell the rate that's not actually going to be the rate  
10 that's implemented.

11 COMMISSIONER SCOTT: Okay. I think  
12 that's all I have. Thank you.

13 BY CHAIRMAN HONIGBERG:

14 Q. I'd pick up where Commissioner Scott left off. I think  
15 that press release that was released in association  
16 with the September filing had a certain triumphal tone  
17 to it. And, it was in contrast to what else was  
18 happening in the market. And, the message delivered to  
19 PSNH's customers at that time I think would very likely  
20 be misread and was misread by the press that picked it  
21 up. That's a prelude to a question.

22 How do those things get created? I  
23 mean, is there consultation with the people in Customer  
24 Service about what the press release is going to say?

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1           Because they're the ones who are going to get the phone  
2           calls now, and probably are receiving e-mails like we  
3           received, which I'll get to in a second. How are those  
4           things created?

5   A.   (Goulding) There's a -- as far as I know, there is a  
6           Media Relations group that takes the data that we  
7           provide them and they develop a press release off it.  
8           I think it's consistent with how they have developed  
9           the press releases in the past, and talk about the  
10          potential rate changes and what the rate changes are.

11   Q.   And, they're always very careful to be accurate, aren't  
12          they?

13   A.   (Goulding) Yes. So, the data does match the filing.

14   Q.   How much involvement, if any, do the people on the  
15          front lines who deal with customers, how much  
16          involvement do they have in the development of press  
17          releases, to your knowledge?

18   A.   (Goulding) I'm not sure.

19   Q.   And, as I indicated, we have received some e-mails from  
20          your customers. Obviously, there's often a great  
21          mismatch between what the public understands is  
22          happening and what may actually be happening, and  
23          that's reflected in some of the e-mails that we've  
24          received. But these people are probably going to call

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1       your office as well. Have the customer relations  
2       people been prepared for an increased call volume as  
3       the rate changes get -- become better known?

4   A.   (Goulding) Well, when the filing goes in, our Rates  
5       group does send them over the rate change, with all  
6       information on why the rate changes and what's driving  
7       the rate changes, so they should be -- to prepare them  
8       for the increased call volume that could occur.

9                   CHAIRMAN HONIGBERG: I think that's all  
10   I have.

11                  Mr. Fossum, do you have any follow-up  
12   questions for your witnesses?

13                  MR. FOSSUM: I do not. Thank you.

14                  CHAIRMAN HONIGBERG: Thank you,  
15   gentlemen. We will let you return to your seats. Off the  
16   record.

17                  (Brief off-the-record discussion  
18                  ensued.)

19                  CHAIRMAN HONIGBERG: Back on the record.  
20   So, I assume there's no objection to the striking of ID on  
21   the exhibits that we have?

22                  (No verbal response)

23                  CHAIRMAN HONIGBERG: We've reserved an  
24   exhibit number for the data request. Is there any other

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1 business we need to take up before we let the lawyers sum  
2 up?

3 (No verbal response)

4 CHAIRMAN HONIGBERG: Seeing none,  
5 Ms. Chamberlin.

6 MS. CHAMBERLIN: Thank you. This filing  
7 shows how sensitive the Energy Service rate is to  
8 migration figures. The new methodology of forecasting  
9 migration should eliminate the large under recovery that  
10 we are experiencing in this particular filing. So,  
11 overall, the new methodology is an improvement, we  
12 believe. We will see how it goes forward. But it more  
13 accurately reflects the market on a monthly basis, and  
14 should make the Energy Service rate reflect that.

15 I would recommend that the newer lower  
16 rates for market prices be implemented. I believe the  
17 testimony was that PSNH is using November projections, and  
18 now the rates are 11 percent lower. I make that  
19 recommendation primarily because this rate is hitting in  
20 the wintertime, when the rates are going to be higher.  
21 And, so, if there's an accurate forecast methodology that  
22 can bring that down a little bit, I think it's worth  
23 doing. I'm assuming that, technologically, that that's  
24 something that they could do in short notice. I will

1 leave it to PSNH to respond to that.

2 But, otherwise, I believe that the  
3 changes made in methodology is an improvement, and that  
4 we, within the system we have today, which is that the  
5 Energy Service rate is paying -- customers are paying all  
6 of the generation costs, which make it very sensitive to  
7 migration. Within that framework, this is a better  
8 methodology for going forward.

9 CHAIRMAN HONIGBERG: Ms. Amidon.

10 MS. AMIDON: Thank you. Staff has  
11 reviewed the filing. And, we have determined that the  
12 Company has calculated the proposed Energy Service rate in  
13 the manner that it made previous such calculations. And,  
14 we support the filing. We believe that it's consistent  
15 with RSA 369-B:3, IV(b)(1)(A), the statute that pertains  
16 specifically to PSNH, and that the resulting rates are  
17 just and reasonable.

18 Having said that, however, we do -- we  
19 did raise the question about the use of the November 20th,  
20 2014 price forecast. And, we do believe, as you may have  
21 understood from that question, that we think it would be  
22 more appropriate to update the rates, if possible, because  
23 the most recent information is the most accurate  
24 information and will result in rates that are closer to

1 market for these customers. Again, similar to the OCA, we  
2 don't know how possible it is for it to make that  
3 adjustment.

4 But, certainly, in the future, perhaps  
5 as well, the Commission should decide whether, if they're  
6 going to make an update on December 15th, if they should  
7 be using -- if they should recommend to the Company to use  
8 a date closer to the update, rather than to use one that's  
9 almost a month out. That's just a suggestion. We haven't  
10 analyzed that in full.

11 Obviously, Staff also supports the  
12 customer migration forecast that's prepared by the  
13 Company, by Mr. Plecs. We think a lot of thought went  
14 into that, and we also support the continued use of it  
15 going forward, and have it updated on a six-month basis as  
16 the Company suggested.

17 Okay. And, although it's not directly  
18 part of this filing, that we're looking forward to getting  
19 the response to our record request, and expect that we  
20 will be looking forward to the Company actually conducting  
21 a Lead/Lag study in the future, to determine whether or  
22 not the 45 days is an accurate -- an accurate data.

23 CHAIRMAN HONIGBERG: Thank you, Ms.  
24 Amidon. Mr. Fossum.

1                   MR. FOSSUM: Thank you. I will begin by  
2     stating my agreement with the Staff position that the  
3     proposal that the Company has put forth today is  
4     consistent, we believe, with the requirements and is a  
5     just and reasonable rate. We would request that it be  
6     approved as filed.

7                   With respect to some of the specific  
8     items in the filing, we appreciate the -- consistent with  
9     the Commission's requirement, we had prepared, produced,  
10    and filed a forecast of migration, and, with the Staff's  
11    support, we've incorporated that forecast of migration  
12    into the rate-setting. We believe that to be an  
13    appropriate change to the method for establishing the  
14    rate, and would request that the Commission, to the extent  
15    any approval is necessary, that the Commission grant such  
16    approval.

17                  As for the issue that has been raised  
18    regarding the use of more current energy prices in the  
19    setting of the rate, I'll simply say that just it's not a  
20    mere change of a single assumption or a single data point  
21    within the filing that would need to be accomplished to  
22    actually set a rate. If you go back to what has been  
23    marked as "Exhibit 2", there are various portions of that  
24    filing that rely upon or are impacted by energy price



1 assumptions. As noted in Section D, this is on Page 2,  
2 Item 1, other changes in the assumption about the amount  
3 of coal generation due to higher electric market prices.  
4 Item 3, there's changes in Newington's generation as a  
5 result of those changes in forward prices. Item 4,  
6 likewise notes changes in IPP expenses. So, a change in a  
7 particular price -- the use of a particular price forecast  
8 would result in some fairly significant changes throughout  
9 the filing. And, I note that not to say that it's an  
10 impossibility to be done, but it is a labor to incorporate  
11 those rates and all of the resulting changes that have to  
12 be considered and implemented to develop the final rate  
13 that's proposed.

14 So, with that, I would ask that the  
15 Commission approve the rate as it's been filed and  
16 presented in the December 15th update. And, that it do so  
17 in time for implementation on January 1st.

18 CHAIRMAN HONIGBERG: Commissioner Scott.

19 COMMISSIONER SCOTT: Could you elaborate  
20 a little bit more please, Mr. Fossum, on -- actually, can  
21 you talk about what the -- if we were to require what the  
22 OCA has recommended, as far as looking at a revised  
23 updated forecast and incorporating that, what kind of  
24 timeframe do you think you'd need to get that done?

1                   MR. FOSSUM: I would have to turn to the  
2 witness for that. I wouldn't, obviously, be the one  
3 preparing all of that information. So, I honestly -- I  
4 don't know how quickly it could be done.

5                   CHAIRMAN HONIGBERG: Let me make a  
6 suggestion. Rather than you reopening this examination,  
7 we're going to be taking a break anyway. Why don't we  
8 take the break now. Mr. Fossum, you consult with your  
9 witnesses. And, then, when we come back, we'll come back  
10 on the record in this proceeding, end it, and reopen  
11 the -- and open the third one, rather than taking a break  
12 in between. Does that sound reasonable?

13                  MR. FOSSUM: Certainly.

14                  MS. AMIDON: Yes, it does.

15                  CHAIRMAN HONIGBERG: Okay. Good. So,  
16 let's go off the record now. We're going to take ten  
17 minutes and come back at half past eleven.

18                               (Whereupon a recess was taken at  
19 11:21 a.m. and the hearing reconvened at  
20 11:35 a.m.)

21                  CHAIRMAN HONIGBERG: Mr. Fossum.

22                  MR. FOSSUM: Thank you, Commissioners,  
23 for the opportunity to consult with others about the issue  
24 of using the more up-to-date price setting. And, at this

1 point, and in light of the consultation, I'd have to say  
2 that PSNH would be opposed to doing so. It would be  
3 substantial work to change all of the schedules and other  
4 information in the filing to reflect the change in the  
5 energy prices. It could potentially be done in time for a  
6 rate-setting. But, even presuming it could be done, any  
7 change that would result in the Energy Service rate  
8 proposal would likewise result in a necessary change to  
9 the Stranded Cost rate as has been proposed, because there  
10 is the relationship of the IPP costs between those two  
11 rates.

12 A new filing or an addition to the  
13 filing, even if it could be made, it's not clear what  
14 review would be necessary of the information to verify  
15 what is put in there, and that it's accurate and reflects  
16 the expectations of the Staff and the Commission. And,  
17 it's not clear whether something like a new hearing might  
18 be required on an exceedingly compressed time schedule.

19 I'd also note that it likely wouldn't  
20 result in a significant change to the rate from that which  
21 is proposed right now. Given the amount of energy that  
22 PSNH actually purchases, the change in the forward prices  
23 for that energy wouldn't, it appears, result in any  
24 substantial change. A rough, and I emphasize a very rough

1 estimate would be something in the range of 0.2 to 0.3  
2 cents per kilowatt-hour.

3 That said, PSNH would be open to making  
4 future filings with more up-to-date information, and to  
5 discussing the issue with Staff and the OCA perhaps about  
6 what a more up-to-date filing should look like, how close  
7 in time the information should be obtained and used. So,  
8 it's not that we are opposed to the idea in general. It's  
9 primarily that, given the time available, that it simply  
10 appears to be too much to do at this time.

11 CHAIRMAN HONIGBERG: We're going to put  
12 your mind at ease, and we're just going to take that off  
13 the table and not consider that for this go-around. Does  
14 anybody want to vehemently disagree with that?

15 (No verbal response)

16 CHAIRMAN HONIGBERG: Thank you. So, I  
17 don't think we need to do anything else. I think you had  
18 said everything else you needed to say, is that right,  
19 Mr. Fossum?

20 MR. FOSSUM: That's correct. Yes.

21 CHAIRMAN HONIGBERG: All right. So, we  
22 can close the record on 14-235 and take that matter under  
23 advisement.

24 **(Whereupon the hearing was adjourned at 11:38 a.m.)**