

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

March 26, 2015 - 10:08 a.m.  
Concord, New Hampshire

NHPUC MAY14'15 PM 2:01

RE: DE 15-010  
LIBERTY UTILITIES (GRANITE STATE ELECTRIC)  
CORP. d/b/a LIBERTY UTILITIES:  
*Default Service for the Period  
May 1, 2015 to October 31, 2015.*

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:  
Wayne Jortner, Esq.  
Pradip Chattopadhyay  
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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18                                      Sarah B. Knowlton, Esq.**

19                                      **Reptg. Residential Ratepayers:**  
20                                      Wayne Jortner, Esq.  
21                                      Pradip Chattopadhyay  
22                                      Office of Consumer Advocate

23                                      **Reptg. PUC Staff:**  
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**P R O C E E D I N G**

1  
2 CHAIRMAN HONIGBERG: We are here this  
3 morning in Docket DE 15-010, Liberty Utilities 2015  
4 Default Service Solicitation for six months, starting, I  
5 think, is it May 1 or April 1?

6 MR. KNOWLTON: May 1.

7 CHAIRMAN HONIGBERG: May 1. Thank you.  
8 Pursuant to the process as previously been approved,  
9 Liberty solicits 100 percent of its power requirements for  
10 its Large Customer Group for a six-month period in two  
11 consecutive three-month blocks of power supply. Liberty  
12 then develops fixed monthly rates for each month in that  
13 period based on the contract places in the winning bids.

14 For the Small Customer Group, Liberty  
15 solicits a six-month block of power supply and then sets a  
16 fixed rate for the six-month period.

17 It's gone through its process that it  
18 outlined that it would go through. It's filed a bunch of  
19 stuff. And, we're here to see if it all makes sense.

20 Before we go any further, why don't we  
21 take appearances.

22 MR. KNOWLTON: Good morning,  
23 Commissioners. My name is Sarah Knowlton. I'm here today  
24 on behalf of Liberty Utilities (Granite State Electric)

1 Corp. And, with me today are the Company's two witnesses,  
2 John Warshaw and Heather Tebbetts. And, also from the  
3 Company, sitting at counsel's table is Steven Mullen and  
4 Stephen Hall.

5 MR. JORTNER: Good morning, your Honor.  
6 My name is Wayne Jortner. I'm --

7 CHAIRMAN HONIGBERG: Mr. Jortner, you  
8 can sit.

9 MR. JORTNER: I'm a new attorney for the  
10 Office of Consumer Advocate. And, --

11 MR. CHATTOPADHYAY: Pradip  
12 Chattopadhyay, with New Hampshire OCA.

13 CHAIRMAN HONIGBERG: Mr. Jortner,  
14 welcome.

15 MR. JORTNER: Thank you very much.

16 MS. AMIDON: Suzanne Amidon, for  
17 Commission Staff. With me today at counsel's table is  
18 Grant Siwinski, an Analyst in the Electric Division, and  
19 Tom Frantz, who's the Director of the Electric Division.  
20 And, in the back of the room, I have Les Stachow, who is  
21 the Assistant Director of the Electric Division.

22 CHAIRMAN HONIGBERG: And, you know you  
23 could have sat, too.

24 MS. AMIDON: I like to stand up and show

1       deference to the court.

2                       CHAIRMAN HONIGBERG: Off the record.

3                       (Off the record.)

4                       CHAIRMAN HONIGBERG: All right. We're  
5 back on. All right. Ms. Knowlton, I know we've got --  
6 you've given us an Exhibit List, and I know we have  
7 multiple iterations of certain aspects of the filing. Why  
8 don't you walk us through how you want to proceed.

9                       MR. KNOWLTON: Thank you. So, I have  
10 prepared an Exhibit List to identify each of the six  
11 documents that the Company proposes to mark for  
12 identification today. The first exhibit, Exhibit 1, is  
13 the Company's original filing on March 23rd, 2015, is the  
14 Confidential Version of the Testimony and Schedules of Mr.  
15 Warshaw and Ms. Tebbetts, Bates numbers 001 to 185.  
16 Exhibit 2 is the Redacted Version of that testimony and  
17 schedules. And, I would note that it's Bates numbered 001  
18 through 186, and the only reason there's an extra page on  
19 this one is I think a blank page got inserted. So,  
20 there's no additional information, you know, in the second  
21 one, in Exhibit 2, than Exhibit 1, even though there's one  
22 more page.

23                       Exhibit 3 contains testimony and  
24 schedules that were filed in a redacted version, and

1 Ms. Tebbetts will explain when she takes the stand. But,  
2 after the Company made the filing on March 23rd, it found  
3 an error that required some corrections through various  
4 pages in the testimony and the schedules. And, so, we  
5 filed that. And, -- on March 24th. And, we would propose  
6 to mark for identification as "Exhibit 3" the redacted  
7 version of that, and "Exhibit 4" would be the confidential  
8 version of that.

9 And, to hopefully make it all clearer to  
10 you, and to everyone else in the hearing room, we propose  
11 to mark as "Exhibit 5" a redline version of Ms. Tebbetts'  
12 testimony that shows the changes from March 23rd to March  
13 24th, again, in redacted and confidential versions, "5"  
14 being confidential and "6" being redacted. We didn't file  
15 the redacted -- I'm sorry, the redlined schedules, because  
16 I don't think there's a simple way to show that. But  
17 Ms. Tebbetts is, you know, willing and able to walk us  
18 through any and all the changes.

19 I would note that the versions that are  
20 marked as "Exhibit 3" and "Exhibit 4" do contain  
21 essentially an errata page on the top that walks through  
22 all of the changes. So, hopefully, that will provide a  
23 roadmap to anyone that wants to follow each and every one  
24 of them.

[WITNESS PANEL: Warshaw~Tebbetts]

1 CHAIRMAN HONIGBERG: All right. We'll  
2 mark those exhibits as you've laid them out.

3 (The documents, as described, were  
4 herewith marked as **Exhibit 1** through  
5 **Exhibit 6**, respectively, for  
6 identification.)

7 CHAIRMAN HONIGBERG: Keeping in mind  
8 that we don't have up here the redacted versions. The  
9 only ones we have up here are the ones that are  
10 confidential and have all the information in them.

11 MR. KNOWLTON: I'd be glad to give you a  
12 copy, if you'd like?

13 CHAIRMAN HONIGBERG: If it comes up and  
14 we need them, we'll ask. Is there any objection from the  
15 parties to the confidential treatment that's been  
16 requested by the Company?

17 MS. AMIDON: No.

18 (Atty. Jortner indicating in the  
19 negative.)

20 CHAIRMAN HONIGBERG: Seeing none, we  
21 will grant the Motions for Confidential Treatment. If it  
22 becomes necessary to discuss something that's redacted,  
23 highlighted in gray in the confidential versions, then  
24 we'll deal with that record with the stenographer. Does

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[WITNESS PANEL:  Warshaw~Tebbetts]

1       that make sense?

2                               MR. KNOWLTON:  Yes.

3                               CHAIRMAN HONIGBERG:  Is there anything  
4 else we need to do before Ms. Knowlton calls her first  
5 witness or her panel?  We're going to do a panel?

6                               MR. KNOWLTON:  Yes, a panel, please.

7                               CHAIRMAN HONIGBERG:  Anything we need to  
8 do?

9                               MS. AMIDON:  No.

10                              MR. KNOWLTON:  I have nothing.

11                              CHAIRMAN HONIGBERG:  All right.  Go  
12 ahead.

13                              MR. KNOWLTON:  The Company calls John  
14 Warshaw and Heather Tebbetts.

15                              (Whereupon *John D. Warshaw* and  
16 *Heather M. Tebbetts* were duly sworn by  
17 the Court Reporter.)

18                              **JOHN D. WARSHAW, SWORN**

19                              **HEATHER M. TEBBETTS, SWORN**

20                              **DIRECT EXAMINATION**

21 BY MR. KNOWLTON:

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

24 A.    (Warshaw) John D. Warshaw.

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[WITNESS PANEL: Warshaw~Tebbetts]

1 Q. And, by whom are you employed?

2 A. (Warshaw) Liberty Util -- Liberty Energy Utilities (New  
3 Hampshire) Corp.

4 Q. And, what position do you hold with the Company?

5 A. (Warshaw) I'm the Manager of Electric Supply.

6 Q. In that position, what does your job entail?

7 A. (Warshaw) Among my responsibilities is the procurement  
8 of a supply for our customers who are on energy service  
9 in New Hampshire, and also for meeting the New  
10 Hampshire Renewable Portfolio Standard requirements.

11 Q. We've marked for identification a number of exhibits.  
12 Do you have those before you today?

13 A. (Warshaw) Yes.

14 Q. Exhibit 1 is your -- the confidential version of the  
15 testimony and schedules for you and Ms. Tebbetts. Are  
16 you familiar with that document?

17 A. (Warshaw) Yes, I am.

18 Q. Was your testimony prepared by you or under your  
19 direction?

20 A. (Warshaw) Yes, it was.

21 Q. If I were to ask you the questions contained in your  
22 testimony today, would the answers be the same?

23 A. (Warshaw) Yes, they would.

24 Q. Looking at the document that's been marked for

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[WITNESS PANEL: Warshaw~Tebbetts]

1 identification as "Exhibit 4", which is a confidential  
2 version that has some changes to it. Are there any  
3 changes in Exhibit 4 that relate to your testimony or  
4 schedules?

5 A. (Warshaw) Yes, there is. On Bates Page 103, which is  
6 Exhibit 13 of Schedule JDW-2, we have a page  
7 replacement, due to some changes that were required in  
8 Ms. Tebbetts' calculation.

9 Q. And, I have Page 104R. Is that the page that --

10 A. (Warshaw) You're, I think, on the redacted version.

11 Q. Okay. I'm with you. Can you explain what the nature  
12 of this change is?

13 A. (Warshaw) The changes are the adjustments that are made  
14 to the wholesale contracted price for supply that are  
15 what we propose to charge our customers at the retail  
16 level.

17 Q. And, what changed on this from the version that was  
18 filed the day before?

19 A. (Warshaw) What changed was the non-confidential  
20 portion, which is the monthly -- proposed monthly  
21 prices for both the Large Customer Group and the Small  
22 Customer Group.

23 CHAIRMAN HONIGBERG: Just before you go  
24 further, just so I know where we are, we're on Page 104 of

[WITNESS PANEL:  Warshaw~Tebbetts]

1       the original confidential filing?

2                               COMMISSIONER SCOTT:  Three.

3                               WITNESS WARSHAW:  103.

4                               MR. KNOWLTON:  We're looking at the  
5       revisions that were filed on March 24th, what we've marked  
6       as "Exhibit 4".  And, the second page of that document is  
7       labeled "103R" with the Bates number.

8                               CHAIRMAN HONIGBERG:  Oh, okay.  All  
9       right.

10                              MR. KNOWLTON:  And, I believe Mr.  
11       Warshaw is referring to the second table that doesn't have  
12       any gray on it.

13                              CHAIRMAN HONIGBERG:  Got it.  I'm there.  
14       I'm sorry.

15                              MR. KNOWLTON:  No problem.  I mean, I  
16       apologize.  I know this is a lot of paper, and there's  
17       some confusion.  So, we'll try to make it clear.  But, if  
18       not, just please interrupt and let me know.

19                              CHAIRMAN HONIGBERG:  I'm not shy.  Go  
20       ahead.

21       BY MR. KNOWLTON:

22       Q.     So, what is the effect of making the change?  Has it  
23               caused the price to go up or to go down?

24       A.     (Warshaw) It resulted in the price going up in the

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[WITNESS PANEL: Warshaw~Tebbetts]

1 thousandths place on the -- or, the hundredths.

2 Q. Okay. Can you just, I mean, give me an example?

3 A. (Warshaw) Okay. Yes.

4 Q. Just walk me through for one of the months what the  
5 change is.

6 A. (Warshaw) Is, for May of '15, the price went from 5.832  
7 cents per kilowatt-hour, to 5.836 cents per  
8 kilowatt-hour. And, again, for the Large Customer  
9 Group, for June of 2015, the original filing had a  
10 price of 6.542 cents per kilowatt-hour, and the revised  
11 price is 6.546 cents per kilowatt-hour.

12 Q. Subject to this correction in Exhibit 4, are there any  
13 other corrections that you're aware of to your filing?

14 A. (Warshaw) No, there are not.

15 Q. Ms. Tebbetts, I'll turn to you. If you would please  
16 state your full name for the record.

17 A. (Tebbetts) My name is Heather Tebbetts.

18 Q. By whom are you employed?

19 A. (Tebbetts) Liberty Energy Utilities (New Hampshire)  
20 Corp.

21 Q. What is your position with the Company?

22 A. (Tebbetts) I'm an Analyst in our Rate & Regulatory  
23 Services Department.

24 Q. What are your job responsibilities?

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[WITNESS PANEL:  Warshaw~Tebbetts]

1     A.     (Tebbetts) Primarily rate-related services for Granite  
2           State Electric.

3     Q.     Did you prepare or have someone prepare under your  
4           direction the testimony and schedules that you filed in  
5           this docket?

6     A.     (Tebbetts) Yes.

7     Q.     And, do you have any corrections, other than those that  
8           have been noted, in Exhibits 1 through 6?

9     A.     (Tebbetts) No.

10    Q.     If I were to ask you the questions contained in your  
11           testimony, both the version filed on March 23rd, as  
12           well as the revised version filed on March 24th, would  
13           you have -- would your answers be the same?

14    A.     (Tebbetts) Yes.

15    Q.     Okay.  Would you walk the Commission through the nature  
16           of the error that you found and the corrections that  
17           you made.

18    A.     (Tebbetts) Yes.  I just need to get to my testimony.

19    Q.     And, when you get there, just tell us which version  
20           you're looking at by exhibit number, if you could.

21    A.     (Tebbetts) So, I'm going to start with Exhibit 5, which  
22           I believe is the confidential filing that we made on  
23           the 24th, that has the testimony and schedules in it.

24    Q.     That's Exhibit 4.

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[WITNESS PANEL:  Warshaw~Tebbetts]

1    A.    (Tebbetts) Exhibit 4, I'm sorry.

2    Q.    That has the errata sheet on the front.

3    A.    (Tebbetts) Yes.  Okay.  So, if everyone is ready, I  
4           will start -- we will start with the testimony as it  
5           comes first in that.

6    Q.    Can you just explain, before you kind of get through  
7           the particular changes, can you just walk us through  
8           what the nature of the --

9    A.    (Tebbetts) Uh-huh.

10   Q.    -- of the, you know, of the error was.  And, then you  
11          can walk us through, how did that flow through the  
12          filing?

13   A.    (Tebbetts) Yes.  So, when looking at Schedule HMT-9,  
14          Workpaper 5, Page 1 of 9, the 9.07 percent calculated  
15          on that page was not incorporated into Schedule HMT-8,  
16          Page 3 of 4.  And, rather, the Annual Percent of the  
17          2014 Purchase Power Cost of a negative 3.34 percent was  
18          incorporated in the original filing, and that was an  
19          error when we merged the spreadsheets.

20                        So, I updated the testimony and  
21          schedules to reflect the change when we corrected the  
22          percentage.

23   Q.    So, essentially, was it a spreadsheet error?

24   A.    (Tebbetts) Yes.  The calculation was correct.  But,

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[WITNESS PANEL: Warshaw~Tebbetts]

1 when we merged the spreadsheets, they did not calculate  
2 correctly.

3 Q. Okay. So, the cash -- in your opinion, the cash  
4 working capital that you calculated in Schedule HMT-9  
5 was calculated correctly?

6 A. (Tebbetts) Yes.

7 Q. And, the result of that calculation didn't flow through  
8 correctly to other schedules in your -- attached to  
9 your testimony?

10 A. (Tebbetts) Yes.

11 Q. And, what impact did that have on the rate that the  
12 Company is proposing?

13 A. (Tebbetts) So, it created a rate increase.

14 Q. Would you, let's start with residential customers, walk  
15 us through what the change to the proposed rate is.

16 A. (Tebbetts) Yes. Okay. So, if you take a look on  
17 Page -- Bates Page 135R, this is the residential and  
18 small commercial/industrial customers. So, the rate  
19 went from the overall weighted average retail rate,  
20 which is on Line 21, went from 6.787 cents per  
21 kilowatt-hour -- no, I apologize, that's the large. I  
22 apologize. It went from 6.876 cents per kilowatt-hour,  
23 to 6.926 cents per kilowatt-hour.

24 And, looking at Bates Page 134R, this is



[WITNESS PANEL: Warshaw~Tebbetts]

1 the percentage -- or, this is the medium and large  
2 commercial/industrial kilowatt-hours rate calculation.  
3 And, if you look on Line 21, there's also a weighted  
4 average cost. And, that price went from 6.787 cents  
5 per kilowatt-hour, to 6.791 cents per kilowatt-hour.

6 Q. Are you able to give us a high-level explanation of  
7 what purpose the cash working capital serves to the  
8 Company?

9 A. (Tebbetts) Yes. Excuse me one moment, I just want to  
10 get to that page please. Okay. So, looking at HMT-9,  
11 Workpaper 5, Page 1 of 9, which is Bates Page 167 in  
12 the confidential version.

13 CHAIRMAN HONIGBERG: Exhibit 1 or -- the  
14 original filing or a subsequent filing?

15 WITNESS TEBBETTS: It should be -- this  
16 is in Exhibit 4.

17 CHAIRMAN HONIGBERG: Okay.

18 WITNESS TEBBETTS: The subsequent  
19 filing.

20 CHAIRMAN HONIGBERG: What was the page  
21 again?

22 WITNESS TEBBETTS: Bates Page 167.

23 MR. KNOWLTON: I don't see that in my  
24 version.

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[WITNESS PANEL: Warshaw~Tebbetts]

1 WITNESS TEBBETTS: Oh, I apologize.  
2 You're right. It was not a page that was revised. I  
3 apologize. It is in Exhibit 1.

4 BY MR. KNOWLTON:

5 Q. And, I'm really just looking for a high-level  
6 explanation of, you know, what is cash working capital,  
7 and how does that relate to what, you know, the Company  
8 is doing here when it seeks a change in its Default  
9 Service rates?

10 A. (Tebbetts) Okay.

11 Q. So, if you want to look at the schedule, that's fine.  
12 But I really was just trying to get, you know, that  
13 basic understanding.

14 A. (Tebbetts) Okay. So, what we're looking at is, it's a  
15 lead/lag study, basically, to figure out bad debt, and,  
16 you know, figure out the difference in timing of when  
17 we are receiving revenues and when we are paying out  
18 expenses. And, so, we do a calculation of -- it's a  
19 lead/lag study to figure out, you know, what is that  
20 lead/lag time and we incorporate it into the total cost  
21 of doing procurement.

22 Q. Looking at the errata page that's on the top of  
23 Exhibit 4, it looks like, if I read this correctly,  
24 that all but one of the changes that you're proposing

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[WITNESS PANEL: Warshaw~Tebbetts]

1 to -- or, that you've made to your testimony and the  
2 schedules relate to how that revised cash working  
3 capital number flows through to the rates, is that  
4 correct?

5 A. (Tebbetts) Yes.

6 Q. And, if you can just walk us through, you have it on  
7 Number 5 on your errata sheet what that change is that  
8 you have made to your testimony.

9 A. (Tebbetts) Okay. Yes. So, on Bates Page 131, Line 9,  
10 there was a mistake, an error in the testimony, where  
11 it said the rate was "increasing", but, actually, it  
12 should have said "decrease".

13 Q. What is the dollar impact for a residential customer of  
14 the proposed rate change on a monthly bill basis?

15 CHAIRMAN HONIGBERG: Are you asking  
16 about the correction or are you --

17 MR. KNOWLTON: You know, just -- yes.

18 CHAIRMAN HONIGBERG: Okay.

19 BY MR. KNOWLTON:

20 Q. The rate that we seek approval for today, for  
21 residential customers on a dollar basis, can you walk  
22 us through what's the bill going to look like for the  
23 customer?

24 A. (Tebbetts) Yes. So, for customers who are taking

[WITNESS PANEL: Warshaw~Tebbetts]

1 energy service with Liberty, then the overall rate  
2 impact is going to be a reduction of \$46.92 for  
3 customers who use an average of 655 kilowatt-hours per  
4 year, which was last year's annual average for our  
5 residential customers.

6 MR. KNOWLTON: Thank you. The Company  
7 has no further questions for the witnesses.

8 CHAIRMAN HONIGBERG: Mr. Jortner.

9 MR. JORTNER: Thank you.

10 CHAIRMAN HONIGBERG: Just make sure  
11 you're close enough to a microphone so that you get picked  
12 up.

13 MR. JORTNER: Yes.

14 CHAIRMAN HONIGBERG: And, you do have to  
15 be pretty close.

16 MR. JORTNER: Okay. Thank you. Good  
17 morning, Mr. Warshaw and Ms. Tebbetts. The vast majority  
18 of my questions will be directed to Mr. Warshaw. But  
19 there might be a couple for Ms. Tebbetts, too.

20 Most of my questions relate to  
21 information that's designated "confidential". They're not  
22 necessarily redacted, but they were from materials that  
23 were designated "confidential". So, I could try to avoid  
24 using specific numbers or names of bidders, if the

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[WITNESS PANEL:  Warshaw~Tebbetts]

1       Commission would prefer that.  Or, if you want to go in  
2       camera and let me, you know, it might be clearer if I  
3       mention numbers and names?

4                       CHAIRMAN HONIGBERG:  Well, let's try it  
5       without and see how it goes.  If it's awkward, we'll  
6       circle back and do it the other way, okay?

7                       MR. JORTNER:  Great.  Thank you.  I'll  
8       do my best.

9                                       **CROSS-EXAMINATION**

10      BY MR. JORTNER:

11      Q.    So, Mr. Warshaw, on Page 7, Line 10, of your testimony,  
12            you comment that there have been "fewer bidders  
13            participating in these RFPs".  Do you know any reason  
14            for that?

15      A.    (Warshaw) Over the last few years, we've seen a  
16            reduction in the number of bidders, but not terribly  
17            significant.  Most of the reasons that bidders have  
18            elected not to participate has been things like they're  
19            changing their business model and are no longer bidding  
20            in these load-following service type RFPs; they were  
21            reeling from the 2013-2014 winter volatility and  
22            decided to reexamine their models and their business  
23            practices.

24                                       And, another one has been "Well, gee, we

[WITNESS PANEL: Warshaw~Tebbetts]

1 haven't been able to be the lowest bidder in any of  
2 your RFPs. So, we're not going to bother any more."

3 Q. So, you don't see any general trend that's going make  
4 these RFPs to set default rates more difficult as time  
5 goes on?

6 A. (Warshaw) No, I do not.

7 Q. In Schedule JDW-3, which is just a one-page schedule,  
8 you show electricity and gas future market prices at  
9 the time of the solicitation.

10 MS. AMIDON: Do you have a page on that?

11 MR. JORTNER: No.

12 MR. KNOWLTON: I believe it's 104.

13 MS. AMIDON: That looks right.

14 MR. JORTNER: We'll find it for you.

15 MS. AMIDON: 104.

16 MR. JORTNER: Actually, I have copies,  
17 if -- I'm going to focus my questions mostly on three  
18 exhibits. So, I will pass out copies of exhibits we'll be  
19 talking about. And, that will make it easier not to  
20 mention confidential things.

21 CHAIRMAN HONIGBERG: Let's get the  
22 papers in front of everybody, before you ask your  
23 questions, okay?

24 MR. JORTNER: Yes. Sure. Okay.

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[WITNESS PANEL: Warshaw~Tebbetts]

1 CHAIRMAN HONIGBERG: Do you want these  
2 marked as separate exhibits or they're already within  
3 exhibits and --

4 MR. JORTNER: Yes. They're already  
5 labeled in the Company's filing as exhibits.

6 CHAIRMAN HONIGBERG: Okay.

7 MR. JORTNER: So, I'll just refer to the  
8 Company's designation.

9 MR. CHATTOPADHYAY: Can I pass --

10 CHAIRMAN HONIGBERG: Please do.

11 (Mr. Chattopadhyay distributing  
12 documents.)

13 CHAIRMAN HONIGBERG: Off the record.

14 (Off the record.)

15 MR. KNOWLTON: For the witnesses'  
16 edification, I just got Bates Page 093, Bates Page 100,  
17 and Bates Page 104.

18 MR. JORTNER: Okay. So, everybody  
19 should have a copy of what the Company designated  
20 originally as "JDW-3".

21 BY MR. JORTNER:

22 Q. And, in that exhibit, Mr. Warshaw, you show that  
23 electricity and gas future market prices at the time of  
24 the solicitation and current prices to compare them, is

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1           that right?

2   A.   (Warshaw) Yes.

3   Q.   And, on Page 7, Line 15, of your testimony, you state  
4       that "electric wholesale prices are significantly lower  
5       [than the prices at] the six-month period ending  
6       April 30th, 2015 and also lower than [prices] this same  
7       time last year", correct?

8   A.   (Warshaw) Correct.

9   Q.   Okay.  And, you also say that "the change is consistent  
10      between the final retail price and the wholesale  
11      electric futures."  That's on Line 18, correct?

12  A.   (Warshaw) Correct.

13  Q.   Okay.  So, looking at JDW-3, we see a percent change in  
14      electric futures prices from last summer to this  
15      summer.  Do you see that number?

16  A.   (Warshaw) Yes.

17  Q.   So, can we say that number or should we avoid saying  
18      that number?

19  A.   (Warshaw) That is not confidential information.

20  Q.   Okay.

21                           CHAIRMAN HONIGBERG:  It's confidential  
22      if it's highlighted in gray.  If it's not highlighted in  
23      gray, it's not confidential.

24                           MR. JORTNER:  Okay.



1   BY MR. JORTNER:

2   Q.   So, you see that you're showing a 31.3 percent  
3       reduction from summer to summer?

4   A.   (Warshaw) Yes.

5   Q.   Okay.  And, we also see a percent change in electric  
6       futures prices from last summer -- I'm sorry, that's  
7       the same one.  At the bottom right-hand corner of that  
8       same exhibit, we see a different number representing  
9       the percent change for prices for the Small Customer  
10      Group solicitation of March 17th.  Do you see that  
11      number?

12  A.   (Warshaw) Yes, I do.

13  Q.   And, that's a reduction of 22 percent?

14  A.   (Warshaw) Yes.

15  Q.   So, looking at those two numbers, do you believe that  
16      the resulting summer-to-summer price reduction for the  
17      Small Customer Group is consistent with a reduction in  
18      the futures prices shown on that exhibit?

19  A.   (Warshaw) Yes.

20  Q.   Now, I'd like to clear up a possible inconsistency in  
21      the schedules.  If you look at the bottom of JDW-3, the  
22      final Small Customer Group purchase price, as of March  
23      17th, do you see monthly energy prices for May through  
24      October?

[WITNESS PANEL:  Warshaw~Tebbetts]

1     A.     (Warshaw) Yes.

2     Q.     Were those prices meant to represent the prices of the  
3            winning bidder for the Small Customer Group?

4     A.     (Warshaw) Yes.

5     Q.     And, the winning bidder was Bidder A?  I could say the  
6            name, if you prefer?

7     A.     (Warshaw) No.  I would just have to look up.  Correct.

8     Q.     Okay.  And, if you go to JDW-3, Page 7 of 17, you will  
9            see that the indicative bid prices, for all of the  
10           bidders, you'll see them all, listed A through -- A  
11           through F, I believe, right?

12                   CHAIRMAN HONIGBERG:  And, you meant  
13     JDW-2, I believe?

14                   MR. JORTNER:  I'm sorry, JDW-2, 7 of 17.

15     BY MR. JORTNER:

16     Q.     So, the bottom block you see the actual --

17                   MS. AMIDON:  It's Bates 093.

18     **BY THE WITNESS:**

19     A.     (Warshaw) Yes.  I see that.

20     BY MR. JORTNER:

21     Q.     Okay.  So, here's my question.  It appears to us that  
22            the prices listed in JDW-3, which compares, you know,  
23            the price changes to futures prices changes, for the  
24            six months of pricing for the Small Commercial Group,

[WITNESS PANEL: Warshaw~Tebbetts]

1 match the pricing for Bidder E, which was not the  
2 winning bidder. Is that correct?

3 A. (Warshaw) We're looking at the indicative bids?

4 Q. Yes.

5 A. (Warshaw) Correct. It must be -- I may have made a  
6 spreadsheet error in pulling the indicative prices and  
7 not the final prices, for the retail piece.

8 Q. Thank you. Because that was what we were getting at.  
9 So, the percent -- the comparison of the futures prices  
10 and the bid prices that you've accepted, when they're  
11 compared on JDW-3, those numbers would have to change,  
12 if you wanted a more accurate comparison between  
13 futures prices and the results of your RFP process?

14 A. (Warshaw) Yes.

15 Q. And, is that something the Company could recalculate  
16 for us and provide?

17 MR. JORTNER: I don't know if it's  
18 customary to do oral data requests at hearing here?

19 MR. KNOWLTON: Yes. So, the Company  
20 could provide that in response to a record request. And,  
21 Mr. Warshaw, I'm assuming that you could calculate that,  
22 once you're back at the office, fairly quickly?

23 WITNESS WARSHAW: Yes, I could.

24 MR. KNOWLTON: All right. I think we

[WITNESS PANEL:  Warshaw~Tebbetts]

1       could file that tomorrow.

2                   CHAIRMAN HONIGBERG:  So, we'll make that  
3       a record request and reserve what, "Exhibit 7" for that?

4                   MS. DENO:  Yes.

5                   CHAIRMAN HONIGBERG:  Exhibit 7.

6                   **(Exhibit 7 reserved)**

7                   CHAIRMAN HONIGBERG:  Just to complete  
8       the thought, and maybe Mr. Jortner is going to go there  
9       anyway, but are there other changes that are going to be  
10      required as a result of correcting that line?

11                  MR. JORTNER:  Not that I'm aware of.

12                  CHAIRMAN HONIGBERG:  All right.  Let's  
13      get an answer to that question.

14                  Mr. Warshaw, are there other things that  
15      are going to change as a result of that?

16                  WITNESS WARSHAW:  Not that I'm aware of.

17                  CHAIRMAN HONIGBERG:  Okay.  Mr. Jortner,  
18      go ahead.

19                  MR. JORTNER:  Thank you.

20   BY MR. JORTNER:

21   Q.   So, I guess the only other thing that will fall out of  
22       that is, you know, your statement in your testimony  
23       that the results of your RFP process were consistent  
24       with the changes in the futures market, and, in other

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[WITNESS PANEL:  Warshaw~Tebbetts]

1           words, the magnitude of rate reductions we see in the  
2           market were captured by your RFP process, I guess  
3           there's a point at which, if the numbers diverge  
4           enough, you might want to consider your conclusion that  
5           there's a consistency between the futures market and  
6           your RFP results.  Is that a fair statement?

7   A.   (Warshaw) That is a fair statement.

8   Q.   Okay.  So, if the new numbers would cause you to have a  
9           different -- draw a different conclusion about that  
10          consistency, I guess we would request that you also let  
11          us know if you would change that testimony or  
12          characterize it differently?

13  A.   (Warshaw) I can do that.

14  Q.   Thank you.

15                           MR. KNOWLTON:  The Company, when it goes  
16           back and recalculates the numbers on Bates Page 104, will  
17           determine if there are any other changes upon reflection,  
18           and we'll include all of that in Exhibit 7, in the record  
19           response.

20                           CHAIRMAN HONIGBERG:  Thank you,  
21           Ms. Knowlton.

22  BY MR. JORTNER:

23  Q.   And, as you sit here today, can you tell us whether if  
24          you had put in the numbers for the correct winning

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[WITNESS PANEL:  Warshaw~Tebbetts]

1           bidder, which, in this case, was A, would that have --  
2           which direction would it send that 31.3 number and the  
3           22 percent number?  Would it --

4   A.   (Warshaw) It probably would have made that negative  
5           22 percent number, I don't have the exact number, but  
6           it would still indicate a reduction in the prices from  
7           last summer to this summer.

8   Q.   A bigger reduction or a smaller reduction?

9   A.   (Warshaw) It would be a smaller reduction.

10   Q.   A smaller reduction.  So, --

11   A.   (Warshaw) But not a -- I don't think it would be a --  
12           it would be a small reduction.

13   Q.   Okay.  So, it would be a little bit further away from  
14           the result that you show for the futures market, in  
15           other words?

16   A.   (Warshaw) Correct.

17   Q.   So, moving onto a different subject.  You indicated  
18           that only one of the bidders submitted an RPS  
19           compliance adder and no bids to supply RECs, is that  
20           right?

21   A.   (Warshaw) That is correct.

22   Q.   Does it make any difference whether a bidder provides  
23           the RPS compliance adder, as opposed to Liberty  
24           procuring the credits for compliance or making the

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[WITNESS PANEL:  Warshaw~Tebbetts]

1           alternative payment to the state Energy Fund?

2   A.   (Warshaw) I don't understand the question.

3   Q.   Well, in your bid solicitation, you, I guess, invited  
4       bidders to arrange for the -- to supply the adders or  
5       the credits, and only one of them did.  And, I took it  
6       from your testimony that, as a result of that, Liberty  
7       is changing the methodology for soliciting the  
8       renewable credits?

9   A.   (Warshaw) No.  We're not changing the methodology.  We  
10       use that adder as one of a multiple paths that we use  
11       to procure the renewable energy credits to meet the RPS  
12       requirement.  At the same time that we are requesting  
13       an adder, we also put out an RFP for RECs, just RECs  
14       themselves.  And, we use that RFP as a way to gauge  
15       what the market price is for meeting the -- purchasing  
16       the RECs and, indirectly, how that would impact our  
17       customers.  And, that allows us to identify if the  
18       adder that the supplier is bidding is above or below  
19       market.  And, we will stay away from an adder that is  
20       above market, because we look to have the lowest cost  
21       of supply for our customers.

22   Q.   So, you do that sort of as a check on the level of the  
23       adder that a bidder may have proposed, is that what  
24       you're saying?

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[WITNESS PANEL:  Warshaw~Tebbetts]

1     A.     (Warshaw) Yes.

2     Q.     Okay.  So, it doesn't much matter whether the bidder  
3           engages in that process or not.  Liberty, as a  
4           backstop, will take care of it.  It doesn't matter if  
5           the bidder is engaged in the renewable adders or the  
6           RECs?

7     A.     (Warshaw) I wouldn't say "it doesn't matter".  It's  
8           just one of a number of ways in which we can meet the  
9           RPS obligation.

10    Q.     Okay.  What is the rationale -- the rationale for  
11           soliciting energy contracts for the Large Customer  
12           Group in two consecutive three-month blocks, as opposed  
13           to the six-month term you use for the Small Customer  
14           Group?

15    A.     (Warshaw) Originally, when we first started soliciting  
16           supply for the Large Customer Group, we did that four  
17           times a year, and purchasing three months at a time.  
18           About last year we proposed to the Commission to change  
19           that to have one -- two solicitations at the same time  
20           as we solicit the Small Customer Group.  The reason we  
21           broke it up into two blocks, one is the -- was some of  
22           the responses that I received from the different  
23           suppliers when we were contemplating this change.  That  
24           some suppliers are uncomfortable with bidding the Large

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[WITNESS PANEL:  Warshaw~Tebbetts]

1           Customer Group any further out than three months, and  
2           other suppliers were perfectly happy to do that.  So,  
3           to accommodate both suppliers, we broke it up into two  
4           blocks.

5  Q.   And, is it -- excuse me.  Is there something about the  
6           market for the supply for the Large Customer Group  
7           versus the Small Customer Group that makes breaking it  
8           out more advantageous for one than the other?

9  A.   (Warshaw) The Large Customer Group historically has had  
10          a better access to retail choice and purchasing supply  
11          from a competitive supplier.  So, as a result, for  
12          suppliers of default service, they look at the supply,  
13          and there is a higher risk of migration on or off the  
14          service.  And, that's why it's different from the Small  
15          Customer Group.

16  Q.   There's more migration with the large customers, is  
17          that the point?

18  A.   (Warshaw) There is a risk of more migration.

19  Q.   Okay.  So, applying these concepts to what actually  
20          happened in your process, one bidder required winning  
21          both the Large Customer service blocks as a condition  
22          of the bid, is that correct?

23  A.   (Warshaw) Yes.  One supplier did.

24  Q.   And, was that Bidder D?

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[WITNESS PANEL: Warshaw~Tebbetts]

1 A. (Warshaw) Yes.

2 Q. And, that was the winning bidder for the Large Customer  
3 Group, correct?

4 A. (Warshaw) Let me -- I will have to look that up. No.  
5 Actually, the bidder that did the contingent bid was  
6 Bidder F.

7 Q. Okay. So, in that case, you could have awarded  
8 three-month blocks to two different suppliers, if you  
9 had wanted to?

10 A. (Warshaw) No. Bidder F had specifically said that they  
11 would only serve the Block A, if they also receive  
12 Block B.

13 CHAIRMAN HONIGBERG: While Mr. Jortner  
14 is reading through his papers, I'm not sure I understand  
15 the question the same way you did. Could we try that one  
16 again, if you don't mind? The question was, essentially,  
17 there was one bidder that would have required winning both  
18 or it wasn't interested. All of the others would have  
19 taken A or B or both. And, so, I think the question was,  
20 you could have awarded the two different blocks to  
21 different bidders, is that correct?

22 MR. JORTNER: Unless F was one of them,  
23 I guess is what you're saying?

24 WITNESS WARSHAW: Yes. Theoretically,

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[WITNESS PANEL: Warshaw~Tebbetts]

1 we would normally have awarded bids to two different  
2 bidders. But, because one bidder made it contingent of  
3 winning Block A and also winning Block B, we had to do an  
4 analysis to determine what would be in the best interests  
5 of our customers, whether to award Block A and Block B to  
6 that winning bidder or to look at the next lowest bidder.

7 And, if you look at Bates Page 100,  
8 Exhibit 10, I performed an analysis to compare the low --  
9 the two bidders that would have -- that was the lowest  
10 bidder for A and the second lowest bidder for Block A, of  
11 comparing the lowest bidder from Block B and the second  
12 lowest bidder for Block B. And, as a result, the  
13 indication was that the lowest cost for our customers  
14 would be to award the supply to Bidder D.

15 CHAIRMAN HONIGBERG: Thank you. I  
16 apologize for interrupting, Mr. Jortner.

17 MR. JORTNER: No, I appreciate that.  
18 Thank you.

19 BY MR. JORTNER:

20 Q. So, I guess one of our concerns is the -- even though  
21 it may be what occurred here was the optimal, you know,  
22 the optimal way to award these bids, in the future can  
23 you envision a scenario where you would be frustrated  
24 by the inability to accept two different three-month

[WITNESS PANEL:  Warshaw~Tebbetts]

1           blocks from two different suppliers in the residential  
2           class, because the residential class is, by default, is  
3           going to be one six-month block, correct?

4   A.   (Warshaw) Yes.  So, -- but, there's only one six-month  
5           block.  And, we -- I do not expect any bidder to say "I  
6           will only serve three months out of that six-month  
7           block."  That's not what was released as the directions  
8           in the RFP.  And, if they did do -- and, if I'm  
9           interpreting your question correctly, that's how they  
10          couch their reply to us, I would look at that as  
11          non-conforming and not accept that bid.

12   Q.   Right.  But the rationale, I guess, for having  
13          three-month blocks in the Large Customer Group, is that  
14          you could -- you could extract economies by selecting  
15          two different suppliers for two different three-month  
16          blocks, and you can't do that for the Small Customer  
17          Group.  So, would there be an opportunity, if the  
18          Commission were to allow you to solicit three-month  
19          blocks for the residential or for the smaller customer  
20          group?

21   A.   (Warshaw) I couldn't speculate on that.  I would  
22          definitely have -- that's something that would need to  
23          be run through a number of suppliers to see how they  
24          would react to that.  In general, for these small

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1           customer groups, in this RFP and most of the RFPs in  
2           New England, they look for a six-month block as one  
3           complete unit, not breaking it down to that smaller  
4           level.

5   Q.    Okay.  And, if the Company had the discretion, you  
6           would -- I guess you would be equipped to take  
7           advantage of more economical bids, if companies had  
8           decided to bid in three-month increments.  Isn't that a  
9           possibility?

10  A.    (Warshaw) There is the possibility.  But there is also  
11           the possibility of ending up with a contingent bid of  
12           "I would only serve the first three months if I get the  
13           second three months."  And, I think then we would have  
14           to do some sort of analysis to determine what would be  
15           in the best interest of our customers, similar to the  
16           analysis that was done on Bates 100.

17  Q.    Right.  Because, in this case, in the Large Customer  
18           Group, Bidder F would have been the most economical for  
19           one of the three-month blocks, but you were frustrated  
20           by your -- you were unable to choose them because of  
21           their requirement to have both, right?

22  A.    (Warshaw) Correct.

23  Q.    In terms of the timing of your RFP, would you agree  
24           that the earlier you conduct an RFP, the more

[WITNESS PANEL: Warshaw~Tebbetts]

1           uncertainty bidders would feel, and perhaps that would  
2           cause increases to their bids because of the premium  
3           attached to that uncertainty, as more time is -- as  
4           there's more time between the bid and the actual  
5           service date?

6   A.   (Warshaw) Yes.

7   Q.   Okay.  And, is that timing something the Company  
8           considers before it puts out its RFP?

9   A.   (Warshaw) In the past, we have released RFPs that are  
10          as close to market -- to get prices that are as close  
11          to market as possible.

12   Q.   Is there any particular analysis that has been done  
13          that would test differences in that kind of timing?

14   A.   (Warshaw) Not that I'm aware of.

15   Q.   You also -- you comment, on Page 17, of your inability  
16          to predict and I guess bidders' inability to predict  
17          load requirements for any customer group, because  
18          customers are free to enroll and leave energy service,  
19          correct?

20   A.   (Warshaw) What page are you on?

21   Q.   Page 17.

22   A.   (Warshaw) Bates Page please?

23   Q.   I'm sorry, that's of the RFP.  That's Page 17 of the  
24          RFP.

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[WITNESS PANEL: Warshaw~Tebbetts]

1 MS. AMIDON: Do you have a Bates Page?

2 WITNESS WARSHAW: Okay. I have that  
3 page in front of me, yes. And, I apologize --

4 CHAIRMAN HONIGBERG: You may be the only  
5 one. What page are you looking at?

6 WITNESS WARSHAW: It's Bates Page 017.

7 MR. CHATTOPADHYAY: Yes.

8 WITNESS WARSHAW: And, I apologize, but  
9 I don't remember what the question is.

10 MR. JORTNER: I'm sorry.

11 BY MR. JORTNER:

12 Q. The question was -- well, the ultimate question is,  
13 what's the effect of the inability to predict load,  
14 because customers can enter and leave default service  
15 at will, correct?

16 A. (Warshaw) That is correct.

17 Q. And, so, is that a factor that has caused bidders to  
18 increase rates or hesitate to bid? I mean, are you  
19 aware of what -- whether that's a significant enough  
20 problem that it affects the bids you get?

21 A. (Warshaw) Suppliers include a -- that risk in their  
22 bid. Exactly how that -- how much that impacts the  
23 final bid that they provide, I could not come up with a  
24 number for that. But that is the design of retail

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[WITNESS PANEL:  Warshaw~Tebbetts]

1           choice in New Hampshire that allows customers to have  
2           the choice of being served from energy service or  
3           choosing to go to a retail choice provider.

4   Q.   And, has the rate of attrition in default service been  
5       relatively stable or have there been dramatic swings?

6   A.   (Warshaw) I would not say "dramatic swings", but the  
7       rate of customers moving towards retail choice has  
8       increased over the last few months, as compared to the  
9       last few years.  And, that's -- but, in general, if you  
10      look at the retail choice choices for the Large  
11      Customer Group, they're more likely to move to taking  
12      service from a retail choice provider than the  
13      residential and the Small Customer Group.

14                   MR. JORTNER:  Give me just thirty  
15      seconds to confer with my colleague.  We may be finished.

16                   (Atty. Jortner conferring with Mr.  
17                   Chattopadhyay.)

18  BY MR. CHATTOPADHYAY:

19  Q.   Since I'm already losing track of the -- which is, I'm  
20      looking at, I think, Exhibit 4, and go to Page 120,  
21      Bates 120, I think.

22  A.   (Warshaw) Excuse me?

23  Q.   Go to Page -- calling it Bates Page 120, right?

24                   MR. KNOWLTON:  I think it's "120R".



[WITNESS PANEL: Warshaw~Tebbetts]

1 MR. CHATTOPADHYAY: "120R". So, the --  
2 I think I have the other one in front of me. What's going  
3 on is the exhibit numbers are not on top of them. So, I'm  
4 trying to find the right --

5 MR. KNOWLTON: I think I left you guys a  
6 full set.

7 BY MR. CHATTOPADHYAY:

8 Q. Yes. I think you sort of already went over the  
9 explanation, if you look at Page 120R, on Line 21, I  
10 was -- I was just going to flag now, because you  
11 already explained it. You have "6.876" there should be  
12 different or am I getting it wrong?

13 A. (Warshaw) No. That's Ms. Tebbetts' testimony. But  
14 I -- in answering for her, I would say that it should  
15 read "6.926", rather than "6.876".

16 Q. That's all I wanted to --

17 A. (Warshaw) As long as Ms. Tebbetts agrees with that.

18 A. (Tebbetts) Yes. That is an error. Thank you.

19 MR. CHATTOPADHYAY: Okay.

20 MR. JORTNER: Thank you. I have no  
21 further questions.

22 CHAIRMAN HONIGBERG: Ms. Amidon.

23 MS. AMIDON: Thank you. Good morning.

24 BY MS. AMIDON:

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[WITNESS PANEL:  Warshaw~Tebbetts]

1    Q.    I'm going to start with you, Mr. Warshaw.  Just by way  
2           of background, the Commission -- how long has the  
3           Granite State gone out to bid for default service for  
4           its customers?  2006 was Competition Day, is that fair  
5           to say?

6    A.    (Warshaw) Yes.  I'd say 2006 was when transition  
7           service pretty much ended, and the entire load was  
8           going out for bid.  Prior to 2006, there was a small  
9           percentage of customers that were being served on  
10          default service as a result of going to retail choice  
11          and, for whatever reason, returning to service by the  
12          Company.  And, the terms of the transition service at  
13          the time was that, if you return to service from retail  
14          choice, you did not -- you were not able to take the  
15          transition service rate, but you had to go on to the  
16          default service rate at that time.

17   Q.    Right.  And, the Commission approved the Settlement  
18          Agreement that was among Staff, the Company, and OCA at  
19          the time to set up the process whereby the Company  
20          procures power, is that right?

21   A.    (Warshaw) Yes.

22   Q.    And, the Commission also approved a requirement that  
23          you seek RPS adders when you go out for default  
24          service, is that fair to say?

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[WITNESS PANEL:  Warshaw~Tebbetts]

1     A.     (Warshaw) I think that was part of the Settlement and  
2           the proposal that at the time National Grid made and  
3           Granite State made with the Commission, and the  
4           Commission agreed that that was a appropriate path or  
5           appropriate procedure in the default service  
6           solicitation process.

7     Q.     And, it's fair to say that, since 2007 or thereabouts,  
8           the Commission has approved other modifications to the  
9           default service procurement process, including dividing  
10          the Large Customer Group into two three-month periods,  
11          is that right?

12    A.     (Warshaw) I think, originally, with the Settlement, the  
13          Large Customer Group was split into two -- into four  
14          three-month blocks.

15    Q.     Yes.  And, you solicited then on a quarterly basis?

16    A.     (Warshaw) Correct.

17    Q.     But, for administrative efficiency and for other  
18          reasons, the Company presented, the Commission approved  
19          you going out for two consecutive three-month blocks  
20          every six months, is that right?

21    A.     (Warshaw) Yes.

22    Q.     Okay.  I just wanted to sort of get that in the record.  
23          When I look at your -- I've been looking at various  
24          pages in your testimony, and I'm looking at the

[WITNESS PANEL:  Warshaw~Tebbetts]

1           confidential version, which the Commission has at the  
2           Bench.  First of all, I wanted to direct your attention  
3           to Page 088.  Are you there?

4   A.   (Warshaw) Yes.

5   Q.   Okay.  And, redacted at the top -- in the first full  
6           paragraph is the number of indicative bids that you  
7           received, is that right?

8   A.   (Warshaw) Correct.

9   Q.   And, on the following page, Page 089, in that first  
10          paragraph, is the number of final bids that you  
11          received, is that right?

12  A.   (Warshaw) Yes.

13  Q.   And, have you experienced relatively stable bids  
14          from -- a number of bids for the residential customer  
15          group?

16  A.   (Warshaw) Yes.

17  Q.   And, it's the Large Customer Group that is more wary of  
18          the migrating loads, is that fair to say?

19  A.   (Warshaw) Yes.

20  Q.   Thank you.  So, if I go to Page 096, which is entirely  
21          confidential, this represents the final bids you  
22          received for each block, is that right?  And, pardon  
23          me, I'll wait until you're there.

24  A.   (Warshaw) Yes.

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1    Q.    Okay.  Thank you.  And, the right -- that extreme  
2           right-hand column, just please explain, just for my  
3           benefit, the fact that there's a blank next to the  
4           winning bidder.  Is that supposed to be the number and  
5           the additional numbers that follow -- well, I guess I'm  
6           not explaining it correctly.  Perhaps you can tell me  
7           why there's no number for the winning bidder?

8    A.    (Warshaw) The final column, which is entitled "Weighted  
9           Average Price versus Min.", is comparing the lowest bid  
10          to the bids entered into by the other suppliers.  So,  
11          as a result, when you compare the lowest bid to the  
12          lowest bid, the difference is zero.

13   Q.    And, I couldn't even come up with that.  Thank you very  
14          much.  And, as we move along in your exhibit, at Page  
15          101, this is the analysis that the Company has made  
16          between the ACP and the market value of the renewable  
17          energy certificates for the various classes, is that  
18          right?

19   A.    (Warshaw) That is correct.

20   Q.    And, so, if we go down to Section 5, Line (5), what you  
21          propose is a reduction, a modest reduction in the  
22          adder, the RPS adder, for the forthcoming period  
23          beginning May 1?

24   A.    (Warshaw) Correct.

1 Q. Okay. I have a couple more questions for you related  
2 to a separate issue. On Page 008, Bates 008 of your  
3 testimony -- oh, I'm sorry. I have the wrong page.  
4 One moment please. It's Page 006. And, it's the first  
5 question and answer. Could you explain what you are  
6 addressing in this answer?

7 A. (Warshaw) Yes. Last year, as a result of all of the  
8 turmoil that resulted from the 2013-2014 market  
9 volatilities, we and a number of other suppliers in New  
10 England found themselves either having no bids for an  
11 RFP or having insufficient bids for the RFP. And, the  
12 Company had filed a Contingency Plan to allow us to  
13 have another path with which to file rates on, that  
14 would allow us to file rates within the timeframe of  
15 the process that we have and be able to meet that, that  
16 requirement, in the shortest amount of time.

17 In that Contingency Plan that we filed,  
18 the Commission rejected our plan and suggested we take  
19 a look at it and come up with maybe some alternatives  
20 to the plan. And, one of the things that was stated in  
21 the order that did not approve our Contingency Plan was  
22 a request for us to build -- put in additional time  
23 into the solicitation to allow for a release of  
24 another -- of another RFP round or two, before having

1           to go to some other process for meeting and filing  
2           rates.

3   Q.   Do you recall that that order also said that you should  
4       keep the Staff apprised of your development of an  
5       alternative plan?

6   A.   (Warshaw) Yes.

7   Q.   And, did you talk to Staff before you submitted this  
8       testimony about this proposal?

9   A.   (Warshaw) No, we did not.

10  Q.   Okay.  So, this is the first time Staff has seen this.  
11       And, on Page 14, you propose a schedule for the next  
12       RFP, which -- where you would have the Company go out  
13       in July, for service that begins November 1, is that  
14       right?

15  A.   (Warshaw) That is correct.

16  Q.   And, are you concerned that there would be a great risk  
17       in going out there, given the fact that prices change  
18       quite significantly over the period of time?  I mean,  
19       they can change from day to day?

20  A.   (Warshaw) Yes.  Prices can change from day to day.

21       And, our preference has always been to be as close to  
22       market as possible.

23  Q.   Would you be surprised if Staff did not support this  
24       particular proposal, and would rather work with the

[WITNESS PANEL: Warshaw~Tebbetts]

1 Company to develop an alternative?

2 A. (Warshaw) No, I would not be surprised.

3 Q. Okay. So, and I just think that's, you know, in  
4 discussing with the Director of the Electric Division,  
5 it just seems going out for July for service for  
6 November is taking a -- is putting a big risk on a  
7 supplier and would probably result in increased  
8 prices --

9 CHAIRMAN HONIGBERG: Ms. Amidon, you  
10 don't need to have this discussion with him right now,  
11 directly.

12 MS. AMIDON: Okay. Okay.

13 BY MS. AMIDON:

14 Q. Are you aware of the Docket 14-338?

15 A. (Warshaw) Yes.

16 Q. Okay. And, as you know, that docket is directed to  
17 determining the development of alternatives that could  
18 be considered for procuring default service for all the  
19 electric distribution utilities?

20 A. (Warshaw) Yes.

21 Q. And, I know that the Company has provided comments, and  
22 we expect to have further recommendations on, and for  
23 the Commission at the end of June, as directed in that  
24 order?

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[WITNESS PANEL:  Warshaw~Tebbetts]

1     A.     (Warshaw) Yes.

2     Q.     Okay.  And, so, we -- the Company certainly can bring  
3           its additional ideas and methodologies for procuring  
4           default service to that docket?

5     A.     (Warshaw) Yes.

6     Q.     Okay.  Thank you.  Good morning, Ms. Tebbetts.

7     A.     (Tebbetts) Good morning.

8     Q.     I know one question you're prepared to answer is -- has  
9           to do with the RPS.  And, as I understand it, there was  
10          an over-collection of the RPS for 2014 compliance as a  
11          result of the Commission's recent order reducing Class  
12          I requirements -- I mean, Class III requirements, is  
13          that right?

14    A.     (Tebbetts) Yes.  That's correct.

15    Q.     But there's also an under-collection, is that right?

16    A.     (Tebbetts) Yes.

17    Q.     And, could you just explain that please.

18    A.     (Tebbetts) Yes.  On Bates Page 137, of Exhibit 1.

19          Okay.  So, if you take a look at the Column (b), this  
20          is where we ran into another technological error.  And,  
21          again, when merging the spreadsheets, unfortunately,  
22          the July through December numbers actually pulled over  
23          an incorrect column, and they pulled over a Column (f)  
24          on Bates Page 140, instead of Column (g).  And, Staff

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[WITNESS PANEL: Warshaw~Tebbetts]

1 was able to point that out to us. So, we, rather than  
2 make the correction in a revised filing, as it would  
3 affect many of the schedules, the Company would rather  
4 re -- rather refile at the eleventh hour, the Company  
5 would like to request to recover that for the May 2016  
6 summer rate. And, in the meantime, it's about \$800,000  
7 that we are talking about, the difference. And, this  
8 rate -- well, this would require a rate increase. So,  
9 to the benefit of customers, we felt that it was  
10 appropriate to request this change for next year.

11 Q. Is there any reason why the Company couldn't start  
12 recovering that money with the May rates for this year,  
13 as, you know, and because, as you know, the rates are  
14 going down? So, is there a reason why the recovery  
15 couldn't commence on May 1?

16 A. (Tebbetts) There is no particular reason, other than it  
17 was found at the eleventh hour, and we felt it would be  
18 most appropriate, given the short timeframe, to request  
19 it be recovered in 2016.

20 Q. But, other than -- and, other than that, though, it  
21 would be reasonable to begin recovery May 1, is that  
22 right?

23 A. (Tebbetts) Yes.

24 Q. It would take -- I know that, you know, and I'm fully

[WITNESS PANEL: Warshaw~Tebbetts]

1 sympathetic with the Company having to refile testimony  
2 and revise testimony, but would this type of  
3 calculation be that difficult to incorporate into the  
4 rate?

5 A. (Tebbetts) No, it would not.

6 Q. Okay. Thank you. I just wanted to put that out there.  
7 I know the Company is requesting to hold the money and  
8 not collect interest on it for a period of a year. But  
9 it seems to me that, with the rates going down, and  
10 with uncertainty in the future, Staff would believe  
11 it's appropriate to begin recovery in May. But I will  
12 leave that to the Commission.

13 And, just for -- just as typically the  
14 Company files the Customer Migration Report, and my  
15 understanding, Ms. Tebbetts, is that's the last exhibit  
16 on your testimony?

17 A. (Tebbetts) Yes. That's correct.

18 Q. Is there anything unusual in that report this time  
19 around?

20 A. (Tebbetts) I'm sorry, I don't know what you mean by  
21 "unusual"?

22 Q. Well, is there any unusual trend? Mr. Warshaw stated  
23 that there were a lot of -- there was more migration in  
24 the past few months. Is that reflected in this report?

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[WITNESS PANEL: Warshaw~Tebbetts]

1 A. (Tebbetts) This report goes through December 2014.  
2 And, we did see an uptick in migration with regards to  
3 kilowatt-hours. The overall number of customers as a  
4 percentage also did increase, although the percentage  
5 is relatively stable. But the number of customers  
6 migrating did increase.

7 Q. Okay.

8 A. (Tebbetts) As well as kilowatt-hours.

9 Q. Thank you.

10 MS. AMIDON: Just one moment please.

11 (Atty. Amidon conferring with Staff  
12 representatives.)

13 BY MS. AMIDON:

14 Q. Ms. Tebbetts, one final question. On Page 137, it's on  
15 your Exhibit 3, Page 2.

16 A. (Tebbetts) Yes.

17 Q. There's a reference to a National Grid account, is that  
18 right?

19 A. (Tebbetts) Yes.

20 Q. And, why is Liberty continuing to use the National Grid  
21 account?

22 A. (Tebbetts) So, for the months of February through July,  
23 we had not cut over our systems yet. And, so, we were  
24 using the National Grid Revenue Report that's noted

[WITNESS PANEL: Warshaw~Tebbetts]

1 here. The footnote does not further describe that, for  
2 August through January 2015, we were using our own  
3 billing system information to provide that.

4 Q. Well, that's great. Oh, one final question. I believe  
5 that Staff has discussed with you the possibility of  
6 doing further inquiry into the Lead/Lag Study outside  
7 of this short process for the default service rates.  
8 Does the Company have any issues with that?

9 A. (Tebbetts) No. Absolutely not.

10 MS. AMIDON: Okay. Thank you. Thank  
11 you. That's all I have.

12 CHAIRMAN HONIGBERG: Commissioner Scott.

13 COMMISSIONER SCOTT: Thank you. And,  
14 good morning.

15 BY COMMISSIONER SCOTT:

16 Q. Mr. Warshaw, on Bates 13 of Exhibit 1, you reference  
17 the "Borderline Service Agreement" with Massachusetts  
18 Electric Company. I was just curious, it says it's  
19 under, I forget the exact language, but basically it  
20 doesn't tell us when you expect that may actually be  
21 executed. I was curious if you had an expectation?

22 A. (Warshaw) My understanding is that we have reached a  
23 agreement with National Grid/Massachusetts Electric  
24 Company, and that Borderline Sales Agreement should be

[WITNESS PANEL:  Warshaw~Tebbetts]

1           either signed or signed shortly.  And, that is my  
2           understanding.

3  Q.    So, within the next month or two, is that -- I  
4           understand you don't control all the parts of that.  I  
5           was trying to get a better feel.

6  A.    (Warshaw) Probably even sooner than that.

7  Q.    Okay.

8                           MR. KNOWLTON:  If I could, maybe out of  
9           the ordinary course, make an offer of proof.  We have the  
10          final document that's on our desk ready to be signed, it  
11          may even be signed this afternoon, sent over to Marcy  
12          Reed, the president of Mass. Electric to sign.  So, it  
13          really is awaiting the pen.

14                           CHAIRMAN HONIGBERG:  So, when he said  
15          "shortly", he really did mean "shortly"?

16                           MR. KNOWLTON:  He really means  
17          "shortly".

18                           COMMISSIONER SCOTT:  Thank you.

19  BY COMMISSIONER SCOTT:

20  Q.    Also, Mr. Warshaw, in your discussion with the OCA, I  
21          think there was some discussion about, maybe I'm  
22          interpolating too much, but the bidding -- the bidded  
23          prices -- is that the right word? -- that you had the  
24          consistency with NYMEX or future prices, is that -- am

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[WITNESS PANEL:  Warshaw~Tebbetts]

1           I correct, that is something you check against to see  
2           what you get for bids compared to NYMEX, is that  
3           correct?

4   A.   (Warshaw) Yes.

5   Q.   Okay.  So, what happens if there's a fair divergence  
6           between the bidded prices and that?  What does that  
7           mean?

8   A.   (Warshaw) If there is a significant divergence between  
9           the bid prices and what NYMEX is saying, it indicates  
10          that there is some other market factor going on that is  
11          not included in the model that I use to determine what  
12          the prices should be.  And, that could be as simple as  
13          some major uncertainty coming out of the ISO for some  
14          portion of the wholesale supply or the wholesale cost.

15  Q.   Okay.  So, having said that, am I correct that that's a  
16          good check to see if it tracks with NYMEX?  If it  
17          doesn't, it doesn't necessarily mean the bidding is  
18          somehow flawed, but it probably makes sense that you  
19          would understand why the difference, is that a fair  
20          assumption?

21  A.   (Warshaw) That is fair.  And, that is also why we do  
22          the indicative process first, not only to give us a  
23          feeling of where the prices -- where the bids are  
24          going, and to -- and that the suppliers are

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[WITNESS PANEL: Warsaw~Tebbetts]

1 understanding the bids and providing correct values.

2 But, also, in case there is some issue that has come up  
3 that may not be reflected in what my understanding of  
4 the market at that time.

5 Q. Thank you. Am I correct also, and this sounds like  
6 déjà-vu, I've probably asked this in past proceedings,  
7 is the amount of perceived load that would be served by  
8 these bids is -- I assume that is a factor in who bids  
9 and what they bid on, is that fair?

10 A. (Warshaw) Yes.

11 Q. Okay. So, have you explored, and maybe this goes to  
12 the other default service docket, but have you  
13 explored, are there opportunities to combine  
14 solicitations with other entities to have a larger  
15 volume, if you will, of load to be served, and, you  
16 know, in order to get a better price? Is that a viable  
17 thing to look at?

18 A. (Warshaw) We have never looked into that. And,  
19 there -- as far as trying to put it together with  
20 another partner, I could not tell you who would -- how  
21 that would work, or if anyone would even be interested  
22 in doing that.

23 Q. Okay. Thank you. Is it fair to expect -- what do you  
24 expect will happen for the next cycle for default

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[WITNESS PANEL:  Warshaw~Tebbetts]

1           service?  Do you expect rates to be higher?

2  A.       (Warshaw) I expect rates to be higher than what we are  
3           proposing for the May through October 31st period.

4           Yes.  I do expect them to be higher.

5  Q.       Do you expect them to be considerably higher than the  
6           summer?

7  A.       (Warshaw) All things being equal, I would expect the  
8           winter rates coming up to be less than what we saw this  
9           past winter.  But, exactly how much less, I couldn't  
10          tell you.  I think the results of this past winter, ISO  
11          was able to put in a Winter Reliability Program that  
12          worked and allowed the -- to limit the amount of  
13          volatility in the 2014-2015 Winter, as compared to what  
14          the market saw in the 2013-2014 Winter.  Plus, there  
15          were other market factors that came into play,  
16          including a significant drop in the value of oil, and  
17          also the significant increase in the amount of LNG that  
18          was brought to New England to serve gas needs during  
19          the winter.  So, looking at that, I would say that I  
20          would expect that our prices -- that the bids that  
21          would come in in the fall would be lower than the bids  
22          that came in last fall.

23  Q.       But, again, still higher than this cycle that we're  
24          about to enter into, correct?

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[WITNESS PANEL:  Warshaw~Tebbetts]

1     A.     (Warshaw) Yes.

2     Q.     Okay.

3     A.     (Warshaw) Yes.

4     Q.     So, with that, help me, for the customers, who we  
5           haven't seen they an expectation that they will be  
6           lower in the summer/higher in the winter, how is that  
7           being communicated to the customers, your default  
8           service customers for next winter don't get a surprise?  
9           How are you communicating that?

10    A.     (Warshaw) There have been communications from our  
11           group -- not my group, but from the communications, you  
12           know, public relations group that has released  
13           information that the rates are going down.  But I have  
14           not read the -- I apologize, I didn't read any of the  
15           releases this morning, as far as trying to explain to  
16           customers what to expect in a year from now.

17    Q.     Or next fall?

18    A.     (Warshaw) Or next fall.

19    Q.     Right.  So, I guess that's what I'm concerned about.  
20           The messaging clearly is in the press you're before us  
21           now to lower rates, and, obviously, people are very  
22           happy with that, but the next step perhaps they're not  
23           covering?

24    A.     (Warshaw) I would guess that they probably wanted to

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[WITNESS PANEL: Warshaw~Tebbetts]

1 have it more of a "good news" story than a "good news  
2 and bad news" story.

3 Q. Okay.

4 A. (Tebbetts) Commissioners Scott?

5 Q. Thank you.

6 A. (Tebbetts) Commissioner Scott, actually, I do have some  
7 information. I had a feeling you may ask that  
8 question. So, I brought information with me. We have  
9 provided a press release back on the 23rd, March 23rd,  
10 with information that we have a rate decrease. But, in  
11 that press release, we did provide a paragraph that  
12 says "Currently, the rate is going down. But we do  
13 expect rates to increase when the winter comes." We've  
14 also filed this information on our website. And, we  
15 announced it on social media, Facebook and Twitter, on  
16 the 23rd. On the 30th, or when we receive an order, we  
17 are going to have a second press release with the news  
18 of the approved rates. We'll have an updated filing on  
19 the website. We're going to have another announcement  
20 on social media. And, an email to all electric  
21 customers that we have email addresses for announcing  
22 the approved rates. There's going to be on-bill  
23 messaging announcing summer rates, and the effective  
24 date of May 1st for April, and directing customers to

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[WITNESS PANEL: Warshaw~Tebbetts]

1 the website for more information. In May, we're going  
2 to have on-bill messaging announcing summer rates are  
3 in effect starting May 1st, again, directing customers  
4 to the website for more information. And, we're also  
5 going to provide a bill insert with information about  
6 the summer rates.

7 Q. Well, thank you. That's good. Again, my concern is to  
8 message that so people won't get an unexpected -- we  
9 don't have a repeat of the -- we may have a repeat of  
10 the higher prices, but not a repeat of the shock that  
11 it happens.

12 A. (Tebbetts) Certainly. And, so, that's why, in our  
13 releases of information, we have provided the fact that  
14 this is a summer rate, and we do expect rates to  
15 increase this coming winter.

16 Q. Thank you for that. And, my final question is, I'll go  
17 back to Attorney Amidon's question on the RPS recovery,  
18 right now you have Exhibit 7 for some corrections, if I  
19 understand right. So, I have two requests, at least  
20 from my end is, one, I do understand this is a dynamic  
21 thing, and you're kind of getting the latest data to  
22 come before us, but maybe one more scrub, just to make  
23 sure we don't have anything missing or any other  
24 changes for the record. But, also, I do think it would

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[WITNESS PANEL: Warshaw~Tebbetts]

1 be helpful for us if you could, in that filing, plug in  
2 that RPS recovery and what that would look like for  
3 this, this cycle.

4 CHAIRMAN HONIGBERG: So, do you want to  
5 add that to the response that's going to become Exhibit 7?  
6 Ms. Knowlton, is that okay?

7 MR. KNOWLTON: Well, sure. We can do  
8 that.

9 CHAIRMAN HONIGBERG: Thank you.

10 WITNESS TEBBETTS: If I could just  
11 clarify what you're requesting? That Bates Page 137  
12 include the \$800,000 that was not brought over onto the  
13 schedule, and then any accompanying schedules that would  
14 reflect that change?

15 COMMISSIONER SCOTT: In addition to the  
16 changes to Bates 104.

17 WITNESS TEBBETTS: Yes.

18 COMMISSIONER SCOTT: And, then again,  
19 anything else you see, would like to clean things up.

20 WITNESS TEBBETTS: Okay. Thank you.

21 COMMISSIONER SCOTT: That's all I have.

22 CHAIRMAN HONIGBERG: Thank you.

23 BY CHAIRMAN HONIGBERG:

24 Q. Mr. Warshaw, I'm going to follow up on Commissioner

[WITNESS PANEL:  Warshaw~Tebbetts]

1           Scott and Mr. Jortner on the divergence between the  
2           spot market prices and the bid, the bids you receive.  
3           There's got to be some adjustment applied, I assume, as  
4           to when it diverges so much that inquiry is required,  
5           right?

6   A.   (Warshaw) Yes.

7   Q.   Mr. Jortner asked you, "does this divergence still  
8           reflect or are you still getting the right or an  
9           acceptable reflection of the lower prices?"  And, you  
10          said "yes", you felt comfortable that you were getting  
11          that.  What makes you say that?

12  A.   (Warshaw) One, the level of competition that we had in  
13          the RFP, the number of suppliers, and we select the  
14          lowest supplier of the group.  It would be hard to  
15          imagine that all of the suppliers would get together  
16          and decide "Oh, we're just going to add on, you know,  
17          some arbitrary value to this."

18  Q.   Did you think about what the reason is why your bids  
19          weren't roughly the 30 percent that the spot market  
20          prices were projected to change?

21  A.   (Warshaw) Well, that's just the spot market price.  The  
22          actual cost of serving that load adds on not just the  
23          price of the energy, but there's also, in the ISO, you  
24          have a capacity market obligation that you have to pay

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[WITNESS PANEL:  Warshaw~Tebbetts]

1           for, and then there's these ancillary service markets  
2           that also are a cost that the supplier has to add on.  
3           And, those costs are, you know, are relatively fixed  
4           from one, you know, are in the same order of magnitude  
5           from one cycle to another.  So, they do, when you add  
6           that onto the energy cost, it has the potential of  
7           lowering some of the differences from one period to  
8           another.

9   Q.    Okay.  Regarding the messaging, and, Ms. Tebbetts,  
10        thank you for providing that information, we got a lot  
11        of irate calls after the winter rates were announced  
12        and then put into effect.  And, I'm sure you got some  
13        irate calls as well, right?

14  A.    (Tebbetts) I would assume we did, yes.

15  Q.    I know that, in our order, and in a lot of the  
16        information that was out there, it was made clear that  
17        this is not the Company making profit and taking the  
18        risk here, that this is the suppliers.  And, that's  
19        true here as well, the reflection of these bids in your  
20        rates is not a reflection of how much money the Company  
21        is making, right?

22  A.    (Tebbetts) That is correct.

23  Q.    This money is passed through to the suppliers who are  
24        taking the risk, but also the potential profit and the

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[WITNESS PANEL: Warshaw~Tebbetts]

1 potential loss, should things not work out, is that  
2 right?

3 A. (Tebbetts) Yes.

4 Q. Is your messaging also going to make it clear that this  
5 is part of the unregulated market that is out there,  
6 not the part that we can control or really even that  
7 you can control?

8 A. (Tebbetts) I don't know. But I certainly will make  
9 sure that that is part of the messaging that we provide  
10 in the information that will -- certainly, not that has  
11 already gone out, but, in the future, starting with  
12 when we receive our order.

13 Q. I'm fairly confident that our order will also reflect  
14 that. Just like you shouldn't have caught the blame  
15 back in the fall, you shouldn't be taking a victory lap  
16 now because these rates are lower. Is that a fair -- a  
17 fair way to characterize things?

18 A. (Tebbetts) Absolutely.

19 CHAIRMAN HONIGBERG: I don't think I  
20 have anything else.

21 Ms. Knowlton, do you have any further  
22 questions?

23 MR. KNOWLTON: Yes. Thank you. A few.

24 **REDIRECT EXAMINATION**

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1   BY MR. KNOWLTON:

2   Q.   Ms. Tebbetts, did you, yourself, happen to hear on WMUR  
3        this week any of its reporting on the Company's press  
4        release regarding this filing?

5   A.   (Tebbetts) Yes.

6   Q.   And, do you recall whether, at the end of the news  
7        story, the reporter concluded with a statement that the  
8        Company was projecting that electric commodity costs  
9        would increase again next winter?

10  A.   (Tebbetts) Yes.

11  Q.   Mr. Warshaw, if you would turn to your testimony  
12        please.  I'm looking at Bates Page 014.  Let me know  
13        when you're there.

14  A.   (Warshaw) I'm there.

15  Q.   Lines 8 through 11 of your testimony refer to "Docket  
16        IR 14-338", do you see that?

17  A.   (Warshaw) Yes.

18  Q.   And, is that a docket that the Company is participating  
19        in?

20  A.   (Warshaw) Yes.

21  Q.   And, in that docket, are there a wide range of comments  
22        that have been provided by participating parties about  
23        options to address the solicitation process for default  
24        service?

[WITNESS PANEL: Warshaw~Tebbetts]

1 A. (Warshaw) Yes.

2 Q. And, you participated in those discussions in that  
3 docket --

4 A. (Warshaw) I have.

5 Q. -- on behalf of the Company?

6 A. (Warshaw) I have participated and I have attended the  
7 meetings.

8 Q. And, are you aware that, in the Order of Notice that  
9 the Commission issued in that docket, that the  
10 Commission noted that the Office of Consumer Advocate  
11 had suggested that default service customers could  
12 benefit from changing the term of default service  
13 procurement from a six-month block to a twelve-month  
14 block?

15 A. (Warshaw) Yes.

16 Q. Are you familiar with that?

17 A. (Warshaw) I am.

18 Q. And, has that been the subject of some discussion in  
19 the IR 14-338 proceedings?

20 A. (Warshaw) Yes, it has.

21 Q. And, do you recall that Mr. Jortner asked you during  
22 his examination of you about the possibility of  
23 breaking down the residential bidding to three-month  
24 blocks, as opposed to the current six-month block?

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1     A.     (Warshaw) Yes.

2     Q.     Do you have an opinion about what that would do to rate  
3            stability for residential customers?

4     A.     (Warshaw) It would depend upon whether we would be  
5            going out for two blocks at one time or moving to one  
6            four blocks -- you know, four blocks four times a year,  
7            quarterly.

8                                 As far as rate stability, I think it  
9            would create more -- a little more, I don't -- I  
10           couldn't speculate on how much volatility in the  
11           prices, only because we would -- instead of having from  
12           one supplier, there's the possibility of having two  
13           different suppliers in that period of time.  And, there  
14           may be some costs that the suppliers would then have to  
15           include, because now they would not be able to recover  
16           some of the participation costs over a six-month  
17           period, they would be recovering that -- or, they would  
18           be, I shouldn't say "recovering", but they would be  
19           paid over a shorter period of time.

20    Q.     Is it your -- do you have an opinion about whether or  
21            not bidding out in three-month blocks would cause the  
22            rates to possibly jump up and down and up and down over  
23            the course of a twelve-month period?

24    A.     (Warshaw) I hadn't thought of that too much until I was

[WITNESS PANEL: Warshaw~Tebbetts]

1 asked that question. But I think it would increase the  
2 volatility.

3 Q. And, if the residential block was bid out over a  
4 twelve-month period, do you have an opinion about what  
5 that would do to a rate, in terms of, I mean,  
6 stability?

7 A. (Warshaw) I think rates bid out over a twelve-month  
8 period would provide less volatility to the customer,  
9 but at the risk of having the customer ending up paying  
10 significantly above the market price.

11 Q. And, --

12 CHAIRMAN HONIGBERG: Ms. Knowlton,  
13 you're not planning on going through all of the issues in  
14 that investigative docket, are you?

15 MR. KNOWLTON: No. No, I'm not.  
16 Absolutely not. I'm about to stop.

17 CHAIRMAN HONIGBERG: All right.

18 MR. KNOWLTON: One or two more  
19 questions, if I may?

20 BY MR. KNOWLTON:

21 Q. And, that's because the twelve-month block is further  
22 out from the market, the prices that the block would  
23 include are further out from the market?

24 A. (Warshaw) Yes.

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1 Q. So, if you bid in three-month blocks, it would be  
2 closer to the market?

3 A. (Warshaw) Yes.

4 MR. KNOWLTON: Thank you. I have  
5 nothing further for the witnesses.

6 CHAIRMAN HONIGBERG: All right. If  
7 there's nothing else for these witnesses, I think we can  
8 let them return to their seats.

9 Is there any other witnesses going to be  
10 called here?

11 (No verbal response)

12 CHAIRMAN HONIGBERG: Okay. Is there any  
13 objection to striking the identification from the six  
14 exhibits we have, and we'll just deal with that seventh  
15 exhibit when it comes?

16 MS. AMIDON: That's fine. But I just  
17 wanted to get it clear. I know that we're asking, in  
18 Exhibit 7, it was a record request for the revision of the  
19 graph on, or whatever it is, the table on Page 103. But  
20 what were -- were Commissioner Scott's requests taken as a  
21 record request as well?

22 CHAIRMAN HONIGBERG: I think it's being  
23 included in Exhibit 7, which I guess are looking at as a  
24 Christmas tree right now. Ms. Knowlton, do you want to go

1 through what you have as being included in that?

2 MR. KNOWLTON: All right. So, the first  
3 thing I have is Bates Page 104, to recalculate that page  
4 showing the final bid price for the winning bidder. The  
5 second piece I have relates to the calculation of the RPS  
6 amount, and to include that, so that the Commission can  
7 see the effect that that would have on the rates that are  
8 being proposed.

9 All right. My understanding is is that  
10 that RPS amount is an under recovery. And, so, we will  
11 show the effect of recovering that under recovery now on  
12 the rates that will be proposed, so that the Commission  
13 can compare that, you know, with and without recovery of  
14 that RPS amount now. So that you could decide whether you  
15 want the Company to recover it as of May 1st, or whether  
16 you would like to delay, delay that to the future.

17 CHAIRMAN HONIGBERG: Is there anything  
18 else that anybody wants now to be included in Exhibit 7?  
19 I think that was it, is that right?

20 (No verbal response)

21 CHAIRMAN HONIGBERG: Okay. I think  
22 we're good with that. So, with that understanding, if  
23 there's no objections to striking the ID, we will strike  
24 the ID. And, we'll deal with Exhibit 7 when it comes in.

1                   Is there anything else we need to do  
2 before the parties sum up?

3                   (No verbal response)

4                   CHAIRMAN HONIGBERG: All right.  
5 Mr. Jortner.

6                   MR. JORTNER: Thank you, your Honor. I  
7 think, with the exception of, you know, the one error that  
8 we saw, and we expect to get the record request, you know,  
9 in the next couple of days on that, just to review the  
10 divergence between the spot market and the prices that  
11 were obtained. The other part of our question was, we  
12 would like Mr. Warshaw to reconsider his characterization  
13 as there being consistency between the futures market and  
14 the prices that the Company has obtained.

15                   So, with that exception, it appears that  
16 the Company did an adequate job in its solicitation  
17 process, its RFP, and its choices in the market. And, we  
18 have no objections.

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

21                   MS. AMIDON: Thank you. First of all,  
22 Staff generally supports the commencement of recovery  
23 through rates of the RPS under recovery effective May 1,  
24 but we also want a chance, as the Commission does, to take

1 a look at the impact on rates.

2 As you know, Staff does not support the  
3 advance bidding proposal in Mr. Warshaw's testimony, but  
4 we understand that we'll be working with the Company on  
5 those issues.

6 And, finally, we recommend that you  
7 approve the Lead/Lag Study, subject to the results of a  
8 Staff review. We, obviously, in this short period of  
9 time, can't -- don't have an opportunity to take a close  
10 look at it. And, because the Commission is working on  
11 rules related to working capital, we would like to have a  
12 chance to understand a little more in depth what the  
13 Company does in preparing its lead/lag study.

14 Having said that, we believe the Company  
15 followed the process approved by the Commission in Order  
16 Number 24,577 and subsequent orders, in the solicitation,  
17 bid evaluation, and selection of winning bidders in this  
18 process. And, we believe that the resulting rates are  
19 market-based, and we support the Petition.

20 CHAIRMAN HONIGBERG: Commissioner Scott.

21 COMMISSIONER SCOTT: Sorry I wasn't  
22 quick enough. For the OCA, obviously, one of the things  
23 we're interjecting now is when would the -- excuse me --

24 CHAIRMAN HONIGBERG: The RPS under



1 recovery.

2 COMMISSIONER SCOTT: Yes, under recovery  
3 for RPS would be included. Do you have a position on when  
4 that should happen?

5 MR. JORTNER: The OCA has no objection  
6 to the delay in the recovery as the Company had planned to  
7 do. So, we don't -- we don't have any reason to ask them  
8 to change its plans.

9 CHAIRMAN HONIGBERG: Ms. Knowlton.

10 MR. KNOWLTON: Thank you. As the  
11 witnesses have testified, the Company followed the  
12 procurement process regarding the solicitation, which has  
13 been previously approved by the Commission. There was  
14 sufficient participation by bidders in that process. And,  
15 we believe that the bid process has resulted in bids that  
16 are -- prices that are market-based. The Company analyzed  
17 all of those bids and determined the lowest bidder and  
18 selected those bidders, those two bidders, to serve both  
19 residential and commercial/industrial customers.

20 The Company requests that the Commission  
21 approve the proposed rates based on those bids. We  
22 believe that those rates are just and reasonable and in  
23 the public interest.

24 The Company will implement a process

1 improvement to scrub its filings before they come in, so  
2 that we don't have as much back-and-forth on the filing.  
3 We'll start that process improvement today, when we go  
4 back to put together Exhibit 7 and the record response.

5 We also will continue to participate in  
6 IR 14-338. And, you know, where all-comers can discuss  
7 all ideas on how to change the procurement process. And,  
8 we're fully aware that it's possible that the outcome of  
9 that docket could affect the schedule for the next  
10 solicitation, as well as the mode of solicitation. And,  
11 so, we'll continue to participate, and we'll see where we,  
12 you know, where we end in that docket. And, I just wanted  
13 to recognize that there could be differences based on  
14 what's in Mr. Warshaw's testimony.

15 And, finally, we look forward to sitting  
16 down with the Staff and the Consumer Advocate, if they  
17 would like to participate, to discuss the Lead/Lag Study  
18 that is performed routinely as part of this filing. Thank  
19 you.

20 CHAIRMAN HONIGBERG: Thank you. Is  
21 there anything else anyone has? Yes, Commissioner Scott.

22 COMMISSIONER SCOTT: I wanted to ask you  
23 the same question I asked the OCA, since we're requesting  
24 that you provide a filing, Exhibit 7, which would include

1 reconciling the RPS sooner than later, what the impact  
2 would be? Does the Company have a position on where you'd  
3 like to see that?

4 MR. KNOWLTON: We don't. We'll do  
5 whatever the Commission directs.

6 COMMISSIONER SCOTT: Thank you.

7 CHAIRMAN HONIGBERG: All right. Thank  
8 you. Is there anything anyone else has?

9 (No verbal response)

10 CHAIRMAN HONIGBERG: Seeing none, we  
11 will adjourn. Thank you very much.

12 **(Whereupon the hearing was adjourned at**  
13 **11:47 a.m.)**

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