

## STATE OF NEW HAMPSHIRE

## PUBLIC UTILITIES COMMISSION

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4 **August 11, 2015 - 9:07 a.m.**  
Concord, New Hampshire

NHPUC AUG25'15 AM 8:37

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

9  
10 **PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Robert R. Scott  
11 Commissioner Kathryn M. Bailey

12 Sandy Deno, Clerk

13  
14 **APPEARANCES:** Reptg. Liberty Utilities (Granite State  
Electric) Corp. d/b/a Liberty Utilities:  
15 Steven E. Mullen, Mgr./Rates & Regulatory

16 Reptg. Residential Ratepayers:  
James Brennan, Finance Director  
17 Office of Consumer Advocate

18 Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
19 Grant Siwinski, Electric Division

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22  
23 Court Reporter: Steven E. Patnaude, LCR No. 52

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**WITNESS: JOHN D. WARSHAW**

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**EXHIBIT NO. DESCRIPTION PAGE NO.**

8	Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities Petition for Approval of Revisions to Default Service Solicitation Process (07-22-15)	4
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**P R O C E E D I N G**

1  
2 CHAIRMAN HONIGBERG: We're here this  
3 morning in Docket DE 15-010, which is Liberty Utilities  
4 (Granite State Electric) Default Service Procurement  
5 docket. We're here in the latest chapter of the  
6 never-ending search for the perfect default procurement  
7 process. Maybe we've got it. I think we're going to hear  
8 about it this morning. We have a proposal. We have the  
9 letter from the OCA, which came in this morning. And, we  
10 will proceed.

11 Let's take appearances first.

12 MR. MULLEN: Good morning,  
13 Commissioners. Steven Mullen. I'm the Manager of Rates  
14 and Regulatory for Liberty Utilities Service Corp. And,  
15 I'm here today on behalf of Liberty Utilities (Granite  
16 State Electric) Corp.

17 CHAIRMAN HONIGBERG: Good morning, Mr.  
18 Mullen.

19 MR. BRENNAN: Good morning, Mr.  
20 Chairman. My name is Jim Brennan. I'm with the Office of  
21 Consumer Advocate.

22 CHAIRMAN HONIGBERG: Good morning, Mr.  
23 Brennan.

24 MS. AMIDON: Good morning. Suzanne

[WITNESS: Warshaw]

1 Amidon, for Commission Staff.

2 CHAIRMAN HONIGBERG: Good morning,  
3 Ms. Amidon. What's the plan here? We're going to have  
4 Mr. Warshaw testify?

5 MR. MULLEN: Yes. That's correct. And,  
6 just one preliminary matter. I've already handed the  
7 Clerk and the Court Reporter a copy of a document that was  
8 filed on July 23rd, has a cover letter of July 22nd. This  
9 was the Company's Petition for Approval of Revisions to  
10 Default Service Solicitation Process, and attached to that  
11 was a technical statement of Mr. Warshaw. I propose to  
12 mark that as "Exhibit 8".

13 CHAIRMAN HONIGBERG: Okay. We'll mark  
14 that as "Exhibit 8".

15 (The document, as described, was  
16 herewith marked as **Exhibit 8** for  
17 identification.)

18 MR. MULLEN: And, with that -- other  
19 than that, the Company calls Mr. Warshaw.

20 (Whereupon **John D. Warshaw** was duly  
21 sworn by the Court Reporter.)

22 **JOHN D. WARSHAW, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. MULLEN:

[WITNESS:  Warshaw]

1    Q.   Mr. Warshaw, could us please state your full name.

2    A.   John D. Warshaw.

3    Q.   And, by whom are you employed?

4    A.   Liberty Utilities Service Corp.

5    Q.   What's your position with the Company?

6    A.   I'm a Manager of Electric Supply.

7    Q.   And, what are your job responsibilities?

8    A.   Among my responsibilities is the procurement of default  
9       service for our New Hampshire electric utility.  And, I  
10      also do the procurement of electric supply for our  
11      California utility.

12   Q.   On whose behalf are you testifying today?

13   A.   Liberty Utilities (Granite State Electric) Corp.

14   Q.   Have you previously filed testimony in this proceeding?

15   A.   Yes.

16   Q.   And, do you have a copy of what's been marked as  
17      "Exhibit Number 8" in front of you?

18   A.   Yes.

19   Q.   Can you please describe what that document is?

20   A.   It is a petition for changes to Liberty's procedures  
21      for default service procurement.  And, it has both a  
22      pleading and a technical statement attached to it.

23   Q.   Was that document prepared by you or under your  
24      direction?

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[WITNESS: Warshaw]

1 A. Yes.

2 Q. Do you have any changes or corrections to that  
3 document?

4 A. No.

5 Q. Could you please provide a brief summary of the  
6 circumstances that caused this petition to be filed.

7 A. Certainly. As a result of the extremely high retail  
8 prices for electric service that Liberty and other  
9 utilities in New Hampshire and across New England had  
10 to have approved for this past winter, the Commission  
11 opened up a docket to investigate if there are other  
12 alternative ways of procuring default service that  
13 could minimize or result -- reduce the price volatility  
14 to the customers, especially to the smaller customers,  
15 like residential and small commercial.

16 There was a docket opened by the  
17 Commission. There was a -- we participated -- Liberty  
18 Utilities participated in that, and provided various  
19 filings, and attended a number of technical sessions  
20 for that. And, at the last hearing, the Commission  
21 had -- came up with a couple of recommendations for how  
22 to move forward on that. And, this filing is a  
23 response to that process and those recommendations.

24 Q. And, that docket you referred to was an investigation

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[WITNESS: Warsaw]

1 docket?

2 A. Yes.

3 Q. Is that IR 14-338?

4 A. Correct.

5 Q. And, if you turn to Page 2 of your technical statement.

6 At the top, are those the three items that the

7 Commission recommended in that proceeding as issues to

8 explore?

9 A. Yes. The Commission had recommended that we look into  
10 shortening the time period from when bids are received  
11 by a utility to the actual approval of the contracts;  
12 separating the reconciliation process from the  
13 rate-setting process, in order to provide more time for  
14 Staff and others to review the reconciliation filing;  
15 and the last one was the -- to time-shift or split the  
16 two high-priced winter months of January and February  
17 into two separate service periods, so that you wouldn't  
18 have only the high-priced months in one period.

19 Q. And, has the Company put forth a proposal for all three  
20 of those items?

21 A. No. The one thing we are not -- have not proposed is  
22 the shortening of the time period between bid and  
23 approval.

24 Q. And, why is that?

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[WITNESS: Warshaw]

1 A. There didn't seem to be a specific direction to go,  
2 plus it needed additional research and work with Staff  
3 and Commission.

4 Q. Regarding the reconciliation process, what changes are  
5 being proposed?

6 A. We're proposing to file 30 days -- do an annual filing  
7 30 days prior to when we file our default service rate  
8 filing.

9 Q. And, that's to provide more time for review?

10 A. Yes.

11 Q. And, regarding the shift of the six-month default  
12 service procurement periods, what's the proposal?

13 A. The proposal is to move from the current periods, which  
14 are May through October and then November through  
15 April, we're proposing to move to a February through  
16 July and August through January period. That way, in  
17 those two -- the two highest cost months, January and  
18 February, are in two separate service periods for  
19 customers.

20 Q. Do you have any indication as to whether that proposal  
21 will reduce prices for the next solicitation?

22 A. It will not reduce the costs, but it will help to  
23 reduce prices. Because, as part of the rate-setting  
24 process for the Small Customer Group in our default

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[WITNESS: Warshaw]

1 service territory, we do a six-month average flat  
2 price, so that the customers aren't exposed to the  
3 month-to-month actual costs, but a flat price for the  
4 period.

5 Q. If you turn to Page 3 of your technical statement, the  
6 table at the top includes some timelines for various  
7 steps in the process. Are those timelines consistent  
8 with the timelines that have been used by Granite State  
9 in the past, in terms of the amount of time between the  
10 steps?

11 A. Yes. Other than moving the service periods, the rest  
12 of the process is similar to what we have used in the  
13 past.

14 Q. Okay. And, I just want to ask you about the last table  
15 in your technical statement, which is on Page 4. Could  
16 you please explain what this table shows.

17 A. This table attempts to -- well, this table compares the  
18 current default service rates for -- that expire at the  
19 end of October, for the summer, and this compares that  
20 to using a NYMEX forwards, what we expect or we  
21 forecast prices to be under different scenarios. One  
22 is no change to the process, which would be -- which  
23 would result in prices from of about 11.6 for the  
24 November through April period, and then, after that, I

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1 put together ways of transitioning to the new period,  
2 which is either having a stub period of November  
3 through January, and then another period -- another  
4 procurement for February through July period, and that  
5 results in a fairly high retail rate -- set rates for  
6 the Small Customer Group.

7 But, if you go from -- go to a  
8 nine-month period, and go for November 1st through  
9 July 31st, the resulting price is relatively flat and  
10 has less of a volatility to the retail customers than  
11 the other three options.

12 MR. MULLEN: Thank you. I have no  
13 further questions.

14 CHAIRMAN HONIGBERG: Mr. Brennan, do you  
15 have any questions?

16 MR. BRENNAN: I have no questions.  
17 Thank you.

18 CHAIRMAN HONIGBERG: Ms. Amidon.

19 MS. AMIDON: Thank you. Good morning,  
20 Mr. Warshaw.

21 WITNESS WARSHAW: Good morning.

22 **CROSS-EXAMINATION**

23 BY MS. AMIDON:

24 Q. Most recently, you talked about the phase-in. My

[WITNESS: Warshaw]

1 understanding is that the Company prefers the  
2 nine-month phase-in, is that right?

3 A. Yes.

4 Q. And, that's what you're requesting approval of, is to  
5 begin phasing in the new two six-month periods using a  
6 nine-month procurement?

7 A. Yes.

8 Q. That procurement would apply to the Large Customer  
9 Group, as well as the Small Customer Group, is that  
10 right?

11 A. Yes.

12 Q. And, how would you procure supply for the Large  
13 Customer Group?

14 A. I would procure supply through having three 3-month  
15 blocks, so that we would end up with a nine-month  
16 supply.

17 Q. So, what you're seeking and what you would seek in the  
18 RFP, if this process is approved, to phase in this  
19 process for the Large Customer Group would be three  
20 consecutive blocks of three months each, correct?

21 A. Yes.

22 Q. And, you would continue to price that for the Large  
23 Customer Group at fixed monthly costs, is that right?

24 A. Yes.

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[WITNESS: Warshaw]

1 Q. Now, did you discuss this proposal for both the Large  
2 and the Small Customer Group with potential suppliers?

3 A. Yes, I did.

4 Q. And, did those suppliers express any concerns about the  
5 transition?

6 A. Most of them had little concern, other than the  
7 standard trading period or blocks is usually  
8 December/January/February, and they see that, by  
9 breaking up January and February, it just increases  
10 their, I guess, work to get individual pricing, instead  
11 of getting the monthly block, the 3-month block.

12 There was one supplier that has an  
13 aversion to bidding in the winter, because of other  
14 costs that they're unable to hedge. And, that supplier  
15 told me that they probably would not be bidding for the  
16 Small Customer Group if both blocks had a winter month  
17 in it.

18 Q. And, you discussed this proposal with Staff and the  
19 OCA, is that right?

20 A. Yes. We had a meeting on July 1st.

21 Q. And, I'll get to that later. But you did share some  
22 information about supplier reaction at that meeting,  
23 right?

24 A. Yes.

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[WITNESS: Warshaw]

1 Q. And, I'm looking at the material you provided, and you  
2 said "one supplier may not bid in future solicitations  
3 if both periods contain a winter month." Is that the  
4 supplier you just referred to?

5 A. Yes.

6 Q. And, there was an additional comment that supplier  
7 made, and it is as follows: "Would like to see a  
8 pass-through of unhedgeable costs (Winter  
9 Reliability)." Would you explain what that means  
10 please.

11 A. In the past, when we've had costs that were unknown  
12 that suppliers would be facing, such as two winters ago  
13 when the ISO implemented the first Winter Reliability  
14 Program, because the contracts are written such that,  
15 once a fixed price is set in the contract, the  
16 suppliers have no ability to come back and negotiate a  
17 new price. So, what we have done in the past, to  
18 ensure that we have suppliers bidding and willing to  
19 participate, is identifying a specific cost that they  
20 would have -- they would not be -- they wouldn't be  
21 responsible for it at the ISO level, but they would  
22 then pass on or pass through those costs directly to  
23 Liberty. So, that would be an incremental cost, on top  
24 of the fixed price cost that is negotiated in the

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1 contract. And, what Liberty would do, as we have in  
2 the past, is come up with an estimate of what that cost  
3 would be for the period and include that in the rate.  
4 And, then, during the reconciliation period, we would  
5 then reconcile the revenue that we receive from that  
6 estimate against the actual costs that were incurred  
7 and passed through by the supplier.

8 Q. So, do you agree with the supplier that that could be a  
9 concern? That there will be unhedgeable costs  
10 associated with Winter Reliability?

11 A. There have always been unhedgeable costs. And,  
12 suppliers, in the past, have been able to work around  
13 some of them. It's the magnitude of the costs that  
14 worries them. This past winter's Winter Reliability  
15 Program, we were able to do contracts without a  
16 pass-through, because they were able to, after the  
17 experience of the first Winter Program, they were able  
18 to get a handle and build in their model the costs for  
19 the next Winter Program.

20 That doesn't mean that there aren't  
21 other costs that get identified in the ISO marketplace  
22 that, for whatever reason, become unknown at the time  
23 of the RFP that have to be incorporated.

24 Q. So, there's some uncertainties?

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[WITNESS: Warshaw]

1 A. There's always some uncertainty during the RFP period.

2 Q. But the second set of comments that you included in  
3 your discussions with the OCA and Staff were as  
4 follows: "All suppliers were concerned that the  
5 wholesale market trades January/February as a package  
6 and splitting the months may result in incremental  
7 costs." Are these the same incremental costs you just  
8 referred to?

9 A. Yes.

10 Q. Okay. And, you indicated, as another concern, "some  
11 concern regarding migration risk for Large Customer  
12 Group". Could you explain what that concern is.

13 A. The concern for the Large Customer Group is that, in  
14 general, those are the customers that have the greatest  
15 ability to go to a competitive supplier for their  
16 supply, as opposed to taking default service from  
17 Liberty. The concern is that, if we get -- we have  
18 prices that are either too above or too below the  
19 marketplace, those customers that are either taking  
20 supply from us that is higher than market prices will  
21 migrate to a competitive supplier, and the reverse is  
22 also a concern for suppliers, that customers could come  
23 back to default service, if the default service prices  
24 are lower than what the marketplace has. This is

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[WITNESS: Warshaw]

1 always -- this is a concern that has always been part  
2 of the Large Customer Group. Suppliers always have to  
3 factor in this migration risk.

4 Q. And, that's because the suppliers bear the risk of the  
5 load, right?

6 A. Correct. They're going to hedge a certain amount of  
7 load that they expect to be responsible for. And, if,  
8 for whatever reason, that load either doesn't  
9 materialize or is significantly higher than what they  
10 bid on, they do have a potential of not incurring the  
11 revenue and the profit that they expected in their  
12 service to Liberty's customers.

13 Q. Now, I recall in some recent RFPs you had reduced  
14 interest from suppliers in bidding for the Large  
15 Customer Group, is that right?

16 A. Yes, we did. That was -- that was especially painful  
17 after the Winter of December -- December '13/14, when  
18 we came out of '14 with some, you know, very high  
19 volatility in the wholesale marketplace. And,  
20 suppliers decided that "Whoa." They weren't sure where  
21 the market was going. And, they were either  
22 uncomfortable in bidding into the marketplace or had  
23 gotten hurt, lost, you know, funds during the high  
24 volatility and run up in prices, and were taking a

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1 breather and seeing how things were moving forward and  
2 to determine what business that they wanted to be in,  
3 and what markets they were interested in serving.

4 Q. And, if -- I believe it was following that experience  
5 by the Company that the Commission made an inquiry into  
6 what the Company would do in the event that there were  
7 no bidders for a certain block of power.

8 A. Correct.

9 Q. So, what, assuming that this is approved, that the new  
10 proposal is approved, what would the Company do in the  
11 event that you don't get bidders for all three blocks  
12 of power for the Large Customer Group?

13 A. The first thing we would do would be to contact Staff,  
14 to have a discussion about what -- what we should be  
15 doing to move forward. We do have a proposal on how to  
16 handle that situation. There are a number of options  
17 that we could take. One is to rebid on a very short  
18 timeframe the blocks that were not filled. The other  
19 option is to take the blocks for service and put it on  
20 Liberty Utilities' ISO account, and then basically end  
21 up with a -- paying that service at the ISO locational  
22 marginal real-time price. And, to do that, we would  
23 come up with a forecast of what we think the monthly  
24 real-time price costs would be during that period.

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1 And, we would always reconcile that against actual  
2 costs.

3 But it would depend upon which blocks  
4 didn't get bid. You know, if we have three blocks, and  
5 we had no bidders for like the last block, the third  
6 block, we would definitely go out with another RFP for  
7 that. That has much less time constraints than if it  
8 was the first three months, where we're attempting to  
9 have prices posted a month before they are actually  
10 effective.

11 Q. What about the second three months?

12 A. And, we would probably -- I was doing the extremes.  
13 But the second three months, we'd probably do the same.

14 Q. Did you meet or discuss this with parties that were in  
15 the IR 14-338 docket, to discuss this proposal? For  
16 example, I'm trying to think of the parties that were  
17 involved. Office of Energy & Planning, was it NEPGA?  
18 Did you talk with any of those participants?

19 A. Not independently, other than the July 1st meeting with  
20 Staff and OCA.

21 Q. Okay.

22 A. This information was distributed to the service list of  
23 14-338.

24 Q. Thank you. Now, the change that this makes for

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1 customers is that it sends a different price signal  
2 than they're currently getting. For example, right  
3 now, the peak hours seem to be in winter. The peak  
4 prices seem to occur in winter. Is that fair to say?

5 A. Yes.

6 Q. And, by splitting the winter months as proposed here,  
7 you will be mitigating that price signal. Is that fair  
8 to say?

9 A. Yes.

10 Q. So, are you concerned at all whether you're sending the  
11 wrong price signal to customers about energy usage?

12 A. I don't know if we're sending the wrong price signal.  
13 The price that we send is not based -- is not a monthly  
14 price that the customer sees that varies monthly, but  
15 is an average price over a six-month period. Customers  
16 who go on a budget billing, that system, you know,  
17 option, will be able to minimize their costs by  
18 spreading out the costs over a longer period of time.  
19 If you look on our filing, the tech statement, on Page  
20 3, there's a table that attempts to compare using  
21 actual rates and costs that we incurred in the last 12  
22 months of RFP. And, you'll see that the proposed  
23 service period results in a fairly flat pricing between  
24 the February and July period and the August and January

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1 period, as opposed to what we've seen in the actual  
2 current periods, which is November through April and  
3 May through October, the swing between the two periods  
4 is 8 cents. Which is a fairly large swing, and I think  
5 that's one of the concerns that folks have, that that  
6 is a shock to customers, by having such a large price  
7 swing.

8 Q. Thank you. You talked a little bit with Mr. Mullen  
9 about the barriers to changing the hearing date and  
10 making it closer to the final bid reception. Do you  
11 call that there was a discussion about, you know, that  
12 existing law may be part of the barriers?

13 A. Yes.

14 Q. Okay. And, so, that -- that would be a legislative  
15 solution that would effect any of the companies that go  
16 out to bid. Is that fair to say?

17 A. Yes.

18 Q. I mean, you'd need a legislative solution. I wanted to  
19 talk about the reconciliation a little bit, just for  
20 purposes of getting in the record. My understanding is  
21 that the Company has changed the reconciliation period  
22 to -- and separating it from the default service  
23 process to meet the proposal that the Commission  
24 discussed in 14-338. But you're also changing the

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1 period to more closely align it with actual expenses  
2 then, is that right, in order to capture the most  
3 current information? Because my understanding is you  
4 inherited this reconciliation from the prior owner, is  
5 that --

6 A. Yes.

7 Q. And, can you explain, just add a little bit more on  
8 that?

9 A. Yes. The reconciliation process that Liberty has been  
10 using has been the same process that the previous owner  
11 of Liberty used in their reconciliation. We felt that  
12 it was time for Liberty to do their own thing, and to  
13 move all of the reconciliations so that the costs that  
14 are incurred are a little bit closer to be recovered or  
15 rebated back to those customers that caused those  
16 costs.

17 Q. So, once this process is complete, that will be more  
18 accurate, more closely aligned with your accounting  
19 procedures?

20 A. Yes. And, it will also give the Staff a 30-day lead  
21 time to be able to more -- able to go through the  
22 filing with a fine tooth comb and get a better handle  
23 on what we are proposing.

24 Q. And, one final question. When -- did the Company

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[WITNESS: Warshaw]

1           require an order by a specific date regarding this  
2           proposal?

3   A.   Well, the sooner the better, is what we are looking  
4           for.

5   Q.   When do you go out for your next RFP?

6   A.   My next RFP is scheduled to be issued Monday,  
7           August 17th.

8   Q.   That's not what I hoped to hear. Thank you.

9   A.   Well, -- but that's the situation we're in. I'm  
10          planning on issuing the RFP as if the proposal that we  
11          have in front of you is approved. We still have plenty  
12          of time to be able to change it. But we would  
13          definitely need to have an order by September 2nd,  
14          maybe a week before final bids are due. I mean, before  
15          indicative bids are due, I misspoke. The indicative  
16          bids are due September 8. So, I would be looking for  
17          hopefully an order by the beginning of September.

18                   CHAIRMAN HONIGBERG: Does that make you  
19   feel better, Ms. Amidon?

20                   MS. AMIDON: Yes, it does. Thank you.

21   I have no further questions. Thank you.

22                   CHAIRMAN HONIGBERG: Commissioner Scott.

23                   COMMISSIONER SCOTT: Thank you. And,  
24   thank you for coming this morning.

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[WITNESS: Warshaw]

1 WITNESS WARSHAW: You're welcome.

2 BY COMMISSIONER SCOTT:

3 Q. Can you -- from a customer perspective, will the change  
4 in the time periods, what will they see? What's the  
5 impact to a customer? Other than, obviously, the more  
6 stable -- potentially more stable rates. I meant just  
7 more mechanically, sorry.

8 A. They're going to have lower costs, you know, during the  
9 winter period.

10 Q. So, for their billing and their contracts, everything  
11 stays the same, is that correct?

12 A. Yes.

13 Q. Okay. So, in that respect, it's pretty seamless. Is  
14 that fair?

15 A. Yes. For the Small Customer Group, it will be  
16 seamless, other than they will get a notice upcoming  
17 that this period, starting November 1st, is going to be  
18 a nine-month price, instead of a six-month price. And,  
19 then, going forward, that will be changing, August and  
20 February.

21 Q. Okay. And, you just answered my next question. So,  
22 thank you. Is what kind of public outreach will you be  
23 doing for your customers?

24 A. There will be notices in bill stuffers, press releases.

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[WITNESS: Warshaw]

1 We will be educating the CSRs on what to expect, so  
2 that, when customers do call in, they're able to  
3 explain it.

4 Q. Thank you. You had some discussion, obviously, about  
5 concerns about number of bidders. That's not a new  
6 concern, obviously, in the past few years. Do you have  
7 any indication, other than that one potential bidder,  
8 that you will see a shortage of bidders?

9 A. No. I think the group of bidders will still bid in.  
10 There are other utilities in New England that have  
11 almost the similar periods where they do bidding.

12 Q. Okay. And, I don't need you to elaborate too much. I  
13 was just curious, as far as the discussion regarding  
14 "shortening the time from bid to approval", what kind  
15 of legislative change were you implying? I was just  
16 curious, so I could have that in the back of my mind.

17 A. If I remember correctly, it has to do with notice  
18 periods to customers and requirements of Commission  
19 hearings for rate-setting.

20 MS. AMIDON: That's a fair summary of  
21 the statutory obstacles. Thank you.

22 COMMISSIONER SCOTT: Thank you. That's  
23 all I have.

24 CHAIRMAN HONIGBERG: Commissioner



[WITNESS: Warshaw]

1 Bailey.

2 COMMISSIONER BAILEY: Thank you.

3 BY COMMISSIONER BAILEY:

4 Q. You said something about "it wouldn't reduce the costs,  
5 but it will reduce prices." And, I didn't really  
6 understand what you meant by that. Can you explain  
7 that to me a little bit?

8 A. Sure. For the Small Customer Group, when we go out for  
9 an RFP, the suppliers are able to set a different price  
10 for every month. But, when we do the -- develop the  
11 rate for our Small Customer Group, we take those prices  
12 and we weight them, based on the expected loads, and  
13 come up with a average load-weighted price for the  
14 customers. So, there are some months where customers  
15 are paying a price that's higher than the costs in the  
16 contract, and there are those months -- other months  
17 when customers are paying a price that is lower than is  
18 in the contract. And, at the end of the contract  
19 period, when we do the reconciliation, that's when  
20 we'll see how the revenue from those customers matches  
21 the costs that we incurred for serving those customers.

22 Q. So, it doesn't really reduce the price necessarily, it  
23 just evens the price out over the period? Because the  
24 cost is -- I mean, the customers pay whatever it costs

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1 you in the end, right?

2 A. Yes. The customer, but by -- but, over a six-month  
3 period, instead of having two months at extremely high  
4 price, and then the other four months at a low price,  
5 if you go to having a six-month period where you only  
6 have one month with a high price, and five months at a  
7 much lower price, you end up with an average price for  
8 that six months that is lower than what you would have  
9 had under the earlier version, where you have two  
10 months of high prices.

11 Q. I see. Okay. So, in New Hampshire, residential  
12 customers, when do they use the most electricity?

13 A. You know, that's a great question. Because I came -- I  
14 live in Massachusetts, and I've always assumed that the  
15 summer is when everybody uses their electricity. In  
16 this process, in looking at what customers use on  
17 average, for our residential customers in New  
18 Hampshire, it's the winter that is a little bit more  
19 usage than in the summer.

20 Q. And, do you think that's because there are a lot of  
21 customers with electric heat still?

22 A. I think it's less the electric heat, and it's more the  
23 lack of air conditioning. Air conditioning load has  
24 been a big deal in states where the summers are much

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1 warmer than what New Hampshire sees.

2 Q. Okay. All right. So, if I look at your table on Page  
3 3, the second table, and I do a little bit of  
4 back-of-the-envelope math, it looks like the average  
5 price, if you, under your proposal, would be about 10.9  
6 cents, if you averaged 10.53 and 11.33, right? So,  
7 if -- are you on the page? Page 3?

8 A. I'm on Page 3.

9 Q. In that middle -- or, the second table?

10 A. Yes.

11 Q. And, so, the average price of your proposal to change  
12 the bid period from February to July and August through  
13 January, take 10.53 and 11.33, and get an average of  
14 10.9?

15 A. Yes. Across the 12-month period, yes.

16 Q. Across, yes. And, it's just slightly lower than if you  
17 average the price that you had last year, from November  
18 to April and May to October, of about 11.2 cents?

19 A. Correct.

20 Q. Okay. So, you think that it's just going to be better  
21 for customers not to have to see that price volatility,  
22 even though everybody is going to be paying about the  
23 same, is that --

24 A. Yes. The consensus from 14-338 is that the price

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1 volatility was a serious concern for all parties, and  
2 looking at ways to minimize that price volatility.

3 Q. And, you don't think summer customers are going to be  
4 upset that they're going to pay a little bit more next  
5 summer, because they use more energy in the winter?

6 A. That's a fair statement.

7 COMMISSIONER BAILEY: Okay. Thank you.

8 BY CHAIRMAN HONIGBERG:

9 Q. Mr. Warshaw, I have a couple of questions about bidders  
10 and non-bidders. You talked about the one supplier  
11 that says "it doesn't want to bid in periods that have  
12 winter months". Do you recall that testimony?

13 A. Uh-huh.

14 Q. Is that bidder -- had that bidder been bidding on the  
15 winter periods in the past for you?

16 A. Yes, they have. They decided not to bid last winter  
17 period. But they did bid for one of the blocks for the  
18 Large Customer Group, but not the block that had  
19 December/January in it.

20 Q. But this isn't a new problem for them. They had  
21 already identified this problem for the last winter  
22 period?

23 A. Yes.

24 Q. I just want to confirm what I think you talked about

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1 with Commissioner Scott, regarding the risk of having  
2 no bidders. Of the three possibilities, increase the  
3 risk, decrease the risk, or no change to the risk of  
4 having no bidders, what do you think this proposal does  
5 to that risk?

6 A. I think it's pretty much a "no change on the risk of  
7 having no bidders." There was, at the time that the  
8 market was responding to an extremely volatile winter  
9 period, the suppliers were very hesitant to lock in  
10 fixed price contracts. This past winter, because of a  
11 number of factors, the winter wholesale prices weren't  
12 as volatile, and, so, suppliers now are more  
13 comfortable with the situation that we're in. Granted,  
14 it's not a great situation. But they have been able  
15 to -- there are things out there that have moderated  
16 the wild swings that we saw in the previous winter  
17 period.

18 Q. Separating your customers into two generic groups, the  
19 sophisticated commercial customers and the small, less  
20 sophisticated, more likely to be on taking default  
21 service, you expect the former group to start to  
22 migrate in and out as the price that they're paying  
23 departs more and more from the market price. Is that a  
24 fair statement of what you testified to earlier? May

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1 not be large, but that's where you expect the changes  
2 to show up, right?

3 A. I would say the -- yes. The sophisticated,  
4 well-informed customer will be doing a better job of  
5 researching and looking into the competitive  
6 marketplace to see what options they have, and what  
7 features that they can be offered. Some of them would  
8 even be looking for a competitive supply that is, you  
9 know, that provides all wind or all renewable, or I  
10 always like "all nuclear". That provides no greenhouse  
11 gas.

12 Q. Well, that's for another docket.

13 A. Yes.

14 Q. For the other customers, less sophisticated, those who  
15 are more likely to be taking energy service from  
16 Liberty, do you expect an increase, decrease, or no  
17 change in the amount of irate phone calls and letters  
18 that both you and we will be receiving if this is  
19 implemented?

20 A. I think, under this proposal, the number of customers  
21 that are going to be concerned and irate by the prices  
22 will be much less than what we saw last fall and into  
23 the winter.

24 Q. Regarding the time from bid to award, which you spoke

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1 about in the technical statement and also testified  
2 about somewhat, you're not a lawyer, right?

3 A. No.

4 Q. So, what is in the technical statement and what you --  
5 the exchange you had with Ms. Amidon primarily, is just  
6 what you understand the situation to be with respect to  
7 current law, is that right?

8 A. Yes.

9 Q. All right. So, the questions that I have regarding  
10 that would be better addressed to the lawyers in the  
11 room?

12 A. Yes.

13 CHAIRMAN HONIGBERG: That's what I  
14 thought. I don't think I have any other questions. Thank  
15 you very much.

16 Mr. Mullen, do you have any further  
17 questions for Mr. Warshaw?

18 MR. MULLEN: Yes. I do have a few  
19 things I'd like to follow up on.

20 **REDIRECT EXAMINATION**

21 BY MR. MULLEN:

22 Q. Earlier you talked about the migration possibility for  
23 large customers. Do you remember that?

24 A. Yes.

[WITNESS: Warshaw]

1 Q. And, under the current proposal, the next solicitation,  
2 you said that it would be for nine months, it would be  
3 three 3-month blocks?

4 A. Yes.

5 Q. Each one of those has monthly pricing?

6 A. Yes.

7 Q. Currently, Granite State's large customers have monthly  
8 pricing, is that right?

9 A. Yes.

10 Q. So, there's -- in terms of comparing those monthly  
11 prices to the market, there's really nothing different  
12 that's going on in this proposal that would change the  
13 amount of potential migration risk, is that correct?

14 A. The only differences that, in the current process, we  
15 are going out for a six-month period of fixed prices  
16 for the Large Customer Group. And, this proposal, and  
17 only for an interim period, we are going out for a  
18 nine-month proposal. And, the next RFP that we would  
19 do in the spring, it would be back to a six-month  
20 proposal.

21 Q. So, with the nine-month versus six-month, the  
22 possibility is that the farther out you get, that there  
23 may be some more risk to the supplier, in terms of  
24 offering those prices?

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1 A. Yes.

2 Q. But, other than that, for a large customer to compare  
3 those monthly prices to market, there's really no  
4 difference than what currently exists?

5 A. That is correct.

6 Q. Earlier you talked about discussions that were held  
7 between the Company, Staff, and OCA on July 1st?

8 A. Yes.

9 Q. Is it correct that the New Hampshire Office of Energy &  
10 Planning was also involved in those discussions?

11 A. Yes.

12 Q. In terms of the price signals, that was a topic of  
13 discussion in IR 14-338?

14 A. Yes, it was.

15 Q. And, you talked about the large swing of 8 cents that I  
16 think was on one of your tables on Page 3?

17 A. Yes.

18 Q. And, trying to smooth out the difference between the  
19 winter and summer periods was one of the  
20 recommendations that came out of that proceeding, in  
21 terms of trying to split the winter period, is that  
22 correct?

23 A. That is correct.

24 Q. And, one more question. During the summer period, if

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1 customers see higher prices than the prevailing market,  
2 they always have the option to go to a competitive  
3 supply at that time, correct?

4 A. Yes.

5 MR. MULLEN: I have nothing further.

6 CHAIRMAN HONIGBERG: Thank you for  
7 clarifying the first point you made, Mr. Mullen. I  
8 appreciate that.

9 All right. Thank you, Mr. Warshaw. I  
10 think you can return to your seat.

11 There's no other witnesses, correct?

12 MS. AMIDON: That's correct.

13 MR. MULLEN: Correct.

14 CHAIRMAN HONIGBERG: We'll strike the ID  
15 from Exhibit 8, make a full exhibit in this docket,  
16 correct?

17 MR. MULLEN: Yes.

18 CHAIRMAN HONIGBERG: I don't know if  
19 either -- if anyone wants to do a closing statement, but I  
20 do have a couple of questions, largely about this timing  
21 question that's addressed in Mr. Warshaw's technical  
22 statement, and that he was asked to testify about briefly.

23 Do we want to do that before you guys  
24 sum up? Who wants to sum up? Do you want to make a

1 formal request at the end? Do you want to summarize your  
2 position, either of you? I think we pretty much know  
3 where everybody is.

4 MS. AMIDON: Well, I mean, yes.

5 CHAIRMAN HONIGBERG: Okay.

6 MS. AMIDON: I would like to summarize  
7 my position.

8 CHAIRMAN HONIGBERG: Why don't we do  
9 that. And, then, I'll have the discussion I want to have.

10 So, Mr. Brennan, you've submitted  
11 something in writing?

12 MR. BRENNAN: Yes. The proposed change  
13 to the Liberty Utilities (Granite State Electric) default  
14 service procurement process is expected to reduce some of  
15 the extreme price fluctuations. And, the OCA supports the  
16 Petition in its entirety.

17 CHAIRMAN HONIGBERG: Thank you,  
18 Mr. Brennan. Ms. Amidon.

19 MS. AMIDON: Staff does not object to  
20 the Company's proposal.

21 CHAIRMAN HONIGBERG: Mr. Mullen.

22 MR. MULLEN: Yes. Having gone through  
23 IR 14-338 and listened to the various parties and the  
24 concerns, and taking into account the recommendations of

1 the Commission coming out of that proceeding, the Company  
2 put forth a proposal that we think meets two of the three  
3 objectives. We're willing to continue discussing the  
4 other objective, about shortening the process from bid to  
5 approval.

6 Besides that, we request that the  
7 Commission approve the Petition, and in time for us to  
8 take it into account during the next solicitation  
9 process.

10 CHAIRMAN HONIGBERG: Thank you, Mr.  
11 Mullen. My question is about that timing from bid to  
12 approval. And, Mr. Warshaw's technical statement cites  
13 RSA 378:3. I think there's only one lawyer sitting out  
14 there. Although, Mr. Mullen did a good job of  
15 impersonating one today. Ms. Amidon, I guess I'll start  
16 with you, since you're the lawyer in the room out there.

17 MS. AMIDON: Okay. There are, as I  
18 understand it, there are two barriers. And, the first  
19 barrier is that 378:3 I believe is the provision that  
20 requires 30 days notice to customers of rate changes.  
21 And, I see -- Ms. Noonan, do I have that right?

22 MS. NOONAN: I think that is correct.

23 CHAIRMAN HONIGBERG: I mean, it's quoted  
24 in the technical statement.

1 MS. AMIDON: That's right.

2 CHAIRMAN HONIGBERG: And, that's  
3 certainly what it says.

4 MS. AMIDON: So, there's that. But,  
5 then, generally, 378, and I want to say 5 and 7, require,  
6 when there's a rate change, that there be notice and  
7 hearing. Other jurisdictions do conduct default service  
8 procurement in a different manner. For example, in  
9 Massachusetts, the law allows them to accept the filing  
10 and allow the rates to go into effect, with a subsequent  
11 right to investigate the filing as it's made. That is the  
12 legislative change we talked about.

13 I will also add, the lawyers who met on  
14 this, everybody disagreed as to whether it was allowed.  
15 There was one lawyer who opined that "Oh, you can do that.  
16 You don't have to have a hearing." But you can't get  
17 around the statute, that it requires a notice and a  
18 hearing. And, I think that we need a legislative  
19 amendment in order to eliminate that requirement.

20 And, as a matter of fact, it's very  
21 ambitious what we set up when the Commission approved the  
22 Settlement Agreement for Liberty and for Unitil, a  
23 five-day turnaround is really quite -- is really quite a  
24 short time. And, I guess the question is "how much do

1 rates change in that period?" Sometimes they change a  
2 lot; sometimes there is very little change.

3 So, those are the legislative -- the  
4 statutory barriers. And, I apologize, I didn't bring my  
5 statute book with me.

6 CHAIRMAN HONIGBERG: I'm just thinking  
7 out loud here. But, at least the one that's cited in the  
8 technical statement doesn't appear to me to be a barrier  
9 to dealing with the time between bid and approval. It's a  
10 barrier towards shortening the time between approval and  
11 implementation of the rates. That's the 30 -- the 30 days  
12 customers are worried about with respect to that statute.  
13 Am I wrong about that?

14 MS. AMIDON: I don't think you're wrong.  
15 But I would reserve the right to go and look at the  
16 consumer protection rules, I think that's Puc 1200. I  
17 would want to look at those, too, because I know there are  
18 requirements in there regarding notice to customers for a  
19 change in rates.

20 CHAIRMAN HONIGBERG: Uh-huh. And, with  
21 respect to the, admittedly, very challenging process that  
22 has been in place, for turning around the filing and  
23 having a hearing and getting it approved, that's not any  
24 different from what we currently subject Staff and the

1 companies to. So, we wouldn't have to change that, we  
2 would just have to continue what is an onerous process.  
3 The legislative change might be to lift some of that  
4 burden, but we wouldn't be imposing a new burden, would  
5 we?

6 MS. AMIDON: Oh, no. We were talking  
7 about the -- these companies who work with us work in  
8 Massachusetts, and they're familiar -- or, they have had  
9 experience in Massachusetts, and they're familiar with  
10 that process, and, obviously, favor it, because it is much  
11 cleaner for the suppliers, they know that there's very  
12 little risk involved.

13 The hearing here, while the Commission  
14 has I don't believe ever denied a solicitation in the  
15 history of this process, the hearing -- the idea that you  
16 always have to have a hearing does impose an additional  
17 element of risk.

18 CHAIRMAN HONIGBERG: There's no doubt,  
19 if we wanted to go to what happens in Massachusetts, we  
20 would need legislation for that.

21 MS. AMIDON: That's fair to say.

22 CHAIRMAN HONIGBERG: Does anybody have  
23 anything else? Mr. Mullen, you want to comment at all on  
24 that? I know you probably thought about this, but --

1 MR. MULLEN: Yes, I've thought about it,  
2 and we've had discussions about it. But, in terms of, you  
3 know, it's the whole "notice and hearing" part that, you  
4 know, when you start looking at the difference between  
5 that and Massachusetts, where I think, in Massachusetts, I  
6 have actually seen a rubber stamp that the Commissioners  
7 sign. And, so, that would certainly be a different  
8 process that would require a legislative change.

9 But, you know, we are certainly willing  
10 to continue having discussions on this subject.

11 CHAIRMAN HONIGBERG: Mr. Brennan, do you  
12 have any thoughts on this topic?

13 MR. BRENNAN: No, I don't.

14 CHAIRMAN HONIGBERG: All right. Is  
15 there anything else we need to do before we adjourn?

16 (No verbal response)

17 CHAIRMAN HONIGBERG: All right. Well,  
18 thank you all very much. We are adjourned.

19 **(Whereupon the hearing was adjourned at**  
20 **9:58 a.m.)**