

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

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September 22, 2015 - 10:03 a.m.
Concord, New Hampshire

RE: DE 15-010
LIBERTY UTILITIES (GRANITE STATE ELECTRIC)
CORP. d/b/a LIBERTY UTILITIES:
*Default Service for the Period November 1,
2015 through July 31, 2016.*

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (Granite State
Electric) Corp. d/b/a Liberty Utilities:
Ronald J. Ritchie, Esq.

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Pradip Chattopadhyay, Asst. Consumer Adv.
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

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I N D E X

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JOHN D. WARSHAW

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
9	Direct testimony of Heather M. Tebbetts, including attachments (08-21-15)	7
10	Liberty Utilities Proposed Energy Service Rates filing, including the Direct Testimony of John D. Warshaw, with attachments, and the Direct Testimony of Heather M. Tebbetts, with attachments (09-21-15) {CONFIDENTIAL & PROPRIETARY}	7
11	Liberty Utilities Proposed Energy Service Rates filing, including the Direct Testimony of John D. Warshaw, with attachments, and the Direct Testimony of Heather M. Tebbetts, with attachments (09-21-15) <i>[REDACTED - For Public Use]</i>	7

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's default
4 procurement of Granite State Electric. And, it's going to
5 be a nine-month procurement this time, as I understand it,
6 under the transition that we approved recently.

7 Before we go any further, let's take
8 appearances.

9 MR. RITCHIE: Good morning,
10 Commissioners. R. J. Ritchie, on behalf of Liberty
11 Utilities (Granite State Electric) Corp. And, with me
12 today are two of the Company's witnesses, Heather M.
13 Tebbetts and John D. Warshaw. And, also with me at
14 counsel table are two individuals from the Company's
15 Regulatory Department, Steven Mullen and Stephen Hall.

16 MS. CHAMBERLIN: Good morning. Susan
17 Chamberlin, Consumer Advocate. And, with me today is
18 Pradip Chattopadhyay.

19 MS. AMIDON: Good morning,
20 Commissioners. Suzanne Amidon, for the Commission. To my
21 far left is Tom Frantz, the Director of the Electric
22 Division, and to my immediate left is Grant Siwinski, an
23 analyst in the Electric Division. Thank you.

24 CHAIRMAN HONIGBERG: How will we be

[WITNESS PANEL: Tebbetts~Warshaw]

1 proceeding this morning?

2 MS. AMIDON: Well, just at the outset,
3 as an administrative issue, we need to mark the exhibits.
4 And, in addition, as you know, some of the information
5 contained in the confidential version of the filing has
6 been claimed as confidential by the Company. And, from
7 Staff's perspective, we've reviewed it, and we believe
8 that the claim of confidentiality is consistent with prior
9 filings and with the Commission rules, and would recommend
10 it continue to be treated as confidential.

11 But, as I understand it, Mr. Ritchie
12 will have Mr. Warshaw and Ms. Tebbetts take the stand as a
13 panel and testify regarding the filing.

14 CHAIRMAN HONIGBERG: And, we'll be
15 granting the motion for confidential treatment, and we'll
16 proceed accordingly. If, during the course of testimony,
17 the witnesses need to refer to something that is in the
18 confidential redacted portion of the public filings, we'll
19 need to work that out with Mr. Patnaude. And, if need be,
20 shift some questioning to one section, so the transcript
21 doesn't get chopped up.

22 Are there any other administrative
23 matters?

24 MR. RITCHIE: No.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 CHAIRMAN HONIGBERG: All right. Well,
2 Mr. Ritchie, why don't you call your witnesses then.

3 MR. RITCHIE: Okay. Thank you the
4 Company calls John D. Warshaw and Heather M. Tebbetts to
5 the stand.

6 And, as my colleague, Ms. Amidon, noted,
7 they're going to be appearing as a panel. And, I have a
8 few direct questions for them.

9 CHAIRMAN HONIGBERG: Why don't we get
10 them sworn in.

11 (Whereupon *Heather M. Tebbetts* and
12 *John D. Warshaw* were duly sworn by the
13 Court Reporter.)

14 **HEATHER M. TEBBETTS, SWORN**

15 **JOHN D. WARSHAW, SWORN**

16 **DIRECT EXAMINATION**

17 BY MR. RITCHIE:

18 Q. Good morning, Ms. Tebbetts. I'm going to start with
19 you, and then move on to Mr. Warshaw. Ms. Tebbetts,
20 would you please state your full name for the record.

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

22 Q. And, by whom are you employed?

23 A. (Tebbetts) Liberty Utilities Service Corporation.

24 Q. And, what is your position with the Company?

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[WITNESS PANEL: Tebbetts~Warshaw]

1 A. (Tebbetts) I'm a Utility Analyst in our Rate and
2 Regulatory Department.

3 Q. And, what do your duties include?

4 A. (Tebbetts) Rate-related services for Liberty Utilities
5 and Granite State Electric.

6 MR. RITCHIE: And, Commissioners, at
7 this time we propose to mark for identification three
8 exhibits in this docket. The first one we propose to mark
9 as "Exhibit 9", which is the direct testimony and
10 corresponding exhibits filed by Ms. Tebbetts on
11 August 21st, 2015. And, next, as "Exhibit 10", we propose
12 to mark the confidential version of the filing that was
13 made on September 21st, 2015, which includes the direct
14 testimony and corresponding Exhibits from Ms. Tebbetts and
15 Mr. Warshaw. And, lastly, as "Exhibit Number 11", we
16 propose to mark the public or redacted version of the
17 September 21st, 2015 filing.

18 (The documents, as described, were
19 herewith marked as **Exhibit 9**,
20 **Exhibit 10**, and **Exhibit 11**,
21 respectively, for identification.)

22 BY MR. RITCHIE:

23 Q. Ms. Tebbetts, do you have before you a copy of what has
24 been marked as "Exhibits 9", "10" and "11"?

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[WITNESS PANEL: Tebbetts~Warshaw]

1 A. (Tebbetts) Yes.

2 Q. And, these contain your testimony, is that correct?

3 A. (Tebbetts) Yes.

4 Q. And, was your testimony that's contained in these
5 exhibits prepared by you or under your direction?

6 A. (Tebbetts) Yes.

7 Q. And, would you explain what your responsibility is for
8 the Energy Service filing?

9 A. (Tebbetts) My responsibility is to calculate the
10 reconciliation of the previous period, and also to
11 incorporate any over/under recoveries from that
12 previous period, along with the bids that we received,
13 to calculate an Energy Service rate for the next period
14 of November 1st, 2015 through July 31st 2016.

15 Q. And, do you have any corrections to your testimony at
16 this time?

17 A. (Tebbetts) I do not.

18 Q. And, if I were to ask you the same questions today that
19 are contained in your testimony, would your answers be
20 the same?

21 A. (Tebbetts) Yes.

22 Q. Next I'm going to move over to Mr. Warshaw.

23 CHAIRMAN HONIGBERG: Mr. Ritchie, will
24 you just hold on for a second please?

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[WITNESS PANEL: Tebbetts~Warshaw]

1 MR. RITCHIE: Sure.

2 CHAIRMAN HONIGBERG: It seems like all
3 we have in our file up here is Exhibit 10. I'm not --
4 Exhibit 11, which I understand is the public version of
5 10, I'm not sure is a problem. But it's unclear, I think
6 to me anyway, what Exhibit 9 is, and how it is different
7 from what is in Exhibit 10, with respect to Ms. Tebbetts'
8 testimony.

9 MR. RITCHIE: Exhibit 9 is the Energy
10 Service reconciliation for the period February 1st, 2015
11 to October 31st, 2015, for both of the customer groups.

12 CHAIRMAN HONIGBERG: Is it part of
13 Exhibit 10 as well?

14 MS. AMIDON: It's separate.

15 CHAIRMAN HONIGBERG: It's a separate
16 filing.

17 MS. AMIDON: If I may, Mr. Chairman?

18 CHAIRMAN HONIGBERG: Ms. Amidon.

19 MS. AMIDON: If you recall, at the
20 hearing that we had early this -- I think it was late
21 August, regarding how the Company was intending to modify
22 its process of bringing default service before the
23 Commission, the Company indicated that they were going to
24 file the reconciliation, the default service costs, 30

[WITNESS PANEL: Tebbetts~Warshaw]

1 days in advance. And, that's what that filing represents.

2 If the Commission doesn't have copies of
3 that, we can suspend the hearing for a moment so we can
4 get those files -- those copies for you.

5 CHAIRMAN HONIGBERG: Yes. We're going
6 to break for a few minutes. We'll stay here, though.
7 And, I'll ask Ms. Amidon if she could make copies or have
8 copies made of Exhibit 9 for us please.

9 MS. AMIDON: Uh-huh.

10 CHAIRMAN HONIGBERG: Let's go off the
11 record for a moment.

12 (Off record discussion ensued, followed
13 by a short recess.)

14 CHAIRMAN HONIGBERG: All right. Mr.
15 Ritchie, we interrupted you. You may now continue.

16 MR. RITCHIE: Thank you, Commissioners.

17 BY MR. RITCHIE:

18 Q. Actually, before moving on to John D. Warshaw for
19 direct examination, I have one more question for
20 Ms. Tebbetts. Ms. Tebbetts, could you please explain
21 the filing that was made on August 21st, 2015, and how
22 that differs from Exhibits 10 and 11?

23 A. (Tebbetts) Yes. So, in Docket 14-338, the Company said
24 that they would start filing their reconciliation 30

[WITNESS PANEL: Tebbetts~Warshaw]

1 days prior to our normal Energy Service filing. And,
2 the primary reason for that was to give parties the
3 opportunity for discovery. Where we usually file our
4 complete filing for Energy Service only a couple days
5 before hearing, it doesn't really allow parties the
6 time to go through the reconciliation and look at
7 everything. So, we agreed to do that.

8 So, on October -- I'm sorry, on
9 August 21st, we made that filing. And, that filing
10 contained only reconciliation information. It did not
11 contain any bid information, as we hadn't received our
12 bids yet. But it gave the parties an opportunity to go
13 through what we believe was in our reconciliation with
14 three months of projections, August, September, and
15 October.

16 And, so, again, it just allows parties
17 time to go through the discovery process without being
18 rushed.

19 Q. And, I'll move on to Mr. Warshaw. Mr. Warshaw, could
20 you please explain your full name -- I mean, sorry,
21 could you please state your full name for the record.

22 A. (Warshaw) John D. Warshaw.

23 Q. And, by whom are you employed?

24 A. (Warshaw) Liberty Utilities Service Corp.

[WITNESS PANEL: Tebbetts~Warshaw]

1 Q. And, what is your position with the Company?

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

3 Q. And, what do your duties include?

4 A. (Warshaw) Among other things, my duties include
5 procuring Default Service supply for our customers in
6 New Hampshire that take Energy Service. I also
7 purchase the renewable energy credits to meet the New
8 Hampshire RPS obligations. And, I also do supply work
9 for our sister utility in California.

10 Q. And, do you have before you a copy of what has been
11 marked as "Exhibits 10" and "11"?

12 A. (Warshaw) Yes.

13 Q. And, this contains your testimony in this docket, is
14 that correct?

15 A. (Warshaw) Yes.

16 Q. And, was your testimony that's contained in these
17 exhibits prepared by you or under your direction?

18 A. (Warshaw) Yes.

19 Q. And, would you explain what your responsibility is for
20 the Energy Service filing briefly.

21 A. (Warshaw) My responsibility is to -- is to explain the
22 process by which I use to procure new energy service --
23 electric prices for our Energy Service customers for
24 the upcoming period beginning November 1st.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 Q. And, do you have any corrections to your testimony at
2 this time?

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

4 Q. And, if I asked you those questions today that are in
5 your testimony, would your answers be the same?

6 A. (Warshaw) Yes, they would.

7 MR. RITCHIE: And, with that, the
8 Company has no further direct examination.

9 CHAIRMAN HONIGBERG: Ms. Chamberlin.

10 MS. CHAMBERLIN: Thank you.

11 **CROSS-EXAMINATION**

12 BY MS. CHAMBERLIN:

13 Q. Could one of you give me a general comparison between
14 rates from last year, the results of the RFP, compared
15 to the results of the RFP for this year?

16 CHAIRMAN HONIGBERG: Off the record
17 while he's looking for that.

18 *[Brief off-the-record discussion*
19 *ensued.]*

20 **BY THE WITNESS:**

21 A. (Warshaw) Yes, I have that. The change in prices from
22 last winter to this year, you can find that in my
23 testimony on Bates Page 107.

24 BY MS. CHAMBERLIN:

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[WITNESS PANEL: Tebbetts~Warshaw]

1 Q. And, could you walk us through that please, and just
2 say a little bit about the rates of last year and the
3 rates of this year?

4 A. (Warshaw) Yes. If you look at the very bottom of that
5 fairly busy table, you'll see that the rates last year
6 for the Small Customer Group was about 14.5 cents on
7 average. And, the rates -- but that was only for a
8 six-month period. For this seven-month period, the
9 rates are reduced down to 8 cents, on a straight
10 average. And, you could also see that, on a monthly
11 basis, the prices that were contracted for, this -- for
12 this coming period are lower than the prices that were
13 contracted for last winter.

14 Q. And, is it fair to say that some of it is due to the
15 change of timing of the RFP?

16 A. (Warshaw) Yes.

17 Q. And, some of the other reasons for the change might
18 be -- do you have your own theories?

19 A. (Warshaw) It's just the marketplace is a little
20 different now than it was a year ago.

21 Q. Did you receive a robust response to this solicitation?

22 A. (Warshaw) Yes, I did.

23 Q. And, you did not notice a decline from -- due to the
24 change of the months, change of the time period?

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[WITNESS PANEL: Tebbetts~Warshaw]

1 A. (Warshaw) No, I did not. In fact, I saw a decent
2 increase in the number of customers [sic] that were
3 willing to bid on this, as opposed to what we saw a
4 year ago.

5 MS. CHAMBERLIN: Thank you. That's all
6 I have.

7 CHAIRMAN HONIGBERG: Ms. Amidon.

8 MS. AMIDON: Thank you. Good morning.

9 WITNESS WARSHAW: Good morning.

10 WITNESS TEBBETTS: Good morning.

11 BY MS. AMIDON:

12 Q. First of all, I just wanted to ask Mr. Warshaw if there
13 needs to be corrections to Bates Page 13 to your
14 testimony? And, let me know when you're there.

15 A. (Warshaw) I'm there.

16 Q. Okay. So, if we look at Line 11 and Line 14, you
17 reference "July 31st, 2015". That should be "2016", is
18 that right?

19 A. (Warshaw) Yes.

20 Q. Okay. So, that's just a minor correction, it was like
21 a typographical error?

22 A. (Warshaw) And, that would also be -- yes, that's
23 correct.

24 Q. Okay.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 COMMISSIONER BAILEY: Excuse me, could
2 repeat that please. The lines?

3 MS. AMIDON: The Line 11 and Line 14, it
4 mentions the period "November through July 31st", it
5 should be "July 31st, 2016" in each instance on Page -- on
6 Line 11 and Line 14.

7 COMMISSIONER BAILEY: Thank you.

8 MS. AMIDON: You're welcome.

9 BY MS. AMIDON:

10 Q. I wanted to start, though, with Ms. Tebbetts, if I may.
11 In your testimony, as in Exhibit 9, I just have a
12 couple of questions on this piece of testimony. On
13 Page 16 of your testimony, and let me know when you're
14 there, you talk about the "Borderline Sales Settlement
15 Agreement".

16 A. (Tebbetts) Yes, I'm there.

17 Q. Could you just briefly explain for the Commission the
18 status of the Borderline Sales Settlement Agreement at
19 this point and what effect it has for customers?

20 A. (Tebbetts) Yes. So, for right now, we have implemented
21 a refund to customers. That refund started on May 1st,
22 2015. And, it will continue through July 31st of 2016,
23 when this rate is in effect. And, at that time, we'll
24 reconcile whatever we have refunded to customers and

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[WITNESS PANEL: Tebbetts~Warshaw]

1 whatever is left owed to them, and move forward with
2 the rate, if we need to, or end the rate, if we do not.

3 Q. And, just for -- just for the record, could you explain
4 why there is a refund to the Company with respect to
5 borderline sales?

6 A. (Tebbetts) Yes. So, Mass. Electric serves some of our
7 customers in Massachusetts and we have a settlement
8 agreement with them to handle costs -- rates that were
9 charged to customers, I believe the settlement -- we
10 entered into the settlement back in 2014, but this
11 affected customers prior to that period. And, so, all
12 those costs that customers were paying we are now
13 refunding those costs associated with rates that they
14 were being charged. And, that total amount is actually
15 shown on Schedule HMT-9, in Exhibit 9 or 10. But we're
16 in Exhibit 9 right now. So, if you would like to turn
17 to Page -- Bates Page 034, you'll notice that we
18 expect, based on projected revenues -- I'm sorry,
19 sales, based on projected sales, that we expect that,
20 through July, we will have completely refunded
21 customers the \$615,963 owed to them.

22 Q. And, as I understand, there's now a tariff filed with
23 FERC that addresses all of these issues between your
24 company and the Massachusetts company going forward, is

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1 that right?

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

3 Q. Thank you. Now, I notice that you indicated that you
4 had estimated projections for the months August,
5 September, October in your Exhibit 9, is that right?

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

7 Q. And, in Exhibit 10, your testimony in Exhibit 10
8 updates that with actuals for August, is that right?

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

10 Q. So, you did update the reconciliation to take into
11 account the actuals for August?

12 A. (Tebbetts) Yes.

13 Q. Would you please explain how the Company is dealing
14 with the various balances during the course of the
15 transition with respect to the reconciliation?

16 A. (Tebbetts) Yes. So, what we've done is, it's
17 complicated, because their -- the way that National
18 Grid used to use -- do their schedules, what we had
19 done with the schedules this time was to provide
20 actuals through the period that we had information, and
21 then projections for the months that we did not. So,
22 in the past, the schedules actually only provided
23 information through the month they had actuals. So,
24 for example, back in March, when we filed our Energy

[WITNESS PANEL: Tebbetts~Warshaw]

1 Service rates then, for the period of May 1st through
2 October 31st, the schedules actually only provided
3 information through January, even though the rate
4 period started in May. So, for the months of February,
5 March, and April, there were zeros. And, so, to align
6 costs and revenues for customers, rather than having
7 this lag of months, where they weren't receiving any
8 benefit for the revenues that they're paying, or the
9 costs associated with Energy Service, we decided to
10 provide projections moving forward.

11 So, in this filing, we have provided
12 actuals from February through August and projections
13 for September and October. So that customers will
14 receive any benefits, you know, for revenues that
15 they're paying into, and then we'll, obviously, be able
16 to associate the costs with Energy Service to that.

17 So, moving forward, we will then file
18 for our new rates for August 1st, 2016 in June of 2016.
19 And, with that, customers will find that they have a
20 reconciliation of their costs and revenues for the
21 months of November through -- November through May will
22 be actuals, and then June and July will be projections
23 again.

24 And, then, in order to bring forth all

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1 of these changes from 14-338, they will end up with
2 only -- we'll have a nine-month reconciliation of that
3 period.

4 For the period moving forward in --
5 starting August 1st, 2017, then we'll finally have a
6 full annual 12-month reconciliation. So, it's a step
7 period in order to get to this one-year reconciliation,
8 which is how we have always provided it. But, in order
9 to get rid of this lag, and then change the periods in
10 which we're serving customers for default service, we
11 have this transition period.

12 Q. Is it fair -- I mean, I know that that was a very
13 complicated undertaking --

14 A. (Tebbetts) Yes.

15 Q. -- for the Company, and it's kind of hard to wrap your
16 head around it. But is it fair to say that the end
17 result will be to more closely align the costs and
18 revenues with the customers who are incurring those
19 costs and paying those revenues?

20 A. (Tebbetts) Yes. That was the intent of this. And,
21 like I mentioned earlier, it wasn't happening that way
22 previously. And, so, we have this monthly -- these
23 lags of months. And, then, you know, again, customers
24 weren't having their costs and, you know, revenues

[WITNESS PANEL: Tebbetts~Warshaw]

1 align with the rates. And, so, those customers who may
2 have been leaving for a supplier, for example, could
3 avoid those costs, because we weren't incorporating
4 them into our rates at the time every winter.

5 Q. Thank you. I know that was a tough explanation, but I
6 thought you did a good job.

7 A. (Tebbetts) Thanks.

8 Q. With respect to your testimony in Exhibit 20, could I
9 refer you to Page 127 please. That's the Bates stamp.

10 A. (Tebbetts) Do you mean "Exhibit 10"?

11 Q. "Exhibit 10", yes. I guess I want more exhibits.
12 Exhibit 10. Thank you.

13 A. (Tebbetts) And, you said "Page 127"?

14 Q. Yes.

15 A. (Tebbetts) Okay. Thank you. I'm there.

16 Q. Okay. So, in the middle of the -- in the middle of
17 this page there's a table of sorts, and it has
18 "Residential and Small Commercial" customer, "November
19 2015 to July 2016", and there is a rate of "9.221
20 cents" per kilowatt-hour?

21 A. (Tebbetts) Yes.

22 Q. Okay. So, do you recall Page 107 of the attachment to
23 Mr. Warshaw's testimony? I think he has -- if you go
24 to that page, let me know when you're there.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 A. (Tebbetts) I'm there.

2 Q. Okay. At the bottom of the page, sort of in the center
3 column, there is "Final Small Customer Group Purchase
4 Price" of "8.56 [8.056?] cents" per kilowatt-hour?

5 A. (Tebbetts) Okay.

6 Q. ".056 cents". And, how do you derive the 9.221 cents
7 per kilowatt-hour? As I understand, the 8.056 is the
8 commodity cost, is that right?

9 A. (Warshaw) That's correct. That's the commodity cost.
10 And, that's also a straight average. It wasn't
11 weighted in any fashion to account for some months that
12 have more usage by customers than other months.

13 Q. Right. So, when we look at Ms. Tebbetts' testimony at
14 Page 127, --

15 A. (Tebbetts) Uh-huh.

16 Q. -- that rate constitutes the energy price, plus the
17 reconciliation. And, it's a weighted average, and it
18 also includes RPS costs. Is that right?

19 A. (Tebbetts) Yes. That price includes the base Energy
20 Service rate, the Energy Service Reconciliation
21 Adjustment Factor, the Energy Service Cost
22 Reclassification Adjustment Factor, the Borderline
23 Sales Agreement Settlement Adjustment Factor, the RPS
24 adder, and it's based on a weighted average cost.

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[WITNESS PANEL: Tebbetts~Warshaw]

1 Q. Thank you very much. That was a good explanation.
2 Now, there's another aspect of your testimony where you
3 talk about the "Storm Recovery Adjustment Factor",
4 that's on Page 130, Bates stamp 130, of Exhibit 10?

5 A. (Tebbetts) Yes.

6 Q. Would you please briefly explain what is happening with
7 this Storm Recovery Adjustment Factor.

8 A. (Tebbetts) Yes. So, in Docket 13-196, we requested to
9 recover costs associated with three major storms that
10 we had incurred costs for. And, in that docket, the
11 order mentioned that we need to charge customers -- the
12 original rate was 0.00329 cents per kilowatt-hour.
13 That rate was charged through November 1st, 2014 --
14 through October 31st, November -- October 31st, 2014.
15 On November 1st, 2014, that rate was reduced to the
16 0.00221 cents per kilowatt-hour. And, that rate was to
17 be in effect through October 31st, 2015.

18 Prior to October 31st of this year, the
19 Company was to meet with parties to discuss where we
20 were with recovery of this cost associated with storms.
21 And, so, on September 2nd, the Company had a
22 conversation with Staff to discuss our over/under
23 recovery through October 31st. We had actual
24 information through August, and projected sales for

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[WITNESS PANEL: Tebbetts~Warshaw]

1 September and October. And, based on that information,
2 we believe that we will have approximately \$23,000 left
3 to recover from customers. And, so, it was decided
4 that the best way to handle that cost was to have it
5 accounted for in the storm reserve, and then to end the
6 rate for customers on November 1st, to also coincide
7 with the Energy Service rate change. And, so,
8 customers will actually no longer be charged that rate.

9 Q. So, that is a further adjustment to the rate that you
10 calculated as being 9.221 cents per kilowatt-hour? In
11 other words, that is included in the -- that change is
12 included in the calculation of that rate, is that --

13 A. (Tebbetts) That change is included in the bill impact
14 to customers. So, the Energy Service rate is still
15 going to be 9.221 cents. But the overall rate impacts
16 to customers for their total bill incorporates that
17 ending.

18 Q. Okay. Is that through distribution rates?

19 A. (Tebbetts) Yes.

20 Q. Okay. Thank you for that explanation. I got it wrong.
21 Mr. Warshaw, I just want to refer -- ask you a couple
22 of questions. First of all, is there any concern of
23 the Company of uncertain costs due to the Winter
24 Reliability Program recently approved?

1 A. (Warshaw) No.

2 Q. And, why is that?

3 A. (Warshaw) We contracted for fixed prices with our
4 suppliers. And, because they are fixed prices, the
5 suppliers are unable to change the price that's in the
6 contract based on any changes in their costs.

7 Q. Okay. Thank you. Can I refer you to Page Bates stamp
8 092 of Exhibit 10? Are you there?

9 A. (Warshaw) Yes.

10 Q. Okay. And, we understand that the shaded information
11 is confidential, correct?

12 A. (Warshaw) Correct.

13 Q. And, however, at the top of that page, it indicates the
14 number of final bids that you received, is that right?

15 A. (Warshaw) Yes.

16 Q. Okay. Thank you. From your testimony, I understand
17 that the RPS adder is, in essence, doubling from the
18 current, from the RPS level for 2015, --

19 A. (Warshaw) Yes.

20 Q. -- as we move to 2016? Could you briefly explain why
21 that's the case.

22 A. (Warshaw) The reason for that change is that the RPS
23 obligation for the Class III renewable energy resources
24 moves from 0.5 percent of retail sales in 2015 to

[WITNESS PANEL: Tebbetts~Warshaw]

1 8 percent of retail sales in 2016.

2 Q. And, --

3 A. (Warshaw) Plus there's some adjustments in here for
4 additional increases in the various percentages of RPS
5 obligation that are implemented in 2016.

6 Q. And, that information is on Bates stamp Page 009 of
7 your testimony, is that right?

8 A. (Warshaw) Yes. And, in more detail on Bates stamp 104.

9 Q. Right. So, it's primarily due to Class III
10 requirements?

11 A. (Warshaw) Correct.

12 MS. AMIDON: Okay. Thank you. I have
13 no further questions. Thank you.

14 CHAIRMAN HONIGBERG: Commissioner Scott.

15 COMMISSIONER SCOTT: Good morning.

16 WITNESS WARSHAW: Good morning.

17 WITNESS TEBBETTS: Good morning.

18 COMMISSIONER SCOTT: My usual caveat,
19 this is probably mostly my questions for Mr. Warshaw, but,
20 either one of you, if you have information you'd like to
21 share, that's fine with me.

22 BY COMMISSIONER SCOTT:

23 Q. So, really, I want to talk a little bit -- get a little
24 bit more feedback on the -- how the bids worked. I was

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[WITNESS PANEL: Tebbetts~Warshaw]

1 curious, to the extent you can tell us, if you've
2 gotten any feedback from the bidders on the new
3 schedule, as far as a shifting, the nine months, and
4 then the shifting to a different six-month period?

5 A. (Warshaw) The only feedback that I got during this RFP
6 is that one bidder would not bid on any blocks that had
7 winter -- the winter in them. And, that was basically
8 their corporate position. Other than that, the
9 suppliers had no -- you know, provided prices and had
10 no real comments or concerns.

11 Q. I note that, at least in my memory, compared to more
12 recent solicitations, there seemed to be a little bit
13 more robust participation from bidders. Is that a fair
14 assessment?

15 A. (Warshaw) Yes.

16 Q. Do you have any idea why?

17 A. (Warshaw) I would say that they -- last winter was not
18 a repeat of the previous winter, '13-14 versus '14-15,
19 and '14-15 was much stabler in the wholesale
20 marketplace. So, all things being considered, they --
21 well, they are looking that the Winter of '15-16 would
22 probably reflect more '14-15 than '13-14.

23 Q. And, you made, on your original cross, you made a
24 comment that the marketplace now is a little bit

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[WITNESS PANEL: Tebbetts~Warshaw]

1 different than a year ago. Is that what you meant?

2 Or, can you elaborate on that?

3 A. (Warshaw) Yes. That's what I -- that's what I meant.

4 Q. Okay. And, where escapes me, but I think, in your
5 testimony, you talk about an "RPS solicitation for May
6 of 2016 that covers '15 and '16 requirements". Does
7 that sound right?

8 A. (Warshaw) There was an RPS solicitation in May of
9 2015 -- no, there was a solicitation in March of 2015
10 that did not have any participation by suppliers. But
11 this solicitation did have a good participation of
12 suppliers willing to provide RPS RECs to the Company.

13 Q. Okay. I guess I found -- I found where I'm talking
14 about now. It's on Bates 013 of your testimony.

15 A. (Warshaw) Yes.

16 Q. Yes. Okay. So, I just -- there's an assumption there
17 I just want to verify. So, your compliance filing for
18 RPS is due in July, correct?

19 A. (Warshaw) That would be for the 2015 calendar year,
20 yes.

21 Q. Fifteen. Okay. So, from that I should read, which
22 makes sense to me that I just want to confirm, so, a
23 solicitation in May of 2016 gives you time to satisfy
24 that compliance requirement for your July filing, I

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[WITNESS PANEL: Tebbetts~Warshaw]

1 assume, correct?

2 A. (Warshaw) Yes, that would. And, there would be
3 additional opportunities to purchase 2015 RECs into --
4 into almost June, middle of June of 2016. The May 2016
5 date will -- coincides approximately when we would be
6 issuing the next RFP for default service.

7 COMMISSIONER SCOTT: Okay. Thank you.
8 That's all I have.

9 CHAIRMAN HONIGBERG: Commissioner
10 Bailey.

11 COMMISSIONER BAILEY: Thank you.

12 BY COMMISSIONER BAILEY:

13 Q. I had a similar question on that point. I don't -- I'm
14 still not clear. Can one of you explain to me how, and
15 maybe just because I don't understand how the REC
16 purchasing works, but how, in 2016, you're buying RECs
17 for 2015? When do you have to make the alternative
18 compliance payment?

19 A. (Warshaw) The alternative compliance payment is made
20 prior to July 1st of 2016 for the calendar year 2015
21 obligation. The marketplace for RECs is almost six
22 months after the month that they sell them -- they
23 would be selling. So, the marketplace that would start
24 in April of 2016 would be for RECs, and that would

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[WITNESS PANEL: Tebbetts~Warshaw]

1 relate to generation that was created during Q4 2015.

2 And, that's the reason why everything is so much later.

3 Q. So, where is that table that we were just looking at?

4 Oh, Page 009. It says you have to get "5.4 percent" of
5 your generation in 2015 from RPS Class I?

6 A. (Warshaw) Correct.

7 Q. But you can buy part of that generation in 2016?

8 A. (Warshaw) No. What that means is that, the way the RPS
9 system has been set up, we utilize this tradeable
10 product called a "renewable energy credit". And, those
11 renewable energy credits are traded all the way through
12 till middle of June 2016 for the 2015 generation
13 period. The Company does not contract for specific
14 energy from any specific generating unit. Instead,
15 what we contract for for our Energy Service customers
16 is a full requirements service from the suppliers.
17 And, most of the suppliers do not include a component
18 to meet the Renewable Portfolio Standard requirements.
19 That's why the RPS is procured separately, and also why
20 the RPS is so late. A lot of that has to do with how
21 the ISO -- ISO-New England marketplace will clear at
22 the end of the month of service, but then there's a
23 couple of months lag to account for any corrections to
24 the settlement that actually occurred. Many times --

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[WITNESS PANEL: Tebbetts~Warshaw]

1 sometimes they have to estimate the output of a
2 generator for various factors, like a phone line down,
3 but they can't hold up the settlement of the
4 marketplace, the daily settlement, until they get the
5 information. So, they will put in an estimate of what
6 they thought that generator would have provided, and it
7 allows them to correct that. It also allows suppliers,
8 who may have submitted, for whatever reason, incorrect
9 values to the ISO to correct those values.

10 Q. Okay. I'm getting more confused. But I don't know if
11 I should spend time on this. Let me just try one more
12 thing. So, you said that you buy all your energy from
13 a supplier through the RFP process?

14 A. (Warshaw) Correct.

15 Q. And, those suppliers don't want to generate
16 guaranteeing the renewable portfolio requirements in
17 this table on Page 009?

18 A. (Warshaw) Correct.

19 Q. So, you have to get that portion of your generation
20 from somewhere else?

21 A. (Warshaw) Correct.

22 Q. And, you buy that in 2016 for the end of 2015, you buy
23 a credit?

24 A. (Warshaw) I buy a credit that reflects generation that

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1 actually occurred in 2015 that was part of the
2 generation that was used to serve the load in any one
3 hour or any five minute interval in the marketplace.

4 Q. Okay. Thank you. If you can look on Page 013, at the
5 bottom of the page, starting on Line 18, you say "The
6 applicable loss factors can be found in the RFP summary
7 in Schedule JDW-2." Can you show me where that is?

8 A. (Warshaw) That would be on Bates Page 096, and that
9 information, loss factors, is confidential.

10 Q. Okay. I just wanted you to point me to the table. We
11 won't say the numbers.

12 A. (Warshaw) Yes. Right at the bottom there, in very
13 small type.

14 Q. Under "Notes"?

15 A. (Warshaw) Yes.

16 Q. Okay. And, so, where is that loss factor applied in
17 these tables?

18 A. (Warshaw) What that loss factor does is it takes the
19 value that was bid at a wholesale level, --

20 Q. Uh-huh.

21 A. (Warshaw) -- which is in dollars per megawatt-hours,
22 and it converts that to what would be delivered at a
23 customer's meter at a cents per kilowatt-hour.

24 Q. Yes. But I just want to see where you make that

[WITNESS PANEL: Tebbetts~Warshaw]

1 calculation in these tables.

2 A. (Warshaw) It's, as you go from Exhibit 2 to Exhibit 3,
3 which is -- which is Bates Page 095 to Bates Page 096.

4 Q. So, Bates Page 095 shows the wholesale price?

5 A. (Warshaw) Correct.

6 Q. In megawatt-hours?

7 A. (Warshaw) Correct.

8 Q. I see that. Okay. So, if I multiply -- would I
9 multiply the average price for one of the bidders,
10 times the load loss -- the load factor -- loss factor?

11 A. (Warshaw) Actually, the calculation will -- is used on
12 every month.

13 Q. Okay. So, Exhibit 3 then multiplies the numbers on
14 Exhibit 2 by the loss factor?

15 A. (Warshaw) Yes.

16 Q. Okay.

17 A. (Warshaw) And, then adjusts it from dollars per
18 megawatt-hour to cents per kilowatt-hour.

19 COMMISSIONER BAILEY: Okay. All right.

20 Thank you. I think that's all I have.

21 CHAIRMAN HONIGBERG: I don't think I
22 have any questions. I just want to note how pleased
23 Commissioner Scott was with the last substantive question
24 and answer in Ms. Tebbetts' testimony regarding the public

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1 outreach that the Company is doing. For those who have
2 been at a few of these hearings, it's a question that gets
3 asked every time. And, Commissioner Scott and I both
4 appreciate providing that, you providing that information
5 up front so we can see what the plans were.

6 Mr. Ritchie, do you have any further
7 questions for your witnesses?

8 MR. RITCHIE: No, I do not.

9 CHAIRMAN HONIGBERG: Is there anything
10 else we need to do with these witnesses before we let them
11 metaphorically return to their seats?

12 MS. CHAMBERLIN: Nothing further.

13 CHAIRMAN HONIGBERG: All right. And, I
14 assume there's no objection to striking the ID from the
15 three exhibits?

16 *[No verbal response]*

17 CHAIRMAN HONIGBERG: All right. They
18 will be full exhibits.

19 Ms. Chamberlin, you want to sum up?

20 MS. CHAMBERLIN: Sure. This is a great
21 result for residential consumers. It is what we hoped
22 would happen when we entered into discussions regarding
23 changes to the solicitation process. It appears to have
24 done what we wished it to do, which was to flatten out the

1 spike of winter gas price -- I mean, the winter prices.

2 We support the filing and look forward
3 to working with the Company to implement it.

4 CHAIRMAN HONIGBERG: Ms. Amidon.

5 MS. AMIDON: Thank you. Staff has
6 reviewed the filing, in both the reconciliation and the
7 default service filing, and have determined that the
8 Company followed the bid solicitation, evaluation, and
9 selection process approved by the Commission as in various
10 orders.

11 And, we have reviewed the rates. They
12 appear to be market-based. And, we recommend that the
13 Commission approve the Petition.

14 CHAIRMAN HONIGBERG: Mr. Ritchie.

15 MR. RITCHIE: Thank you, Commissioners.
16 As the witnesses testified, the Company followed the
17 procurement process regarding the solicitation that was
18 previously approved by the Commission. There was
19 sufficient and even robust participation by bidders in the
20 process. And, we believe the process yielded prices that
21 are market-based. The Company analyzed all the bids and
22 selected three bidders to serve residential and commercial
23 and industrial customers.

24 The Company requests at this time,

1 respectfully, that the Commission approve the proposed
2 rates based on those bids by close of business on Monday
3 September 28th. And, in closing, we believe that the
4 rates are just and reasonable and in the public interest.
5 Thank you.

6 CHAIRMAN HONIGBERG: Thank you all. If
7 there's nothing else, we will adjourn, understanding the
8 timeline. Thank you all.

9 **(Whereupon the hearing was adjourned at**
10 **11:01 a.m.)**

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