

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 15, 2016 - 11:07 a.m.
Concord, New Hampshire

NHPUC JAN25'17 PM 1:13

RE DE 16-249
LIBERTY UTILITIES (GRANITE STATE
ELECTRIC) CORP. d/b/a LIBERTY
UTILITIES: *Default Service for
the Period February 1, 2017 to
July 31, 2017.*

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.:
Michael J. Sheehan, Esq.

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Richard Chagnon, Electric Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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HEATHER M. TEBBETTS

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4	Filing consisting of the Testimony of John D. Warshaw, including attachments, and the Testimony of Heather M. Tebbetts, including attachments (12-12-16) <i>(REDACTED - for public use)</i>	5
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5	Filing consisting of the Testimony of John D. Warshaw, including attachments, and the Testimony of Heather M. Tebbetts, including attachments (12-12-16) [CONFIDENTIAL & PROPRIETARY]	5
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P R O C E E D I N G

CHAIRMAN HONIGBERG: Good morning, everyone. We're here this morning in Docket DE 16-249, which is Liberty Utilities (Granite State Electric) Corp.'s Petition for approval of Default Service Rates. We're here for the hearing on the merits.

Before we do anything else, let's take appearances.

MR. SHEEHAN: Good morning, Commissioners. Mike Sheehan, for Liberty Utilities (Granite State Electric). And with me are Ms. Tebbetts and Mr. Warshaw ready to go.

MR. KREIS: Good morning, Mr. Chairman. I'm D. Maurice Kreis, a/k/a Don Kreis, the Consumer Advocate, here on behalf of residential utility customers.

MS. AMIDON: Good morning. Suzanne Amidon, and with me today is Rich Chagnon, who's an Analyst with the Electric Division.

Thank you.

CHAIRMAN HONIGBERG: All right. Mr. Sheehan, I see the witnesses are prepositioned.

1 Is there anything else we need to do before we
2 begin with them?

3 MR. SHEEHAN: A couple things. We
4 propose marking as "Exhibit 4", it's "4"
5 because we're resuming from this same docket
6 number of the Default Service case earlier this
7 summer, "4" will be the public redacted version
8 of our filing, which is Pages 1 through 200 and
9 something. And "Exhibit 5" is the confidential
10 version of that same document.

11 (The documents, as described,
12 was herewith marked as **Exhibit 4**
13 and **Exhibit 5**, respectively, for
14 identification.)

15 MR. SHEEHAN: Second, just putting on
16 the record that we request confidential
17 treatment of certain redacted pages in
18 Mr. Warshaw's attachments, under Puc 201.06 and
19 201.07.

20 Third, it's a minor matter, but
21 Page 101 is a redacted page that, in our
22 copies, when we looked at them last night and
23 this morning, didn't seem -- the shading is
24 pretty light. So, I'm simply going to, if it's

[WITNESS PANEL: Warshaw~Tebbetts]

1 okay with the Commission, mail in a new Page
2 100 and 101, so you can replace it. That whole
3 box, that whole table is supposed to be shaded.

4 CHAIRMAN HONIGBERG: Let's go off the
5 record for a minute.

6 *[Brief off-the-record discussion*
7 *ensued.]*

8 MR. SHEEHAN: So, to keep the
9 pagination clean, we'll send in 101/102 new
10 page, you can slide in and throw that one out.

11 MS. AMIDON: And, just to be clear,
12 the problematic page is 102, correct?

13 MR. SHEEHAN: Correct.

14 CHAIRMAN HONIGBERG: All right.
15 Anything else?

16 MR. SHEEHAN: That's all I have.

17 CHAIRMAN HONIGBERG: Mr. Patnaude.

18 (Whereupon **John D. Warshaw** and
19 **Heather M. Tebbetts** were duly
20 sworn by the Court Reporter.)

21 CHAIRMAN HONIGBERG: Mr. Sheehan.

22 MR. SHEEHAN: Thank you.

23 MS. AMIDON: Before Mr. Sheehan
24 begins, may I just say that I agree with the

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1 Company's designation of the material that they
2 designated as confidential is eligible for
3 confidential treatment under the Puc 200 rules,
4 and Staff has no objection to that motion.

5 And I apologize for interrupting
6 Mr. Sheehan.

7 CHAIRMAN HONIGBERG: I apologize for
8 not making sure that there was no issue with
9 Mr. Sheehan's assertion in that regard. So,
10 thank you. Thank you for interrupting,
11 Ms. Amidon.

12 Now, Mr. Sheehan, you may proceed.

13 MR. SHEEHAN: Thank you.

14 **JOHN D. WARSHAW, SWORN**

15 **HEATHER M. TEBBETTS, SWORN**

16 **DIRECT EXAMINATION**

17 BY MR. SHEEHAN:

18 Q. Mr. Warshaw, your name and position with the
19 Company please.

20 A. (Warshaw) My name is John D. Warshaw. I'm the
21 -- excuse me -- Manager of Electric Supply for
22 Liberty Utilities Service Corp.

23 Q. And did you prepare written testimony in this
24 document -- in this docket?

1 A. (Warshaw) Yes, I did.

2 Q. And is your testimony -- you have a copy of it
3 in front of you?

4 A. (Warshaw) Yes, I do.

5 Q. And it begins on Page -- Bates Page 003, 002 or
6 003?

7 A. (Warshaw) Correct.

8 Q. And is that testimony that you prepared or was
9 it prepared under your direction?

10 A. (Warshaw) Yes, it was.

11 Q. Do you have any changes to that testimony you'd
12 like to make now?

13 A. (Warshaw) No.

14 Q. And do you adopt that testimony today as if
15 those questions were asked and answers given?

16 A. (Warshaw) Yes.

17 Q. Can you just give us a very -- one-paragraph
18 overview of what your testimony covers?

19 A. (Warshaw) My testimony covers the solicitation
20 of Default Service supply for our Large and our
21 Small Customer Group. Our current contract
22 expires at the end of January 2017. So, we
23 went out for a supply for the six-month period
24 of February 1st, 2017 through July 31st, 2017.

[WITNESS PANEL: Warshaw~Tebbetts]

1 Q. Thank you. Ms. Tebbetts, your name and
2 position with the Company please.

3 A. (Tebbetts) Yes. My name is Heather Tebbetts.
4 I am employed by Liberty Utilities Service
5 Corporation. And I am an Analyst in our Rates
6 and Regulatory Group. And I'm responsible for
7 rate-related services for Granite State
8 Electric.

9 Q. And did you prepare testimony in this docket?

10 A. (Tebbetts) Yes.

11 Q. And do you have that in front of you?

12 A. (Tebbetts) Yes.

13 Q. And it begins at Bates Page 219, is that
14 correct?

15 A. (Tebbetts) Yes.

16 Q. And do you have any changes to your testimony
17 you'd like to make this morning?

18 A. (Tebbetts) No.

19 Q. And do you adopt that testimony today?

20 A. (Tebbetts) Yes.

21 MR. SHEEHAN: Thank you. I have no
22 further questions.

23 CHAIRMAN HONIGBERG: Mr. Kreis.

24 MR. KREIS: Thank you, Mr. Chairman.

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1 Just a couple of questions, I think for Mr.
2 Warshaw.

3 **CROSS-EXAMINATION**

4 BY MR. KREIS:

5 Q. Mr. Warshaw, on Page 5 of your prefiled direct
6 testimony that you filed on December 12th, this
7 is Exhibits 4 and 5, you mentioned that there
8 was much more participation in this particular
9 RFP than there usually is. And you said that
10 "Liberty had the largest number of bidders
11 participating in this RFP" since it started
12 issuing such RFPs four years ago.

13 And I'm curious to know whether you have a
14 theory about why that is?

15 A. (Warshaw) Well, there are two things. One,
16 there's a little bit less turmoil in the
17 market. They seem to have the Winter
18 Reliability Program in ISO-New England helping
19 to keep folks not panicking about winter gas
20 and winter prices.

21 Plus, we've been reaching out and looking
22 to sign up additional bidders to be able to
23 participate in our RFP.

24 Q. So, you actually think that the Winter

1 Reliability Program that the ISO has unveiled
2 for this coming winter is having a calming
3 effect on market participants?

4 A. (Warshaw) Yes.

5 Q. Is that just your theory or do you see evidence
6 of that?

7 A. (Warshaw) Well, I think -- I believe, if they
8 weren't comfortable with it, we would not have
9 seen the participation as we did for this RFP.
10 It would have been something more like we saw
11 in 2013.

12 Q. Do you expect to see even more bidders in the
13 future?

14 A. (Warshaw) If I can sign them up, I will, and I
15 hope to do that. I'm always reaching out to
16 suppliers to see if they're interested in
17 participating with our bids. We are a small
18 utility, and sometimes they're not interested
19 in such small utilities.

20 Q. Looking at Page 091 of -- I'm looking at the
21 confidential version of the filing of the other
22 day, so I guess that would be "Exhibit 5".
23 Looking at Page 091 of that exhibit, under Item
24 Number 6, which is "Analysis and Award" section

[WITNESS PANEL: Warshaw~Tebbetts]

1 of that document, there is a shaded paragraph,
2 and I assume that that shading means that that
3 Company regards that paragraph as
4 "confidential".

5 And my question is, why is the information
6 in that paragraph considered confidential?

7 A. (Warshaw) We consider it confidential, because
8 we don't want the bidders to know exactly what
9 we believe our forecast of bids and prices
10 would be coming in from them. Because, if they
11 have an idea of what our forecast is, well,
12 maybe they will, instead of trying to provide
13 bids at their lowest cost, they would be
14 looking at bids that just beat our estimate or
15 forecast of prices.

16 MR. KREIS: Okay. Mr. Chairman, I
17 think those are my -- in fact, I know those are
18 all my questions.

19 CHAIRMAN HONIGBERG: Ms. Amidon.

20 MS. AMIDON: Thank you. Good
21 morning.

22 WITNESS WARSHAW: Good morning.

23 BY MS. AMIDON:

24 Q. And, Mr. Warshaw, if we go back to Bates stamp

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1 090 and 091, on Page 091, at the top of the
2 page, there's a -- I guess it's a table, and
3 that indicates the number of bidders that you
4 had for each solicitation. Is that right?

5 A. (Warshaw) Correct.

6 Q. Okay. And, on Page 090, it indicates the
7 indicative bids, the number of indicative
8 bidders, is that right?

9 A. (Warshaw) Yes.

10 Q. Okay. Thank you. Now, have you contracted
11 with Calpine before this -- before this supply
12 solicitation?

13 A. (Warshaw) No, we have not. They're one of the
14 new bidders that we signed up in earlier this
15 year.

16 Q. And would you tell us -- there was something
17 different about this transaction, insofar as it
18 affected Calpine's security. Could you talk
19 about -- address that please. And I believe
20 that information is on Bates stamp Page 110 and
21 111 of the filing. I'm looking at the
22 confidential filing.

23 A. (Warshaw) Yes. One of the pieces that we
24 evaluate bidders on is their creditworthiness.

[WITNESS PANEL: Warshaw~Tebbetts]

1 MR. SHEEHAN: If I may just
2 interject, we had a conversation before we
3 started that we're going to talk about this
4 topic, which is confidential. And what -- so,
5 to encourage Mr. Warshaw to be as open as
6 possible, we will go back to the transcript
7 after today and make appropriate communications
8 with Mr. Patnaude to have this part of it --
9 appropriate parts of it redacted.

10 CHAIRMAN HONIGBERG: Understood.

11 Thank you. Mr. Warshaw.

12 **CONTINUED BY THE WITNESS:**

13 A. (Warshaw) Yes. So, this bidder, Calpine, one
14 of the things, they have a low credit rating by
15 the industry, Standard & Poor and Moody's.
16 It's below the point where we would give a
17 bidder, you know, unsecured credit.

18 Most of our other bidders, what they do is
19 they may be a special purpose company, and
20 they'll get a parent guarantee from their
21 parent for the security. This company, their
22 parent is not rated for credit. So, what we
23 had to do, as part of the bid, is for them to
24 include a letter of credit to be able to cover

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1 the potential costs that we would incur, if,
2 for some reason, this bidder did not perform
3 during the period that they are supposed to
4 provide default service.

5 BY MS. AMIDON:

6 Q. Thank you. Mr. Warshaw, could you please help
7 me find where the Company calculates the
8 estimated costs of RPS compliance and the RPS
9 adder calculation? I was looking at 103 and
10 104, and I'm not sure if that's correct?

11 A. (Warshaw) Yes. 103 and 104 is where we
12 calculate that.

13 Q. Okay. And could you just explain, without
14 going into any confidential information, what
15 you have -- what we see on Page 103, which is
16 entitled "RPS Cost Adder Calculation"? So,
17 thank you for finding it, by the way.

18 A. (Warshaw) On Page 103, the areas that are
19 shaded off is our estimate of what the market
20 price of RECs would be for the coming period of
21 this service. And we base that on RFPs that we
22 received, if you look on Page 102, that we
23 received bids the day before, on November 28th,
24 for pricing of RPS RECs during this period.

[WITNESS PANEL: Warshaw~Tebbetts]

1 And we use those bids as a way to say "This is
2 our current market price, and this is what
3 bidders are willing to sell us RECs for." This
4 is then the market price.

5 There are a couple of classes that we
6 receive no bids. And, for those classes, I
7 assumed that we would be paying ACP. And
8 utilizing a combination of the bid prices from
9 our RPS solicitation and ACP, we come up with
10 what we propose as the RPS adder.

11 Q. Okay. Thank you. And what -- and, by looking
12 at this correctly, on Line 5, the RPS adder is
13 0.445 cents per kilowatt-hour?

14 A. (Warshaw) Correct.

15 Q. Is that the same for both the Large Customer
16 Group and the Small Customer Group?

17 A. (Warshaw) Yes.

18 Q. Okay. Thank you. That was one question that I
19 had. And just give me a moment please, I'm
20 working with two different piles.

21 Ms. Tebbetts, I'm looking at your
22 testimony, and at Page 223, which I believe, if
23 we're looking at this, there is a graph in the
24 middle of that page which indicates what the --

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1 the calculation of the Large Customer Group
2 rate for the six months covered by the RFP, is
3 that correct?

4 A. (Tebbetts) Yes.

5 Q. Now, the reconciliation factors don't change
6 with this filing, am I right on that?

7 A. (Tebbetts) Yes.

8 Q. They will change in the next filing or they
9 will be recalculated in the next filing?

10 A. (Tebbetts) Yes.

11 Q. Okay. Thank you. And, so, what we see for the
12 Large Customer Group are fixed monthly rates,
13 which vary from month to month?

14 A. (Tebbetts) Yes.

15 Q. Okay. Thank you. And, then, at Line 7, you
16 describe what the Energy Service rate will be
17 for the Small Customer Group, is that right?

18 A. (Tebbetts) Yes.

19 Q. And the next question begins on Line 10, the
20 Company -- your testimony provides a
21 description of what the rate impact would be
22 for a monthly bill for a customer taking energy
23 service and using 650 kilowatt-hours per month,
24 is that right?

1 A. (Tebbetts) Yes.

2 Q. Now, I understand, through a series of funny
3 coincidences, that the companies all filed a
4 separate tariff in the CORE docket for an
5 increase to the System Benefit Charge, is that
6 right?

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

8 Q. And, so, that increase would go into effect
9 January 1, assuming it's approved, is that
10 right?

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

12 Q. Okay. So, if we were to look at the rates that
13 end, say, December 31st, and the rates that
14 would take effect on February 1, have you
15 calculated what the -- what increase that would
16 be when you include the SBC increase?

17 A. (Tebbetts) Yes, I have.

18 Q. And what would that be?

19 A. (Tebbetts) So, the difference would be that the
20 dollar increase would be \$5.11. So, a 16 cent
21 increase for the CORE. Actually, I should say
22 that the filing was made in the CORE Docket, DE
23 14-216, back in September, but that addressed
24 the settlement from the EERS Docket, DE 15-137,

[WITNESS PANEL: Warshaw~Tebbetts]

1 which continued CORE for 2017, but included an
2 increase to the SBC to account for increase in
3 funding and lost revenue mechanism for the
4 utilities. And, so, the percent increase to
5 the customer bill would be 5.28 percent.

6 MS. AMIDON: Okay. Thank you. I
7 have no further questions. Thank you.

8 CHAIRMAN HONIGBERG: Commissioner
9 Scott.

10 CMSR. SCOTT: Thank you. I'm going
11 to -- nicely, I think, my two major questions
12 have been at least started to have been asked
13 and addressed.

14 BY CMSR. SCOTT:

15 Q. I do want to delve a little bit deeper into
16 the -- you know, happily, obviously, it seems
17 like you had a robust RFP this round. So, I
18 think everybody agrees that's a good thing,
19 would you agree?

20 A. (Warshaw) I think it's a very good thing.

21 Q. Yes. So, I just want to delve a little bit
22 deeper into cause and effect, to the extent we
23 understand it. And the Winter Program, this is
24 not new, we've had the Winter Reliability

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[WITNESS PANEL: Warshaw~Tebbetts]

1 Program for, what, at least three years now, I
2 believe, correct?

3 A. (Warshaw) Correct.

4 Q. So, I'm trying to figure why that would -- do
5 you see any difference for that? That what I
6 thought I heard you say is you were attributing
7 it to two -- your guess is, I guess, but you
8 were attributing it to two things. The Winter
9 Reliability Program was giving people more
10 confidence, and you were -- sounded like you
11 were more energetic in beating the bushes
12 trying to get people to bid.

13 But I was curious why the first? What's
14 different about the Winter Reliability Program
15 compared to past winters?

16 A. (Warshaw) I think it's similar to past winters.
17 And it's always changed, it's always improved.
18 I think -- I believe that, because we've had
19 them for a couple of years, the marketplace now
20 expects them and is comfortable with that.
21 They don't expect that the price of natural gas
22 and electric is going to go off the rails. So,
23 it gives them a level of comfort.

24 Of course, every time we have cold weather

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[WITNESS PANEL: Warshaw~Tebbetts]

1 it's like "Ah", and the prices go up.

2 Q. So, let me ask you this. I mean, one of the
3 other things, obviously, that's been done is
4 we've kind of split the winter. Is that a
5 correct statement?

6 A. (Warshaw) Correct.

7 Q. Do you think that has helped mitigate? You
8 know, obviously, what bidders are looking at is
9 how much risk they incur during the volatile
10 season. Do you think that's helped?

11 A. (Warshaw) I think that's helped a little bit.
12 I know I do have one bidder, because we have
13 winter, they just won't participate for
14 whatever reason. Other than that, it probably
15 does help that they're not taking on the entire
16 winter.

17 Q. Are you getting any other feedback of what
18 would help -- again, I'm not complaining at all
19 about the robustness, but, you know, you talked
20 to -- you've indicated you've been talking to
21 all the potential bidders and bidders. Are you
22 getting feedback on other things that would
23 help increase the participation in the RFP?

24 A. (Warshaw) Yes. Providing additional

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[WITNESS PANEL: Warshaw~Tebbetts]

1 information, they were talking about improving
2 information that we provide on the forward
3 capacity market, the ICAP tags, as we move into
4 a period where we have a much higher FCM price
5 than we've had in the past, that becomes a
6 larger piece of their exposure. And they just
7 want to be able to get a better idea of what
8 they expect, the costs they're going to incur,
9 and also what migration risk there might be as
10 customers move around.

11 Q. And will you be doing that?

12 A. (Warshaw) I am in the process of doing that,
13 yes.

14 Q. Excellent. So, back on the Winter Program for
15 ISO-New England, my understanding is, and it's
16 not settled yet, but, with the -- as EPA
17 implements Pay For Performance, they have
18 always anticipated not to need to have a Winter
19 Reliability Program. Do you think that will
20 change this dynamic?

21 A. (Warshaw) Remains to be seen.

22 Q. Okay. And I understand I'm asking for your --
23 how clear is your crystal ball.

24 A. (Warshaw) Yes.

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1 Q. I understand that.

2 A. (Warshaw) No. And I don't know if they would
3 get rid of the Winter Reliability Program, even
4 though they are moving towards Pay For
5 Performance, only because it does provide a
6 level of comfort for bidders and suppliers and
7 generators for the winter.

8 CMSR. SCOTT: And, to clarify, the
9 reason why I said that is, when the EPA --
10 excuse me -- ISO New England started the
11 program, they articulated that they were doing
12 it as a stopgap until Pay For Performance.
13 That's the only reason I mentioned that. I
14 don't know what they're going to do moving
15 forward, though.

16 So, that's all I have. Thank you.

17 CHAIRMAN HONIGBERG: Commissioner
18 Bailey.

19 CMSR. BAILEY: Thank you. Good
20 morning.

21 WITNESS WARSHAW: Good morning.

22 BY CMSR. BAILEY:

23 Q. You said that you lost one bidder because they
24 didn't want to -- let's see, I wrote it down --

[WITNESS PANEL: Warshaw~Tebbetts]

1 "because we have winter, they won't
2 participate". So, does that mean that one of
3 the bidders that you used to have would bid
4 during the non-winter period, but not during
5 the winter period, and now they won't bid in
6 either period, because you effectively have
7 winter in both periods?

8 A. (Warshaw) Correct.

9 Q. Okay. But, on net, you have more bidders than
10 you've had, even when that bidder participated?

11 A. (Warshaw) Yes.

12 Q. Okay. Ms. Tebbetts, can you look at Bates Page
13 027? I just want to follow up with
14 Ms. Amidon's questioning about the RPS adder,
15 just make sure I understand it. I said "227".

16 A. (Tebbetts) Oh, "227". Sorry, I apologize. I
17 thought you said "27".

18 Q. I might have said "127". Oh, "227". I'm
19 sorry.

20 A. (Tebbetts) Okay. Yes.

21 Q. Okay. So, I don't see a difference between the
22 December 1st and the February 1st Systems
23 Benefit Charge. Is that where January 1st the
24 Systems Benefit Charge will change if we

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1 approve the RPS adder?

2 A. (Tebbetts) No. The RPS adder is separate. So,
3 the System Benefit Charge is part of the Energy
4 Efficiency Resource Standard docket.

5 Q. Okay.

6 A. (Tebbetts) And we filed in the CORE docket the
7 increase to the System Benefits Charge. The
8 RPS is solely part of the Energy Service
9 charge.

10 Q. So, I didn't mean "RPS", like I didn't mean
11 "Page 27".

12 A. (Tebbetts) That's okay.

13 Q. So, the Systems Benefit Charge will change, it
14 will be different between December 1st and
15 February 1st, if we approve the request in the
16 CORE docket?

17 A. (Tebbetts) Yes.

18 Q. And that would amount in total, on a monthly
19 bill, to -- you said "16 cents"?

20 A. (Tebbetts) Yes.

21 CMSR. BAILEY: Okay. Thank you.

22 That's all I have.

23 BY CHAIRMAN HONIGBERG:

24 Q. Mr. Warshaw, I want to look at Page 091 and the

1 shaded language that you were asked about
2 earlier in the middle of the page. I can do
3 some of this non-confidential, and that's how
4 I'm going to start. If you look at the second
5 line, the fourth word from the end, I don't
6 think we're going to disclose anything
7 earth-shattering if I say that's the word
8 "the". So, I'm starting with the word "the".
9 From there to the end, what is confidential
10 about that statement, if anything?

11 MR. SHEEHAN: I'm sorry. Could you
12 reorient me to where you're looking?

13 CHAIRMAN HONIGBERG: Bates Page 091,
14 the shaded paragraph, second line, fourth word
15 from the end, the word "the", to the end of the
16 paragraph.

17 MR. SHEEHAN: Thank you.

18 BY CHAIRMAN HONIGBERG:

19 Q. My assertion is there is nothing confidential
20 about that statement.

21 A. (Warshaw) I can agree to that.

22 Q. This is probably something that's unfair to go
23 with you, Mr. Warshaw, and maybe Mr. Sheehan
24 should be part of the discussion. But it seems

1 like this -- this is a retrospective document.
2 This document is reporting on the results of
3 your procurement, correct?

4 A. (Warshaw) Yes.

5 Q. Now I'm going to ask a confidential question.
6 Why is it that telling the bidders that they
7 were lower than your expectations gives them
8 any information about what the situation is
9 going to be like the next time they bid? I
10 mean, they're not allowed to withdraw, right?

11 A. (Warshaw) They -- a bidder can drop out between
12 indicative and final.

13 Q. But that's not where you are.

14 A. (Warshaw) No.

15 Q. You've got final bids here. You're giving me
16 the final report on the results of this
17 solicitation. And you're saying "Good news.
18 We projected X, and the bids actually came in
19 lower than that. That's a really good thing
20 for our customers, and it reflects that
21 competition played a role", or whatever. You
22 can say all kinds of flowery things about it.

23 But, ultimately, your conclusion at the
24 end, that we've agreed is not confidential, is

1 that the bids are considered a reasonable
2 representation.

3 I'm having trouble understanding why
4 telling them after-the-fact "you were actually
5 lower than we expected" is a problematic thing?

6 A. (Warshaw) I will agree with you on that. What
7 we would not want to do is provide them with
8 the actual calculation of --

9 Q. Clearly.

10 A. (Warshaw) -- of that. And this is just a
11 carry-on -- carryover, we have a calculation,
12 we utilized the calculation, we make this claim
13 against the calculation. That's why we have it
14 as confidential. So that, one, they don't know
15 that we're doing this calculation in the first
16 place, and, you know, if they do know what the
17 calculation is, the next thing is "well, why
18 don't you provide us the calculation?"

19 Q. Yes. And, clearly, you would say "No, we're
20 not going to do that."

21 But I do think, from earlier hearings on
22 the same topic, with you and your peers, I
23 think we have an understanding that you, or the
24 person in your position at the other utilities,

[WITNESS PANEL: Warshaw~Tebbetts]

1 does exactly what you do, which is try and get
2 a sense of where you expect the bids to come
3 in. And it gives you a basis for and a quick
4 check on "are these numbers coming in about
5 where we expected them to?" Because, if they
6 don't, that tells you something. Either you've
7 misestimated, they have some understanding that
8 you don't. There is something you have to
9 investigate further.

10 But I think we have on the record
11 testimony in public, from you and from your
12 peers, that this is what you do. You make an
13 evaluation going in as to what you expect the
14 numbers to be. Am I misremembering that?

15 A. (Warshaw) No, I think that's appropriate. It's
16 accurate.

17 Q. So, it's clear. I mean, I think they know that
18 you're doing this. That's not going to
19 surprise them. And, of course, if they ask for
20 your calculations, you would be perfectly
21 justified saying "that's none of your
22 business". "It may be your business, but
23 you're not entitled to it."

24 A. (Warshaw) Uh-huh.

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1 Q. So, I don't think we're going to disagree about
2 that.

3 CHAIRMAN HONIGBERG: I guess what I
4 would ask, and I'm not telling you what to do,
5 but -- or, Mr. Sheehan, maybe I'm not telling
6 you what to do, but I would ask that you
7 consider this paragraph, and whether there's a
8 different way to say what is said in here that
9 doesn't have to be confidential, or make a
10 really -- ask yourselves, again, and maybe
11 confer with Staff and the OCA, about whether
12 really this needs to be confidential, now or
13 going forward.

14 MR. SHEEHAN: That's fine,
15 Commissioner. We mentioned at the outset of
16 the hearing we have one corrected -- not
17 "corrected", but a new shaded page to file. We
18 will certainly consider, and what I'm hearing
19 from you as a request is to possibly unredact
20 that entire paragraph, and we will discuss
21 that.

22 CHAIRMAN HONIGBERG: And, if it needs
23 to be reworded in a way so that it doesn't need
24 to be hidden. I mean, it just raises questions

[WITNESS PANEL: Warshaw~Tebbetts]

1 for people, "what's being shaded here?"

2 I mean, Mr. Kreis would definitely
3 agree with that. Am I right, Mr. Kreis?

4 MR. KREIS: Indeed, Mr. Chairman.
5 And I think, to the point that you're making,
6 ultimately, the purpose of unredacting things
7 is to give the public some confidence that the
8 Commission is doing a good job in reviewing
9 these solicitations.

10 And, as you just implied, neither the
11 PUC, nor the OCA certainly, have the expertise
12 to conduct our own independent evaluations of
13 these bids. We rely on folks like Mr. Warshaw.
14 And, so, it is a source of reassurance, I
15 think, ultimately to the public, that he, based
16 on his expertise, analyzed the market and ended
17 up receiving bids that exceeded his
18 expectations for how well his customers -- his
19 retail customers would ultimately do.

20 To the extent we can actually
21 disclose that on the record, I think it
22 bolsters public confidence in the utility and
23 the regulatory process. And, so, I'm pleased
24 that you have the same concern that I was sort

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[WITNESS PANEL: Warshaw~Tebbetts]

1 of telegraphing when I asked Mr. Warshaw
2 questions about that particular paragraph and
3 the fact that it is proposed to be redacted.

4 CHAIRMAN HONIGBERG: And thank you,
5 Mr. Kreis.

6 BY CHAIRMAN HONIGBERG:

7 Q. I guess, Mr. Warshaw, I'll ask you one other
8 question that I think I know the answer to.
9 And that is to confirm that Liberty doesn't
10 make any money off of this process? You're
11 passing through rates that you receive through
12 a competitive bidding process. So, when the
13 rates go up, Liberty doesn't make any more
14 money, and, when the rates go down, Liberty
15 doesn't make any less money. Correct?

16 A. (Warshaw) That is correct.

17 CHAIRMAN HONIGBERG: I think, to that
18 end, I'll address Mr. Sheehan. I mean, Mr.
19 Kreis's point I think is well-taken. That this
20 whole process is kind of hard to understand for
21 customers. They see rates go up, they say "Oh
22 my God, the utility is going to make more
23 money." And I think our Consumer Affairs
24 Division, and I suspect Mr. Kreis's office,

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[WITNESS PANEL: Warshaw~Tebbetts]

1 probably receive phone calls when rates like
2 this go up, saying "How can you let the Company
3 do this?" And that's -- the Company is not
4 making any money when these things happen.

5 MR. SHEEHAN: We get the same calls.
6 So, we have a similar interest with the
7 transparency that we're discussing.

8 CHAIRMAN HONIGBERG: Right. I think
9 we're all on the same page with that then.
10 Commissioner Bailey.

11 CMSR. BAILEY: I forgot to ask this
12 question.

13 BY CMSR. BAILEY:

14 Q. Are you working on a standard form to tell your
15 customers what the change in rates are going to
16 be with our Consumer Affairs Division?

17 A. (Tebbetts) Yes. So, we plan to, once we get
18 the order for this, assuming you approve these
19 rates, I've already worked with our
20 Communications Group so that we can put in the
21 bill insert for January, I guess, the
22 January/February period, so that customers know
23 what the impact is in their bill insert.

24 Q. You've worked on it with your Consumer Affairs.

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[WITNESS PANEL: Warshaw~Tebbetts]

1 But has anybody from the Company worked on it
2 with our Director of Consumer Affairs?

3 A. (Tebbetts) So, our Communications Group
4 provides the bill insert to them every month
5 that we have a bill insert is provided to your
6 Consumer Affairs Department.

7 Q. Before it goes out?

8 A. (Tebbetts) I don't know.

9 CMSR. BAILEY: Didn't we issue an
10 order asking Liberty to work with the Director
11 of our Consumer Affairs or am I thinking of
12 another utility?

13 MR. SHEEHAN: I don't recall if it
14 was actually in the order. I do recall this
15 conversation. And I can't be positive of this,
16 but I understand the conversation is going on
17 between Mr. Shore and the Commission's office,
18 but that's subject to check, as the expression
19 is used around here.

20 But, yes, we did have this
21 conversation, and I know that we talked about
22 it back at the office after that last
23 conversation, which was perhaps the cost of gas
24 we had a couple months ago.

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[WITNESS PANEL: Warshaw~Tebbetts]

1 CMSR. BAILEY: Right. I think that's
2 what it was, yes.

3 CHAIRMAN HONIGBERG: Yes. I think
4 that's right.

5 Do you have any other questions,
6 Commissioner Bailey?

7 CMSR. BAILEY: No. Thank you.

8 CHAIRMAN HONIGBERG: All right. I
9 have no further questions.

10 Mr. Sheehan, do you have any other
11 questions for your witnesses?

12 MR. SHEEHAN: I have nothing. Thank
13 you.

14 CHAIRMAN HONIGBERG: All right.
15 Thank you very much. I think you can probably
16 stay where you are.

17 We'll, without objection, we'll
18 strike ID on Exhibits 4 and 5?

19 *[No verbal response.]*

20 CHAIRMAN HONIGBERG: Is there
21 anything else we need to do before the Parties
22 sum up?

23 *[No verbal response.]*

24 CHAIRMAN HONIGBERG: Mr. Kreis, why

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1 don't you begin.

2 MR. KREIS: Thank you, Mr. Chairman.
3 We've had the opportunity to review the
4 Company's filing. And we're confident that the
5 Company did a good job in soliciting and
6 ultimately reviewing bids, so that the proposed
7 rates for energy service from the Company for
8 the six-month period under review are just and
9 reasonable, and therefore worthy of approval.

10 Consistent with the colloquy that we
11 all just had with Chairman Honigberg, I think
12 it would -- I do hope that we will have the
13 opportunity to take a look at that redacted
14 paragraph at Page 091 of the Company's
15 confidential filing, Exhibit 5, so that we
16 can -- we can do as much as we possibly can to
17 make sure that the public has adequate
18 reassurance that this process is yielding good
19 results for Liberty's energy service customers.

20 That said, having reviewed the
21 confidential version of the filing, I'm
22 comfortable with the degree to which the
23 Company is generally approaching the issue of
24 confidentiality. And I think they have been

1 laudably attentive to the idea that there
2 should be significant parts of this process
3 that are worthy of public disclosure, but there
4 are also important parts of it that it is in
5 the best interest of customers and the public
6 to treat as confidential.

7 So, I don't, by raising this issue, I
8 didn't mean to imply any general degree of
9 criticism of the Company's approach to public
10 accountability of this procurement process.

11 I think that's all I have to say.

12 CHAIRMAN HONIGBERG: Thank you, Mr.
13 Kreis. Ms. Amidon.

14 MS. AMIDON: Thank you. Staff has
15 reviewed the filing. And we have concluded
16 that Liberty's solicitation, evaluation, and
17 selection of a winning bidder comports with the
18 Commission's actions approving the Settlement
19 Agreement that established the default service
20 procurement process, and subsequent orders
21 which modified it to a certain extent.

22 We also believe that the resulting
23 rates, based on the fact that it was
24 competitively bid, are market-based, and so

1 comport with the requirements of RSA 374-F, the
2 Electric Utility Restructuring statute, and are
3 just and reasonable. And, on that basis, we
4 recommend that the Commission approve the
5 Petition.

6 However, I have one request in
7 interest -- in recognizing that the Company
8 will be asking for an order to be issued on
9 Monday, I request that the Commission consider
10 whether or not they would grant the request for
11 confidential treatment at hearing to facilitate
12 the issuance of the order, if that's how you
13 want to go.

14 *(Chairman and Commissioners*
15 *conferring.)*

16 CHAIRMAN HONIGBERG: Yes. Yes, we
17 will do that and grant the motion or the
18 request for confidential treatment, subject to
19 the Parties review of the paragraph on Page 091
20 and what actually needs to be confidential.
21 But, other than that -- I mean, even with that,
22 it's granted. And I'll let the Parties figure
23 out what the best way to proceed with the
24 paragraph on Page 091.

1 MS. AMIDON: Thank you.

2 CHAIRMAN HONIGBERG: All right.

3 Mr. Sheehan.

4 MR. SHEEHAN: Thank you. We ask that
5 the Commission also, as the others have asked,
6 find that the process we've undertaken here is
7 appropriate and complies with the prior orders.
8 We ask that you approve the requested rates as
9 just and reasonable.

10 And we appreciate Mr. Kreis's
11 statement about confidentiality. We do take
12 that seriously. And we don't always come down
13 on the same side of those questions, but it is
14 in our interest to be as transparent as
15 possible as well.

16 And I hope that we can get the
17 whatever new pages we file, Page 091, we can
18 get to you this afternoon, so, for
19 order-writing processes, it's resolved.

20 So, thank you.

21 CHAIRMAN HONIGBERG: All right.

22 Thank you, Mr. Sheehan. If there's nothing
23 else, we will close the hearing, take this
24 matter under advisement, and issue an order as

1 quickly as we possibly can. We are adjourned.

2 *(Whereupon the hearing was*
3 *adjourned at 11:44 a.m.)*