

1                                   **STATE OF NEW HAMPSHIRE**2                                   **PUBLIC UTILITIES COMMISSION**

3  
4   **April 6, 2016** - 1:36 p.m.  
5   Concord, New Hampshire

6  
7                   RE:   **DE 16-250**  
8                       **UNITIL ENERGY SYSTEMS, INC.:**  
9                       **2016 Default Service.**

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

13                           Sandy Deno, Clerk

14   **APPEARANCES:**   **Reptg. Unitil Energy Systems, Inc.:**  
15                           Gary Epler, Esq.

16                           **Reptg. PUC Staff:**  
17                           Suzanne G. Amidon, Esq.  
18                           Jay Dudley, Electric Division

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21  
22                   Court Reporter:   Steven E. Patnaude, LCR No. 52  
23  
24

**I N D E X****PAGE NO.**

**WITNESS PANEL:**        **LINDA S. McNAMARA**  
                              **LISA S. GLOVER**  
                              **DANIEL T. NAWAZELSKI**

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2	Unitil Energy Systems, Inc. Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs (04-01-16) <b>[REDACTED - For PUBLIC Use]</b>	5
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**P R O C E E D I N G**

CHAIRMAN HONIGBERG: We're here this afternoon in Docket DE 16-250, which is Unitil Energy Systems' 2016 Default Service proceeding. Unitil has gone out and gotten bids for its customers for the six months starting June 1st. We have their package of bid information. We're here to determine if those rates should be put into effect. And I don't know if there's much else we need to do to introduce this. Nobody wants to hear me read from the order of notice.

Let's take appearances.

MR. EPLER: Good afternoon. Gary Epler, Chief Regulatory Counsel for Unitil Service Corp., appearing on behalf of Unitil Energy Systems.

MS. AMIDON: Good afternoon. Suzanne Amidon, for Commission Staff. With me today is Jay Dudley, an Analyst with the Electric Division, and my new colleague in the Legal Division, Paul Dexter, who is at the counsel table.

CHAIRMAN HONIGBERG: Welcome, Mr. Dexter.

MR. DEXTER: Thank you very much.

MS. AMIDON: I do have an administrative issue. As you know, the Consumer Advocate is not here.

1 I had a conversation with him, and he authorized me to  
2 provide the Commission with his view of the filing at  
3 the appropriate time.

4 CHAIRMAN HONIGBERG: Outstanding. I  
5 wondered where Mr. Kreis was. I'm glad you're here to  
6 speak for him.

7 All right. I see that there's a panel  
8 of witnesses already sitting in the witness box. Is  
9 that the first thing we need to do or is there anything  
10 else we need to do before we get started?

11 Yes, Mr. Epler.

12 MR. EPLER: Just a couple of  
13 housekeeping things. If we could have the exhibits  
14 premarked, there are two binders, and, as we've done in  
15 the past, if I could have the confidential be marked as  
16 "Unitil Exhibit No. 1" and the redacted binder as  
17 "Unitil Exhibit No. 2".

18 (The documents, as described, were  
19 herewith marked as **Exhibit 1** and  
20 **Exhibit 2**, respectively, for  
21 identification.)

22 MR. EPLER: The second thing, just to  
23 draw your attention to the request in the Petition, as  
24 we've done for a number of years now, with the first

1 filing that we make includes a Lead/Lag Study, and  
2 that's incorporated into the calculation of the working  
3 capital. And we include it in the filing, but we're  
4 not asking for a final approval of the Lead/Lag Study,  
5 we're just asking for approval subject to the Staff and  
6 the OCA's ability to complete their review, but to be  
7 able to use the results in the calculation of rates,  
8 and then it gets reconciled if there are any changes.

9 CHAIRMAN HONIGBERG: Ms. Amidon.

10 MS. AMIDON: We're in concurrence with  
11 that. We have a few questions on the Lead/Lag Study,  
12 but we're in concurrence with that. It did occur to  
13 me, we do have one administrative issue that could be  
14 taken care of at the outset of the hearing, and that is  
15 the request for confidential treatment made by the  
16 Company. The request conforms with its prior requests  
17 in similar dockets that have been approved by the  
18 Commission, and I believe are consistent with the PUC  
19 200 rules. So, Staff does not object to that motion  
20 for confidential treatment or the request for  
21 confidential treatment.

22 CHAIRMAN HONIGBERG: All right. And,  
23 so, we'll treat Exhibit 1, I know that there is  
24 redacted information, and, if it's necessary for the

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 witnesses or the lawyers to talk about what's redacted,  
2 we'll have to deal with that on the record somehow and  
3 perhaps create a confidential section of the  
4 transcript.

5 Yes, Ms. Amidon.

6 MS. AMIDON: And it would be helpful if  
7 the Commission would grant -- would consider and  
8 deliberate on the motion or the request for protective  
9 treatment and make a decision at this point in time for  
10 purposes of expediting the order in this docket.

11 CHAIRMAN HONIGBERG: All right. We'll  
12 grant the Motion for Confidential Treatment.

13 Anything else? You each -- you come up  
14 with another, you know, housekeeping matter every  
15 couple of seconds. Are we good now?

16 Yes. And this order has to be out end  
17 of the week, right?

18 MS. AMIDON: That's my understanding.

19 MR. EPLER: That's our request.

20 CHAIRMAN HONIGBERG: All right. So,  
21 anything -- Mr. Patnaude, do you want to swear in the  
22 witnesses?

23 (Whereupon **Linda S. McNamara,**

24 **Lisa S. Glover,** and **Daniel T. Nawazelski**

were duly sworn by the Court Reporter.)

**LINDA S. McNAMARA, SWORN**

**LISA S. GLOVER, SWORN**

**DANIEL T. NAWAZELSKI, SWORN**

**DIRECT EXAMINATION**

BY MR. EPLER:

Q. I'm ready to proceed. Starting with the witness closest to me, could you please state your name and your position with the Company.

A. (Glover) Sure. My name is Lisa Glover. I'm an Energy Analyst with Unitil Service Corp.

A. (McNamara) My name is Linda McNamara. I'm a Senior Regulatory Analyst for Unitil Service Corp.

A. (Nawazelski) My name is Daniel Nawazelski. I'm Senior Financial Analyst at Unitil Service Corp.

Q. Thank you. And, turning to you, Ms. Glover, first, if you could refer to what's been premarked as "Unitil Exhibit No. 1", which is the confidential binder. And, if you can turn to the tabs, the tabs in that binder marked "Exhibit LSG-1", and then "Schedules LSG-1" through "LSG-5". Were these prepared by you or under your direction?

A. (Glover) Yes, they were.

Q. And do you have any changes or directions?



1 A. (Glover) No, I do not.

2 Q. And do you adopt the testimony therein and the  
3 schedules as your testimony in this proceeding?

4 A. (Glover) Yes, I do.

5 Q. Thank you. Ms. McNamara, referring you to the same  
6 exhibit, the confidential binder. And, if you could  
7 turn to, please, the tabs marked "Exhibit LSM-1", and  
8 the schedules marked "LSM-1" through "6". Were these  
9 prepared by you or under your direction?

10 A. (McNamara) They were.

11 Q. And do you have any changes or corrections?

12 A. (McNamara) No, I do not.

13 Q. And do you adopt this testimony and these schedules as  
14 your testimony in this proceeding?

15 A. (McNamara) Yes.

16 Q. Thank you. And, Mr. Nawazelski, can you please turn to  
17 the same Exhibit No. 1, and turn to the tabs marked  
18 "Exhibit DN-1" and "Schedules DN-1" through "Schedule  
19 DN-2". Were these prepared by you or under your  
20 direction?

21 A. (Nawazelski) Yes, they were.

22 Q. And do you have any changes or corrections?

23 A. (Nawazelski) I do not.

24 Q. And do you adopt these as your testimony in this

1 proceeding?

2 A. (Nawazelski) I do.

3 MR. EPLER: Thank you. The witnesses  
4 are available for cross-examination.

5 CHAIRMAN HONIGBERG: Ms. Amidon.

6 MS. AMIDON: Thank you. Good afternoon.

7 WITNESS GLOVER: Good afternoon.

8 **CROSS-EXAMINATION**

9 BY MS. AMIDON:

10 Q. Ms. Glover, I will begin with your testimony. On  
11 Page -- and this, I'm looking at the Bates stamp at the  
12 bottom of the page?

13 A. (Glover) Uh-huh.

14 Q. On Page 6, you begin your discussion of the  
15 solicitation process. Did the Company use the same  
16 solicitation process that it has used in prior filings?

17 A. (Glover) Yes, we did.

18 Q. Thank you. And, if I look at Page Bates stamp 8,  
19 beginning at Line 11, you list the winning bidders for  
20 the three different customer groups. Is that right?

21 A. (Glover) That's correct.

22 Q. So, TransCanada for the Small Customer Group, and that  
23 would include residential customers?

24 A. (Glover) Yes.

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 Q. Energy America, LLC, as the winning bidder for the  
2 medium customer group.

3 A. (Glover) Correct.

4 Q. And, then, Exelon Generation for the large customer  
5 supply requirement?

6 A. (Glover) Right.

7 Q. Okay. Are any of these -- pardon me, I didn't ask that  
8 right. Are any of these new bidders? In other words,  
9 do you have like a first-time contract with any of  
10 these power suppliers?

11 A. (Glover) Yes, we do. Energy America is a new bidder, a  
12 new participant in our solicitations.

13 Q. Okay. That's great. And I notice that for the first  
14 time there is a nondisclosure agreement that was part  
15 of the contracting. Could you explain why?

16 A. (Glover) My understanding is that our Finance  
17 Department has classified our financial documents that  
18 we formally would just release as now confidential.  
19 So, we, in this procurement, and we started with our  
20 Gas Division as well, requiring that potential bidders  
21 request our financial documents only after they have  
22 completed an NDA.

23 Q. That makes sense.

24 A. (Glover) Yes.

1 Q. Thank you. And your testimony also addresses the RPS  
2 requirements for 2016, beginning on Bates stamp, I  
3 think, Page 9. And, on Page 11, you summarize the  
4 requirements for each class. Has -- I'm just curious  
5 about the availability of Class III RECs. Does the  
6 Company still experience issues with obtaining Class  
7 III RECs on the market?

8 A. (Glover) Yes. To date, we've been unable to get 2015  
9 and 2016 Class III RECs.

10 Q. Okay. So, for 2015 then, you anticipate, unless you  
11 can purchase within the next couple of months, you  
12 anticipate making payments into the Renewable Energy  
13 Fund instead of procuring RECs --

14 A. (Glover) That's correct.

15 Q. -- for Class III? Okay. Thank you. And, on that  
16 note, and, Ms. McNamara, forgive me if I missed it, is  
17 the RPS adder changing from the prior period in this  
18 filing?

19 A. (McNamara) It is.

20 Q. Could you explain that please. And is it different --  
21 also please explain if it's different for the Large  
22 Customer Group, as opposed to residential customers.

23 A. (McNamara) If you could turn to Bates stamp Page 207  
24 and 208, which is under the tab "Schedule LSM-1, Pages

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 1 and 2. And I apologize for the size. They had to be  
2 printed on two pieces paper. So, it's a little bit  
3 harder to compare the two. But that first page,  
4 Page 207, shows the proposed Default Service rate for  
5 the Non-G1 group, which is made up of both power supply  
6 and RPS, and the following page shows the current  
7 Default Service rate for the Non-G1 group. The  
8 proposed RPS component is \$0.00218 per kilowatt-hour.

9 Q. And is it --

10 A. (McNamara) And it's approximately, I'll say, half of  
11 what it currently is.

12 Q. Okay. Is that due to an over-collection or not?

13 A. (McNamara) Both factors had a fair over-collection in  
14 them. I believe the significant driver was actually  
15 the Class III RECs requirement, which had been  
16 previously estimated to be at 8 percent, and now I  
17 believe it's at half a percent.

18 Q. Yes. That's what I was getting at. Thank you. That's  
19 exactly what I wanted to know. So, I know that this is  
20 confidential, but, if I go to Bates stamp 21, which is  
21 an attachment to Ms. Glover's testimony, and let me  
22 know when you're there.

23 A. (Glover) I'm there.

24 Q. And the text under "Bidding Activity" which is shaded

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 is confidential information, is that right?

2 A. (Glover) That's correct.

3 Q. But this does provide for the Commission the degree of  
4 response or the number of responses that you got to  
5 both the indicative bids and the final bids?

6 A. (Glover) That's correct.

7 Q. Thank you. And, then, now I'm looking at Bates stamp  
8 30.

9 A. (Glover) I'm there.

10 Q. And, so, -- and again, there are several sections of  
11 the bottom row that are shaded and that's confidential  
12 information. So, we don't have to put that in the  
13 record. But, in the right-hand column, and this is  
14 just the power price, is that right? The power price  
15 alone?

16 A. (Glover) Yes. That's correct.

17 Q. Okay. And, so, you provide, in the far right column,  
18 at the bottom row, the change from the prior year for  
19 the cost of power?

20 A. (Glover) Yes.

21 Q. So, the same period in the summer?

22 A. (Glover) Uh-huh.

23 Q. And, then, the wholesale price as compared with the  
24 prior period, and the change between those two is

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[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 represented by the percentage in the -- in the column  
2 that says "Change Prior Period". So, what is your  
3 assessment of the energy prices in the market right now  
4 generally, because this looks like a substantial  
5 reduction from the prior period?

6 A. (Glover) Right. The prior period, of course, was the  
7 winter period, and we're now moving into the summer  
8 period. And we have seen prices much, much lower, when  
9 we look at ISO's locational marginal prices, those have  
10 come down quite a bit. And, also, when we look at  
11 NYMEX prices for the period coming up, those are down  
12 quite a bit from not only the past six months prior to  
13 the winter, but also in comparison to the six months a  
14 year ago for the same period.

15 Q. And you may not be able to forecast, but is this  
16 something -- is this something that you see continuing  
17 in the future or is just that's just the market?

18 A. (Glover) I would say that the prices we see are a  
19 reflection of the market.

20 Q. Okay. Thank you. One moment please. I didn't get my  
21 copy bound, so I have -- it's a mess. I think I have  
22 some questions for you, Ms. McNamara. I'm looking at  
23 Bates stamp 198. Are you there?

24 A. (McNamara) Yes, I am.

1 Q. Okay. Thank you. I'm looking at the question that  
2 appears on Line 9. And I don't think I have seen this  
3 question in prior filings. Could you explain -- could  
4 you explain this issue for my benefit for the record.

5 A. (McNamara) Yes. This is with regard to the power  
6 supply portion of net metering credits. Last year was  
7 the first time that we -- that this issue appeared. I  
8 believe the amount was quite small -- well, not that  
9 it's significant this time around at \$9,600, but I  
10 believe it was a fraction of that, at approximately  
11 \$500 the previous year.

12 Q. Uh-huh.

13 A. (McNamara) And this represents the amounts that are  
14 credited or paid to net metering customers for amounts  
15 in excess of 600 kilowatt-hours that are credited once  
16 a year.

17 Q. Uh-huh.

18 A. (McNamara) In approximately, well, right about at this  
19 time of year, I think it's in February or March, as  
20 well as the monthly credits that are given to the group  
21 net metering customers. This is the energy portion.  
22 This is not to be confused with I know the other --

23 Q. The distribution.

24 A. (McNamara) Exactly. Which I know is -- a separate has



1       been opened for that. And I'm not sure, I'm not an  
2       expert in that, in that docket, with regard to lost  
3       base revenue distribution.

4   Q.   Okay. So, is this, the amount of money that's on Line  
5       17, is that added to the calculation of the rate or --

6   A.   (McNamara) That is within the supply costs, so that is  
7       a supplier charge. So, if you were to refer to  
8       Schedule LSM-2, Bates stamp Page 215, the first column,  
9       Column (a), "Supplier Charges", it is within that  
10      amount.

11   Q.   Okay. And calculated on a monthly basis?

12   A.   (McNamara) Monthly basis for the group net metering  
13       customers, and annually for the smaller, smaller  
14       customers.

15   Q.   Okay. Thank you. So, on Page Bates stamp 206 of your  
16       testimony, you address the rate, the average rate  
17       impact on various classes. So, it's a decrease of  
18       approximately -- I apologize -- 19.6 percent for  
19       residential customers in a month, is that monthly  
20       rates?

21   A.   (McNamara) Correct. And that's on a typical bill.

22   Q.   Okay. And then we see similar increases for General  
23       Service, and then a slightly lowered decrease for  
24       Outdoor Lighting at 10.5 percent?

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 A. (McNamara) Decreases for all classes, right.

2 Q. Right.

3 A. (McNamara) Okay.

4 Q. And, then, and we talked about this -- I talked about  
5 this briefly with Ms. Glover. But, then, at the very  
6 end of your testimony, you point out that the customers  
7 taking default service will see decreases of 3 to 7  
8 percent compared to last summer, because of the  
9 decrease in the energy prices that we heard from  
10 Ms. Glover. Is that right?

11 A. (McNamara) That is correct.

12 Q. Okay. Thank you.

13 A. (McNamara) And, again, that's on a typical bill.

14 Q. Thank you. I have questions on the Lead/Lag Study.  
15 Would you please tell me your name again, I apologize.

16 A. (Nawazelski) Daniel Nawazelski.

17 Q. "Nawazelski". Okay. Thank you. I didn't want to  
18 mispronounce it. And, prior to the hearing, Staff  
19 provided you with some observations that it made from  
20 the Lead/Lag Study that showed some increases in lead  
21 times, is that right?

22 A. (Nawazelski) That is correct.

23 Q. And, rather than talk about each component separately,  
24 could you explain, first of all, whether this study was

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[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 done in the same way that it has been done in the past?

2 A. (Nawazelski) That is correct. It was done in the same  
3 way it has been done in the past.

4 Q. Okay. Thank you. So, what are your -- do you have any  
5 reason that you can attribute to this increase in lead  
6 times, and do you think those lead times are  
7 significant?

8 A. (Nawazelski) So, I guess, if we start on the G1  
9 customer side, that's where you're seeing the net lead  
10 increases, year over year it was 18.31 days. This was  
11 a significant increase. And the primary driver behind  
12 this, if you look at -- if you refer to Schedule DN-1,  
13 Bates stamp 280, you can see that the G1 renewable  
14 energy credits, they increased year over year. For  
15 2015, it was 402,000, while the prior year it was  
16 262,000. These, the proportion of total costs  
17 increased, so, in doing so, the portion of renewable  
18 energy credits weighted, the days lead was increased,  
19 which is primarily causing the increase in the lead  
20 days.

21 Q. Okay. And there were also instances where lag time  
22 increased as well. I'm looking at the G1 customers.  
23 Do you have any reason for that or -- and, again, do  
24 you think it's significant?

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[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 A. (Nawazelski) So, you're correct. The G1 -- the Non-G1  
2 customers, the net lag increased 6.03 days year over  
3 year, compared to the 2014 study. This is primarily  
4 attributed to a 7.10 day increase in revenue lag. This  
5 revenue lag was primarily in the billing to collection  
6 portion, but I wouldn't say that it was anything  
7 significant.

8 Q. And there was one question in connection with billing.  
9 Does the Company remotely read meters? And you may not  
10 know.

11 A. (Nawazelski) I am not fully aware.

12 Q. If you don't know, then that's perfectly reasonable.

13 CHAIRMAN HONIGBERG: Looks like  
14 Mr. Epler wants to answer your question.

15 MR. EPLER: Yes. I can respond. We do  
16 have an automated metering system. It's a power line  
17 carrier-based system. The meter sends signals through  
18 the power line to the substations, and the substations  
19 send those signals back to collection devices. So,  
20 they are remotely metered -- or, remotely read.

21 MS. AMIDON: Thank you. One moment  
22 please.

23 *[Atty. Amidon conferring with*  
24 *Mr. Dudley.]*

1 MS. AMIDON: That concludes my  
2 questions. Thank you.

3 CHAIRMAN HONIGBERG: Commissioner Scott.

4 COMMISSIONER SCOTT: Thank you. And my  
5 usual caveat, which is whoever feels could have a best  
6 answer can feel free to go ahead. My questions really  
7 revolve, however, around Ms. Glover's testimony.

8 BY COMMISSIONER SCOTT:

9 Q. So, if we can go to Bates 8, Line 18, just let me know  
10 when you're there.

11 A. (Glover) I am there.

12 Q. So, I was curious, you mentioned in your testimony that  
13 not only do you look at price, but you look at  
14 non-price considerations. I was curious if you could  
15 elaborate on what non-price considerations you look at?

16 A. (Glover) Sure. Some of the non-price considerations we  
17 look at would be whether they have some insurmountable  
18 exceptions to our power supply agreements that we can't  
19 work out. They might also be whether payment terms  
20 could not be worked out. Maybe they want to be paid  
21 every ten days, instead of every 30 days, which would  
22 increase the interest and the overall amount of the  
23 bid. Other things we might look at are whether we can  
24 get contracts in place in a sufficient amount of time.

1 Q. Thank you. And, if we move to Bates 21, which I  
2 understand is confidential, and I'll leave it up to you  
3 if you want to discuss the text in there or just -- I  
4 wasn't going to make you say the numbers. But, if you  
5 do feel compelled to, I'm sure we can go on the  
6 confidential record. I was curious, do you feel these  
7 numbers should be a concern for the number of bidders?  
8 Does that provide a -- is there a trend there, positive  
9 or negative?

10 A. (Glover) Actually, it's a positive trend, in comparison  
11 to the last one we had. There are -- there are more  
12 bidders for the small and the medium. And, from this  
13 same time a year ago, there are about twice as more for  
14 the small than we had a year ago at this time, and the  
15 medium has more as well. Large is pretty stable. It's  
16 been in the one to two. But it's more than it was a  
17 year ago.

18 Q. Okay. And does, for G1 having a relatively small  
19 number, does that present concerns? Should that  
20 concern us?

21 A. (Glover) I think we would like to see more bidders in  
22 that category. But we seem to keep running up against  
23 the smaller amount.

24 Q. Why do you think that is? Why would people not want to

1 bid?

2 A. (Glover) That's kind of hard to tell. I don't have the  
3 historical knowledge that Mr. Bohan had before me.

4 But, you know, it could be some uncertainty with the  
5 market, because, I mean, they're getting the  
6 pass-through LMP price, but the adder is kind of  
7 uncertain. And, with the load and migration, they may  
8 feel that, if they commit with such a small number of  
9 people in that default service category, that any small  
10 number jumping to competitive supply could have an  
11 impact on that.

12 Q. As part of your due diligence, do you talk to potential  
13 bidders and kind of get some feedback from them?

14 A. (Glover) I did not talk to as many as Todd talked to in  
15 the past. But I did reach out to many. And the  
16 feedback I got, to be honest, was mostly in  
17 Massachusetts, because we tend to have bidders bid in  
18 both states. We ran these both at the same time. So,  
19 the feedback I got was primarily from Mass., which  
20 is -- we don't bid for the G1 or our large guys in  
21 Mass.

22 Q. And, having said all that, how do you -- I mean,  
23 obviously, I believe your testimony is that you feel  
24 these are fair and equitable?

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 A. (Glover) I do.

2 Q. And how do they compare to futures? I mean, that seems  
3 to be the best indicator, the NYMEX futures?

4 A. (Glover) Well, if we want to look at that, that would  
5 be Schedule -- give me one minute here -- Bates stamp  
6 34, which is confidential, we are able to see the NYMEX  
7 prices, futures prices for the period. They don't  
8 always directly correlate what we get from the  
9 marketers or from the -- it reflects the market price,  
10 and futures, as you know, change daily.

11 Q. So, based on that, you feel these are -- obviously, you  
12 did indicative, got indicative quotes, and then --

13 A. (Glover) We did. And there was some pencil sharpening  
14 for sure between the indicative and the finals, yes.

15 Q. Good. I think my final thing, it's more of a clerical  
16 thing, just to make sure I'm okay with it. On Bates  
17 30, Attorney Amidon mentioned that some of that is  
18 confidential?

19 A. (Glover) That is correct, because these are the bids we  
20 received.

21 Q. I don't think there is anything that needs to be  
22 changed for today, but I just wanted to draw your  
23 attention to, at least for me, I can't see anything  
24 shaded here. If there's something shaded here, I'm



1 not --

2 A. (Glover) My copy doesn't show it either, but the  
3 original was definitely shaded. So, we can make some  
4 changes to make sure that, when production happens,  
5 that we can see the --

6 Q. Because I would hate to disclose confidential when I  
7 didn't know it was, so --

8 A. (Glover) Right.

9 COMMISSIONER SCOTT: Thank you. That's  
10 all I have.

11 CHAIRMAN HONIGBERG: Commissioner  
12 Bailey.

13 BY COMMISSIONER BAILEY:

14 Q. Looking at that page, I think my page shows the  
15 shading, and it's only on the current bid prices. And  
16 I just want to confirm with you that all of the prior  
17 numbers are not confidential, is that correct? So, it  
18 looks like June-16, July-16, August, September,  
19 October, November-16, those are shaded, and everything  
20 else is not shaded?

21 A. (Glover) That's correct.

22 Q. At the bottom?

23 A. (Glover) That's correct.

24 Q. Okay. All right. Thank you. Can you go to Bates Page

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 34 and 35 again please. What's the difference between  
2 these two pages? Oh, it's the time period.

3 A. (Glover) It's the time period.

4 Q. Okay. All right. So, why, if you look at the  
5 information on Page 35, the ratio of final bid to  
6 NYNEX -- NYMEX is pretty small, or smaller compared to  
7 the ratio for the RFP for service beginning June 1st of  
8 this year. Do you see what I mean?

9 A. (Glover) I do see what you mean.

10 Q. Why do you think that is?

11 A. (Glover) It does look to me that, in the winter period,  
12 the final bid was much closer to what the projected  
13 NYMEX price was at that time.

14 Q. Right.

15 A. (Glover) When we look at this current period, there  
16 does seem to be just a larger variance between what the  
17 marketers came in with their price versus what the  
18 NYMEX was reading at the time.

19 Q. Yes. That's what I noticed, too.

20 A. (Glover) Yes. I don't know what the marketers are  
21 using to base their bids off of. And, as we know -- I  
22 mean, I've checked these NYMEX prices just as recently  
23 as today and they're much different. So, I don't know  
24 that it's significant. But one of the markers that we

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 do use is just looking at these bids compared to what  
2 NYMEX is on that day.

3 Q. And what happens if you look at the bid compared to  
4 what NYMEX is on that day and it's even -- the ratio is  
5 even greater than it is in this table? Would you  
6 reject a bid because the gap was too big ever? Or, do  
7 you think that, because it was a competitive bid,  
8 that's the best you're going to get? And this is  
9 just -- I mean, well, so what is the purpose of this  
10 information then?

11 A. (Glover) The purpose of it, to be honest, predates me,  
12 so I cannot answer that question. However, --

13 Q. Mr. Epler can.

14 A. (Glover) I'm sure Mr. Epler could. I know that there  
15 was a reason this was included --

16 Q. Okay.

17 A. (Glover) -- several filings ago.

18 MR. EPLER: Yes. It was -- it was  
19 actually a request from a Staff member, George  
20 McCluskey, back when he was doing the analysis, and he  
21 thought that it would be helpful to at least see the  
22 ratio of what we're getting in bids compared to the  
23 NYMEX pricing. Although, I think, if you would ask  
24 him, I'm hesitant to speak on his behalf, but my

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 understanding is that there may be no relation or there  
2 may be a good relation. But at least it's just  
3 something that we can look at to see as a kind of  
4 commonsense check. Are the bids we're getting  
5 reflective of the market? At least are they moving in  
6 the same direction of the market? Are they more or  
7 less consistent? So, it may not mean anything. It may  
8 be indicative. It varies.

9 COMMISSIONER BAILEY: Okay.

10 BY COMMISSIONER BAILEY:

11 Q. And the spread is not quite as great if you compare it  
12 to the ratio from last summer's period. So, maybe in  
13 the winter period the bids are a little tighter because  
14 the prices were higher?

15 A. (Glover) That could be.

16 Q. Okay.

17 MR. EPLER: It may -- if I might, and  
18 this is conjecture on my part, it may also be that the  
19 prices are getting so low that, when you add in the  
20 adders that the competitive suppliers add for their own  
21 purposes, that the ratio of that to the stripped down  
22 cost may be such that you see the ratio going up as  
23 you're getting the final price.

24 COMMISSIONER BAILEY: Okay. That makes

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 sense.

2 CHAIRMAN HONIGBERG: It makes sense that  
3 the bidder's costs wouldn't necessarily scale the way  
4 other things would.

5 COMMISSIONER BAILEY: Right.

6 MR. EPLER: Yes. Thank you.

7 CHAIRMAN HONIGBERG: And that's  
8 perfectly valid speculation. And, if Mr. Bohan were  
9 here, he could probably explain it.

10 COMMISSIONER BAILEY: Hopefully.

11 CHAIRMAN HONIGBERG: But, suffice it to  
12 say, Mr. Epler, it's a data point. It may or may not  
13 have any utility?

14 MR. EPLER: Yes.

15 CHAIRMAN HONIGBERG: Okay.

16 MR. EPLER: Thank you.

17 BY COMMISSIONER BAILEY:

18 Q. Okay. Now, let's go to Ms. McNamara, your Schedule 4.  
19 And I'm looking at Bates 228.

20 A. (McNamara) Okay.

21 Q. And I'm trying to understand what Column (e) is telling  
22 me. So, -- well, and, actually, really what Column (c)  
23 is all about. What is "unbilled revenue", and why does  
24 it seem to be such a high percentage?

1 A. (McNamara) We started to include unbilled revenue at  
2 the start of Default Service because of the timing of  
3 the supply cost -- let me back up a little it. The  
4 supply costs pretty much represents a calendar month's  
5 worth of costs, 1st to the 30th, 1st to the 31st.  
6 Whereas billing you could say, you know, in general,  
7 takes place -- since it takes place every day, on  
8 average, would be around the 15th would be  
9 approximately the middle of the month.

10 So, when we first started with Default  
11 Service, what happened was, in that very first month, a  
12 full 30 days or a month's worth of supply costs was in  
13 there, but only half a month of revenue. So, we  
14 started to include unbilled revenue to try to match up  
15 what was billed with the proper rate for that month,  
16 particularly for the G1 class, where they have a  
17 variable rate.

18 Q. Isn't that covered by the Lead/Lag Study?

19 A. (McNamara) No. The Lead/Lag Study is for the purpose  
20 of calculating working capital, for the difference  
21 between when the bills are paid and when the revenue is  
22 received. I don't --

23 Q. Right. And I'm not appreciating the difference, I  
24 guess. What you just explained was that unbilled

[WITNESS PANEL: McNamara~Glover~Nawazelski]

1 revenue accounts for the revenue that hasn't been  
2 billed for the second half of the month when you have  
3 to pay the whole bill?

4 A. (McNamara) Revenue that we expect to receive -- it's  
5 trying to match up the revenue for that month under  
6 that rate.

7 Q. Okay. So, this is just -- this is just a calculation  
8 of the revenue that you expect every month, some of  
9 which you have received and some of which you have not  
10 received?

11 A. (McNamara) Correct.

12 Q. Okay. And what is the purpose of this table? Where  
13 did you use it?

14 A. (McNamara) This schedule, the schedule on Page 228, is  
15 revenue, actual billed revenue.

16 Q. Right.

17 A. (McNamara) And that ultimately gets fed into -- well,  
18 more information, on Page 226, to calculate interest  
19 and our reconciliation balance.

20 Q. Interest and what?

21 A. (McNamara) The reconciliation.

22 Q. Okay.

23 COMMISSIONER BAILEY: Okay. Thanks. I  
24 think Commissioner Scott asked the remainder of my

1 questions. So, I'm all set. Thank you.

2 BY CHAIRMAN HONIGBERG:

3 Q. Ms. McNamara, I have a quick question for you. You  
4 made a point of, twice, I think, in answering  
5 Ms. Amidon's questions, noting that the percentage  
6 change that was reflected in the testimony or the  
7 exhibits or the schedules was for the "average  
8 customer". Do the percentages change, depending on  
9 whether the customer is an average user or not? In my  
10 general experience, we talk about "bill impacts for  
11 average customers", but percentages don't tend to  
12 change.

13 A. (McNamara) No, you're right. I wanted -- my  
14 clarification was simply in regard to these impacts are  
15 on a typical bill, and not simply looking at the  
16 increase or decrease in this case in the rate itself.

17 Q. Okay. Thank you. Ms. Glover, I think one of the  
18 things that has been done in the past is that you, not  
19 you specifically, but you generally, have tried to  
20 determine what you thought the bids should be, based on  
21 a lot of the information that you've included here, but  
22 also then just sitting down and thinking "how is this  
23 going to get bid?"

24 Did you go through that process in this



1 instance as well, such a process?

2 A. (Glover) Are you speaking about whether the prices --

3 Q. What the bids you got came in about where you expected  
4 them to be?

5 A. (Glover) Yes. We did go through that process before  
6 the bids came in, before we put the RFP out actually.  
7 And they did come in about where we -- for the most  
8 part, you know, there's a couple of outliers there,  
9 but, for the most part, they came in pretty much where  
10 we thought they would, building in their risk factors.

11 Q. Is that one of the things that gives you comfort, when  
12 you have a relatively small number of bidders, if they  
13 are producing bids that are at least roughly what you  
14 thought they should be? Is that one of the things that  
15 makes you feel better about them being appropriate  
16 bids?

17 A. (Glover) I guess it kind of makes you feel that you're  
18 kind of both on the same page and projecting where you  
19 think prices might be. It is difficult, when you have  
20 a small bidder pool, to gauge whether they're on the  
21 mark or not. But our goal is to do the best that we  
22 can and provide the power to the Default Service  
23 customers.

24 Q. And, at this point, you're comfortable with the bids

1           that came in being reflective of the market?

2   A.     (Glover) I am very comfortable with these, yes.

3                   CHAIRMAN HONIGBERG: All right. I don't  
4     have any other questions.

5                   Attorney Epler, do you have any further  
6     questions for your witnesses?

7                   MR. EPLER: No, I don't. Thank you.

8                   CHAIRMAN HONIGBERG: Is there anything  
9     else we need to do? We can strike the ID on the two  
10    exhibits that have been marked.

11                   And, if there's nothing else for these  
12    witnesses, we can excuse them, although it probably  
13    makes sense for them to just stay where they are.

14                   Is that appropriate at this time?

15                   MS. AMIDON: Yes.

16                   MR. EPLER: Yes.

17                   CHAIRMAN HONIGBERG: All right.

18    Ms. Amidon, you want to sum up here, and I guess you'll  
19    be summing up for Mr. Kreis as well?

20                   MS. AMIDON: Yes. I did speak with the  
21    Consumer Advocate earlier today, and he acknowledged  
22    that he had not filed a letter of participation, but he  
23    had reviewed the filing, and he thought the resulting  
24    rates were, for residential customers, were

1 supportable. And he supports the Petition, subject to  
2 the OCA being able to review the Lead/Lag Study at a  
3 later point. So, and with respect to the Lead/Lag, to  
4 allow it to be used for the calculation of rates,  
5 conditioned on subsequent review by the OCA and Staff  
6 as necessary prior to the next filing.

7 CHAIRMAN HONIGBERG: Do we need  
8 Mr. Kreis to file a letter of participation just for  
9 the record or is that not necessary?

10 MS. AMIDON: I think it's not necessary  
11 in this instance.

12 CHAIRMAN HONIGBERG: Mr. Epler, is that  
13 all right with you?

14 MR. EPLER: That's quite all right.

15 CHAIRMAN HONIGBERG: All right.

16 MR. EPLER: Thank you.

17 CHAIRMAN HONIGBERG: Now, Ms. Amidon,  
18 speaking for yourself.

19 MS. AMIDON: For Staff. Staff has  
20 reviewed the filing, and determined that the  
21 solicitation, bid evaluation, and selection of winning  
22 bidders for all three customer groups was in  
23 conformance with the Settlement Agreement approved by  
24 the Commission, and that the resulting rates are

1 market-based. And we recommend the Commission approve  
2 the Petition. And share with the OCA the right to  
3 further review the Lead/Lag Study, and request that the  
4 Company -- I mean, that the Commission include -- allow  
5 the Company to include it in the calculation of rates,  
6 subject to any further review that the Staff or the OCA  
7 might have.

8 CHAIRMAN HONIGBERG: Mr. Epler.

9 MR. EPLER: Thank you, Mr. Chairman.  
10 I'll just draw your attention to the relief requested  
11 in our Petition.

12 And I do have an additional request with  
13 regard to confidentiality. On Friday, in two e-mails I  
14 provided confidential information to the Staff and to  
15 the OCA, and also to the Clerk. And, if those e-mails  
16 can be considered within the confidentiality approval  
17 you gave at the beginning of this hearing, if there are  
18 no objections to that.

19 CHAIRMAN HONIGBERG: Ms. Amidon.

20 MS. AMIDON: Just for purposes of  
21 clarification, Mr. Epler, as a courtesy to the Consumer  
22 Advocate and myself, provided us an advance electronic  
23 copy of the confidential version of the filing to  
24 afford us more time to review it. And that's what was

1 included in that e-mail. And I have no issue at all  
2 with that being confidential as well.

3 CHAIRMAN HONIGBERG: It's something  
4 different from the filing itself?

5 MS. AMIDON: No.

6 MR. EPLER: No. It is the filing.

7 CHAIRMAN HONIGBERG: Oh. Okay.

8 MS. AMIDON: He just provided us with  
9 an --

10 MR. EPLER: I provided them with an  
11 advance copy.

12 CHAIRMAN HONIGBERG: Oh, I see.

13 MS. AMIDON: As a courtesy.

14 CHAIRMAN HONIGBERG: It's the advance  
15 copy we're talking about.

16 MR. EPLER: Yes.

17 CHAIRMAN HONIGBERG: All right. I think  
18 I understand. All right.

19 COMMISSIONER BAILEY: I have one  
20 question about a confidential issue.

21 CHAIRMAN HONIGBERG: Do you want to  
22 raise that now? Commissioner Bailey.

23 COMMISSIONER BAILEY: In her testimony,  
24 I believe that Ms. Glover may have revealed or stated a

1 confidential number. How do we deal with that in the  
2 transcript?

3 MR. EPLER: Yes. What -- the procedure  
4 we've used is that the court reporter provides a copy  
5 of the transcript to myself and to Staff, and we review  
6 the transcript. And, if there's anything confidential,  
7 we mark it, and then the court reporter prepares a  
8 redacted and a confidential version.

9 COMMISSIONER BAILEY: Okay. Thank you.

10 CHAIRMAN HONIGBERG: All right. Now you  
11 want to sum up more generally, Mr. Epler, or are you  
12 going to just say "read the relief"?

13 MR. EPLER: I think just referring you  
14 to the Petition will be sufficient.

15 CHAIRMAN HONIGBERG: All right. Is  
16 there anything else we need to do then?

17 *(Cmsr. Bailey conferring with*  
18 *Chairman Honigberg.)*

19 CHAIRMAN HONIGBERG: Yes. It's within  
20 the earlier grant, I think is what Mr. Epler requested.  
21 So, the early grant covered the advance copy as well,  
22 to be clear.

23 So, -- yes, Mr. Epler?

24 MR. EPLER: And, if we could have the

1 exhibits --

2 CHAIRMAN HONIGBERG: I did that.

3 MR. EPLER: Oh. okay.

4 CHAIRMAN HONIGBERG: I do remember doing  
5 that for sure, and that I think will be reflected in  
6 the record.

7 All right. With that, I think we're  
8 ready to adjourn. We'll take this under advisement and  
9 issue an order as quickly as we can. Thank you.

10 MS. AMIDON: Thank you.

11 MR. EPLER: Thank you.

12 ***(Whereupon the hearing was adjourned at***  
13 ***2:23 p.m.)***

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