

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

3  
4   **December 12, 2018 - 10:05 a.m.**  
5   Concord, New Hampshire

NHPUC 4FEB'19PM1:31

6                   RE: **DE 18-041**  
7                   **LIBERTY UTILITIES (GRANITE**  
8                   **STATE ELECTRIC) CORP. d/b/a**  
9                   **LIBERTY UTILITIES:**  
10                  **2018 Schedule for Default**  
11                  **Service Solicitations.**  
12                  **(Hearing regarding the period**  
13                  **of February 1, 2019 through**  
14                  **July 31, 2019)**

15                  **PRESENT:**   Chairman Martin P. Honigberg, Presiding  
16                                   Commissioner Kathryn M. Bailey  
17                                   Commissioner Michael S. Giaimo

18                                   Sandy Deno, Clerk

19                  **APPEARANCES:**   **Reptg. Liberty Utilities (Granite**  
20                                   **State Electric) Corp. d/b/a**  
21                                   **Liberty Utilities:**  
22                                   Michael J. Sheehan, Esq.

23                                   **Reptg. Residential Ratepayers:**  
24                                   D. Maurice Kreis, Esq., Consumer Adv.  
                                 James Brennan, Finance Director  
                                 Office of Consumer Advocate

**Reptg. PUC Staff:**  
                                 Paul B. Dexter, Esq.  
                                 Jay Dudley, Electric Division

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

  
**CERTIFIED  
ORIGINAL TRANSCRIPT**

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**I N D E X**

**PAGE NO.**

**WITNESS PANEL:            JOHN D. WARSHAW  
                                 DAVID B. SIMEK**

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**E X H I B I T S**

| <b>EXHIBIT NO.</b> | <b>D E S C R I P T I O N</b>                                                                                                                                                                                                                                   | <b>PAGE NO.</b>  |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 5                  | Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities filing of the Direct Testimony of John D. Warshaw, with Attachments, and Technical Statement of David B. Simek, with Attachments (12-10-8)<br><b>{CONFIDENTIAL &amp; PROPRIETARY}</b> | <i>premarked</i> |
| 6                  | Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities filing of the Direct Testimony of John D. Warshaw, with Attachments, and Technical Statement of David B. Simek, with Attachments (12-10-8)<br><i>[REDACTED - For PUBLIC Use]</i>      | <i>premarked</i> |
| 7                  | <b>RESERVED</b> (Record Request regarding the calculation of the loss factor, to indicate where the number came from, how it was calculated, and to confirm that it is correct)                                                                                | 30               |

**P R O C E E D I N G**

1  
2 CHAIRMAN HONIGBERG: We are here this  
3 morning in Docket 18-041, which is Liberty  
4 Utilities (Granite State Electric) Corp.'s  
5 Default Service proceeding. And we hear to  
6 talk about the period February 1, 2019 through  
7 July 31st of 2019.

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

10 MR. SHEEHAN: Good morning,  
11 Commissioners. Mike Sheehan, for Liberty  
12 Utilities (Granite State Electric).

13 MR. KREIS: Good morning,  
14 Commissioners. D. Maurice Kreis, the Consumer  
15 Advocate, here on behalf of residential utility  
16 customers. With me today is Mr. James Brennan,  
17 the OCA's Director of Finance.

18 MR. DEXTER: Good morning. Paul  
19 Dexter, for the Commission Staff. And joining  
20 me today is Jay Dudley, from the Electric  
21 Division.

22 CHAIRMAN HONIGBERG: How are we  
23 proceeding?

24 MR. SHEEHAN: Good morning. We have

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1 marked two exhibits. And since this is a  
2 continuation from the summer proceedings, the  
3 first exhibit this morning is 5 and the second  
4 is 6. Five (5) is the confidential version of  
5 our filing, that consists of the testimony and  
6 exhibits of Mr. Warshaw and a technical  
7 statement and attachments of Mr. Simek. And  
8 Exhibit 6 is the redacted version of the same  
9 filing.

10 The assertion of confidentiality  
11 arises from Puc 201.06(a)(15), which is the  
12 rule that presumes certain information in  
13 routine filings to be confidential. And the  
14 material that we marked as confidential fall  
15 under the Items (a) through (t) of that rule.

16 And we have the witnesses ready to  
17 proceed.

18 CHAIRMAN HONIGBERG: Thank you,  
19 Mr. Sheehan. Any other preliminary matters we  
20 need to deal with before we have the witnesses  
21 sworn in?

22 MR. SHEEHAN: I have nothing.

23 CHAIRMAN HONIGBERG: Seeing none.  
24 Mr. Patnaude, would you do the honors please.

[WITNESS PANEL: Warshaw|Simek]

1 (Whereupon **John D. Warshaw** and  
2 **David B. Simek** were duly sworn  
3 by the Court Reporter.)

4 CHAIRMAN HONIGBERG: Mr. Sheehan.

5 MR. SHEEHAN: Thank you.

6 **JOHN D. WARSHAW, SWORN**

7 **DAVID B. SIMEK, SWORN**

8 **DIRECT EXAMINATION**

9 BY MR. SHEEHAN:

10 Q Mr. Warshaw, your name and position with the  
11 Company please.

12 A (Warshaw) John D. Warshaw. I'm a Manager of  
13 Electric Supply for Liberty Utilities Service  
14 Corp.

15 Q And generally, what are your job  
16 responsibilities in that role?

17 A (Warshaw) In general, I'm responsible for  
18 procuring energy supply for our energy service  
19 customers, and I also procure the -- to meet  
20 the Renewable Portfolio Standard requirements  
21 for our customers in New Hampshire.

22 Q And you do that similar function for other  
23 utilities within Liberty's system?

24 A (Warshaw) Yes, I do. For California.

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[WITNESS PANEL: Warshaw|Simek]

1 Q Particular to this filing, what did you do that  
2 resulted in the testimony and the work behind  
3 the testimony, what was the purpose of your  
4 testimony in today's case?

5 A (Warshaw) Yes. The purpose of my testimony was  
6 to secure a supply for our Energy Service  
7 customers for the period of February 1st, 2019  
8 through July 31st, 2019. The current contracts  
9 that we have expire at the end of January of  
10 2019.

11 Q As marked in -- as we just marked, Exhibits 5  
12 and 6, is a copy of your testimony. And do you  
13 have a copy of that in front of you today?

14 A (Warshaw) I do.

15 Q And is there any changes you'd like to make to  
16 your testimony this morning?

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

18 Q And do you adopt that testimony -- written  
19 testimony today as your sworn testimony?

20 A (Warshaw) Yes, I do.

21 Q Were there any unusual or out-of-the-ordinary  
22 things that happened during this solicitation  
23 that the Commission should be aware of?

24 A (Warshaw) There were none.

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[WITNESS PANEL: Warshaw|Simek]

1 Q Mr. Simek, your name and position with the  
2 Company please.

3 A (Simek) I'm David Simek. And I'm the Manager  
4 of Rates and Regulatory Affairs.

5 Q And beginning at Bates Page 119 of the filing,  
6 Exhibits 5 and 6, is a technical statement of  
7 you with attachments, is that correct?

8 A (Simek) Yes.

9 Q Do you have any corrections to that technical  
10 statement?

11 A (Simek) I have no corrections, no.

12 Q Just for clarity, Mr. Dexter pointed out  
13 something odd in the filing that should at  
14 least deserve comment. If we could all turn to  
15 Bates Page 121, and show us what Mr. Dexter  
16 found.

17 A (Simek) Sure. On Bates 121, if you look at  
18 Line 8, for the months of February, March, and  
19 April, when we had converted the model from  
20 Excel to PDF, the decimal point after the one  
21 in those three months did not print. The  
22 actual formulas are correct. The rates are  
23 properly calculated. It's just they don't show  
24 a decimal after the one in those three months,

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[WITNESS PANEL: Warshaw|Simek]

1 February, March, and April.

2 Q And although it wasn't filed as testimony, Mr.  
3 Simek, do you adopt the contents of your  
4 technical statement here this morning?

5 A (Simek) I do.

6 Q And the purpose of your technical statement was  
7 to do what?

8 A (Simek) Was to calculate the retail rates for  
9 Energy Service, based on the supply that Mr.  
10 Warshaw had procured.

11 Q And could you give for us what rates --  
12 specifically what rates the Company is  
13 proposing for approval in this proceeding?

14 A (Simek) Yes. For the Small Customer class, for  
15 the February 2019 through July 2019 period,  
16 it's a fixed Energy Service rate of 0.08299 per  
17 kilowatt-hour. And for the Large Customer  
18 class, it's a variable rate for that same  
19 period, February 2019 through July '19. I'll  
20 give the six monthly rates that we're  
21 proposing: For February, it's 0.12887 per  
22 kilowatt-hour; for March, it's 0.10084 per  
23 kilowatt-hour; for April, it's 0.07556 per  
24 kilowatt-hour; for May, it's 0.06757 per

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[WITNESS PANEL: Warshaw|Simek]

1 kilowatt-hour; for June, it's 0.05439 per  
2 kilowatt-hour; and for July, it's 0.05977 per  
3 kilowatt-hour.

4 Q The next paragraph in your technical statement  
5 describes the effect of the new rates on a  
6 residential customer. Can you tell us what  
7 that is?

8 A (Simek) There is no impact. The rate stays the  
9 same from the prior six months to the -- I'm  
10 sorry, from the August 2018 through  
11 January 2019, the rate stays the same for  
12 Energy Service as we're proposing to go forward  
13 from the February 2019 through July 2019.

14 MR. SHEEHAN: Thank you. I have no  
15 further questions.

16 CHAIRMAN HONIGBERG: Mr. Kreis.

17 MR. KREIS: Thank you, Mr. Chairman.  
18 Good morning, everybody. I just have a couple  
19 of questions, I think.

20 **CROSS-EXAMINATION**

21 BY MR. KREIS:

22 Q My first question is for Mr. Warshaw. I'm  
23 looking at Exhibit 5, and in particular at  
24 Bates Page 013 of Mr. Warshaw's testimony. And

[WITNESS PANEL: Warshaw|Simek]

1 at Line 18 of that testimony, he says --  
2 actually, starting at Line 17, "The  
3 load-weighted average of the power supply costs  
4 for the Small Customer Group for February 1st,  
5 2019 through July 31st, 2019, is 9.103 cents  
6 per kilowatt-hour".

7 And my question for Mr. Warshaw is, why is  
8 that greater than the 8.299 cent rate that Mr.  
9 Simek just testified about?

10 A (Warshaw) That rate is just the energy  
11 service -- the energy supply piece. It doesn't  
12 have the adjustments for reconciliation and  
13 other adjustments that move that value to a  
14 retail rate.

15 Q Okay. The Company issued an RFP that is  
16 included in Exhibit 5. Is this RFP any  
17 different from prior editions of the RFP?

18 A (Warshaw) No, it is not.

19 Q You mentioned that the Company undertakes, this  
20 is at Bates Page 090 of Exhibit 5, you mention  
21 that the Company undertakes a "qualitative  
22 review". And if I'm understanding the filing  
23 correctly, the qualitative review that you  
24 undertake didn't reveal any issues or cause you

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[WITNESS PANEL: Warshaw|Simek]

1 to change your analysis of the various bidders,  
2 and which ultimately was declared the winning  
3 bidders?

4 A (Warshaw) That is correct.

5 Q Are there any potential bidders that are known  
6 to you that would raise qualitative issues?

7 A (Warshaw) There are bidders that don't have --  
8 that who, as an example, have a -- do not have  
9 a good credit rating. But we do work with them  
10 in other fashions so that they are able to  
11 provide security.

12 Q So, for example, if you had a bid from me, even  
13 if it was an attractive price, you might -- you  
14 might have qualitative issues with my bid or  
15 the Office of Consumer Advocate's bids?

16 A (Warshaw) No, we would not.

17 Q Okay. You're under oath.

18 CHAIRMAN HONIGBERG: Let the record  
19 reflect the irony was high for that answer.

20 MR. KREIS: Indeed. Sometimes that  
21 irony doesn't come through in the transcript  
22 though. So, thank you.

23 BY MR. KREIS:

24 Q I think this is really my last question.

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[WITNESS PANEL: Warshaw|Simek]

1 Looking, I think, at --

2 CHAIRMAN HONIGBERG: Mr. Kreis,  
3 probably not "irony", right? Probably better  
4 to characterize that one as "sarcasm"?

5 MR. KREIS: Well, you know, sarcasm  
6 is really a form of irony. So, irony is a more  
7 generic term. But you have to keep in mind,  
8 I'm only the so-called Consumer Advocate.

9 BY MR. KREIS:

10 Q Looking, I guess most conveniently, at -- let  
11 me put it this way. I took the monthly price  
12 that the Company calculated for its Large  
13 Customer Group, and I averaged those monthly  
14 prices and came out to a average price for the  
15 Large Customer Group of 8.12 cents. And I  
16 guess maybe I would ask Mr. Simek to agree with  
17 me, subject to check, that if you averaged all  
18 those six monthly prices, you would come up  
19 with a average price of 8.12 cents per  
20 kilowatt-hour for the Large Customer Group?

21 CHAIRMAN HONIGBERG: Can you clarify  
22 the question? Did you just add them up and  
23 divide by six?

24 MR. KREIS: I did, yes.

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1    **BY THE WITNESS:**

2    A       (Simek) And would that price be -- are you  
3            talking just about the energy service piece --

4    BY MR. KREIS:

5    Q       Yes.

6    A       (Simek) -- or the total rate?  Yes.  Subject to  
7            check, I believe that sounds correct.

8    Q       And that compares to a 8.296 month price for  
9            the Small Customer Group?

10   A       (Simek) Correct.

11   Q       So, doesn't that suggest that the better deal  
12            is actually the price being awarded -- being  
13            offered to the Large Customer Group?

14   A       (Simek) It sounds like the way that the bids  
15            came through that that would be the case, yes.

16   Q       Yes.  So, I'm not sure which of you should  
17            answer this question, or maybe both of you  
18            should, but does this suggest that Liberty  
19            should consider pricing service for the Small  
20            Customer Default Service Group in the same  
21            manner it prices the service for the Large  
22            Customer Group?

23   A       (Warshaw) Well, subject to check, I think that  
24            we've had other results of RFPs where the Large

[WITNESS PANEL: Warshaw|Simek]

1 Customer Group has had a lower rate than the  
2 Small Customer Group. So, I would not  
3 recommend, you know, making that kind of a  
4 change.

5 CHAIRMAN HONIGBERG: I'm sorry, you  
6 want to try that again, Mr. Warshaw?

7 WITNESS WARSHAW: Yes.

8 CHAIRMAN HONIGBERG: That means you  
9 flipped it over -- you flipped it upside-down.

10 **BY THE WITNESS:**

11 A (Warshaw) Yes. No. There have been times  
12 where the Large Customer Group has had a higher  
13 average price than the Small Customer Group.  
14 So, you know, don't, just for this one RFP, I  
15 would not suggest making that change. The  
16 other thing is we have, for the Large Customer  
17 Group, we do have two different suppliers.

18 BY MR. KREIS:

19 Q So, in other words, you would not agree -- you  
20 do not agree with the hypothesis that all  
21 customers would be better off with a monthly  
22 varying default service price?

23 A (Warshaw) I don't know if they would be better  
24 off or not with that. The supply is variable

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[WITNESS PANEL: Warshaw|Simek]

1 monthly. It's just that the customers get a --  
2 result in a average fixed price for the  
3 six-month period.

4 MR. KREIS: Understood. Mr.  
5 Chairman, those are all the questions I have.

6 CHAIRMAN HONIGBERG: Mr. Dexter.

7 MR. DEXTER: Thank you. Good  
8 morning.

9 WITNESS SIMEK: Good morning.

10 WITNESS WARSHAW: Good morning.

11 BY MR. DEXTER:

12 Q So, Mr. Simek, you read off some rates early  
13 on that were proposed for approval in this  
14 docket. Can you point me in your technical  
15 session [statement?] where those rates show up?

16 A (Simek) Sure. If we go to Bates Page 121 and  
17 122. On Bates Page 121, that's for the Large  
18 Customer Group, and the rates that I read were  
19 on Line 14. And on Bates Page 122, for the  
20 Small Customer Group, the rate that I read, the  
21 fixed rate, was on Line 18.

22 Q And sticking with Bates 121, if we were to go  
23 to the June rate that you read, is it correct  
24 that you have a decimal point problem with that

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[WITNESS PANEL: Warshaw|Simek]

1 rate as well? At least on my copy, I don't see  
2 a decimal point.

3 A (Simek) Yes. It appears, again, the conversion  
4 from Excel to PDF, and then printing,  
5 eliminated that decimal point, yes.

6 CHAIRMAN HONIGBERG: Mr. Dexter, it's  
7 on a -- it's in a lot of places on that page.  
8 July's column has the same problem, parts of  
9 May's column. I think we can all agree that,  
10 if there's a leading zero, and a space, that we  
11 should all, in our heads, fill it in with a  
12 decimal point.

13 MR. DEXTER: Sure. That's  
14 interesting, though, because my July rate has  
15 the decimal point. But I understand.

16 BY MR. DEXTER:

17 Q Mr. Simek, in the Large Group of rates that you  
18 just read also appear in your technical  
19 statement on Bates 120, correct?

20 A (Simek) Yes.

21 Q And those are the same rates?

22 A (Simek) Correct.

23 Q Okay. I had a question that appears on both  
24 Bates 120 and -- 121 and 122, and it has to do

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[WITNESS PANEL: Warshaw|Simek]

1 with the first three lines where you develop a  
2 fraction or a percentage up at the top of the  
3 page. Can you explain what that percentage  
4 represents?

5 A (Simek) Sure. The Lines 1, 2, and 3, on Bates  
6 Page 121, Line 1 is the month of September's  
7 actual energy service kilowatt-hours; and then  
8 Line 2 is the month of September 2018, the  
9 total Company's sales of kilowatt-hours; and  
10 so, the percentage that's on Line 3 is just  
11 calculating what percentage of the Large  
12 Customer Group customers' sales is made up of  
13 energy service.

14 Q I mean, so, is it fair to say then that roughly  
15 20 percent of your Large Group customers take  
16 default service?

17 A (Simek) Yes, as of the month of September.

18 Q And 80 percent don't?

19 A (Simek) Correct.

20 Q They go out and procure power on their own?

21 A (Simek) Correct.

22 Q Okay. Could you explain why the month of  
23 September is used for this calculation?

24 A (Warshaw) Actually, I picked the month of

[WITNESS PANEL: Warshaw|Simek]

1           September because that was the most recent  
2           information that I had available.

3   Q       And if September turned out to be not  
4           indicative of what goes on in the six months  
5           when the rates will be in effect, February  
6           through July, would any differences in that  
7           percentage be accounted for in the annual  
8           reconciliation process?

9   A       (Warshaw) Yes.

10   Q       And turning to Bates 122, which is the Small  
11           Group, maybe sort of jumping to the bottom  
12           line, is it a fair characterization that about  
13           86 percent of your Small customers take default  
14           service, while 14 percent procure power on  
15           their own?

16   A       (Simek) Yes.

17   Q       Mr. Simek, on Bates 121, Line 9, you've got  
18           some rates there that are blacked out, so I  
19           won't read them into the record. But the  
20           reference -- the footnote reference refers me  
21           to the source of those to Mr. Warshaw's  
22           Exhibit 5, is that correct?

23   A       (Simek) Yes.

24   Q       So, could you open up Exhibit 5, and just

[WITNESS PANEL: Warshaw|Simek]

1 demonstrate that those rates came over from  
2 Exhibit 5. And then I'll have some questions  
3 for Mr. Warshaw.

4 MR. DEXTER: Just for the record,  
5 Exhibit 5 is Bates 097. It's actually a sub --  
6 sort of a sub schedule within Mr. Warshaw's  
7 Schedule 2. It's not marked as a separate  
8 "Exhibit 5". It's Bates 097 of the Company's  
9 filing.

10 **BY THE WITNESS:**

11 A (Simek) So, the reference on Bates 121 and 122  
12 that shows that it's "JDW-2 Exhibit 5", should  
13 reference "Exhibit 6", which is on Page 97,  
14 Bates Page -- I'm sorry, Bates Page 098. And  
15 at the bottom of that page is where the loss  
16 factors are that show the calculation from  
17 June. And this doesn't have the updated ones,  
18 is that correct, Mr. Warshaw?

19 A (Warshaw) No. Correct. It's not correct on  
20 the exhibit. That's not what was used to  
21 develop the rates.

22 Q So, --

23 A (Warshaw) What was used to develop rates is  
24 what David -- what's on Mr. Simek's exhibits.

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[WITNESS PANEL: Warshaw|Simek]

1 Q So, going back to Bates 121, which is the Large  
2 Group, Mr. Simek, you're talking about Line 8,  
3 the "Loss Factor", is that right?

4 A (Simek) Correct.

5 Q Okay. And you're saying that the loss factor,  
6 on Bates 121, doesn't match the loss factor on  
7 Bates 098?

8 A (Simek) Correct.

9 Q But that the correct loss factor is on Bates  
10 121, and that's what was used in the  
11 calculation?

12 A (Simek) Correct. Bates Page 098, if you look  
13 at the bottom of the page, you'll see that that  
14 calculation is from June of '18, it hasn't been  
15 updated on this exhibit. The actual loss  
16 factor calculation was based on a different  
17 month. Do you know which month?

18 A (Warshaw) I don't remember which month.

19 Q So, looking at Line 9, which is the "Wholesale  
20 Contract Price", is it correct that you  
21 could -- that I could find those numbers that  
22 are on Line 9 on Bates 097? And again, the  
23 numbers are blacked out.

24 MR. DEXTER: Can I go off the record

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[WITNESS PANEL: Warshaw|Simek]

1 for a minute, Mr. Chairman?

2 CHAIRMAN HONIGBERG: Sure.

3 *[Off-the-record discussion*  
4 *ensued.]*

5 CHAIRMAN HONIGBERG: Go ahead.

6 BY MR. DEXTER:

7 Q So, to be a little less vague in my question,  
8 is it correct that, on Bates 121, for the month  
9 of February, there is a wholesale contract  
10 price at Line 9 that matches the wholesale  
11 contract price on Bates 097, Block A, Bidder D?

12 A (Warshaw) Yes. I'm sorry.

13 Q And if I go over several columns to the right,  
14 on Bates 097, I will see that Bidder D, in  
15 Block A, is the lowest price bid, correct?

16 A (Warshaw) That is correct.

17 Q And Block A refers to the Large Customer Group  
18 for the months of February, March, and April,  
19 correct?

20 A (Warshaw) Correct.

21 Q Okay. I won't go through this any further.  
22 But, if I were to do the same exercise for  
23 Block B and C, for Bates 121 and 122, would I  
24 find that similarly the lowest price bid was

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[WITNESS PANEL: Warshaw|Simek]

1 selected?

2 A (Warshaw) Yes.

3 Q Okay. Mr. Simek, in the earlier phase of this  
4 proceeding from the spring, I recall there were  
5 some large over-collections in the energy  
6 services under-/over-collection accounts. And  
7 I recall that there was going to be some work  
8 done by the Company, and when that work was  
9 done it would be submitted to the Commission's  
10 Audit Department for review.

11 A (Simek) Correct.

12 Q Do you recall that?

13 A (Simek) Yes.

14 Q Okay. Could you give us an update as to where  
15 that process stands?

16 A (Simek) Absolutely. We have, if you recall,  
17 there's really two proceedings that requires  
18 the same work to work with the Audit  
19 Department. There was the annual retail rate  
20 filing, which included the transmission,  
21 stranded costs. And then there was also the  
22 Energy Service filing.

23 We had chose to work with the transmission  
24 filing first. Both are in process of being

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[WITNESS PANEL: Warshaw|Simek]

1 worked on by Finance. But the transmission  
2 filing, we are at the level of getting senior  
3 approval of the reconciliation, senior  
4 management approval. And we plan on working  
5 with the Auditing Department at the PUC within  
6 just the next week or so.

7 Q So, nothing has been sent to the PUC Audit  
8 Department as of this date, correct?

9 A (Simek) Correct.

10 Q Would you say that you're on track to be able  
11 to address this in the spring's reconciliation  
12 filings?

13 A (Simek) Absolutely.

14 Q Thank you. Mr. Warshaw, in your testimony, you  
15 described a change -- this is concerning the  
16 RPS Adder.

17 A (Warshaw) Yes.

18 Q You described a change, I think, or you called  
19 it a "change from Commission precedent" on --  
20 this is on Bates Page 011. Or, maybe I  
21 mischaracterized it. You called it a "change  
22 to the Commission-approved RPS Adder" --

23 A (Warshaw) Correct.

24 Q -- "to reflect the results" of the situation.

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[WITNESS PANEL: Warshaw|Simek]

1 Is this just sort of an update, not a change in  
2 process?

3 A (Warshaw) It's an update, because, for 2019, I  
4 have a RPS RFP also, I got bids. And using  
5 those bids, that it's felt that that is the  
6 market price for RECs, and using that market  
7 price, we calculated a RPS Adder.

8 Q And is this the first time that the Company has  
9 done an RPS RFP?

10 A (Warshaw) No. We do it every -- we do it at  
11 the same time that we do an Energy Service RFP.  
12 This way we have, when we set the Energy  
13 Service retail price, we are using the most  
14 current market price that we're able to get for  
15 RPS RECs.

16 Q Okay. And if I wanted to look further into  
17 that, is it correct that that information is  
18 laid out on your Exhibits 10 and 11, which are  
19 Bates 102 and 103?

20 A (Warshaw) Correct.

21 Q And could you, and I know a lot of this  
22 information is redacted, and I don't think we  
23 need to go into any of the confidential  
24 information, but could you just explain for me

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[WITNESS PANEL: Warshaw|Simek]

1 the interplay between Exhibits 10 and 11?

2 A (Warshaw) Well, Exhibit 10 is a listing of the  
3 various bids that I receive for both 2018 RPS  
4 RECs and for 2019 RPS RECs. And it sets up to  
5 identify which of the bids I would use to -- as  
6 the lowest cost and that would meet the  
7 quantity of RPS RECs that I am looking to  
8 purchase for the Company.

9 Q And did those -- and did those lowest cost  
10 results find their way onto Exhibit 11, which  
11 is Bates 103?

12 A (Warshaw) Yes.

13 Q In the column marked "2019 Market"?

14 A (Warshaw) Yes, it did.

15 Q And could you explain, in general terms, how  
16 the results of the RFP, in terms of the price,  
17 compare to the prices that were obtained this  
18 time last year?

19 A (Warshaw) These prices are lower. It's also  
20 for a different period. The RECs for a year  
21 ago were for 2018, and the market shifts, and I  
22 was able to get pricing at a lower cost for  
23 2019.

24 Q And how about with respect to the actual energy

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[WITNESS PANEL: Warshaw|Simek]

1 RFP? How did those prices compare to last  
2 year?

3 A (Warshaw) They're similar.

4 Q And, Mr. Warshaw, in your opinion, does the  
5 results of the Energy Service and the RPS RFPs  
6 reflect a competitive marketplace?

7 A (Warshaw) Yes, they do.

8 Q And one last question for Mr. Simek. Probably  
9 obvious, but the fact that the rates came out  
10 with a 0.00 percent impact, that's just a  
11 mathematical coincidence, is that right?

12 A (Simek) It is.

13 Q And there's no intent or any requirement that  
14 you keep the rates fixed in this?

15 A (Simek) Absolutely not. We did multiple  
16 independent model runs, just to make sure,  
17 because we thought it was a coincidence. And  
18 we're confident that that is the correct rate.

19 MR. DEXTER: Thank you. That's all  
20 the questions Staff had. Thank you.

21 CHAIRMAN HONIGBERG: Commissioner  
22 Bailey.

23 CMSR. BAILEY: Thank you. Good  
24 morning.

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[WITNESS PANEL: Warshaw|Simek]

1 WITNESS WARSHAW: Good morning.

2 WITNESS SIMEK: Good morning.

3 BY CMSR. BAILEY:

4 Q Following up on Mr. Dexter's question about the  
5 loss factor. So, how was the loss factor  
6 calculated?

7 A (Warshaw) Loss factor is calculated by  
8 determining a ratio of the retail sales versus  
9 the wholesale purchases.

10 Q And do you do that over the six-month period  
11 that precedes this filing?

12 A (Warshaw) Yes. It's usually -- I do it over a  
13 12-month period, to get an average value.

14 Q So, the number from June was a 12-month  
15 average?

16 A (Warshaw) Yes. That's what it was supposed to  
17 be, but it didn't -- it was not how it comes up  
18 in the calculation that way.

19 Q Explain to me what you mean by "that was what  
20 it was supposed to be"? I thought -- can you  
21 go through that again?

22 A (Warshaw) No, I'm -- I apologize. I am not  
23 sure the information that's on the bottom of  
24 those schedules is correct, as opposed to what

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[WITNESS PANEL: Warshaw|Simek]

1 we used for the development of the rate.

2 Q You're not sure the information is correct or  
3 you're not sure --

4 A (Warshaw) I don't have the information behind  
5 it to show that, whether that -- whether what's  
6 on the bottom of that page is correct or not,  
7 is a correct reference.

8 Q So, you don't know that the loss factor that  
9 you used in calculating the rates is correct?

10 A (Warshaw) I believe it's correct.

11 CHAIRMAN HONIGBERG: We want to make  
12 a record request. We want something from the  
13 Company that says where that number came from,  
14 how it was calculated, and that it's correct.

15 Because I'm afraid, if we ask Mr.  
16 Simek "where did you get that number?", you're  
17 going to say "I got it from Mr. Warshaw."

18 WITNESS SIMEK: Correct.

19 CHAIRMAN HONIGBERG: All right. So,  
20 Mr. Sheehan.

21 MR. SHEEHAN: So, as I understand it,  
22 we will take Mr. Simek's exhibit that has the  
23 loss factor used to calculate the rates, and  
24 hopefully confirm that that was the appropriate

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[WITNESS PANEL: Warshaw|Simek]

1 calculation. And, if not, explain what  
2 happened. Is that correct?

3 CHAIRMAN HONIGBERG: I think that's  
4 right. And I don't think it will take you that  
5 long to do that, once you get back to your  
6 office.

7 All right. So, that will be  
8 "Exhibit 7".

9 **(Exhibit 7 reserved)**

10 BY CMSR. BAILEY:

11 Q Okay. On the filings that you were going to  
12 make for the reconciliation of transmission and  
13 stranded costs and Default Service back to the  
14 time that you took over from the prior company,  
15 I understand you said that you worked -- you  
16 chose to work on the transmission filing first,  
17 and that you're on track to get it done by the  
18 reconciliation filing coming up next spring.

19 A (Simek) Correct.

20 Q Are you on track to get all three of those  
21 done?

22 A (Simek) Yes.

23 Q Okay. So, when should the Audit Division  
24 expect the filing?

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[WITNESS PANEL: Warshaw|Simek]

1 A (Simek) The transmission one they should be  
2 expecting just within the next week or so.  
3 I've been in contact with Ms. Moran, and I have  
4 given her updates on where we stand with that.

5 As far as the Energy Service, it is in  
6 process with our Finance group to be -- the  
7 reconciliation has begun. But I can't confirm  
8 a date yet on when we'll be getting that over  
9 to the PUC Audit Division.

10 Q Do you know when you started that? I mean, it  
11 was six months ago that we talked about it.

12 A (Simek) Right. We started the transmission  
13 right away. And that's at the level now of  
14 going through senior management approval. But  
15 I don't know exactly the date when the Energy  
16 Service concurrently began.

17 Q Was it a month ago, was it five months ago, or  
18 was it last week?

19 A (Simek) I honestly -- well, I mean, I would  
20 guess, just through conversations walking  
21 through the hall, that it would have been  
22 probably within about a month or so ago.

23 Q Okay. I mean, I thought that we would have it  
24 by this hearing for the energy service. So, --

[WITNESS PANEL: Warshaw|Simek]

1 A (Simek) I believe that what was in the record  
2 is that we have it before next year's  
3 reconciliation filing, and that we will.

4 Q Okay. All right. Thank you. And is the  
5 stranded cost calculation different than the  
6 transmission calculation? Is that a third  
7 filing that has to be made?

8 A (Simek) It's the same filing, but it's a  
9 different component of that filing, a different  
10 rate. All of them are all -- that whole entire  
11 filing is all being reviewed by senior  
12 management right now. They're all being  
13 reconciled. There's like four components:  
14 Stranded costs, transmission, RGGI, and there  
15 was a small net metering component.

16 Q Okay. So, everything, other than the Energy  
17 Service reconciliation, Audit will have in a  
18 week you expect?

19 A (Simek) Yes.

20 Q Okay. I thought it was interesting the  
21 coincidence that the residential rate was  
22 exactly the same as last period's rate. How do  
23 the large commercial and industrial rates  
24 compare? They're not exactly the same as last

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[WITNESS PANEL: Warshaw|Simek]

1 year, are they?

2 A (Simek) No.

3 Q I mean, last period?

4 A (Simek) No. I don't have the rates from last  
5 period. Actually, I do. I'm sorry.

6 Q You don't have that?

7 A (Simek) I do have the rates. I don't have a  
8 percentage comparison.

9 Q Okay.

10 A (Simek) I just have the actual rates  
11 themselves.

12 Q All right.

13 A (Simek) And this is, again, August of '18  
14 through January of '19, for the Large Customer  
15 Group. And they're -- they range anywhere from  
16 0.05941 in August, up to 0.11976 for January.

17 Q Okay.

18 CMSR. GIAIMO: So, I'm sorry. I do  
19 have a question.

20 BY CMSR. GIAIMO:

21 Q I'm sorry. What I heard was "9 cents" for  
22 August?

23 A (Simek) No.

24 *[Court reporter interruption.]*

1 **CONTINUED BY THE WITNESS:**

2 A (Simek) The August Energy Service rate, August  
3 of '18, for the Large Customer Group, is 5.941  
4 cents per kilowatt-hour.

5 BY CMSR. BAILEY:

6 Q All right. So, back to the residential rate  
7 that hasn't changed from the last period. How  
8 does it compare to the same period last year?

9 A (Simek) It's 7 percent lower. 7.07 percent  
10 lower.

11 Q 7.07 percent lower?

12 A (Simek) Correct.

13 Q Okay. And are the C&I rates also lower  
14 compared to the same period last year?

15 A (Simek) Yes. I didn't calculate the  
16 percentage, but they are lower.

17 CMSR. BAILEY: Okay. Thank you.

18 That's all I have.

19 CHAIRMAN HONIGBERG: Commissioner  
20 Bailey.

21 CMSR. GIAIMO: It's Giaimo.

22 CHAIRMAN HONIGBERG: I'm sorry.

23 Commissioner Giaimo. I just congratulated

24 Commissioner Bailey on the --

[WITNESS PANEL: Warshaw|Simek]

1 CMSR. GIAIMO: The speed in which  
2 she --

3 CHAIRMAN HONIGBERG: Yes.

4 BY CMSR. GIAIMO:

5 Q The numbers we were just talking were just the  
6 energy component or --

7 A (Simek) No.

8 Q -- the all-in cost?

9 A (Simek) I was talking about the all-in cost,  
10 correct.

11 Q Okay. Thank you. Just wanted to clarify it.  
12 I should be brief. Probably not as brief as  
13 Commissioner Bailey, but brief all the same.

14 On Bates 007, Line 2, you talk about the  
15 "twenty-five potential suppliers" were provided  
16 the RFP. I'm not looking for names. I'm just  
17 wondering, the 25 suppliers, are those the  
18 proverbial "usual suspects" who have engaged in  
19 prior solicitations?

20 A (Warshaw) They are either the ones that have  
21 engaged in prior solicitations or those that  
22 have been -- expressed interest and are on the  
23 distribution list. Plus, it also goes to the  
24 entire Market Committee mailing list of ISO-New

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1           England in NEPOOL.

2   Q       And there's redundancy there, obviously, with  
3           the same players?

4   A       (Warshaw) Yes.  Other than there are people  
5           coming and going in NEPOOL, or companies that  
6           have been absorbed by other companies or  
7           companies have gone out.

8   Q       Yes.  My first thought, actually, they seem to  
9           be the same people.  But the Markets Committee  
10          as well are the usual suspects.

11                 A quick question on the RPS Adder.  And I  
12           don't think this ventures in any way into  
13           confidentiality, but, if it does, stop me.  Any  
14           idea why supplier bidders, RPS Adders generally  
15           seem not to get --

16                                 *[Court reporter interruption.]*

17  BY CMSR.  GIAIMO:

18   Q       Why RPS Adders generally seem to not find their  
19           way into the final procurement?

20   A       (Warshaw) Mostly, because the bidders are not  
21           interested in providing the RPS.  Most of the  
22           bidders actually do not even provide an RPS  
23           adder in their bid.  And the few that do will  
24           provide a number that shields them from any

1 major cost.

2 The way that the contract works, if, for  
3 some reason, they are unable to provide us with  
4 the required number of RPS RECs, they are then  
5 required to pay us the value at the ACP, which  
6 is significantly higher for some of the RECs,  
7 compared to market.

8 Q So, obviously, there are a couple of factors,  
9 I'm not asking you to get into the head of the  
10 suppliers, but it sounds like the relevant size  
11 is small, and they just opt to instead focus on  
12 the energy portion?

13 A (Warshaw) Yes. And some of them may not even  
14 be in the renewable REC market.

15 Q Okay. That's helpful. I will note that I  
16 found the questioning from the Consumer  
17 Advocate very thoughtful and provocative,  
18 particularly with the question he asked "would  
19 residential customers be better served with  
20 more granular monthly pricing?"

21 I think, just looking at it on its face,  
22 the number that he provided works only if every  
23 month had the same amount of usage, correct?  
24 Does that make sense?

1 CHAIRMAN HONIGBERG: Commissioner  
2 Giaimo is going someplace that I was going to  
3 go. Let me try a different way.

4 BY CHAIRMAN HONIGBERG:

5 Q I think what the Consumer Advocate did was just  
6 take an arithmetic mean of the six monthly  
7 rates. Is that your understanding, Mr. Simek?

8 A (Simek) Yes.

9 Q That's what you were doing in your head, right?

10 A (Simek) Correct.

11 Q On Bates Page 121 and 122, the average numbers  
12 that are listed on Line 18 on both, those are  
13 weighted averages that reflect the different  
14 consumption levels expected for those months,  
15 correct?

16 A (Simek) Correct.

17 Q And if you're going to compare those averages,  
18 that's really the comparison you would want to  
19 do, isn't it?

20 A (Simek) I believe so, yes.

21 Q It still, as a matter of arithmetic this time,  
22 we do see that the Small Customer Group does  
23 have a higher rate than the Large Customer  
24 Group for this period. So, the point the

[WITNESS PANEL: Warshaw|Simek]

1 Consumer Advocate was making is still a  
2 potentially valid one, but the mathematics make  
3 more sense to do weighted averages, right?

4 A (Simek) Correct.

5 Q And those numbers are provided in your  
6 schedules?

7 A (Simek) Correct.

8 CHAIRMAN HONIGBERG: Commissioner  
9 Giaimo, you may continue.

10 BY CMSR. GIAIMO:

11 Q That's exactly where I was going. And,  
12 obviously, in February, there's -- the R -- the  
13 residential are paying about four cents less  
14 than the C&I. So, if use is higher in the  
15 winter months, the benefit's there between  
16 whether it's in the summer or the winter?

17 A (Simek) Correct.

18 CMSR. GIAIMO: I'd be remiss if I  
19 didn't, it's sort of ironic, but I think it's  
20 funny, and maybe Mr. Blutarksy would enjoy  
21 this, with a 0.0 change. I think that's -- at  
22 least one person understood that reference.  
23 So, thank you.

24 I'm all set. Thank you.

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[WITNESS PANEL: Warshaw|Simek]

1 CHAIRMAN HONIGBERG: This one has a  
2 potential to go off the rails, Mr. Patnaude,  
3 with Animal House references now.

4 BY CHAIRMAN HONIGBERG:

5 Q Mr. Simek, I have a question about the -- I  
6 guess it's the coincidence of the rate not  
7 changing from last period. But, actually, more  
8 directly the comparison to last year, which you  
9 did for Commissioner Bailey, that the rate was  
10 lower than it was for last year.

11 A (Simek) Correct.

12 Q What are the rate elements, though, that have  
13 gone one direction or another that ended up  
14 producing that coincidence? Would that be the  
15 things on Page 122?

16 A (Simek) Correct. Lines 9 through 13. So,  
17 Line 9 is the contracted price.

18 Q And is that higher or lower compared to last  
19 year?

20 A (Simek) I believe Mr. Warshaw said "it was  
21 similar", is that correct?

22 A (Warshaw) Yes. I don't have that, last year's  
23 numbers with me.

24 Q Okay. What about the other numbers?

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[WITNESS PANEL: Warshaw|Simek]

1 A (Simek) But what we do know, of course, is  
2 numbers on Lines 11 and 12, those are part of  
3 the reconciliations that Mr. Dexter had talked  
4 about, which we had the over-collection on.  
5 And so, these are, obviously, fairly large  
6 credits that are lowering the rates that get  
7 charged to customers.

8 Q So, if we wanted to do the comparison to each  
9 of the rate elements, we could find your  
10 analogous schedule from the filing a year ago?

11 A (Simek) Correct.

12 CHAIRMAN HONIGBERG: All right. I  
13 think that's all I had.

14 Mr. Sheehan, do you have any  
15 follow-up for your witnesses?

16 MR. SHEEHAN: No, I do not.

17 CHAIRMAN HONIGBERG: All right. If  
18 there's nothing else, you gentlemen could stay  
19 where you are.

20 We will strike ID on Exhibits 5 and  
21 6. We're holding open Exhibit 7, which is a  
22 record request.

23 Anything else with need to do before  
24 the parties sum up?

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1                                    [No verbal response.]

2                                   CHAIRMAN HONIGBERG: Mr. Kreis.

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

4                                   Seeing as how I was an English major in  
5                                   college, it makes perfect sense to me that I  
6                                   know more about "irony" than I do about how to  
7                                   properly compare the rate impacts of a monthly  
8                                   variable rate for Large customers and Small  
9                                   customers.

10                                  But, in any event, the point I was  
11                                  making is that it seems to me or it seems to  
12                                  the OCA that it's always valuable to reexamine  
13                                  the premise that residential customers or Small  
14                                  customers are better off with a rate that  
15                                  doesn't vary over a six-month period versus a  
16                                  rate that could potentially vary over a  
17                                  six-month period. And so, my sense is that  
18                                  just reexamining that premise all the time is  
19                                  always a good idea.

20                                  That said, it's very difficult to  
21                                  argue with a rate impact of zero. And it  
22                                  appears that this procurement was conducted  
23                                  according to all of the established rubrics and  
24                                  customs that have resulted in a reasonably

1           robust and appropriate set of responses from  
2           bidders. That the Company made a correct and  
3           justifiable choice. And that the result, from  
4           our standpoint, is just and reasonable rates.

5                         And so, therefore, I recommend that  
6           the Commission approve the Company's filing at  
7           its earliest convenience, once it receives the  
8           response to the record request that will  
9           straighten out the uncertainty about how the  
10          Company managed to calculate its loss factor.

11                        CHAIRMAN HONIGBERG: Thank you, Mr.  
12          Kreis. Mr. Dexter.

13                        MR. DEXTER: Thank you, Mr. Chairman.  
14          Similarly, Staff recommends approval of the  
15          rates that are presented, subject to the  
16          receipt of the record request and any  
17          corrections that that might entail. With the  
18          assumption that, if there are any corrections,  
19          they will be minor.

20                        As Mr. Warshaw testified, the RFP was  
21          indicative of the competitive marketplace for  
22          both Energy Services and Renewable Portfolio  
23          Standards.

24                        And on the basis of that, Staff

1 recommends approval.

2 CHAIRMAN HONIGBERG: Thank you, Mr.  
3 Dexter. Mr. Sheehan.

4 MR. SHEEHAN: Thank you. I will echo  
5 what Mr. Kreis and Mr. Dexter said, as far as  
6 the filing meeting the requirements of an  
7 energy service filing. And we ask that you  
8 approve the rates as appropriate under RSA  
9 374-F.

10 On the topic of a variable price for  
11 residential customers, we will always certainly  
12 look at those things. My vague recollection,  
13 and this was before me, when the Company moved  
14 its six-month period to divide the winter, that  
15 that topic was at least discussed, and I don't  
16 recall how in-depth. But my sense, it would  
17 take a similar proceeding to look at "do we  
18 want to go to monthly pricing for residential  
19 customers?" Which would, obviously, change  
20 Mr. Warshaw's RFP process considerably. Again,  
21 that's certainly something we're always willing  
22 to look at as we move towards pricing those in  
23 other dockets. It certainly makes sense to  
24 look at it here as well.

1 Thank you.

2 CHAIRMAN HONIGBERG: Thank you, Mr.  
3 Sheehan.

4 All right. With that, we will close  
5 this hearing, leaving the record open for  
6 Exhibit 7. And otherwise adjourn, take the  
7 matter under advisement, and issue an order as  
8 quickly as we can.

9 ***(Whereupon the hearing was***  
10 ***adjourned at 10:56 a.m.)***

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