STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 19, 2019 - 10:14 a.m.
Concord, New Hampshire

RE: **DE 19-106**
EVERSOURCE ENERGY:
2019 Transmission Cost Adjustment Mechanism.

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

Sandy Deno, Clerk

APPEARANCES: **Reptg. Eversource Energy:**
Matthew J. Fossum, Esq.

Reptg. Residential Ratepayers:
Brian D. Buckley, Esq.
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Paul B. Dexter, Esq.
Richard Chagnon, Assistant Director/
Electric Division

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

I N D E X

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Eversource Energy Petition for Approval of Change in Transmission Cost Adjustment Mechanism, including testimonies, with attachments (07-03-19)	*premarked*
2	Eversource Energy Revised Petition for Approval of Change in Transmission Cost Adjustment Mechanism, including testimonies, with attachments (07-18-19)	*premarked*
3	**RESERVED** (Redacted version of Eversource Energy Sundry Account invoice)	*premarked*
4	**RESERVED** (Record request on whether the reductions in the C&I Demand Reduction Initiative have been or is included in the ISO-New England CELT forecast)	27
5	**RESERVED** (Record request for what are the FERC-approved rates for RNS and LNS, translated into dollars per megawatt-hour)	62
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P R O C E E D I N G

CHAIRMAN HONIGBERG: We are here this morning for a couple of proceedings. First up I believe is DE 19-106, which is the Transmission Cost Adjustment Mechanism docket for Eversource. We have some filings that came in yesterday, which I'm sure we'll get to quickly.

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

MR. FOSSUM: Good morning, Commissioners. Matthew Fossum here for Public Service Company of New Hampshire, doing business as Eversource Energy.

MR. BUCKLEY: Good morning, Mr. Chairman and Commissioners. My name is Brian D. Buckley. I am the Staff Attorney with the New Hampshire Office of the Consumer Advocate. To my left is Mr. James Brennan, Director of Finance of that same office. And we're here representing the interests of residential ratepayers.

MR. DEXTER: Good morning. Paul Dexter, on behalf of the Commission Staff.

CHAIRMAN HONIGBERG: How are we proceeding this morning? Mr. Fossum.

MR. FOSSUM: The Company has a panel of witnesses to present this morning. And I believe that's -- well, that's the full -- that's what we intend to do is present our witnesses this morning.

CHAIRMAN HONIGBERG: All right. If there are no preliminary matters we need to deal with, why don't we have the witnesses go to the witness box. While they're doing that, Mr. Fossum, you want to tell us about exhibits?

MR. FOSSUM: I do. We've premarked for identification -- or, the Company has premarked for identification two exhibits. They're the ones that you would expect. The July 3rd filing that the Company made in this docket and the July 18th filing, the one from yesterday the Chairman referenced already.

CHAIRMAN HONIGBERG: Mr. Dexter, Exhibit 3, which is up here, comes from you, I assume?

MR. DEXTER: That is correct, Mr. Chairman. And we have a bit of a conundrum with Exhibit 3. This was an invoice that the Company provided to us through sort of an informal discovery process about a day or two ago. And I had some questions, I wanted to use it to ask some questions about the transmission true-up charges on the top of the page.

But this morning Mr. Fossum pointed out to me that this invoice contains Eversource's bank routing numbers and account numbers. They're in the middle of the page. And I don't have a redacted version to work with today. Obviously, we don't have any objection to those account numbers being blacked out.

What I would suggest we do today is allow me to proceed with my questioning on this. And then, subsequent to the hearing, Staff will provide a redacted version 3 for the record. There will be no confidential version. It will just be a redacted version with the account numbers blacked out.

CHAIRMAN HONIGBERG: Because the redacted information isn't relevant to the proceeding?

MR. DEXTER: Correct.

CHAIRMAN HONIGBERG: Although it might allow all of us to enjoy a vacation in Tahiti or something like that.

MR. DEXTER: A wire transfer at 10:15.

CHAIRMAN HONIGBERG: I assume that's acceptable to everyone?

MR. FOSSUM: It is acceptable. And I guess I will apologize to the Commissioners for not having raised that issue previously, so that we wouldn't have to go through that extra step. But, nonetheless, here we are.

CHAIRMAN HONIGBERG: That seems like an easy enough step.

Mr. Patnaude, would you do the honors please.

(Whereupon ***Erica L. Menard***, ***David F. Bidmead***, ***Edward A. Davis***, and ***John P. DiPaola-Tromba*** were duly sworn by the Court Reporter.)

CHAIRMAN HONIGBERG: Mr. Fossum.

MR. FOSSUM: Thank you. We'll try to

get through the preliminaries as quickly as we can. We'll start with Ms. Menard and work down.

ERICA L. MENARD, SWORN

DAVID F. BIDMEAD, SWORN

EDWARD A. DAVIS, SWORN

JOHN P. DIPAOLA-TROMBA, SWORN

DIRECT EXAMINATION

BY MR. FOSSUM:

Q Ms. Menard, beginning with you and for each of the witnesses, could you please state your name, your position, and your responsibilities for the record in this proceeding?

A (Menard) Good morning. My name is Erica Menard. I'm the Manager of Revenue Requirements for New Hampshire. I'm employed by Eversource Energy Service Company. And my address is 780 North Commercial Street, in Manchester, New Hampshire. My responsibilities include -- I'm responsible for the calculations and implementation of revenue requirements associated with distribution rates, Transmission Cost Adjustment Mechanism, Stranded Cost Recovery Charge, and Energy

Service Charges.

Q And, Mr. Bidmead?

A (Bidmead) Oh. My name is David Bidmead. I'm a Senior Revenue Requirement Analyst for New Hampshire, employed by Eversource Energy, located at 107 Selden Street, Berlin, Connecticut. My responsibilities include the preparation or review of the calculation of New Hampshire revenue requirements for Eversource, as well as the filings associated with Eversource's Energy Service Charge and Stranded Cost Recovery Charge and Transmission Cost Adjustment Mechanism.

A (Davis) Good morning. My name is -- good morning. My name is Edward Davis. And I am the Director of Rates for Eversource Energy -- Energy Services Company, I should say. In my position, I'm responsible for all rates and tariff-related matters for gas and electric for all the operating companies of the Eversource companies.

Q And finally, Mr. DiPaola-Tromba?

A (DiPaola-Tromba) Good morning. My name is John DiPaola-Tromba. I am the Director of

Transmission Business & QA at Eversource Energy, located at 56 Prospect Street, Hartford, Connecticut. My present responsibilities include short-term and long-term capital planning, transmission asset management, and cost estimating.

Q Now, I'll just stay with you, Mr. DiPaola-Tromba, just for a moment. Have you previously testified before this Commission?

A (DiPaola-Tromba) No, I have not.

Q In that case, could you just very briefly provide a sort of high-level summary and explanation of your education and experience for the record?

A (DiPaola-Tromba) Yes. I graduated with a Bachelor's of Science from the University of Hartford in Electrical Engineering. Also hold a Master's of Engineering and a Master's of Business Administration also from the University of Hartford.

I have been employed at the Eversource companies for going on 12 years, and similar to my present responsibilities, focused on transmission asset management and cost estimating and other engineering functions.

Q Thank you. Returning now to Ms. Menard and Mr. Bidmead each. Did you each file joint testimony as part of the materials the Company submitted on July 3rd and included in what has been premarked as "Exhibit 1"?

A (Menard) Yes, we did.

A (Bidmead) Yes.

Q And was that testimony and that information prepared by you or at your direction?

A (Menard) Yes, it was.

A (Bidmead) Yes.

Q Do you have any changes or updates to that specific information this morning?

A (Menard) No.

A (Bidmead) No.

Q And do you adopt that testimony as your own?

A (Menard) Yes, I do.

A (Bidmead) Yes.

Q And did each of you file joint testimony in the materials that were included on July 18th and which have been premarked as "Exhibit 2"?

A (Menard) Yes.

A (Bidmead) Yes.
Q And was that testimony prepared by you or at your direction?
A (Menard) Yes.
A (Bidmead) Yes.
Q And do you have any changes or updates to that testimony this morning?
A (Menard) No, I don't.
A (Bidmead) No.
Q And do you adopt that testimony as your sworn testimony in this proceeding?
A (Menard) Yes.
A (Bidmead) Yes.
Q And, Mr. Davis, I'll give the same ones to you. Did you, back on July 3rd, included in what has been premarked for identification as "Exhibit 1", submit prefiled testimony and exhibits?
A (Davis) Yes, I did.
Q And was that prepared by you or at your direction?
A (Davis) Yes.
Q And do you have any changes or updates to that specific testimony this morning?
A (Davis) I do not.

Q And do you adopt that testimony?
A (Davis) I do.
Q And additionally, did you submit testimony as part of the materials on July 18th in what has been premarked for identification as "Exhibit 2"?
A (Davis) Yes.
Q And was that also prepared by you or at your direction?
A (Davis) Yes, it was.
Q And do you have any changes or updates to that testimony this morning?
A (Davis) I do not.
Q Do you adopt that as your sworn testimony in this proceeding?
A (Davis) Yes.
Q And finally, Mr. DiPaola-Tromba, did you, back on July 3rd, included in what has been premarked for identification as "Exhibit 1", submit prefiled testimony and exhibits?
A (DiPaola-Tromba) Yes, I did.
Q And was that prepared by you or at your direction?
A (DiPaola-Tromba) Yes.

Q And do you have any changes or updates to that testimony this morning?
A (DiPaola-Tromba) I do not.
Q And do you adopt that as your testimony?
A (DiPaola-Tromba) Yes.
Q And likewise, did you submit testimony in what has been premarked as "Exhibit 2" and submitted on July 18th?
A (DiPaola-Tromba) I don't think so.
Q Are you sure about that? What has been premarked for "Exhibit 2", submitted on July 18th, do you have that filing in front of you?
A (DiPaola-Tromba) I do.
Q Would you please turn to the end of that filing, marked as Bates Page 055.
A (DiPaola-Tromba) Yes, I got them confused. I did file that.
Q Okay. Thank you. And was that also prepared by you or at your direction?
A (DiPaola-Tromba) Yes.
Q And do you have any changes or updates to that testimony?
A (DiPaola-Tromba) I do not.

Q And do you adopt that testimony as your testimony in this proceeding?

A (DiPaola-Tromba) Yes.

Q Thank you. Now, hopefully, we can get to some substance.

Returning to Ms. Menard and Mr. Bidmead. Could you briefly explain the differences between what has been included in Exhibit 1 and Exhibit 2, and in particular the cause for the submission of Exhibit 2?

A (Menard) Exhibit 1 was the testimony and exhibits that we filed in support of our requested rate change for August 1st for the Transmission Cost Adjustment Mechanism. As has been longstanding history, we had a technical session with Staff and OCA on that testimony and filing. And as part of those discussions, we were made aware of some discrepancies in one of the exhibits, in particular the LNS costs. There were two sets of numbers that didn't align.

We then, after the tech session, reviewed the filing and the exhibits, noticed that they were, in fact, out of alignment, and made the adjustment in the Exhibit 2 -- Attachment 2, excuse me.

As a result of that, we felt it was best to file updated testimony and exhibits. And that is what we filed on July 18th and marked as "Exhibit 2".

Q Thank you. So, given that, is it your position and is it your testimony this morning that the materials included in Exhibit 2 demonstrate and support the Company's request in this proceeding?

A (Menard) Yes, it is.

Q Thank you. And with that understanding, could you briefly explain what it is that the Company is requesting in this filing this morning?

A (Menard) Yes. The Company is requesting that the rate proposed for effect on August 1st be approved. It is an average rate. And the average rate change would be 2.051 cents per kilowatt-hour, as compared to current rates of 1.864 cents per kilowatt-hour.

Included in this rate filing is also the reconciliation of prior year transmission costs. And so, we're asking that both the rate

change and the reconciliation be approved.
Q Thank you. Is the information included in this filing materially different than the similar filing last year?
A (Menard) No. The information is consistent with what has been provided in years past.
Q Thank you. And staying with you for just one last question. Ms. Menard and Mr. Bidmead, in your testimony you make reference to a "Demand Reduction Initiative", and that is on Bates Page 012. Do you have any update on the information that's included relative to that Demand Reduction Initiative?
A (Menard) Yes. The Demand Reduction Program is a pilot program, which is a C&I Demand Reduction Program targeting up to five kilowatt demand reduction on peak days.
Q Five kilowatt or five megawatts?
A (Menard) Megawatts.
Q Thank you.
A (Menard) Excuse me. Thank you. Under that program, we can make calls up to eight times a year. And to date, we have not made any calls for reductions. However, today could be one of

those days for reduction. It's supposed to be a fairly high peak day for ISO-New England.

So, at this point, we don't have any data to report on. It is a pilot, and it's the first year of the pilot. We would hope, after this summer, we could report results as part of the EERS updates in the fall.

Q Thank you. Turning to Mr. Davis. Could you please explain and describe for the record the rate and rate impact as is included in your testimony and exhibits?

A (Davis) Certainly. The development of the rates that we presented are based on the revenue requirement information provided by Ms. Menard and Mr. Bidmead in their testimony. We applied the longstanding practice for allocating and calculating rates consistent with Docket DE 06-028, where these methodologies were established, and basically calculated rates by adjusting all rates, except for Rate B, on an equal percentage basis. And consistent with the methodologies in DE 06-028 in the treatment of Rate B, we do a specific calculation for that rate class.

Everything has been calculated in a manner consistent with the methodologies, and are represented in a number of the exhibits that I have included in my testimony.

Q And could I ask you to spend just a few moments going through the specifics of those exhibits this morning?

A (Davis) Certainly. So, I have a number of attachments. Attachment EAD-1 to my testimony provides the actual rates that we submitted and requested to be proposed. These are rates by rate class.

If you look at what's included also as Attachments EAD-5, 6, and 7, we provided information that has been called the so-called "bingo sheet" in the past. But what this provides as part of testimony is a breakdown of the various components of rates and how they -- the bill impacts that go along with those.

Basically, we provide this in advance. So, it's basically a full set of information that I know is expected, I think it's informative in terms of the rate impacts for the rate design that we have submitted.

Attachment EAD-6, for example, provides a comparison of the current rates. And we use a residential customer at three usage levels: 550 kilowatt-hours, 600 kilowatt-hours, and 650 kilowatt-hours. So that provides a representation of what a typical residential customer bill and bill impacts would be.

For completeness, we've also included, since the TCAM rate is requested to be effective August 1st, we have included other rates that either have been approved or we request are approved in this docket and the subsequent one today. Namely, we have the Energy Service rate, which has been approved for August 1st in Docket DE 19-082; and temporary distribution rates, which were also approved in Docket 19-057. We've then included the TCAM rate, as well as the SCRC proposed rate, which is a subject of our hearing later today.

The overall impacts on rate classes are provided in Attachment EAD-7.

Q Thank you, Mr. Davis. Is it the Company's position that the rates, as calculated and

shown in your exhibits, that those rates are just and reasonable rates?
A (Davis) Yes, it is.
Q Finally, turning to Mr. DiPaola-Tromba. Could you just very briefly explain what it is that your testimony and the attachment to it explains and provides?
A (DiPaola-Tromba) Yes. Beginning a few years ago, the Commission requested additional information regarding the transmission projects that are included in the charges by ISO-New England assessed to PSNH. I have included, which is consistent with past submittals, an attachment that speaks to the transmission projects under Schedule 21 for the legacy Northeast Utilities companies: Connecticut Light & Power, Public Service of New Hampshire, and the former Western Mass. Electric Company. And it includes essentially additional information regarding FERC jurisdictional tariffs that are charged to PSNH.

MR. FOSSUM: Thank you. I believe that's what I have for direct this morning.

CHAIRMAN HONIGBERG: Mr. Buckley.

MR. BUCKLEY: Thank you, Mr. Chairman.

So, I'm going to just address my questions to the panel, and whoever feels most comfortable answering can feel free to do so.

CROSS-EXAMINATION

BY MR. BUCKLEY:

Q We already heard a little bit today of what the high-level purpose is here, and I think that that is described at around Bates Page 009 of Exhibit 2, at Lines 14 through 20, which talks about the TCAM and the increase of about 10 percent. Is that correct?

A (Menard) Yes, it is.

Q And the actual rates the Company is requesting for approval are included as a schedule, as Attorney Fossum and Mr. Davis had mentioned, at Bates 043. Is that correct?

A (Davis) Yes.

Q And the actual impact on the residential customers I represent is I think shown at Bates Page 051?

A (Davis) Oh, 051. I think what you want to look at is Bates 052. 051 will give you the year over year, if you will, August 2018 to August 2019. And then, Bates 052 gives you current rates, which were, for TCAM, in effect -- well, rates in effect as of February 1st, 2019, compared to what we're requesting to have made effective August 1st of 2019.

Q So, rates for the residential customers that I represent are headed upward, based on this TCAM adjustment, is that correct?

A (Davis) That's correct.

Q But if you then look to Bates 051, I think it is -- or, no, rather 052, which shows the February to August 2019 transition that also includes the change to Energy Service rates, it looks like the residential customers will be facing, in all, a slight reduction in bills, is that correct?

A (Davis) Correct. And that assumes customers taking Energy Service, and also the approved distribution rates, and that the SCRC rates that we've requested are also approved. So, it makes the assumption that the two rate changes are already approved for August 1st, and the two we've proposed to become effective are all as stated on this sheet.

Q Now, moving to Bates Page 005, Line 18, through Bates Page 006, Line 14, and I believe this is the Menard/Bidmead testimony, you describe various transmission costs that are allocated to Eversource according to its peak load, including RNS, LNS, reliability, and Scheduling & Dispatch. Is that correct?

A (Menard) Yes, it is.

Q And at Bates Page 009, Lines 7 through 9, you mention that this filing forecasts transmission costs between August 2019 and July 2020. Is that correct?

A (Menard) Correct.

Q And at Bates Page 010 through 011, you describe Eversource's energy efficiency programs and their impact on peak load. My question for you is, are the passive demand savings associated with those programs factored into the Company's forecasted share of ISO's peak load?

A (Menard) Into ISO's peak load? I would have to, subject to check, I would have to say "yes". You can see, on Bates Page 011, you can see the ISO-New England summer peak forecast for New Hampshire. And you can see the reductions, if you have it in color, the top line is blue, that's the gross. And then that peak is lowered for PV, and then it is further lowered for energy efficiency programs.

Q And so, that chart, is that derived from the ISO CELT, C-E-L-T, forecast?

A (Menard) It is. Yes.

Q So, a follow-up question on that. If the answer is "yes", related to the energy efficiency's passive demand savings being incorporated into the CELT forecast, and then therefore the forecast that Eversource is using for this docket, the related effort, the Commercial and Industrial Demand Reduction Pilot that's ongoing, is that also incorporated?

A (Menard) I don't know the answer to that, because -- we could certainly follow up. Because this is just a pilot program, there may not be any results to include at this point. But we could certainly follow up and confirm what is included.

Q And it's conceivable that, although the Company has planned for five megawatts of peak demand reduction, it's possible that that five megawatts wouldn't necessarily be achieved this year, is that correct?
A (Menard) Correct.
Q But, if it were to be achieved this year, this all would be subject to reconciliation in the next one of these dockets, is that correct?
A (Menard) Correct.

MR. FOSSUM: And I don't mean to interrupt, but Ms. Menard offered to follow up. And I'm just looking to know, was there a record request for that information that we should be taking back to submit or not?

CHAIRMAN HONIGBERG: Mr. Buckley?

MR. BUCKLEY: I think that would be helpful.

CHAIRMAN HONIGBERG: All right. Ms. Menard, Mr. Fossum, you understand the request that Mr. Buckley has made?

MR. FOSSUM: As I understand it, the question is "whether the reductions associated with the Company's Commercial and Industrial

Demand Reduction Initiative have been or included in the ISO-New England Celt forecast?"

MR. BUCKLEY: Correct.

CHAIRMAN HONIGBERG: And, Mr. Buckley, you don't -- my sense is you don't feel you need this and we need this to make a decision on this pending request. This is largely for informational purposes?

MR. BUCKLEY: Correct.

CHAIRMAN HONIGBERG: Okay. So, that will be "Exhibit 4".

MS. DENO: Yes.

(Exhibit 4 reserved)

BY MR. BUCKLEY:

Q And I think one further question for Ms. Menard. At Bates 016, Lines 16 through 19, you describe the total forecasted cash working capital allowance and associated return for the forecasted period of August 2019 through July 2020.

For my own clarity, is the return on working capital based on the Company's currently approved rate of return, the one requested in the ongoing rate case, the prime rate? Can you fill me in on what exactly that is?

A (Menard) If you would turn to Bates Page 028, the rate of return used there is the 9.4 percent. That is based on the current rates of return as specified in the 2009 rate case settlement. It is not reflective of the currently proposed rate case. However, it is updated for current tax rates.

Q That's what I was hoping. Now, moving on to Mr. Davis.

Mr. Davis, in much of your testimony you describe how you calculated the allocations of transmission revenue requirement to Rate B customers.

A (Davis) Yes.

Q Can you give me some context there as to how large a portion of the Company's overall load these customers are?

A (Davis) The rate historically, and this is historic based ratemaking for allocation purposes, were on the order of 0.3, 0.32 percent. So, if you look at our reconciliation from last year, one of my attachments shows the calculation by month of the Rate B class and their contribution to the system peak load, comes out to a little over 0.3 percent. And then, for the current rate period, we used the prior 12 months. And we have an allocation that, over 12 months, comes out to about 0.32 percent.

And those -- you can see those on Bates Page 045, for the period ending July 31st, 2019, and Bates 047, for the prior period ending July 31st, 2018. And that's where you see the 0.32 percent and 0.30 percent, respectively.

Q And if I could ask you to turn to Bates 049.

A (Davis) Okay. I have that.

Q And I'm looking at Column (4), which appears to describe the overall percentage change for the various customer classes.

A (Davis) Yes.

Q And my question to you is, just at a high level, can you tell me why the Rate B impact is much higher than the impact on, say, the residential customers I represent?

A (Davis) Certainly. So, there's actually two sections I want to focus on here. And that would be, again, I'm looking at Bates 049, and in Lines 43 and 44 you're seeing a percentage of "37.8 percent". And then down below, we see a combined Rate B impact, Lines 52 and 53, of "22.4 percent".

The "37.8 percent" calculations are the portion of Rate B customers' load that represents backup service to their generation, and it's just by the nature of the loads. So, we have the cost allocation that we talked about with the 0.3 and the 0.32 percent, which shows the cost -- demand-based cost responsibility for Rate B, so we use that to allocate the revenue. But, on a rate basis, because of the actual billing demands for the Rate B customers, and again this is for the portion of their load backing up their generation, the outcome simply comes out to be, on the interrate basis, an increase of 37.8 percent. Unlike -- and so, we do this for Rate B, and we do it because of the methodology. Again, this is not only part of a settlement from 06-028, but also by virtue of the nature of these customers' loads. It's backing up generation that can come on and come off line at various times. And so, the result simply is that the revenue allocation comes out to be higher on a unit basis, and therefore it appears to be a higher percentage.

What we do, though, is we take the Rate B dollars that we use for Rate B rate design, remove those from the allocation process, and the residual is allocated on a uniform basis across all the other rate classes.

One nuance of Rate B is there's also a portion, for about five of those Rate B customers, where they require supplemental service, in addition to what they normally provide through generation. That service is provided under Rates GV and LG. It happens to correspond to those customers' classes. And that's why, when we focus on that, the supplemental portion, it's actually referred to here as "incremental". So, "base" is the backup and "incremental" is the supplemental one. That is actually priced out at the rate for all of the rate classes, in specifically

Rates GV and LG. And when you -- the weighted average effect of that gets you to the 22.4 percent.

And other than that, because Rate B is such a unique class, and the characteristics we just talked about gives us those results, the remaining -- so then cost causation, cost responsibility of Rate B was determined, you know, because of those methodologies, the approach you need to do for that class. The remaining costs are allocated to the other classes on a uniform 9.9 percent, and that affects the residential. So that the full loop is, we give the appropriate treatment for Rate B, and what remains is then allocated across all rate classes uniformly. And therefore, the same impact for Rate R is seen with the other classes as well.

Q So, the ratepayers who pay, who are on Rate B, also are likely either GV or LG ratepayers as well. It's just that the Rate B portion is that portion which is I've heard, I think, described as a "standby" rate in other jurisdictions. Is that appropriate?

A (Davis) Correct. The terms are typically "standby" or "backup". And that typically, and we have in our rates, and which is also very consistent across the industry, is a contract demand is set to say "we know your generator has a particular capacity of, let's say, you know, ten megawatts. And we'll set a contract demand of ten megawatts that is associated with your self-generation." Anything above that is regular firm service the customer would need that wouldn't be supplied by the generator, it's instead provided under a general service rate class. And these particular customers happen to be intermediate and large C&I, and that's why their supplemental service is either on Rate GV or Rate LG.

Q That's helpful. Now, moving on to Mr. DiPaola-Tromba, just a broad question about cost allocation and the LNS projects that you're describing.

Can you just briefly tell me how those costs are allocated, either to Eversource or amongst the varying utilities in the ISO region?

A (DiPaola-Tromba) I can speak to the -- how the ISO treats the regional cost versus the local. And I may need help from my colleagues here regarding how it translates into rates.

But, generally, ISO-New England defines their facilities as "PTF", Pool Transmission Facility, or "Non-PTF". And that it's essentially defined by the facilities that provide a regional benefit, those PTF facilities, which translate to the RNS, or Regional Network Service, rate.

The assets that are considered LNS, or non-PTF, are those that serve a local purpose for local load or local needs. And as a result, those will be assessed to Eversource in aggregate for the three companies, and then by share of load distributed amongst the ratepayers.

Q So, even for those LNS projects, the Public Service of New Hampshire ratepayers only pays a small portion that is proportional to their amount of load, compared to the overall amount of load of the three companies within the Eversource umbrella. Is that accurate?

A (DiPaola-Tromba) Correct.

Q And one final question for you. I think you note in your testimony that, in evaluating these projects, there is the general ISO processes, where they identify the need and evaluate alternatives. But there's also some discussion in your LCIRP related to this, is that accurate, your Least Cost Integrated Resource Planning, relative to transmission planning?

A (DiPaola-Tromba) Can you clarify the question?

Q Certainly. I'll rephrase and maybe be more specific.

So, when evaluating whether or not to invest in a transmission -- identify a transmission need, can you tell me about whether you consider non-transmission alternatives?

A (DiPaola-Tromba) Yes. The ISO stakeholder process goes through several stages up front at the study phase, where various alternatives, including NTAs, are considered. And then, as part of the stakeholder review process at the PAC Committee, there is also another additional review with stakeholders beyond ISO-New England and the transmission owners that talk through the alternatives, the costs, and the benefits as a result of those projects. So, non-transmission alternatives are considered. And if they provide the cost/benefit, as well as addressing the needs, they could be selected.

Q Can you tell me what types of non-transmission alternatives are considered?

A (DiPaola-Tromba) I can not. I'm not a -- my experience is not in system planning. I know generally types of non-transmission alternatives. But, specific to the ISO studies, I don't know the specifics.

Q When planning for possible non-transmission alternatives, do you communicate at all with the energy efficiency or demand response people within your company?

A (DiPaola-Tromba) I believe the system planners do, as well as the ISO-New England system planners.

MR. BUCKLEY: Thank you. No further questions.

CHAIRMAN HONIGBERG: Let's go off the record for a minute before you start, Mr. Dexter.

[Brief off-the-record discussion ensued.]

CHAIRMAN HONIGBERG: Mr. Dexter, you may proceed.

MR. DEXTER: Thank you.

BY MR. DEXTER:

Q So, I was a little confused by the questioning from Attorney Fossum about Exhibit 1 and Exhibit 2. Because when Attorney Fossum asked if there were any corrections to Exhibit 1, the answer across the panel was "no". And yet, Exhibit 2 seems to contain several corrections to Exhibit 1.

So, my question to the panel or to Attorney Fossum is, should, for purposes of this case, we just be looking at Exhibit 2? Is there any reason to continue to look at Exhibit 1?

CHAIRMAN HONIGBERG: Why don't we have Mr. Fossum address that question first. If he needs help from one of his witnesses, he can do that.

MR. FOSSUM: Thank you. I'm happy to. Yes. There was a need to update and correct the filing. The reason that, when asked "if there were any updates or corrections to what is in Exhibit 1?", that the answer was "no", is because Exhibit 1 itself is not being corrected or updated. It was being essentially replaced by Exhibit 2.

So, I think that's, getting around to the actual question is, no, there really is no reason at this point to consider the information in Exhibit 1. Exhibit 2 is the -- has the information that the Company would reply upon in this case.

CHAIRMAN HONIGBERG: So, perhaps a different way to frame the answers that your witnesses gave to the question "whether there were corrections needed to Exhibit 1?", would be to say "Yes, and they were made as part of Exhibit 2"?

MR. FOSSUM: That would be accurate, yes.

CHAIRMAN HONIGBERG: All right.

MR. FOSSUM: So, I apologize for the confusion.

CHAIRMAN HONIGBERG: Mr. Dexter, you need anything else on that?

MR. DEXTER: Just one further question. Do all of the Bates page numbers in Exhibit 2 match exactly to Exhibit 1?

MR. FOSSUM: I believe they do.

WITNESS MENARD: Yes.

MR. FOSSUM: Yes.

MR. DEXTER: Thank you. So then, I would like -- I guess I'll work with Exhibit 2, although all my notes are on Exhibit 1. So, I guess I'll work with Exhibit 2.

BY MR. DEXTER:

Q So, I wanted to turn to Bates Page 043 please. And is it correct that Column (B) represents all the rates that the Company has proposed for approval in this case?

A (Davis) Yes.

Q And are there any other items or rates that need -- that for which the Company is seeking approval in this case?

A (Menard) The Company is seeking approval of the

average rate change, which then specifically translates into these rates on Page 043. This is what will be reflected in the tariff update.
Q Which will be reflected in the tariff update? The average or the rates on Bates 043?
A (Menard) On 043.
Q Okay. Does any customer pay the average rate?
A (Menard) No.
Q Does the average rate appear in the tariff?
A (Menard) No, it does not.
Q Okay. And then, using the Residential Rate R as an example then, there's a Rate R, on Bates 043, number at the top right-hand corner, it's $0. -- sorry, "$0.02241". And if I were to turn to Bates Page 052, I would find that rate on Bates 052, would I not?
A (Davis) Yes.
A (Menard) Yes. It's in Column "D", on Line 24.
Q And Bates 052 is intended to depict the difference between the current rate -- rates and the proposed rates, correct?
A (Davis) Both the rate changes and the bill impacts for the usages represented.
Q And the only rate that's at issue in this case,

on Bates 052, is at Column (D), Line 24, again, the "$0.02241"?

A (Davis) That's correct.

Q Correct?

A (Davis) Yes.

Q And that's dollars per kWh, correct?

A (Davis) Yes.

Q Okay. And we had indicated -- you had indicated, the panel had indicated earlier that, except for Rate B, all the rates that are listed on Bates 043 represent an increase of 9.9 percent over existing rates, is that correct?

A (Davis) For the TCAM rate, yes.

Q For all the rates on Bates 043, except Rate B, is that right?

A (Davis) Correct.

Q So, what makes up the primary reasons for this 9.9 percent increase in these various rates?

A (Davis) If I could turn your attention to Bates 049, particularly Lines 15 through 17, what you will see is the "Target transmission revenue" that we want to design rates to, in Line 15, and Line 16 removes the Rate B allocated revenue requirement. And the remainder is the "161,526" -- well, "$161.526 million". That would be the portion of the total revenue requirement that would be recovered from all other rate classes other than Rate B.

Q Can I conclude from that answer then that the revenue requirement in this docket is higher than the revenue requirement supporting the underlying existing rates?

A (Menard) Yes. In words, the primary reasons for the increase is due to an increase in the LNS forecast. Comparing the current forecast to the previous forecast, LNS expenses went up $7.4 million. And that's mainly due to higher in-service amounts for 2018 for transmission projects, which increases that revenue requirement. And also, in 2019, higher revenue requirements associated with higher capital additions. So, the LNS forecast has increased.

Another piece is the decrease in the Hydro-Quebec ICC forecast expenses. The Forward Capacity Auction prices decreased from $9.551 per kW-month to 7.030.

There is also -- another factor is the

prior year overrecovery is lower than in the previous rate, due to RNS and LNS expenses being lower than forecasted, and the prior year overrecovery was higher than forecasted.

And finally, there was a decrease in the RNS forecast expense versus what was currently allowed in rates, and that was a decrease of about $1.1 million.

Q And some of what you said is on Bates 009 of your testimony, correct?

A (Menard) Correct.

Q So, starting with the LNS, I think you had said something about "in-service costs". Could you explain more what's behind the increase in the LNS, it appears to amount to 7.4 million --

A (Menard) Correct.

Q -- for Eversource customers?

A (Menard) So, LNS is the amount that PSNH is billed from ISO-New England. So, the rates that are set by FERC is what's factored into our forecast. And those rates are based on the revenue requirements, transmission revenue requirements. So, as a result of higher in-service dollar amounts for 2018 and projected into 2019, those drive the higher LNS rates.

Q So, I gather from that answer they're set by FERC, that these charges are billed according to a FERC-approved tariff, is that right?

A (Menard) Correct.

Q And I think what you're saying is there were additional facilities that were put in service this case versus last case that are LNS facilities, is that right?

A (Menard) The revenue requirements that support those LNS costs were higher.

Q Right. And that's my question. Why was the revenue requirement higher?

A (Menard) I don't know specifically why the revenue requirement was higher. But I would gather, subject to check, that it was due to more projects going in service.

Could also be a timing issue between what was assumed when the original revenue requirement was calculated and the new one. Maybe projects shifted, but --

Q And if I could direct the panel's attention to Bates 059, there are a dozen or so or two dozen or so projects listed on this page. There's two columns at the right-hand, "Total" and "PTF". Are these the projects, does the panel know, that caused the -- that were underlying the $7.4 million increase in LNS?

A (DiPaola-Tromba) I believe it to be a portion of the projects. These are the ones that are contributed by Northeast Utilities. And it's really the delta between Columns (D) and (E), which is the non-PTF portion, which translates to the LNS.

So, if all the costs are equal between PTF and total, then those are not in the LNS rate. If there's a delta, the delta would be in the LNS rate.

Q And there were other providers that put in similar facilities to these? We're just seeing the Eversource piece, is that right?

A (DiPaola-Tromba) That's my understanding.

Q Does PSNH or Eversource participate in the FERC proceedings where these rates are set?

A (Menard) I don't know the answer to that. Can you --

Q So, the -- I'm sorry?

A (Menard) We could follow up, if you'd like.

Q But the second asset -- the second reason you mentioned was Hydro-Quebec, you said the credits were smaller. So, could you explain for me briefly this Hydro-Quebec phenomenon and the notion of these credits? What do they represent?

A (Menard) There is a Hydro-Quebec transmission line that Eversource is a part owner in, has a share of that line. And as a result of that partial ownership, there are costs, support costs that the Company pays, and also there are credits that the Company receives. The credits I'm referring to are the Hydro-Quebec ICC credits.

In the last rate-setting, those credits were moved from the ES rate into the SCRC -- I'm sorry, into the TCAM rate, excuse me, which was about an $11 million credit.

Fast forward to this year, that was a one-time adjustment in the last rate. This rate has those credits included as base. So, that's a piece of the difference, but then the forward capacity prices have decreased, as I had stated before. And so, that's driving that credit to be lower, therefore the expense to TCAM customers is higher.

Q On Bates Page 007, you mentioned that "Eversource charged its proportionate share of O&M and capital for a thirty-year period ending in 2020". This is with respect to Hydro-Quebec support costs. What will happen after 2020 with respect to Hydro-Quebec costs and credits in the TCAM?

A (Menard) My understanding is the Company is in negotiations to take a look at that contract. And I don't know the results at this point. I think there are still negotiations going on. At this point, the contract ends unless extended.

Q And who's the contract between?

A (Menard) National Grid.

Q And Eversource?

A (Menard) And Eversource. And there might be some other players involved as well.

Q Is there any expectation that the facilities would be taken out of service at the end of the 30-year period?

A (Menard) Not that I am aware of.

Q Okay. Earlier in your testimony you had indicated that there were "no calls made yet" under the Demand Reduction Initiative that the Commission approved earlier this year in New Hampshire. Have there -- and my understanding is that there's a similar program that Eversource participates in in Massachusetts, is that right?

A (Menard) Correct.

Q Have there been any calls under the Massachusetts program to date?

A (Menard) Not that I'm aware of.

Q Would you expect that you would be aware of them if they had been?

A (Menard) No.

Q So, you don't know, really?

A (Menard) I don't know.

Q Okay. I had some questions on the lead/lag study in this docket. On Bates 013, there's a statement that says the lead/lag study methodology in this case was "substantially the same" as the one provided in a prior docket. Were there any changes at all? Or I guess I'm

asking about the use of the term "substantially", and if there were any changes, could you describe those changes now please?
A (Menard) The methodology itself did not change. However, the data in the study itself has been updated, which is the use of the word "substantially".
Q And in your testimony, direct testimony, you had indicated that there were inconsistent numbers for LNS in the filing. That had to do with the lead/lag study, correct?
A (Menard) Correct.
Q And those were corrected in Exhibit 2, so we now have consistent numbers in Exhibit 2. Is that right?
A (Menard) Yes.
Q Okay. I'd like to turn to Bates 034 for a minute. This is a schedule within the lead/lag study that attempts to depict the payment -- payments made for LNS during the calendar year 2018, correct?
A (Menard) Yes, it is.
Q And there are four vendors listed on the left-hand side. About two-thirds of the way

down the page, one of the vendors is listed as "Intercompany", correct?

A (Menard) Yes.

Q So, who are the parties within this intercompany -- within these intercompany payments?

A (Menard) That is the Eversource Service Company and PSNH.

Q And all of these transactions, it looks like there's one for every month, has a payment date. Do you see that over in Column (D)?

A (Menard) Yes, I do.

Q And I would assume, is it correct that there would be a due date associated with that payment date?

A (Menard) Yes.

Q In other words, when the bill comes out, there would be a due date on it?

A (Menard) Yes, there would be.

Q Is that right?

A (Menard) Yes.

Q Okay. Do you know how that -- how that is set? Who would determine the due date?

A (Bidmead) So, in the past, before this year, the rule of thumb that Accounting used was they would take the 22nd of the subsequent month. So, if it was a service period month of -- if you look at Line 25, it was a service period month of January, it would be February 22nd. It would have been the 22nd all the way down.

It did change, I guess, in '18. I'm not sure why the change happened. It's a very small change. I didn't have -- I didn't -- I talked to people to find out how it worked, but I didn't go to the next person to find out why did that change. He knows that -- he knows the certain day of the week, like a Monday or Tuesday, instead of the 22nd. I'm not sure why they changed that. It's a slight change in timing.

Q So, if I understand what you're saying, prior to 2018, the due date for these transactions would have been the 22nd of every month, is that right?

A (Bidmead) I'm sorry, that will be the payment date. That's all I looked for when we were following up with the payment date. I didn't look for the due date. So, I apologize.

Q Okay.
A (Bidmead) That last response was about payment date.
Q Was about payment date.
A (Bidmead) Sorry about that.
Q Okay. So, sticking with due date for a second. If we could look at Exhibit 3, and again, at the beginning of the hearing we identified that there's some information on Exhibit 3 that we're not going to make public, and I'm not going to ask you about that. But there is a payment due date on Exhibit 3 about halfway down the page of "July 9th, 2018". Do you see that?
A (Menard) I'm sorry. I don't have Exhibit 3.

MR. DEXTER: I have extras here.

(Atty. Fossum handing documents to the witnesses.)

WITNESS MENARD: Could you please restate that question?

MR. DEXTER: Sure.

BY MR. DEXTER:
Q About halfway down the page, there's a payment due date of "July 9th, 2018". Do you see that?

A (Menard) Yes, I do.
Q And how -- my question is, how is that due date established between the two affiliates?
A (Menard) I don't know the answer to that.
Q Okay. And just to put this in context, if I now go to Bates Page 034, the invoice that I handed out as "Exhibit 3" relates to Line 30, correct?
A (Menard) A portion of what is in Exhibit 3 relates to Bates Page *[sic]* Line 30. There's a number written on the side, "5,939,867". That is included in the Bates Page Line -- Bates Page 034, Line 30 number. You'll see the "549,910" is actually the line above that, the May number.
So, this exhibit was produced as part of a request for information to break out the 2017 true-up that was paid in June.
Q Okay. So, if I understand what you're saying, Line 30, on Exhibit **[**Bates Page**?]** 034 has a number of about six and a half million dollars?
A (Menard) Correct.
Q Is that right? And of that six and a half million dollars, roughly $5.9 million is

detailed on Exhibit 3, and it's entitled "true-up". There's three lines there that total up, and they all say "true-up", correct?

A (Menard) Yes.

Q Okay. So, before we get to the true-up, what makes up the other roughly half million dollars that's not covered by this invoice?

A (Bidmead) That's just a monthly -- it's just a monthly LNS expense for each month.

Q Okay. But it's not the two numbers above it that are totals on Exhibit 3, 5 million -- 549,000?

A (Bidmead) So, the "549,910" is on Line 29 on Bates Page 034.

Q And that's for May. Okay.

A (Bidmead) And then the 5,939 *[sic]* is included in the --

[Court reporter interruption.]

CONTINUED BY THE WITNESS:

A (Bidmead) So, this amount of "549,910", and that's on Line 29. And then there's a "5,939,867", and that's included as part of the amount on Line 30.

BY MR. DEXTER:

Q Okay. Thanks for that clarification. So, the 5.9 million that's labeled as a "true-up", could you explain what that's for?

CHAIRMAN HONIGBERG: Wait, before you do that.

BY CHAIRMAN HONIGBERG:

Q I'm still interested to the question that you didn't get an answer to. Is where -- what is the source of the delta between "6,495,676" and "5,939,867"?

A (Menard) Sure. There's two -- there's actually two numbers included in that 6,495,676. It's similar to what you have here on Exhibit 3. These are the May charges. There's a June charge. And so, if you -- one minute.

Okay. So, there is the normal bill, and we're just doing the calculation to see what the difference is. There's the normal bill, and then there's the true-up that's included in that six and a half million dollars.

A (Bidmead) Yes. The Line 30 should also include the June LNS expense of 555,809. The 5.9 million is just an annual number that happens every year sometime between May and July.

Q And that's what I thought the answer was, that it's just whatever is that month's version of a number that has been coming in in the neighborhood of $550,000 each month?

A (Menard) Yes.

A (Bidmead) Yes.

CHAIRMAN HONIGBERG: Okay. Mr. Dexter, you may proceed.

MR. DEXTER: Thank you.

BY MR. DEXTER:

Q So, turning back to the $5.9 million true-up, the bill that I'm looking at, Exhibit 3, says that that's a "2017 Annual True-up". So, what does that mean?

A (Menard) There is an annual true-up that ISO performs a calculation for and bills out once a year.

Q Okay. What is it that they're truing up?

A (Bidmead) I believe what they're doing is that, you know, they set the rates in 2000 -- they set rates and expenses are booked throughout the year, and then halfway through the following year they go back and see if everything fell out as expected or as according

to the way things were forecasted. So, --
Q So, is it -- I'm sorry, go ahead.
A (Bidmead) So, in theory, you would, if you went back to the 2017 actual months that we filed in the past, and then added this true-up, sometimes it's a credit, sometimes it's a charge. And then I believe that, when you add that to the 12 months actuals that had been reported in those actual months in the filings, then that would get you to the true LNS expense for that calendar year.
Q Okay. So, the true-up relates to services that were provided in 2017, is that correct?
A (Bidmead) Correct.
Q Okay. So, on Bates -- again, with the lead/lag study, on Bates Page 032, 033, 035, and 036, there are all sorts of payments, but the schedule doesn't indicate who the payments are made to. Could you tell me, on those four pages, who the payments are made to?
A (Menard) Those are ISO-New England bills. So, the payments are made to ISO-New England.
Q All four of them?

[Court reporter interruption.]

BY THE WITNESS:
A (Menard) You said "four". You said "Page 032" --
BY MR. DEXTER:
Q I can restate the numbers, if that's helpful. I was referring to Bates Page 032, --
A (Menard) Yes.
Q -- 033, 035, --
A (Menard) Yes.
Q -- and 036.
A (Menard) Yes. That's correct. ISO-New England.
Q Okay. And the payment dates for the Pages 032, 033, and 035 are all the same, and they're different on Page 036. And my question is, why would the payment dates be different for the costs that are paid on Bates 036, versus those other ones, if they're all going to ISO-New England?
A (Bidmead) So, on Bates Page 036, those are payments for an ISO bill issued straight to PSNH. For Bates Pages 032, 033, and 035, those are payments for ISO bills issued to Eversource.

Q And then, on the first three pages we talked about, where the bills are going to Eversource, do the payment dates relate to the date that Eversource paid the bill or PSNH?
A (Bidmead) Those are the dates that Eversource paid the bill.
Q On behalf of PSNH?
A (Bidmead) Correct.
Q Is there then a subsequent transfer between the two companies?
A (Bidmead) There is.
Q And is that listed on these pages?
A (Bidmead) No, it's not.
Q Do you know how many -- how long that takes after?
A (Bidmead) It's approximately -- it's about -- I think it's on the same timetable, as I said, I talked about the 22nd of the month, or now they changed it, it's about four to five weeks after the payment date you see here.
Q Four to five weeks?
A (Bidmead) Like the following month. So, for instance, on Bates Page 032, on Line 1. So, ISO -- I'm sorry, Eversource paid ISO on

February 16. And then what I've been told, and then the process is then, in the following month, the journal entry is booked, again, in the third week of March, to make all the segments of the Company, for lack of a better word, "whole" for these transactions -- for payments, rather.

MR. DEXTER: Could I take a moment to confer with Mr. Chagnon?

CHAIRMAN HONIGBERG: You may.

MR. DEXTER: Thank you.

(Atty. Dexter conferring with Mr. Chagnon.)

MR. DEXTER: That's all the questions Staff had.

CHAIRMAN HONIGBERG: Commissioner Bailey.

CMSR. BAILEY: Good morning.

WITNESS MENARD: Good morning.

WITNESS BIDMEAD: Good morning.

WITNESS DAVIS: Good morning.

WITNESS DIPAOLO-TROMBA: Good morning.

BY CMSR. BAILEY:

Q Bates Page 052, can you tell me which is the most typical customer?
A (Davis) I would say, on average, about the 600 kilowatt-hour customer.
Q Okay. Thank you. Do you know what the FERC approved rates for RNS and LNS are? Anybody? I think it's like on a dollar per kilowatt-year. And then last year I asked a record request, and you gave it to me in dollars per megawatt-hour.
A (Menard) I don't have that with me. But we could take another record request and get that information.

CMSR. BAILEY: Okay. Same record request as last year. It would be, "what are the FERC-approved rates for RNS and LNS, translated into dollars per megawatt-hour?" And if you could use the same format, that would be great.

CHAIRMAN HONIGBERG: Mr. Fossum, you got it?

MR. FOSSUM: Yes.

CHAIRMAN HONIGBERG: All right. That will be Exhibit 5.

(Exhibit 5 reserved)

WITNESS MENARD: Can I just clarify? You said "in dollars per megawatt" or "megawatt-hour"?

CMSR. BAILEY: Megawatt-hour.

BY CMSR. BAILEY:

Q I have a clarification question for you, Ms. Menard. You mentioned the decrease in the forward capacity price. And was your point that -- is that that was relevant because the Hydro-Quebec credit was based on a forward capacity price?

A (Menard) Yes. That's how it's valued.

Q Okay. There's nothing else in this filing that has anything to do with that, is that correct?

A (Menard) Correct.

CMSR. BAILEY: Okay. Thank you. I think that's all I have. Thank you.

CHAIRMAN HONIGBERG: Commissioner Giaimo.

BY CMSR. GIAIMO:

Q So, Ms. Menard, following up on that same point. As the FCM revenues go down as the clearing price goes down, that would have an impact as to whether or not you would continue the HQ commitment?

A (Menard) I don't know that that will be a deciding factor.

Q Okay. But it is a factor?

A (Menard) It could be a factor, yes.

Q Thank you. In your testimony, I'm on Page 5, you talk about the four elements of wholesale transmission: RNS, LNS, reliability, Scheduling & Dispatch. And we talked a little bit about LNS. Can you give an example of an LNS project? The projects on Bates 052 appear to be all reliability projects. So, what I think there are is they're various elements of a reliability project?

CHAIRMAN HONIGBERG: He meant "Page 059".

BY CMSR. GIAIMO:

Q I'm sorry, Page 059. So, the reliability projects contain local elements as well. And I just want to make sure I'm understanding that, and what local element it would be. Would that be a decision, a local decision to under-ground as opposed to above-ground wires? How would that play itself out?

A (DiPaola-Tromba) Yes. That is one example of a project. If we under-ground a project because of a local request through various regulatory requirements, then that would be a local charge.

Similar, if we are upgrading, let's say, bus work for the pool transmission facility, but you have associated protection systems that impact the distribution volt transformer, those could potentially be local -- LNS charges.

Q And local charges are unique to each utility, correct?

A (DiPaola-Tromba) Each project is based on the local need, which is for that utility, but they get charged as a rate based on their proportionate share.

Q So, all right. I see what you're saying. With respect to uplift, in the situation where there may be a local issue that's causing the dispatch of a unit in an area which incurs an additional cost, because that unit may be out of merit. How does that flow through the TCAM rate? And which bucket would that be? RNS, LNS, reliability, or Scheduling & Dispatch?

A (Davis) Maybe we could take a record request on that?

CMSR. GIAIMO: I'm fine with it. Is that okay?

CHAIRMAN HONIGBERG: Sure, if that's what you want. Mr. Fossum, do you understand the question being asked?

MR. FOSSUM: As I under -- apologies. As I understand it, if there is an uplift charge that's incurred, based upon a local issue that causes dispatch out of merit, in what -- where would those charges appear within the TCAM rate calculation? Is that correct?

CMSR. GIAIMO: That's correct. Yes.

CHAIRMAN HONIGBERG: All right. So that will be Exhibit 6.

(Exhibit 6 reserved)

BY CMSR. GIAIMO:

Q And is anyone on the panel aware of any local uplift associated with the past year that would flow into rates?

A (Menard) No.

A (DiPaola-Tromba) Not aware.

A (Menard) Not aware.

CMSR. BAILEY: Can we add that point to the record request? So just "were there any uplift charges?"

CHAIRMAN HONIGBERG: Mr. Fossum, you good with that?

MR. FOSSUM: And for what period?

CHAIRMAN HONIGBERG: I think during the period we're talking about here.

MR. FOSSUM: For the -- okay.

BY CMSR. GIAIMO:

Q With respect to the C&I Demand Reduction Initiative, could someone refresh my memory as to the cost of that? What the cost is going to be? And it was five megawatts, correct?

A (Menard) Yes. I don't have those costs with me. But we can get those.

CHAIRMAN HONIGBERG: Wait a minute. Wouldn't those costs be in the docket where that proposal was made?

WITNESS MENARD: Yes.

CHAIRMAN HONIGBERG: Yes. We're not going do a record request on it. If we want to look that up, we can look that up.

CMSR. GIAIMO: Absolutely.

MR. FOSSUM: And if it's helpful, it's $250,000.

CMSR. GIAIMO: Perfect.

CHAIRMAN HONIGBERG: Thank you, Mr. Fossum.

BY CMSR. GIAIMO:

Q Is it possible, we were told that there hadn't been an event yet that triggered a demand reduction, however it sounds like there could be something today, is the program limited to just weekdays or could we see something this weekend?

A (Menard) I don't believe it's limited to weekdays. However, that's when the majority of the load occurs, and that's when you would typically call it.

Q Right. But there could actually be a -- I'm not sure what the peak demand was, but there's actually, I would imagine, a slight chance that you could see a peak load on a weekend, if it reaches 115 degrees or something. So, anyway. But we'll find out more about that in that docket. I was just wondering if you know off the top of your head.

There was some discussion about -- Attorney Buckley asked questions about whether or not the five megawatts C&I is -- found it's way into the ISO CELT forecast. It would be my understanding, and you can tell me if this sounds correct, that even if it weren't in forecasts, *per se*, it would likely be in the next forecast, if the megawatts were actually -- if the reductions were seen in this year, you would see it embedded in next year's forecast. Does that sound correct?

A (Menard) Correct.

CMSR. GIAIMO: Okay. I think that's it. Thank you.

BY CHAIRMAN HONIGBERG:

Q Mr. Davis, looking at your exhibits that laid out the year over year and comparisons to the current rates, which are I think Bates 051, 052 maybe.

A (Davis) Yes.

Q The Energy Service charge, which is not changing in this docket, accounts for a decent percentage change overall on this, this chart,

does it not?
A (Davis) Yes, it does. Yes.
Q So, the customers who are not taking energy service from the Company will see this element increase, just as the energy service customers will, but they won't have the Energy Service offset, correct?
A (Davis) Correct. They --
Q However -- but just let me finish.
A (Davis) Yes, sir.
Q You'd agree with me that those who are taking from a competitive supplier have their own arrangements with whatever that competitive supplier is offering them, right?
A (Davis) Yes.
Q And in all likelihood, they are seeing the same market forces that affect their rates that affect your Energy Service rate, right?
A (Davis) That is my understanding, my experience, yes.
Q You'd be surprised if it were otherwise?
A (Davis) Correct.
CHAIRMAN HONIGBERG: All right. That's all I have.

Mr. Fossum, do you have any follow-up for your witnesses?

MR. FOSSUM: I do not. I would just like to take a moment, though, to confirm that right now I have three record requests that we'll be responding to.

What is being held for "Exhibit 4" is a question related to the inclusion of the Demand Reduction Initiative in the ISO forecast.

What is being held as "Exhibit 5" is a request for the FERC-approved RNS and LNS rates similar to last year, as provided last year.

And then what is being held as "Exhibit 6" is the recent question on the uplift costs and where they are in the filing.

So, with that understanding, we will answer those as quickly as we are able.

CHAIRMAN HONIGBERG: All right. There are no other witnesses.

So, without objection, we'll strike ID on Exhibits 1, 2, and 3. Hold the record open for Exhibits 4, 5, and 6, as Mr. Fossum just outlined.

(Chairman Honigberg and Commissioner Bailey conferring.)

CHAIRMAN HONIGBERG: Well, actually, Commissioner Bailey asked me a good question. Do we actually need Exhibit 1 at all?

MR. FOSSUM: Personally, I believe that it is relevant to keep, if only that, if somebody was to look at Exhibit 2 and see, for instance, the markings that say, you know, "this line was changed", somebody would be able to go into Exhibit 1 and see that difference.

It's not relevant to the decision that we're asking the Commission to make. It would be relevant only for somebody to make that kind of a comparison.

CHAIRMAN HONIGBERG: Thank you. I think I agree with that.

So, we're going to strike ID on Exhibit 1 -- well, so, we're striking 1, 2, and 3, holding for 4, 5, and 6.

I do want to make a suggestion, I guess I'll do it off the record, regarding Exhibit 3, when we're done. So, when we close the hearing, I want to have an off-the-record conversation about Exhibit 3.

So, if there's nothing else, let's have the parties sum up. Mr. Buckley, why don't you start us off.

MR. BUCKLEY: Thank you, Mr. Chairman.

The Office of the Consumer Advocate has taken the time to review the presented rates in the instant Petition, in particular those that have been amended in what we now call "Exhibit 2", the July 18th filing. And views those rates as just and reasonable, and recommends their approval by the Commission.

CHAIRMAN HONIGBERG: Mr. Dexter.

MR. DEXTER: Thank you.

Staff would likewise recommend approval of the proposed rates, with one caveat. We have identified what we believe are two issues that need to be explored further in the lead/lag study.

One of them had to do with the $6 million bill that appears to relate to services or does relate, according to the witnesses' testimony, to services from 2017. And we believe, therefore, that the period, the time period, the expense lead for that $6 million should be more properly reflected as a lot higher number than what's on the schedule.

Secondly, the witnesses indicated that the payment dates on many of the schedules depict the payment dates from Eversource. But then there's a subsequent payment from PSNH to Eversource. And we believe that needs to be explored further as to whether or not that additional payment time should be reflected in the lead/lag study.

So, Staff would recommend that the rates be approved. But that Staff be allowed additional time to consider these lead/lag issues, and any changes could be reflected in the upcoming reconciliation.

CHAIRMAN HONIGBERG: Mr. Fossum.

MR. FOSSUM: Thank you. I want to begin by actually thanking the Staff and the OCA for the time they took. I know that these filings generally work fairly quickly. But I think, as evidenced by the need for Exhibit 2 and the questioning this morning, I think it's clear they have taken the time to look at these filings in a meaningful way. And I just wanted to appreciate that.

I would echo the positions that what the Company is requesting, as reflected in Exhibit 2, are just and reasonable rates. And we would ask that they be approved as they have been filed and depicted in that exhibit.

With respect to the issues Mr. Dexter has raised regarding the lead/lag study, the Company is certainly open to further discussions about that study, or perhaps other materials, so that we can present information that is as helpful and useful as possible.

You know, as to whether the expense -- the specific items that he had raised, the expense lead relative to that $6 million payment, my understanding is that that has a corresponding revenue line elsewhere that should probably be adjusted in the other direction. So, with one comes the other, and we can certainly look at that.

The payment dates, perhaps that's simply making sure everybody has complete information, and perhaps it's more than that. But, regardless of what it is, we are open to further discussions with the Staff and the OCA, and with the proper people at the Company, to make sure that all of this information is reflected properly and that it results in calculations that are accurate.

So, I would reiterate that we believe these rates are just and reasonable and should be approved for effect on August 1st as requested.

CHAIRMAN HONIGBERG: All right. Thank you, Mr. Fossum.

Actually, I'm going to do this on the record. Since we did the discussion about Exhibit 3 on the record earlier, we're going to continue it. It strikes me that what we should do is take all of the extant copies of this exhibit and return them to Mr. Dexter, because they do contain confidential information. And that the records in our files contain a properly redacted exhibit that will obviate the need to create a lot of red folders with confidential information in them.

Any objection or any comment on that?

MR. FOSSUM: I will only comment that I believe Mr. Dexter had recommended that to those folks who were in the room before the hearing began. So, your understanding and his understanding appear to be entirely aligned on that issue, and the Company has no problem with that.

CHAIRMAN HONIGBERG: All right. Then, we're going to give those over to the Clerk and won't have them in our files. We'll get the corrected versions later.

So, with that, we will close the record, except for the record requests. And adjourn the hearing, take the matter under advisement, and issue an order as quickly as we can. We're now off the record.

(Whereupon the hearing was adjourned at 11:46 a.m.)