

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 10, 2008 - 1:34 p.m.  
Concord, New Hampshire

NHPUC JUN14'10 PM 4:35

RE: DE 08-015  
UNITIL ENERGY SYSTEMS, INC.:  
Default Service Proposals for  
Request for Proposals for Default  
Service for the Company's G1 and  
Non-G1 Customers. (Hearing regarding  
petition for approval of Default  
Service solicitation for the G1 customers  
for the period February 1, 2009 through  
April 30, 2009)

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below

Sandy Deno, Clerk

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:  
Gary M. Epler, Esq.

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.

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

ORIGINAL

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

## I N D E X

PAGE NO.

WITNESS PANEL:            ROBERT S. FURINO  
                                 LINDA S. McNAMARA

Direct examination by Mr. Epler	7
Cross-examination by Ms. Amidon	11, 24
Cross-examination by Mr. McCluskey	21, 26
Interrogatories by Cmsr. Below	28
Interrogatories by Chrmn. Getz	30

\*   \*   \*

## E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
12	Petition for Approval of Default Service Solicitation and Proposed Default Service Tariffs (12-05-08)	4
13	Tab A - Confidential Attachment (12-05-08) CONFIDENTIAL & PROPRIETARY	4

## CLOSING STATEMENTS BY:

Ms. Amidon	31
Mr. Traum	32
Mr. Epler	32

## P R O C E E D I N G S

1  
2 CHAIRMAN GETZ: Okay. Good afternoon,  
3 everyone. We'll open the hearing in docket DE 08-015. On  
4 December 5, 2008, Unitil Energy Systems filed a petition  
5 for approval of a Default Service solicitation for its G1  
6 customers for the period February 1, 2009 through April  
7 30, 2009. Unitil also seeks approval to discontinue the  
8 requirement to solicit bids with both energy capacity and  
9 energy only fixed price bids. A secretarial letter was  
10 issued on December 8 setting the hearing for this  
11 afternoon.

12 Can we take appearances please.

13 MR. EPLER: Yes. Good afternoon, Mr.  
14 Chairman and Commissioners. Gary Epler, on behalf of  
15 Unitil Energy Systems, Inc.

16 CMSR. BELOW: Good afternoon.

17 CMSR. MORRISON: Good afternoon.

18 CHAIRMAN GETZ: Good afternoon.

19 MR. TRAUM: Mr. Chairman and  
20 Commissioners, the OCA is not making an appearance at this  
21 time. I'm simply observing. However, if something  
22 unexpected comes up in the proceeding that would have a  
23 precedential impact on residential customers, then I may  
24 seek to intervene.

1 CHAIRMAN GETZ: Thank you.

2 MS. AMIDON: Suzanne Amidon, for  
3 Commission Staff. And, with me today is George McCluskey,  
4 who is a Utility Analyst with the Electric Division.

5 CMSR. BELOW: Good afternoon.

6 CMSR. MORRISON: Good afternoon.

7 CHAIRMAN GETZ: Good afternoon. I see  
8 we have our witnesses ready to go. Anything we need to do  
9 before you proceed, Mr. Epler?

10 MR. EPLER: No, I'm ready to proceed.  
11 Thank you, Mr. Chairman.

12 (Whereupon Robert S. Furino and Linda S.  
13 McNamara were duly sworn and cautioned  
14 by the Court Reporter.)

15 MR. EPLER: Mr. Chairman, following the  
16 practice in previous dockets, I would like to have the  
17 volume that contains the testimony and exhibits marked as  
18 "Exhibit Number" -- "UES Exhibit Number 12", I believe  
19 that's where we're at at this point. And, then, there's  
20 confidential material, if I could have that marked as "UES  
21 Exhibit Number 13".

22 CHAIRMAN GETZ: So marked.

23 (The documents, as described, were  
24 herewith marked as Exhibit 12 and

1                   **Exhibit 13**, respectively, for  
2                   identification.)

3                   MR. EPLER: And, there are just two  
4                   items I just want to draw your attention to. One is that  
5                   there is, as compared to previous solicitations, there is  
6                   an additional approval that we are requesting. And, that  
7                   is in the petition, on Page 4 of 5, the last approval,  
8                   Paragraph 8, where we are -- UES is requesting authority  
9                   to discontinue the requirement that bidders submit both  
10                  energy and capacity and energy only fixed price bids.  
11                  That's addressed in the testimony, but I just wanted to  
12                  draw your attention to that.

13                  And, one other item. In the Motion for  
14                  Confidential Treatment, there was one other e-mail that I  
15                  would request to be included within that motion. There  
16                  was an e-mail I sent to Attorney Amidon this past Friday,  
17                  December 5th, that contained some confidential material.  
18                  So, I would request orally to amend that motion, if  
19                  there's no objection.

20                  MS. AMIDON: Could I ask Attorney Epler  
21                  to correct something on Page 3 of 6 of his Motion for  
22                  Confidential Treatment?

23                  MR. EPLER: Absolutely.

24                  MS. AMIDON: If you go to the very last

1 sentence that's right above Paragraph 4, you say the bid  
2 information supplied "on June 6, 2008". I believe that  
3 might have been --

4 MR. EPLER: Yes, that's --

5 MS. AMIDON: -- November 26th or  
6 something of that nature, but I think --

7 MR. EPLER: Where -- I'm sorry, what  
8 page? You're on Page 3 --

9 MS. AMIDON: Three of six of your Motion  
10 for Confidential Treatment. And, if you look at the end  
11 of the Paragraph Number 3, it references "June 6, 2008".

12 MR. EPLER: Oh, yes. Yes. No, that's  
13 incorrect. Yes. I apologize.

14 MS. AMIDON: I believe it's November 26,  
15 but if would like to --

16 MR. EPLER: Yes, it is November 26.

17 MS. AMIDON: All right. Thank you.

18 CHAIRMAN GETZ: And, Ms. Amidon, you  
19 have no objection to the amendment for the additional  
20 e-mail?

21 MS. AMIDON: No, I do not.

22 CHAIRMAN GETZ: Mr. Epler.

23 MR. EPLER: Yes.

24 **ROBERT S. FURINO, SWORN**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

LINDA S. McNAMARA, SWORN

DIRECT EXAMINATION

BY MR. EPLER:

Q. Ms. McNamara, can you please state your full name, title and business address for the record.

A. (McNamara) My name is Linda S. McNamara. I'm a Senior Regulatory Analyst for Unutil Energy Systems. The address is 6 Liberty Lane West, in Hampton, New Hampshire.

Q. And, can you summarize your current job responsibilities at UES -- USC, I'm sorry?

A. (McNamara) My main responsibilities are involved preparing the Unutil Energy Systems Default Service filings. I also am in charge of the tariffs.

Q. Okay. And, can you please turn to the Exhibit that's been marked "Unutil Exhibit Number 12", and to the tabs marked "Exhibit LSM-1" and the schedules that follow, and also to the last page in Unutil Exhibit Number 13. And, were these materials prepared by you or under your direction?

A. (McNamara) Yes, they were.

Q. And, do you have any changes or corrections at this time?

A. (McNamara) No.

[WITNESS PANEL: Furino|McNamara]

1 Q. And, do you adopt these as your testimony in this  
2 proceeding?

3 A. (McNamara) Yes.

4 Q. Mr. Furino, can you please state your full name,  
5 business title, and address for the record?

6 A. (Furino) Robert S. Furino, Director of Energy  
7 Contracts, Unitil Energy Systems, 6 Liberty Lane West,  
8 Hampton, New Hampshire.

9 Q. And, could you turn to the same documents, Unitil  
10 Exhibit Number 12, and the tabs marked "Exhibit RSF-1"  
11 and the schedules that follow, as well as the bulk of  
12 the material that's in Unitil Exhibit Number 13, with  
13 the exception of the last page. And, were these  
14 prepared by you or under your direction?

15 A. (Furino) Yes.

16 Q. And, do you have any changes or corrections at this  
17 time?

18 A. (Furino) No, I don't.

19 Q. And, do you adopt these as your sworn testimony in this  
20 proceeding?

21 A. (Furino) Yes, I do.

22 MR. EPLER: Mr. Chairman, at this time I  
23 can proceed with a brief summary of the witnesses. But I  
24 have noted that the Chair has requested in some other

{DE 08-015} {12-10-08}

1 proceedings that witnesses not do a summary. I'm willing  
2 to go either way.

3 CHAIRMAN GETZ: Well, we've had the  
4 opportunity to read the prefiled testimony. So, I think  
5 we can dispense with the summary.

6 MR. EPLER: Okay. The questions I was  
7 going to ask are contained in the prefiled direct.  
8 There's no additional information.

9 CHAIRMAN GETZ: I think the only thing,  
10 unless you wanted to have them expand or if you're going  
11 to go into it on closing, any arguments about the proposal  
12 to discontinue the requirement for both energy and  
13 capacity and energy only fixed price bids.

14 MR. EPLER: Sure. I can do that.

15 BY MR. EPLER:

16 Q. Mr. Furino, you heard the reference of the Chair to the  
17 additional approval that we're requesting in our  
18 petition, to discontinue the practice of soliciting for  
19 energy and capacity and energy only bids. Can you  
20 explain, just give a little background on that  
21 requirement, and also explain why the Company is  
22 seeking relief for that requirement at this time?

23 A. (Furino) Yes. Certainly. The requirement to solicit  
24 for pricing which both includes and excludes the cost

1 of capacity was intended as an interim measure to  
2 protect customers from excessive capacity prices due to  
3 uncertainty in the New England capacity market. When  
4 this measure was adopted, it was unclear whether the  
5 value of capacity would be essentially zero dollars per  
6 kilowatt-month, which is how they price capacity, as it  
7 had been for a number of years, or whether it might be  
8 as high as \$15 per kilowatt-month under the Locational  
9 ICAP market structure, which included the artificial  
10 kinked-demand curve that the ISO had been proposing at  
11 the time.

12 Currently, ISO-New England is wrapping  
13 up their second Forward Capacity Auction, and the  
14 Forward Capacity Market rules are now clearly defined.  
15 Given this change in circumstance, the Company believes  
16 that this interim measure is no longer required. And,  
17 the Company proposes to begin soliciting for a full  
18 requirements service beginning with its next  
19 solicitation.

20 Q. And, also just to clarify, so the record is complete,  
21 Mr. Furino, could you just state who the contract was  
22 awarded to?

23 A. (Furino) Yes. We awarded this contract to FPL Energy  
24 Marketing.

1 MR. EPLER: Okay. At this time, I have  
2 no further direct and tender the witnesses for  
3 cross-examination.

4 CHAIRMAN GETZ: Okay. Ms. Amidon.

5 MS. AMIDON: Thank you. Good afternoon.

6 CROSS-EXAMINATION

7 BY MS. AMIDON:

8 Q. Mr. Furino, on Page 13 of the filing, which is Page 11  
9 of your testimony, you said "UES had observed some  
10 availability of Class 4 RECs", and that would be the  
11 small hydros. And, you further say that you "purchased  
12 approximately 20 percent of the 2008 requirements."  
13 How did you conduct those purchases?

14 A. (Furino) Yes, the volume we purchased was 1,000, 1,000  
15 RECs. Each REC is a megawatt. We are in regular  
16 contact with brokers, and we're also in regular contact  
17 with entities that sell directly. So, this actually  
18 was a bilateral purchase. We contracted with the  
19 company who's going to provide these RECs. It is a  
20 unit-contingent purchase.

21 Q. And, by "unit-contingent", you mean?

22 A. (Furino) It's tied to a specific hydro facility. And,  
23 presuming that they are generated, we will be entitled  
24 to them.

[WITNESS PANEL: Furino|McNamara]

1 Q. So, you have a contract with a hydro facility where  
2 they agreed to sell Unitil 1,000 Class 4 RECs. And, is  
3 that at the \$26 price that you have in your testimony?

4 A. (Furino) That's actually at a price of \$24.

5 MS. AMIDON: Now, is that confidential,  
6 Mr. Epler? I don't know if it is.

7 MR. EPLER: Mr. Furino, do you believe  
8 this material should be confidential?

9 MS. AMIDON: I'm wondering if the price  
10 of the RECs in the bilateral contract is confidential?

11 WITNESS FURINO: The current price, the  
12 current market price for RECs is in that range. So, in  
13 that sense -- we have not disclosed who the provider of  
14 those are. So, I believe we'll be fine from a  
15 confidentiality standpoint.

16 MS. AMIDON: I'm sorry?

17 WITNESS FURINO: I have not mentioned  
18 who that purchase was made from, that sale was made by.

19 MR. EPLER: So, we're not requesting  
20 confidential treatment of the amount.

21 WITNESS FURINO: Right.

22 BY MS. AMIDON:

23 Q. And, so, -- And, it's 24?

24 A. (Furino) \$24 per megawatt per REC.

{DE 08-015} {12-10-08}

1 Q. Thank you. Did you consider asking the Default Service  
2 suppliers to provide Class 4 RECs to the Company?

3 A. (Furino) No, we have not. This -- did not consider  
4 that. We previously stated our position with regard to  
5 acquiring the RECs and managing the compliance for the  
6 RPS requirement.

7 Q. Did you consider using an RFP to solicit RECs?

8 A. (Furino) We have not considered a stand-alone RFP  
9 process for acquiring the RECs needed for RPS  
10 compliance.

11 Q. Is this something that you would not consider in the  
12 future or is this -- in other words, you would never  
13 consider using an RFP to acquire RECs?

14 A. (Furino) Oh, I wouldn't rule it out. I would simply  
15 state that the flexibility that one has to purchase  
16 these RECs when they become available, I believe, is  
17 the most efficient way to do so.

18 MS. AMIDON: One moment please.

19 (Short pause.)

20 BY MS. AMIDON:

21 Q. Do you think, Mr. Furino, that purchasing at an RFP  
22 would allow the Company to procure the RECs at the  
23 lowest market price?

24 A. (Furino) Issuing and conducting an RFP for those

[WITNESS PANEL: Furino|McNamara]

1 requirements would result in the best price at the time  
2 that it was issued, certainly.

3 Q. Okay. And, what is the basis for your expectation that  
4 the market value of Class 4 RECs would be \$26 per REC  
5 for 2009, when I think that the ACP for 2007 was in the  
6 neighborhood of \$28?

7 A. (Furino) Right. The ACP for 2007 was \$28. And, you  
8 know, we list in the testimony, I think it may be  
9 \$28.72, something like that, for 2008. And, then, the  
10 2009 number, we can look this up as well. But, in any  
11 case, you know, we have seen some liquidity. This is  
12 the same value that we proposed three months ago during  
13 our bundled solicitation. And, we haven't seen that  
14 prices have changed or moved significantly since then.  
15 We have been getting regular weekly updates from the  
16 Commission, which are very helpful, in listing the  
17 units that are qualified and that have applications  
18 pending for qualification. And, you know, we use that  
19 information to broadly assess what we're hearing  
20 through the broker markets.

21 Q. So, the \$26 is based on the contacts in the market,  
22 your contacts with the brokers and other entities that  
23 procure RECs or sell RECs?

24 A. (Furino) Right. For instance, yesterday I received a

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 broker sheet that quoted the Class 4 RECs at \$25, and  
2 that would come through with a broker fee on top of it,  
3 which would move us pretty close to the \$26.

4 Q. And, if I read your testimony correctly, in calculating  
5 the Consumer Price Index, to make the adjustment in  
6 your calculation of the 2009 Alternative Compliance  
7 Payment for Class 4 RECs, you used the same value that  
8 was applied at the beginning, I think, of 2008, is that  
9 right?

10 A. (Furino) That's correct.

11 Q. And, what percentage was that?

12 A. (Furino) I'd have to check, I'm sorry. It might be 3.  
13 something percent, in the area of 3 percent.

14 MS. AMIDON: Okay. I don't think I need  
15 a record request on that, Mr. Chairman.

16 BY MS. AMIDON:

17 Q. Okay. Moving onto a different subject. Do you recall  
18 the Company agreed to track administrative costs  
19 associated with the administration of energy service to  
20 have a better component of administrative costs in the  
21 Energy Service rate?

22 A. (Furino) Yes. The tracking of administrative time?

23 Q. Yes. And, could you just give us an update on how  
24 that's going?

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 A. (Furino) Certainly. We have, as a department, Unitil's  
2 Energy Contracts Department has been directly billing  
3 its time for Default Service related activities, as  
4 outlined in the memo that we passed. All those  
5 activities have been reported regularly on the monthly  
6 time reporting that is done. And, so, we could go to  
7 our systems and query each month what has been billed.

8 Q. Great. And, when do you expect to be filing a report  
9 with Staff?

10 A. (Furino) I have not --

11 Q. After you have collected a certain amount of data?

12 A. (Furino) Right. I think we may have been thinking of  
13 collecting a year's worth of data.

14 Q. Okay. That's makes sense.

15 A. (Furino) Which means Summer of -- that period would end  
16 the Summer of 2009.

17 Q. Thank you. You've selected an all-inclusive energy and  
18 capacity bid in this solicitation. What I want to know  
19 is, how does the price of this commodity, meaning the  
20 energy and capacity together, compare with the price of  
21 the energy and capacity in the current rate? In other  
22 words, did the energy and capacity, and I'll just call  
23 it the "commodity cost", did the commodity cost go up?  
24 And, if so, by how much? Did the commodity cost go

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 down? And, if so, by how much, in percentage terms?

2 A. (Furino) And, to get a clarification, are you asking  
3 about the combined price? The total price?

4 Q. I'm talking about -- yes.

5 A. (Furino) Yes.

6 Q. The energy and capacity, that price. Not the rates,  
7 but the --

8 A. (Furino) Yes. Okay. The wholesale cost?

9 Q. Yes.

10 A. (Furino) Page 14, stamped Page 14 of the confidential  
11 attachment. It lists the monthly contract prices that  
12 we've procured for G1 service, going back to the  
13 beginning of this, in May 2006, this process. And, we  
14 summarized each, the weighted three-month price. And,  
15 we're also doing percentage comparisons, it should be  
16 period over period and then year over year. So, the  
17 current pricing --

18 Q. Yes.

19 A. (Furino) I see that our exhibit is incomplete. I  
20 apologize for that. We can turn to -- turn back a few  
21 pages. And, if you look at stamped Page 10, under "Bid  
22 A", you see that the price for the current solicitation  
23 is "\$86.72" per megawatt. And, if you turn back to  
24 that exhibit on Page 14, which includes the historical

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 information, you see that the current contract price  
2 had a weighted average of "\$97.63". So, there's a \$10  
3 reduction in that price.

4 Q. Yes. I can't see on Page 10 the number that you  
5 mentioned. Do you mean "87.62"?

6 A. (Furino) 87.62.

7 Q. Okay. Because I think you said something, which was  
8 why I was confused.

9 A. (Furino) I apologize.

10 Q. So, it's the 87.62, compared with --

11 A. (Furino) 97.63, which is in the shaded region that is  
12 highlighted to show November 2008 through January 2009.

13 Q. So, as a percentage reduction, what would that be?

14 A. (McNamara) Ten.

15 Q. Roughly 10 percent?

16 A. (Furino) Yes, a little more than 10 percent, yes.

17 Q. Okay. And, okay, now that we've established that, Ms.  
18 McNamara, you say in your testimony that, roughly, that  
19 the rate impact for the G1 customers is a decrease in  
20 the rate, the overall rate, which includes the RPS  
21 adder and other elements, of 6.5 percent. So, what  
22 accounts for the difference between the 10 percent  
23 decrease in the commodity price and the 6.5 percent  
24 decrease in the rates?

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 (Cellphone ringing.)

2 MR. EPLER: I apologize, Mr. Chairman.

3 MS. AMIDON: I wish I had a camera.

4 (Short pause.)

5 MS. AMIDON: Are we all set, Gary?

6 MR. EPLER: Yes.

7 BY MS. AMIDON:

8 Q. So, could you explain what accounts for the  
9 differences? The commodity price went down a little  
10 bit over 10 percent, and your average decrease is  
11 6.5 percent. So, could you explain why there's that  
12 disparity? What accounts for it?

13 A. (McNamara) I haven't done an analysis on that.  
14 However, my guess would be it could only be two things.  
15 One, there was a slight increase in the amount of  
16 uncollected -- provision for uncollected accounts in  
17 this filing versus the other one. That most likely  
18 wasn't the driver, because it was not very large, the  
19 difference. Most likely, it just is a result of going  
20 from a wholesale number to a retail number.

21 Q. Well, on Page 82 to the filing, which is Page 3 of your  
22 testimony, there's a footnote. And, let me get there.  
23 You see where I am?

24 A. (McNamara) Uh-huh.

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 Q. And, it indicates that, for -- that the rate for the  
2 period that we're talking about today, February 1  
3 through April 30th, 2009 includes an under recovery of  
4 about \$103,000, is that correct?

5 A. (McNamara) Yes.

6 Q. And, this recovery -- was this recovery approved in a  
7 prior docket?

8 A. (McNamara) Yes, it was.

9 Q. And, so, could you please explain, just refresh my  
10 recollection on how this under collection came about?

11 A. (McNamara) The Company reconciles, in essence, once a  
12 year with its March filing, with its March Default  
13 Service filing. We present the amount that we are  
14 under collected or over collected as of April 30th of  
15 each year. And, then, we divide that out throughout  
16 the year. For the Non-G1 class, it will be -- we split  
17 it in two, essentially. And, we base that on  
18 kilowatt-hours, estimated kilowatt-hours for the year,  
19 the upcoming year. And, for the G1 class, we do that,  
20 we divide it into four pieces, again, based on  
21 estimated kilowatt-hours for each quarter. So, at the  
22 time, when we decided -- when we made these amounts  
23 that are list in the footnote, the per kilowatt-hour  
24 amount is the same. Now, if there's a change to the

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 estimated purchases for any particular quarter, which  
2 is what we use to derive -- ultimately derive the  
3 retail rate, because we use the loss factor, then the  
4 per kilowatt-hour amount of under or over collection  
5 would, of course, change.

6 Q. So, is it likely or do you not know whether these costs  
7 are energy costs that were incurred in some period  
8 prior to the most recent reconciliation? Do you know  
9 what the cost causer is?

10 A. (McNamara) This amounts were from April 30th, 2008, or  
11 before.

12 Q. So, would they -- do you think that they are the cost  
13 of the power or is there some other element?

14 MS. AMIDON: Yes, I'm going to -- George  
15 has -- excuse me, Mr. McCluskey would like to ask a  
16 question.

17 BY MR. McCLUSKEY:

18 Q. I guess what Staff is trying to determine is the reason  
19 for the difference between the 10 percent reduction in  
20 commodity and capacity costs and the reduction of over  
21 3 percent less with regard to the rate, the retail  
22 rate. And, I believe the primary reason is for -- is  
23 the reconciliation piece. The significant increase in  
24 the reconciliation that is reflected in the retail

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 rate. You're showing, for this three-month period,  
2 \$103,000 as being the reconciliation for the G1 class.  
3 That seems a fairly large amount for G1 customers.  
4 Could you explain what was the driver for the large  
5 under collection, which, on an annual basis, was over  
6 \$400,000?

7 A. (McNamara) I honestly don't recall exactly, when we  
8 explained this in the March time frame, --

9 Q. Okay.

10 A. (McNamara) -- what the driver was for that under  
11 collection. The only thing that would ever create an  
12 under or over collection in Default Service rates, it  
13 would be, of course, the amount -- the difference in  
14 purchases and sales. It would be a purchase amount.  
15 That's the primary cost input into Default Service  
16 rates.

17 Q. I suspect the difference could be the difference  
18 between the rates themselves that were in effect and  
19 the actual power costs. If the Company underestimated  
20 what its power costs were going to be, relative to its  
21 rates, then it would undercollect its power costs?

22 A. (McNamara) That would generally be true. Not in this  
23 case, because we know what the power costs are going to  
24 be. You know, Mr. Furino has gone out and contracted

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 for a certain price, and that's the price that we pay.

2 Q. Yes.

3 A. (McNamara) The way the retail rates are now determined  
4 for Default Service is we look at the wholesale price  
5 and we apply a loss factor to that. So, in any  
6 particular month, the loss factor, I believe we used  
7 4.591 percent for the large class. Of course, in any  
8 one month, the loss factor isn't 4.591, it fluctuates.  
9 So, on average, that amount. So, you will create an  
10 under or over collection. The six and a half percent  
11 retail reduction in the rates is on a total bill. So,  
12 there are, of course, other pieces to a total bill,  
13 besides just the Default Service. So, that would  
14 create the -- the reduction or increase in the  
15 wholesale prices is never what you would see on a  
16 retail bill.

17 Q. Okay. Well, if it's not an underestimation of the  
18 Company's power costs, then it does leave a question to  
19 be answered, which I guess we can determine ourselves  
20 by looking at the record from the reconciliation  
21 proceeding, which we will do.

22 A. (Furino) There is a modest impact from the RPS  
23 requirements. In other words, in the prior term, we  
24 had one month of 2009 pricing. Then, the current term

{DE 08-015} {12-10-08}

1 we have one month of 2009 RPS compliance, which has  
2 additional requirements. Each year the requirements  
3 are increased. In this current procurement, we have  
4 all three months. So, there are two additional months  
5 that have additional requirements under RPS.

6 MR. McCLUSKEY: Okay.

7 BY MS. AMIDON:

8 Q. So, for the three month period, it's probably in the  
9 filing, but I notice that you expect from February  
10 through April it will be \$44,900. Do we know what it  
11 is for the comparable period, for example, the period  
12 we're in now, that ends on January 31st?

13 A. (Furino) It's approximately \$10,000 less.

14 Q. Yes. Okay. How many -- I think I just have a couple  
15 more questions. How many customers do -- large  
16 customers do you still have on, obviously, it would be  
17 large customers, how many customers do you still have  
18 on Default Service, as opposed to those who have gone  
19 to competitive supply?

20 A. (Furino) We have two-thirds of the loads are on  
21 competitive supply. So, 35 percent of sales are on  
22 Default Service. And, you know, we have an attachment  
23 in the filing.

24 Q. So, from the attachment, it looked like it was in the

[WITNESS PANEL: Furino|McNamara]

1 neighborhood of 65 or so? I was just trying to get it  
2 for the record.

3 A. (Furino) Yes, I have 85 customers.

4 Q. Oh, 85.

5 MR. EPLER: Just to clarify the record,  
6 could you give a page citation for that please,  
7 Mr. Furino.

8 WITNESS FURINO: I'm sorry?

9 MR. EPLER: If you could, just to  
10 clarify, could you give a page citation?

11 WITNESS FURINO: Yes. On Page 77 of the  
12 filing.

13 MR. EPLER: Thank you.

14 WITNESS FURINO: Which is Page 2 of 2,  
15 Schedule RSF-3.

16 BY MS. AMIDON:

17 Q. And, the next -- the last question I have is, what do  
18 you anticipate in your next solicitation filing with  
19 the Commission? Approximate timing and what will you  
20 be looking for approval?

21 A. (Furino) Well, our next solicitation will be another  
22 three month solicitation for G1 customers. And, we'll  
23 have two slices for Non-G1 customers, each for  
24 25 percent of supply requirements, with durations of

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 one year and two years. The supplies will all begin  
2 May 1st, 2009. And, we plan to issue the RFP for this  
3 on February 3rd, 2009, with a filing March 13th, for  
4 anticipated approval on March 20th, 2009.

5 MS. AMIDON: Thank you. And, then,  
6 Mr. McCluskey has some additional questions.

7 BY MR. McCLUSKEY:

8 Q. Mr. Furino, the Company's proposal to discontinue  
9 requesting bids for energy only service and also the  
10 separate capacity service, does that mean that the  
11 Company's filing will no longer contain the estimated  
12 cost of capacity?

13 A. (Furino) Correct.

14 Q. Okay. And that -- I understand that makes sense. But,  
15 so now the Company will request bids for energy and  
16 capacity as a single product. How will the Company  
17 determine whether those bids are reflecting market  
18 conditions?

19 A. (Furino) The same way we do now for, you know, the  
20 energy only portion. If you have a competitive  
21 solicitation, you know you have a certain number of  
22 bidders who are doing everything they can to whittle  
23 the cost down to earn the load, then that's -- that's  
24 always been the litmus test. If you have a competitive

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 solicitation, then we have comfort that we have  
2 competitive prices.

3 Q. But the Company has also tracked changes in the cost of  
4 natural gas and power purchases in the New England  
5 market as a guide to determine whether the bids are  
6 sufficiently at market, put it that way. Will the  
7 Company no longer do that?

8 A. (Furino) Are you referring to the exhibits that we  
9 include in the testimony that show prior period and  
10 prior year other year solicitation results based on  
11 changes in the NYMEX contracts and the ISO's  
12 over-the-counter contract?

13 Q. I am.

14 A. (Furino) Yes, we would continue to do that.

15 Q. So, that -- those schedules were useful in determining  
16 whether the energy component of the bid was  
17 sufficiently competitive. What about when the bid now  
18 is a combination of capacity and energy? Will that  
19 analysis still be meaningful?

20 A. (Furino) Well, I think it will. In fact, you know,  
21 we've procured under energy and capacity terms --

22 Q. Uh-huh.

23 A. (Furino) -- predominantly. And, so, that, in that  
24 sense, it really isn't a change in what we're comparing

{DE 08-015} {12-10-08}

1 in those schedules.

2 MS. AMIDON: That's all we have. Thank  
3 you.

4 CHAIRMAN GETZ: Mr. Traum?

5 MR. TRAUM: No questions.

6 BY CMSR. BELOW:

7 Q. Just one clarification. Ms. McNamara, if you turn to  
8 Page 89 of the filing, your Schedule LSM-3, Page 1 of  
9 2.

10 A. (McNamara) Yes.

11 Q. And, near the bottom, there's a line "Default Service  
12 Charge" that shows for a typical Large General customer  
13 the "current rate" and "as revised", and the current  
14 rate drops from 10.923 cents to 9.923 cents, a one cent  
15 per kilowatt-hour drop, is that correct?

16 A. (McNamara) Yes.

17 Q. And, that's approximately a 9 percent drop, compared to  
18 the current rate, is that correct?

19 A. (McNamara) I'll take your word for it.

20 Q. Okay.

21 A. (McNamara) Looks like it.

22 Q. And, it's about, of the total part of the bill that's  
23 charged on a kilowatt-hour basis, as opposed to fixed  
24 charges or kVa charges, that's a 6.5 percent drop, is

[WITNESS PANEL: Furino|McNamara]

1 that correct?

2 A. (McNamara) Yes.

3 Q. Or, actually, is that 6.5 percent of the total bill,  
4 not just --

5 A. (McNamara) I'm sorry, could you repeat your question.

6 Q. Well, I'm trying to clarify. That 6.5 percent drop,  
7 why don't you tell me what that is? Is that the total  
8 bill, including the fixed charges and kVa charges?

9 A. (McNamara) Yes, that is the total bill.

10 Q. Okay. All right. So, it's roughly a 9 percent drop of  
11 the Default Service Charge portion, but only  
12 6.5 percent of the overall bill?

13 A. (McNamara) Right.

14 CMSR. BELOW: Right. Okay. Thank you.

15 CHAIRMAN GETZ: I had one area I wanted  
16 to pursue. But, I guess, Ms. Amidon or Mr. Epler, you  
17 need to refresh my memory. Are we protecting the number  
18 of bidders in any particular solicitation?

19 MR. EPLER: Yes, we have, as a practice,  
20 we have done that in the past and request confidential  
21 treatment for that.

22 CHAIRMAN GETZ: Okay. Well, with that  
23 as a preface, let me just launch into this.

24 BY CHAIRMAN GETZ:

{DE 08-015} {12-10-08}

[WITNESS PANEL: Furino|McNamara]

1 Q. There's four bidders in this proceeding. But I didn't  
2 bring with me the confidential materials from prior G1  
3 solicitations. How does that number relate to the  
4 previous number of bidders?

5 A. (Furino) Thank you for the question, Commissioner. In  
6 the prior solicitation, we received six bids, that's  
7 bundled with the Non-G1. We received six in the prior  
8 before that, eight in the one before that, and one year  
9 ago we received only three bids. And, during the time  
10 between, the three between the prior period, there was  
11 six bids, six bids, and four bids, and two years ago we  
12 received only three bids. So, interestingly enough,  
13 this holiday RFP, if that's what it is, we have seen a  
14 reduced number of bidders during these periods.

15 Q. So, basically, you saw this question coming a mile  
16 away?

17 A. (Furino) We recalled your interest in the question.

18 CHAIRMAN GETZ: Okay. Thank you. Any  
19 redirect?

20 MR. EPLER: One moment, Mr. Chairman.

21 (Short pause.)

22 MR. EPLER: No, I have no redirect.

23 Thank you.

24 CHAIRMAN GETZ: Well, the witnesses are

{DE 08-015} {12-10-08}

1 excused. Thank you. And, then, I guess to work with Mr.  
2 Patnaude to protect the confidential information that was  
3 covered in responding to my question.

4 So, is there any objection to striking  
5 identifications and admitting the exhibits into evidence?

6 MS. AMIDON: No.

7 CHAIRMAN GETZ: And, with no objection,  
8 they will be admitted into evidence. Anything we need to  
9 address before providing the opportunity for closings?

10 (No verbal response)

11 CHAIRMAN GETZ: Hearing nothing, then,  
12 Ms. Amidon.

13 MS. AMIDON: Well, Staff has  
14 investigated the filing. And, we believe that, consistent  
15 with the Settlement Agreement in 05-064, I believe, the  
16 Company has complied with the solicitation process and the  
17 bid evaluation process and has selected a supplier which  
18 -- where the resulting rates are market-based. And,  
19 therefore, we recommend that the Commission approve the  
20 petition.

21 In addition, we have no objection to the  
22 Company's request to discontinue soliciting energy only  
23 and energy and capacity bids. We believe it's prudent to  
24 go forward and just solicit energy and capacity combined

1 bids.

2 CHAIRMAN GETZ: Okay. Well, before we  
3 turn to Mr. Epler on that, Mr. Traum, does the OCA want to  
4 weigh in on that issue or put something in writing with a  
5 very quick turnaround, if it does have a --

6 MR. TRAUM: I can just add that that  
7 was, obviously, the major reason that I was sitting in was  
8 to listen to what was to be stated about the energy and  
9 capacity concept. And, I don't have any problem with what  
10 the Company's proceeding. I feel it has become a mature  
11 market, so it's probably the next logical step.

12 CHAIRMAN GETZ: Thank you. Mr. Epler.

13 MR. EPLER: Thank you, Mr. Chairman. I  
14 will rest on what's stated in our petition, and don't feel  
15 the need to add anything at this point.

16 CHAIRMAN GETZ: Okay. Thank you. Then,  
17 we will close this hearing and take the matter under  
18 advisement.

19 (Whereupon the hearing ended at 2:25  
20 p.m.)

21

22

23

24