

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

November 24, 2009 - 9:11 a.m.  
Concord, New Hampshire

NHPUC DEC03'09 PM 1:26

RE: DE 09-158  
PUBLIC SERVICE OF NEW HAMPSHIRE:  
Tariff Filing to Modify its  
PeakSmartPlus Program.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius  
  
Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:  
Gerald M. Eaton, Esq.  
  
Reptg. National Grid:  
Alexandra E. Blackmore, Esq.  
  
Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate  
  
Reptg. PUC Staff:  
Lynn Fabrizio, Esq.  
Thomas C. Frantz, Director - Electric Div.  
Al-Azad Iqbal, Electric Division

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

ORIGINAL

1

2

## I N D E X

3

PAGE NO.

4

WITNESS: GILBERT GELINEAU

5

Direct examination by Mr. Eaton 6

6

Cross-examination by Ms. Hatfield 16

7

Cross-examination by Ms. Fabrizio 23

8

Interrogatories by Cmsr. Below 26, 38

9

Interrogatories by Cmsr. Ignatius 36, 38

10

Interrogatories by Chrmn. Getz 39

11

12

WITNESS PANEL: GILBERT GELINEAU  
DOUGLAS SMITH

13

Direct examination by Ms. Blackmore 40

14

Cross-examination by Ms. Fabrizio 45

15

Interrogatories by Cmsr. Below 49

16

17

\* \* \*

18

CLOSING STATEMENTS BY:

19

Ms. Blackmore 55

20

Ms. Hatfield 55

21

Ms. Fabrizio 56

22

Mr. Eaton 57

23

24

1

2

## E X H I B I T S

3

EXHIBIT NO.

D E S C R I P T I O N

PAGE NO.

4

1

Filing from PSNH regarding changes  
to its existing PeakSmartPlus  
Program (08-27-09)

7

5

6

2

Letter from Atty. Fabrizio to  
Debra Howland of the NHPUC  
(11-17-09)

13

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8

3

RESERVED (Record request for  
how many of the PeakSmartPlus  
customers are taking or have  
taken service from competitive  
suppliers, the number of customers  
and what portion of the load)

31

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{DE 09-158} {11-24-09}

1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DE 09-158. On  
4 August 27, 2009, Public Service Company of New Hampshire  
5 filed a request for approval of tariff revisions proposing  
6 certain changes to its PeakSmartPlus Program. The order  
7 of notice was issued on September 15. And, after a  
8 prehearing conference on October 12th, a secretarial  
9 letter was issued approving a procedural schedule,  
10 including a hearing on the merits this morning. And, on  
11 November 17, Staff filed on behalf of the parties a  
12 summary of the technical sessions, and including a list of  
13 issues on which the parties had reached consensus.

14 Can we take appearances please.

15 MR. EATON: For Public Service Company  
16 of New Hampshire, my name is Gerald M. Eaton. Good  
17 morning.

18 CHAIRMAN GETZ: Good morning.

19 MS. BLACKMORE: Good morning. For  
20 National Grid, Alexandra Blackmore.

21 CHAIRMAN GETZ: Good morning.

22 MS. HATFIELD: Good morning,  
23 Commissioners. Meredith Hatfield, for the Office of  
24 Consumer Advocate, on behalf of residential ratepayers,

{DE 09-158} {11-24-09}

1 and with me is Ken Traum.

2 CHAIRMAN GETZ: Good morning.

3 MS. FABRIZIO: Good morning,  
4 Commissioners. Lynn Fabrizio, on behalf of Staff. And,  
5 with me today at the table are Tom Frantz, Director of the  
6 Electric Division, and Al-Azad Iqbal, Electric Utility  
7 Analyst.

8 CHAIRMAN GETZ: Good morning. Mr.  
9 Eaton.

10 MR. EATON: We're going to proceed first  
11 with Mr. Gelineau for the Company, and then Mr. Douglas  
12 Smith, from National Grid, will join him as a panel after  
13 we finish the cross-examination of Mr. Gelineau.

14 CHAIRMAN GETZ: Okay. Anything before  
15 we move ahead?

16 (No verbal response)

17 CHAIRMAN GETZ: All right. Thank you.  
18 Mr. Eaton.

19 MR. EATON: Would Mr. Gilbert Gelineau  
20 please take the stand.

21 (Whereupon Gilbert Gelineau was duly  
22 sworn and cautioned by the Court  
23 Reporter.)

24 GILBERT GELINEAU, SWORN  
{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 DIRECT EXAMINATION

2 BY MR. EATON:

3 Q. Mr. Gelineau, would you please state your name for the  
4 record.

5 A. My name is Gilbert Gelineau.

6 Q. For whom are you employed and what's your position?

7 A. I'm employed by Public Service Company of New Hampshire  
8 as the Marketing Support Manager.

9 Q. What are your duties?

10 A. My duties include oversight of energy efficiency  
11 programs and demand response.

12 Q. Have you previously testified before this Commission?

13 A. I have.

14 Q. Mr. Gelineau, did you supervise the preparation of a  
15 package that was sent to the Commission that began this  
16 docket? It has a cover letter of August 27th, 2009.  
17 Do you recognize that filing?

18 A. Yes, I do.

19 Q. Could you please describe what that is.

20 A. It is the Company's filing in this docket, which  
21 describes a proposal that the Company is putting forth  
22 regarding how to proceed with the PeakSmartPlus  
23 Program.

24 Q. Is this filing true and accurate to the best of your

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 knowledge and belief?

2 A. Yes, it is.

3 Q. And, if you were asked the same questions in your --

4 I'm sorry. If you were to read that technical

5 statement today, it would be your testimony?

6 A. Yes, it would be.

7 MR. EATON: Mr. Chairman, I'd like the

8 August 27th filing to be marked as "Exhibit 1".

9 CHAIRMAN GETZ: So marked.

10 (The document, as described, was

11 herewith marked as Exhibit 1 for

12 identification.)

13 BY MR. EATON:

14 Q. Mr. Gelineau, could you briefly describe the current

15 PeakSmartPlus Program and the history of it.

16 A. Yes. The program that we initiated in April of 2008 is

17 a program that's based on ISO-New England's 30 Minute

18 Demand Response Program, and incorporates incentives to

19 customers who agree to interrupt more than

20 100 kilowatts of capacity, based on a curtailment

21 request from ISO-New England. At the time of our

22 filing, we had 24 customers who were enrolled in the

23 program. The program provides an opportunity for

24 customers who will reduce load and provide real-time

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 demand response, as well as customers who have  
2 generation, and would provide generation through their  
3 emergency generators as an alternative to reducing  
4 load. And, in either case, they would qualify for the  
5 program under specific sets of guidelines outlined in  
6 Market Rule 1 of ISO-New England.

7 As I said, in total we have 24  
8 customers, and totaling something a little bit in  
9 excess of 10 megawatts. The bulk of it is -- it's  
10 about 3 megawatts associated with the demand response  
11 and about seven associated with the emergency  
12 generation.

13 The operation of the program I think is  
14 really at the crux of why it is that we put this filing  
15 forward. And, I think it would be helpful to  
16 understand that the rules that we're currently  
17 operating under are based on the so-called "Transition  
18 Period". And, under the Transition Period, there is a  
19 fixed fee schedule that the ISO is using to pay  
20 participants within the program. And, so, there's a  
21 known amount that people will be paid for their demand  
22 reductions. And, there is a known source of those  
23 funds. The ISO will pay all comers, if you will, who  
24 provide demand reductions during a requested

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 curtailment.

2 At issue is the fact that the Transition  
3 Period ends effective May 31st, 2010. And, as of that  
4 time, the Transition Period will end, and there will no  
5 longer be payments as they are now. And, in fact,  
6 that's really the crux of the issue, is that we will  
7 run out of a way to pay for the program. I think that  
8 it's -- I think that most of us are familiar with the  
9 fact that, from the Transition Period, we're going to  
10 move into the so-called "Forward Capacity Market", and  
11 there are monies available through the so-called  
12 "Forward Capacity Auctions", of which there have been  
13 three.

14 The issue that we're facing, though, on  
15 May 31st of next year, is that this program was  
16 introduced after the deadlines for participating in the  
17 first two auctions. So, regardless of anything else  
18 that goes on, we are without a source of funds  
19 effective June 1st, 2010.

20 And, so, it is this funding gap that  
21 really brought the issue to a head. And, what we were  
22 faced with was how do we deal with that? Well,  
23 certainly, the easiest thing would have been should we  
24 decide that we'll just discontinue the program. But,

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 based on a number of recent Commission rulings, we felt  
2 that there has been a strong interest in the company  
3 participating in demand response programs and to  
4 continue to offer something in the demand response  
5 realm to our customers.

6 So, as such, we met with Staff and OCA  
7 over the early part of the summer, to let them -- to  
8 inform them of what we recognized as an upcoming  
9 problem, to share with them our current thinking as to  
10 how we might proceed, and to seek their guidance and  
11 input as to how -- any thoughts that they had as far as  
12 how we might move forward. And, it was agreed that we  
13 would put in a filing, and we did so on August 27th of  
14 this year. And, in that filing, we have proposed a  
15 specific program that is, again, based on the ISO-New  
16 England's 30 Minute Demand Response Program. We have  
17 included an additional -- some additional pieces to  
18 that program. First of which, that Public Service  
19 would also be -- the proposal included a provision  
20 whereby Public Service could also call for an  
21 interruption. We had suggested that the funding for  
22 the program come from Forward Capacity Market revenues  
23 that would come from capacity reductions associated  
24 with the energy efficiency CORE programs.

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1                   And, I'll just state that this was a --  
2                   this was not something that we were -- this was our  
3                   proposal, and after reviewing the options that we were  
4                   able to identify was as good as we could come to. But  
5                   it wasn't necessarily something that we felt was the  
6                   only way to do it. We're open to other ways. It's  
7                   just that we didn't see a particular -- a better path  
8                   at the time, if we were to continue with the program.

9                   Continuing on with what our proposal  
10                  would include, it also included a fee schedule. And,  
11                  that fee schedule was based on the adjusted prices in  
12                  the first and second auctions at 75 percent of that  
13                  adjusted clearing price. And, so, we were proposing  
14                  that the monies that would accrue to customers who  
15                  would participate in the program would be at a level  
16                  that would be -- currently, they're receiving  
17                  100 percent of the clearing price, adjusted clearing  
18                  price. We would suggest that it would not necessarily  
19                  have to be that high in order to get customers to  
20                  participate, inasmuch as we weren't taking any of the  
21                  money for Public Service. All of the funds that were  
22                  being received from ISO are going to the program -- to  
23                  the program participants. And, if we compared that to  
24                  what they might see in the marketplace, over providers

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 would have to take some of those monies for a profit.  
2 And, so, it didn't seem reasonable that we would need  
3 to provide 100 percent of the monies that would come  
4 from the auction. So, we picked the number 75. And,  
5 again, that's something that, you know, we were quite  
6 flexible on, but that was our starting point.

7 And, finally, the last provision was  
8 that the program be capped at 20 megawatts. And, the  
9 purpose of that cap was to, at the outset, set a  
10 financial limit on how much the program might cost.  
11 And, that 20 megawatts translated to something like a  
12 maximum of around \$800,000 on an annual basis during  
13 the first auction.

14 And, so, I think that summarizes our  
15 program that we initiated in April of '08. We came to  
16 a point where we're running out of funds. We've tried  
17 to come up with a proposal that would meet the needs,  
18 that would be comparable to what it was we were  
19 offering, but at a price that reflected the current  
20 market conditions. And, I think that the really tough  
21 nut to crack in this whole thing has been, you know,  
22 "what would the funding source be?" And, that perhaps  
23 was a scenario where there was much discussion  
24 subsequent to our filing.

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 Q. Did the parties meet in technical sessions one or more  
2 times after the filing was made?

3 A. Yes, they did.

4 Q. And, did the parties explore several alternatives for  
5 funding the PeakSmart Program going forward?

6 A. Yes. And, as was pointed out in a letter from -- that  
7 was put together to summarize where the parties were,  
8 it notes that two of those proposals included use of  
9 the Energy Service rate, as well as the Transition Cost  
10 Adjustment Mechanism that Public Service has in place.

11 Q. Is that the letter that Attorney Fabrizio sent to the  
12 Commission on November 17th?

13 A. Yes, it is.

14 MR. EATON: Mr. Chairman, could we have  
15 that marked for identification as "Exhibit 2"?

16 CHAIRMAN GETZ: So marked.

17 (The document, as described, was  
18 herewith marked as Exhibit 2 for  
19 identification.)

20 BY MR. EATON:

21 Q. What would be the advantages of using Energy Service or  
22 the TCAM mechanism?

23 A. I'm not sure it's an advantage, but I think that some  
24 of the considerations that were offered relative to,

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 first, the Energy Service rate, I think some of the  
2 concerns that I had with that particular approach would  
3 be that the person -- the customers most likely to pay  
4 for the program would be those least likely to  
5 participate in the program. In other words, those who  
6 would have likely options to move to a competitive  
7 supplier are also those larger customers who are most  
8 likely to be able to offer up 100 kilowatts or more and  
9 participate in the Demand Response Program. As a  
10 general statement, it's not going to be true in every  
11 case, but, as a general statement, I think that that  
12 holds true.

13 So, these customers who might  
14 participate in the program would likely be customers  
15 who wouldn't necessarily be Energy Service customers.  
16 And, since the funding for the program then would come  
17 from non-participants, there seemed to be a fairness  
18 issue there. And, so, that was -- that was a concern  
19 that I had with using that particular approach.

20 As regards the TCAM mechanism, I think  
21 this was discussed at the technical session, and I  
22 think the concerns typically revolved that this -- that  
23 we were trying to fit a square peg into a round hole.  
24 That the TCAM was not really set up to address all --

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 while it has the advantage whereby it is a  
2 self-reconciling mechanism that reconciles itself on a  
3 regular basis, it really didn't have anything to do  
4 with the Demand Response Program. And, so, there  
5 seemed to be a mismatch there, in terms of, you know,  
6 do you want to start putting charges like a Demand  
7 Response Program into a mechanism that was designed to  
8 deal with transmission costs? And, I think that the --  
9 that the prevailing wisdom at the technical session was  
10 that that wouldn't be a good idea.

11 Q. So, Mr. Gelineau, where do we go from here?

12 A. Good question. I think that the sense of the group was  
13 that at this point that it makes sense for Public  
14 Service to transition customers who are currently  
15 participating in the program to third party suppliers.  
16 There are third party suppliers who are offering a  
17 program that is quite similar. All of the customers  
18 who are currently participating with Public Service  
19 have the equipment in place, have experience with the  
20 rules of the program, and would be well-positioned to  
21 move and take advantage of offerings from third party  
22 suppliers.

23 I think that the primary differences  
24 that we're going to see is that the contractual terms

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1           that are offered by these suppliers would expect -- the  
2           expectation would be that they will be different from  
3           the contractual arrangements that they have had with  
4           Public Service, but the operation of the program would  
5           be quite similar.

6   Q.   Do you have anything to add to your testimony?

7   A.   I do not.

8                           MR. EATON:  Thank you, Mr. Chairman.

9   The witness is available for cross-examination.

10                          CHAIRMAN GETZ:  Ms. Blackmore?

11                          MS. BLACKMORE:  I don't have any  
12   questions for Mr. Gelineau.

13                          CHAIRMAN GETZ:  Ms. Hatfield?

14                          MS. HATFIELD:  Thank you, Mr. Chairman.

15   Good morning, Mr. Gelineau.

16                          WITNESS GELINEAU:  Good morning.

17                          CROSS-EXAMINATION

18   BY MS. HATFIELD:

19   Q.   Could you give us an estimate of what the cost is if  
20        PSNH was to continue to offer this program or the  
21        modified program that you proposed back in August?

22   A.   I think, for the first year of operation, I'm going to  
23        refer to my testimony, but it's about 800,000.  I think  
24        it was \$797,000 for the first year, and it went to in

{DE 09-158}  {11-24-09}

[WITNESS: Gelineau]

1 the neighborhood of \$600,000 plus the second year. If  
2 you want an exact number, I'll have to look at my  
3 testimony. Okay. On Page 5 of my testimony, I cite  
4 "\$797,000" for the first year and "\$630,400" for the  
5 second year.

6 Q. Thank you. Is it possible that at some point in the  
7 future there would be Forward Capacity Auction revenues  
8 that could fund this program?

9 A. Yes. There is, that is a possibility. And, I'll just  
10 leave it there.

11 Q. Do you have an estimate of how many years it might be  
12 before that would be a funding option?

13 A. It would not be until the fourth, the commitment period  
14 associated with the fourth Forward Capacity Market at  
15 this time. So, that would be -- it would be June 1st,  
16 2013.

17 Q. And, if that funding approach was pursued, is there a  
18 risk to either PSNH or to PSNH customers by trying to  
19 fund the program through the Forward Capacity Auction  
20 revenues?

21 A. Without taking other steps, there are potential risks  
22 associated with the use of those funds, yes. And,  
23 specifically, they would relate to -- one needs to  
24 estimate years into the future, three years into the

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 future, exactly how many megawatts to commit to provide  
2 to the ISO and have those megawatts bid into the  
3 auction. And, then, you have to have those or be able  
4 to deliver on that commitment three years hence. And,  
5 so, there is a risk, should you fail to deliver, that  
6 you would lose some funding associated with so-called  
7 "assurety payments" that are required as part of the  
8 participation in the Forward Capacity Market.

9 Q. Has PSNH discussed the possibility of a change in the  
10 program or the fact that the program will change on May  
11 31st, 2010 with its customers?

12 A. We have alerted our customers who are participating in  
13 the program to this proceeding. They are aware of the  
14 proceeding. And, there's an expectation that we will  
15 have a decision in this proceeding shortly, and we will  
16 have the direction in which to proceed.

17 Q. And, if you look at Exhibit 2, which is the  
18 November 17th letter that you discussed earlier, the  
19 second to last bullet on the first page discusses how  
20 PSNH will help the enrolled PeakSmartPlus customers.  
21 Can you talk a little bit about what the Company plans  
22 to do if the parties' consensus approach is approved by  
23 the Commission?

24 A. Our plan would be to work with the account executives

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1           who have provided the service of support for this  
2           existing program. And, those account executives will  
3           work with those customers to help them understand the  
4           fact that, first of all, our program will be going away  
5           effective May 31st. It has also been proposed in here,  
6           and should it be approved, we would inform them that  
7           they would have the right to discontinue with our  
8           program at any particular point in time that met with a  
9           smooth transition to a third party supplier.

10                         We are looking into some ways that, for  
11           example, one of the things that I expect we'll be asked  
12           is "who are these third parties?" And, I think that  
13           that's -- we're still trying to address how we're going  
14           to do that. There's not -- It's seemingly a simple  
15           question. But, as we looked at the website that ISO  
16           has yesterday that lists the so-called "third party  
17           suppliers", we find that we're not on the list. So, we  
18           know the list is not accurate. But it would be our  
19           intent to do this in such a way that we would not  
20           provide favor to any particular third party supplier,  
21           but to try and give our customers an opportunity to go  
22           to the market in a fair way and select their best  
23           option.

24   Q.   And, would that be similar to how PSNH provides

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 information to customers on competitive electric  
2 suppliers?

3 A. I would expect that there are some similarities, yes.

4 Q. Looking again at Exhibit 2, the last bullet on Page 1  
5 references "PSNH's Rate VIP", and the fact that it  
6 "will remain available to customers." Can you just  
7 briefly describe that rate and talk about who takes  
8 advantage of it today?

9 A. That rate is based on -- funding for that rate is based  
10 on a price response of the energy that might be saved  
11 by the Company during an interruption that would be  
12 called for customers who are participating in this  
13 program. The interruptions are based on a timing that  
14 Public Service would choose, and the customers who do  
15 participate would -- typically, the program has been  
16 called at times when there's a very high demand for  
17 power. That's normally the case. Although, there have  
18 been other times when there's -- when the system is  
19 strained it can also be called. But, if we assume, for  
20 example, that the price exceeds \$200 a megawatt-hour,  
21 if there's an interruption for three hours, one can go  
22 through and calculate the particular benefit and a  
23 portion -- associated with the savings in  
24 kilowatt-hours. And, a portion of those savings are

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 then shared with participants. And, that's how the  
2 program provides some monetary benefit to those  
3 customers who participate in the program.

4 Right now, I think the question was "how  
5 many customers are participating?" And, there are no  
6 customers that have opted to participate in the program  
7 right now. I think that, you know, my view of that  
8 would be that the alternative program that's being  
9 offered, the PeakSmartPlus Program, is far more  
10 lucrative. And, the PeakSmart -- excuse me, the VIP  
11 Program is challenged more now than it had been when it  
12 was originally used because the price is so low. And,  
13 you know, when we were seeing regular excursions above  
14 \$200 a megawatt, there was a lot more money on the  
15 table than we're seeing right now, where those kinds of  
16 prices are not what we're seeing. We're seeing things  
17 in the \$30 a megawatt range potentially. So, it's not  
18 -- the dollars are not there to make the program work  
19 as well as it previously did.

20 Q. If you look at Page 2 of Exhibit 2, there is a bullet  
21 at the top of the page that states that "PSNH will  
22 continue to explore demand response options as energy  
23 markets continue to evolve". And, I'm wondering, if  
24 the Commission allows PSNH to not continue offering it,

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 the type of demand response option that you first  
2 proposed, is the Company willing to continue to have  
3 discussions with Staff and the OCA and other parties,  
4 in the event that the market, the third party providers  
5 who are out there right now, don't end up meeting the  
6 needs of your customers? And, really, my question goes  
7 to the fact that your program seems to be providing  
8 important demand reductions. And, if those are simply  
9 lost, I'm wondering if the Company is willing to  
10 continue a dialogue to try to develop future programs,  
11 if necessary?

12 A. Absolutely. I think that -- I think that the fact that  
13 we are here right now points to the fact that we're  
14 willing to have dialogue and discuss what the various  
15 options might be. As I said earlier, that we, you  
16 know, we had the opportunity, if you will, to, if we  
17 ran out of money, we could just discontinue the  
18 program. And, I think that we didn't feel as though  
19 that was the appropriate thing to do. We felt that it  
20 was more appropriate to consider the policy that has  
21 been set forth, both on the state and national level,  
22 that we should be pursuing demand response  
23 alternatives. While we couldn't find, in this case, a  
24 solution that seemed to work for everyone, I think that

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 that may not always be the case. And, I think the  
2 point that you made relative to "should customers not  
3 be able to transition to a third party", for example,  
4 that would certainly indicate, and I don't anticipate  
5 that's the case, but, you know, if we go down that  
6 road, we would certainly be willing to see what we  
7 could do to make this work.

8 I guess one of the concerns might be, I  
9 think that the mechanism that we have in place right  
10 now, where the ISO takes all comers, I think is a  
11 relatively -- in my mind, is a better model than what  
12 we have going forward. But it's yet to be proven. It  
13 will be interesting to see how it works out. And, it  
14 may well work -- it may work very well. So, we'll see.

15 MS. HATFIELD: Thank you very much. No  
16 further questions.

17 CHAIRMAN GETZ: Ms. Fabrizio.

18 MS. FABRIZIO: Thank you, Mr. Chairman.  
19 Good morning, Mr. Gelineau.

20 WITNESS GELINEAU: Good morning.

21 BY MS. FABRIZIO:

22 Q. You mentioned at the beginning that the end of the  
23 Transition Period was the impetus for your filing in  
24 this docket?

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

- 1 A. And the consequent loss of funding, yes.
- 2 Q. And, you also mentioned in your testimony that  
3 customers, even if PSNH were to continue the PeakSmart  
4 type program through the Forward Capacity Market, the  
5 customers would see changes in their market  
6 participation, is that correct?
- 7 A. There would be a difference in the -- based on our  
8 proposal, there would be a couple of changes. One  
9 would be the price would be less than what they have  
10 been seeing previously. And, probably the other  
11 significant thing that would different from the  
12 customer's perspective is that the curtailments could  
13 be initiated by PSNH, as opposed to just from the ISO.
- 14 Q. And, with respect to the prices going down in the  
15 market, in the energy marketplace, would that result in  
16 a concurrent reduction in payments to customers  
17 participating in the program?
- 18 A. Based on our proposal, it would go down in two ways.  
19 One, the adjusted clearing price is lower. And, two,  
20 we would not be paying 100 percent of that adjusted  
21 clearing price. The proposal was for 75 percent. So,  
22 from both of those perspectives, the amount that a  
23 customer would receive for participating in the program  
24 would be less.

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

- 1 Q. Thank you. How many times were customers actually  
2 interrupted under this program during the past year?
- 3 A. During the past year, I believe it was just one. There  
4 was a -- and it was not for a curtailment event in the  
5 sense that we had a capacity crisis, but more in the  
6 sense that we needed to run a test of the program on an  
7 annual basis.
- 8 Q. And, given that, theoretically, what benefits does a  
9 customer's ability to interrupt load bring to the  
10 distribution system?
- 11 A. It provides another tool to relieve circuits that are  
12 stressed. So, it is a way of providing relief to  
13 lines, transformers, other equipment that is under  
14 heavy utilization.
- 15 Q. Thank you. And, will that benefit be lost when  
16 PeakSmart expires?
- 17 A. Well, assuming that these customers transition to third  
18 party suppliers, no.
- 19 Q. Okay. Great. Thanks. That answers my next question  
20 as well. Let's see. Does PSNH offer its customers any  
21 other demand or price response programs currently?
- 22 A. Well, as noted in your November 17th letter, we would  
23 continue to have the VIP Program available to  
24 customers.

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 Q. Are there any other programs?

2 A. We do have something called "HeatSmart", which is a  
3 demand reduction program. But it's -- it was initially  
4 offered as a winter program. At one point in time, we  
5 were actually a winter peaking company. Those days are  
6 long gone. But it does provide some benefit or it has  
7 the potential to provide some benefit during summer  
8 months by reduced water heating usage.

9 Q. Thanks. And, are you aware of any other New Hampshire  
10 electric companies that offer programs similar to  
11 PeakSmartPlus or who have been offering similar  
12 programs during the Transition Period?

13 A. "New Hampshire electric companies" did you say?

14 Q. Yes.

15 A. No, I'm not.

16 MS. FABRIZIO: That concludes my  
17 questions. Thank you.

18 WITNESS GELINEAU: Thank you.

19 CHAIRMAN GETZ: Commissioner Below.

20 CMSR. BELOW: Thank you. Good morning.

21 WITNESS GELINEAU: Good morning.

22 BY CMSR. BELOW:

23 Q. Would the PeakSmartPlus Program be best characterized  
24 as a alternative within the current VIP tariff or as a

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 sort of extra option within the VIP tariff?

2 A. What do you mean by an "alternative", Commissioner?

3 Q. Well, I think the documents reference the fact that it  
4 operates underneath the -- or it's characterized as  
5 part of the VIP tariff.

6 A. Here's the way I would characterize it. We initially  
7 created the VIP Program as a way of offering a demand  
8 response program. And, in point of fact, we had some  
9 customers that their dollar remuneration for  
10 participation in the program was under five dollars.  
11 That's the actual number. So, it did -- it was, when  
12 we had -- I think the "voluntary" was capitalized. I  
13 mean, it really didn't provide any financial  
14 remuneration for the most part.

15 And, given the advance of the ISO's  
16 programs throughout the region, we moved to something  
17 called "PeakSmart", which was a modification of the  
18 original program. And, that program was designed to  
19 provide more of the benefits to participants. It was  
20 trying to raise the ante so that they had more monies  
21 available to them. And, that, too, was, while it was  
22 enhanced over the basic VIP Program, it really wasn't  
23 competitive, if you will, with the programs that were  
24 being offered or that were already available through

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 the ISO. And, so, that was the emergence of the  
2 PeakSmartPlus. So, PeakSmartPlus really was an attempt  
3 to enhance the original VIP Program. And, it went  
4 through these two revisions, if you will, over time and  
5 emerged to the program that we're offering customers  
6 today.

7 So, be that an "alternative" or however  
8 you want to characterize it, that's really how this  
9 came to be.

10 Q. So, it's an enhanced, in terms of remuneration, program  
11 within the VIP tariff?

12 A. Yes.

13 Q. Does the original VIP option exist within the tariff  
14 and is that what you're referring to that you would  
15 continue?

16 A. Yes.

17 Q. And, yet, though you have customers that are on the  
18 PeakSmartPlus Program through the VIP tariff, there's  
19 no one on the VIP tariff that's not part of the  
20 PeakSmartPlus Program, is that correct?

21 A. That's correct.

22 Q. Okay. And, I take it from what you've said that you  
23 weren't able to or did not bid these resources into the  
24 third capacity market auction either?

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 A. That's true. As we noted in the filing, it was -- the  
2 deadline for that was coming up in early October. And,  
3 so, without a decision to move forward, it -- I think  
4 that trying to, if we envision a gap of two years in  
5 the program where we had no funding, if that were to  
6 come to pass, it would be very difficult, I expect it  
7 will be difficult to restart the program, if we, you  
8 know, transition all the customers to some other  
9 supplier, for example. And, so, it didn't seem to make  
10 sense to try and create or to create an obligation in  
11 the third auction prior to knowing which way we were  
12 going with this docket.

13 Q. Now, if the participants in the PeakSmart Program were  
14 Default Service customers, and the program were to  
15 continue, and you manage to ask them to curtail load at  
16 the single coincident peak hour for the total system,  
17 that would produce savings to the Default Service in  
18 general, equal to the capacity charge times whatever  
19 load was curtailed, was whatever -- well, I'll just  
20 stop there. Would that be correct? There's a lot of  
21 "ifs" there, but --

22 A. Yes. And, I'm afraid I'm going to have to put some  
23 more in the answer. It is true, as long as those  
24 customers stay customers on Default Service through the

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 following year. In other words, the benefits only come  
2 back or accrue to the Company such that we, you know,  
3 receive that benefit, as long as those customers are  
4 our customers during the following power year  
5 settlement period. So, yes, but.

6 Q. Because all these are big enough customers to have  
7 their own capacity tag, is that correct?

8 A. Yes.

9 Q. Okay. And, do you have a sense of how -- what portion  
10 of these customers are Default Service customers at  
11 present or some point in the recent past, versus how  
12 many are taking competitive supply?

13 A. I think that -- no, I don't. I don't.

14 Q. Okay. Do you know if some of them are taking  
15 competitive supply or have in the past, since they have  
16 been in the program?

17 A. I can find out, but I don't know, Commissioner.

18 CMSR. BELOW: Okay. I guess I'd like to  
19 make that a record request.

20 CHAIRMAN GETZ: Well, Mr. Eaton, do you  
21 have that information available now or would you like to  
22 file it as part of --

23 MR. EATON: We have it at the office.

24 So, we could get it to the Commission very quickly.

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 CHAIRMAN GETZ: Okay. Well, let's save  
2 Exhibit 3 for that response.

3 (Exhibit 3 reserved)

4 MR. EATON: And, the question was "how  
5 many of the PeakSmartPlus customers have taken service  
6 from competitive suppliers?"

7 CMSR. BELOW: Yes. And, you might just  
8 look back perhaps at the beginning of this calendar year.  
9 Some of them presumably could move in and out of Default  
10 Service or competitive supply. But just to get a sense of  
11 what portion -- number of those customers and what portion  
12 of the load has been in competitive supply at some point  
13 in the past nine or ten months.

14 BY CMSR. BELOW:

15 Q. In Exhibit 1, your prefiled testimony, at the top of  
16 Page 7 you discuss "transmission savings", which could  
17 potentially accrue, to the extent a curtailment reduces  
18 PSNH's share of the NU system peak, there would be  
19 additional savings that would accrue somewhere to PSNH  
20 customers. Is it fair to say or is it your  
21 understanding that participation in the capacity market  
22 and the energy market and achieving the savings that  
23 might be achieved there through either the current  
24 PeakSmartPlus Program or through some of the

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

- 1 competitive programs for demand response don't, in  
2 fact, capture the potential transmission savings?
- 3 A. Is your question "would we see transmission savings if  
4 our customers went to third party suppliers?" Is that  
5 what you're asking?
- 6 Q. No, that's not really it.
- 7 A. Okay.
- 8 Q. In the way that you've been paying for the  
9 PeakSmartPlus Program, --
- 10 A. Uh-huh.
- 11 Q. -- let's just take PSNH, to the extent there are -- the  
12 curtailment also results in a reduction in transmission  
13 charges, or PSNH's share of transmission charges, that  
14 savings, per se, is not part of the compensation that  
15 flows through to the customers participating in the  
16 PeakSmart Program?
- 17 A. Correct. Well, it flows through to all customers, so  
18 they do get a piece of it. But it's -- I guess we have  
19 proposed in this document that it's primarily to  
20 non-participants.
- 21 Q. Okay. And, likewise, to the extent there were  
22 potential distribution system savings by, say, avoiding  
23 upgrading the capacity of the distribution system where  
24 the customers are located due to the peak demand on

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1           that part of the distribution system, those savings  
2           might be captured systemwide, but they're not --  
3           there's no reflection in the compensation in the  
4           current PeakSmartPlus Program to the individual  
5           customer for potential savings there?

6    A.    I think it would be difficult to say that there are  
7           distribution savings that would accrue that way.  In  
8           theory, potentially that's possible.  But what you  
9           would really need to look at would be that those  
10          interruptions or curtailments be coincident with peak  
11          loads on those circuits that were in question, as  
12          opposed to curtailments that are called by the ISO,  
13          which may have very little to do with the load on that  
14          particular -- on a particular distribution circuit.  
15          So, unless you aligned the curtailments with the  
16          loading on particular circuits, I think that you would  
17          not really have any -- the benefits that you may get  
18          would be random.

19   Q.    And, there hasn't been any way to try to look at those  
20          or capture those potential multiple benefits or to  
21          determine whether they actually occur or not?

22   A.    Yes and no.  Not in this docket have we looked at that.  
23          But, aside from this, we are looking at trying to  
24          incorporate that kind of concept into our distribution

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

- 1 planning. And, so, outside of this effort, there are  
2 -- there is work going on to try and identify ways that  
3 we might be able to do that.
- 4 Q. Okay. Did the parties consider a potential program  
5 that might be linked to the customers' continued  
6 service through Default Service rates or was that not  
7 really considered?
- 8 A. The idea that they would need to be Energy Service  
9 customers, for example, to participate?
- 10 Q. Right. And, particularly, since you considered that as  
11 a possible funding source, but observed that that might  
12 be problematic, because, if they switch to a  
13 competitive customer, the benefits wouldn't flow  
14 through to the Energy Service --
- 15 A. That was the difficulty, specifically the timing.  
16 Where you may have to wait a year before all the  
17 benefits accrue, and so there would have to be some  
18 kind of arrangement whereby they not only be customers  
19 at the time of an interruption, but also a year hence.  
20 And, it was discussed, but it just felt to be a -- the  
21 concerns on our part that it was anti-competitive.
- 22 Q. Okay. You had projections that you referenced of the  
23 cost of the program as you'd originally filed and  
24 proposed going forward. Do you have an estimate of the

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 cost of the program historically, in 2006 or 2007?

2 A. I think it's in the neighborhood of a million dollars,  
3 but I don't have the specific figures. We can get  
4 that, but --

5 Q. So, on Page 6, --

6 A. And, this is, just to be clear, these are monies that  
7 would come from the ISO through the Transition Period.  
8 This is the monies that we would pay to participants.  
9 That's the question that you're asking, is it not?

10 Q. Yes.

11 A. Okay.

12 Q. Yes. So, the cost of that program really was at  
13 minimal cost net to PSNH? I mean, maybe there was some  
14 overhead/administration costs?

15 A. And, all of the utilities are paying the money that  
16 goes to the ISO. The ISO doesn't have any money.

17 Q. Right. Right. And, specifically, at the bottom of  
18 Page 6, you reference the "achieved capacity savings"  
19 -- well, I'm a little confused by the statement,  
20 perhaps you could explain it. It says "For 2008, PSNH  
21 achieved capacity savings of nearly \$371,000 with a  
22 load curtailment of 6.23 megawatts in 2006 and  
23 6.73 megawatts in 2007." How does that link to the  
24 start of the sentence that says "For 2008"?

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 A. Because the interruptions are -- I should say that the  
2 settlement is based on the prior power year. And, in  
3 this case, there were interruptions in each of '06 and  
4 '07 that influence what was going on. And, in both of  
5 those years, we were able -- we called a VIP  
6 interruption coincident with the system peak. And, so,  
7 that's how those dollars came about. By calculating  
8 the hours of interruption and the amount of the  
9 reduction and the cost at those, at that particular  
10 point in time, is where that number of \$371,000 comes  
11 from. And, those benefits were shared between  
12 participants and non-participants in accordance with  
13 the way the VIP Program is set up.

14 CMSR. BELOW: Okay. Thank you. That's  
15 all.

16 CHAIRMAN GETZ: Commissioner Ignatius.

17 CMSR. IGNATIUS: Thank you.

18 BY CMSR. IGNATIUS:

19 Q. Mr. Gelineau, does PSNH concur with the bullets listed  
20 on the November 17th, 2009 letter?

21 A. Yes.

22 Q. In effect, then are you asking to withdraw the proposal  
23 that was made with this filing and instead no longer  
24 modify the PeakSmartPlus Program, but close it out?

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 A. Correct. Transition these customers to competitive  
2 suppliers.

3 Q. Are you still, however, asking for modifications to the  
4 VIP Program that isn't the PeakSmartPlus Program? It's  
5 difficult because the phrase uses -- it applies to  
6 both.

7 A. Not at this time. As one of the bullets calls for, I  
8 think it suggests that we should continue to look at  
9 things and, you know, make adjustments. So, we are  
10 looking at things. For example, we're trying to get a  
11 sense for exactly how many times we've exceeded \$200 a  
12 megawatt-hour over the last summer, for example, and  
13 trying to get some specifics, breakdowns, as far as  
14 what the costs have been at peak times throughout the  
15 summer, so that we can see, you know, is there  
16 something to be gained by looking at that? So, we're  
17 continuing to look at it. But there's no proposal on  
18 the table at this time to make any adjustments.

19 Q. So, if what we're discussing today were approved, what  
20 would PSNH file for tariffs for these programs?

21 A. I would expect that we would make a compliance filing  
22 with the VIP tariff that would remove the PeakSmartPlus  
23 portion of that from the tariff.

24 Q. And, otherwise, it would be unchanged, the VIP Program?

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 A. At this point, that's true, yes.

2 CMSR. BELOW: And, may I jump in?

3 CMSR. IGNATIUS: Please.

4 BY CMSR. BELOW:

5 Q. And, that would be effective as of the end of this  
6 energy year, which is May 31st, 2010, is that correct?

7 A. I guess, as I'm saying this, I'm thinking that I'd need  
8 to read the specific language, because there may be  
9 customers who continue on this program until that time.  
10 So, yes. In other words, it may not be effective  
11 immediately, but, at a time appropriate, when looking  
12 at the specific language.

13 CMSR. BELOW: Okay.

14 BY CMSR. IGNATIUS:

15 Q. And, in your filing, your technical statement, at Page  
16 8, you said you needed a decision to notify customers  
17 no later than December 1st, 2009. Is it really that  
18 tight a deadline or is it -- is there any more leeway  
19 than that?

20 A. There's wiggle room in that. I think that that number  
21 was picked as a number that gave us six months to get  
22 the job done. And, I think that -- I think what we  
23 were trying to do was to make sure that we had -- that  
24 customers had sufficient time to, you know, evaluate

{DE 09-158} {11-24-09}

[WITNESS: Gelineau]

1 their alternatives and move forward. So, if it were  
2 December 2nd? No, it wouldn't make any difference  
3 whatsoever. You know, there's some wiggle room there.

4 CMSR. IGNATIUS: Thank you.

5 CHAIRMAN GETZ: Good morning, Mr.

6 Gelineau.

7 WITNESS GELINEAU: Good morning.

8 BY CHAIRMAN GETZ:

9 Q. Are you aware of any PSNH customers or other customers  
10 of other utilities in New Hampshire that currently have  
11 a contractual arrangement with a third party supplier  
12 for some competitive demand response option?

13 A. I am aware that we do have customers who have those  
14 arrangements, but I'm not privy to what those  
15 arrangements are.

16 Q. But do you know approximately how many customers may be  
17 involved in those? I mean, or just what are you aware  
18 of, is I guess my --

19 A. I guess I know that we have some customers who are on  
20 other programs from other suppliers. But I don't have  
21 any more information than that.

22 CHAIRMAN GETZ: All right. Redirect,

23 Mr. Eaton?

24 MR. EATON: No, I have no questions on

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 redirect.

2 CHAIRMAN GETZ: Anything further for the  
3 witness?

4 (No verbal response)

5 CHAIRMAN GETZ: Hearing nothing, then,  
6 well, I guess he's going to become part of a panel, is  
7 that the proposal?

8 MR. EATON: Yes, I think Mr. Smith is  
9 going to join him.

10 CHAIRMAN GETZ: Okay.

11 (Whereupon Douglas Smith was duly sworn  
12 and cautioned by the Court Reporter and  
13 joined Witness Gelineau as a panel.)

14 GILBERT GELINEAU, PREVIOUSLY SWORN

15 DOUGLAS SMITH, SWORN

16 DIRECT EXAMINATION

17 BY MS. BLACKMORE:

18 Q. Okay. Mr. Smith, would you please state your name and  
19 business address.

20 A. (Smith) Douglas Smith. National Grid USA, 40 Sylvan  
21 Road, Waltham, Massachusetts.

22 Q. And, by whom are you employed and in what position?

23 A. (Smith) National Grid USA Service Company. I am the  
24 Manager of Distributed Resources.

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 Q. And, what are your duties and responsibilities in that  
2 position?

3 A. (Smith) I oversee the Company's efforts in the areas of  
4 demand response, as well as market development  
5 activities related to increasing price responsive  
6 demand within our service territory.

7 Q. Can you briefly summarize your educational background  
8 and professional experience?

9 A. (Smith) I have a Bachelor's degree in Electrical  
10 Engineering from the Worcester Polytechnic Institute,  
11 concentrating in power systems and control systems.  
12 And, I have a Master's of Business Administration from  
13 the University of Massachusetts.

14 Q. And, have you previously testified before the  
15 Commission?

16 A. (Smith) No, I haven't.

17 MS. BLACKMORE: I have no further  
18 questions for Mr. Smith.

19 CHAIRMAN GETZ: Okay. Then, Ms.  
20 Hatfield?

21 MS. HATFIELD: Thank you, Mr. Chairman  
22 Good morning, Mr. Smith.

23 WITNESS SMITH: Good morning.

24 CROSS-EXAMINATION

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 BY MS. HATFIELD:

2 Q. I'd like to point your attention to what's been marked  
3 as "Exhibit 2", which is the November 17th letter. Do  
4 you have that with you?

5 A. (Smith) Yes.

6 Q. Attached to that letter is some information that  
7 National Grid provided, is that correct?

8 A. (Smith) I have the letter, but I don't have the  
9 attachment in front of me.

10 (Atty. Hatfield handing document to  
11 Witness Smith.)

12 BY THE WITNESS:

13 A. (Smith) Yes, that's information that National Grid  
14 provided.

15 BY MS. HATFIELD:

16 Q. And, if you look on the top right-hand corner, it  
17 identifies it as the attachment to the response to  
18 Staff 2-4(b), dated November 4th, 2009, is that  
19 correct?

20 A. (Smith) That's correct.

21 Q. Can you describe what this, it looks like a Power Point  
22 presentation, can you describe briefly what it is?

23 A. (Smith) Sure. National Grid has been acting as an  
24 enrolling participant in the ISO-New England's

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 Real-Time Price Response and Demand Response Programs  
2 for over five years. This presentation was provided to  
3 all of the participating -- all the customers that are  
4 participating through National Grid in the Real-Time  
5 Demand Response Program that is eligible for  
6 transitional ICAP -- transitional capacity market  
7 payments through the ISO programs. It was given in  
8 June of last year as a means to educate these customers  
9 about the Forward Capacity Market, the transition from  
10 programs to wholesale markets, and many of the issues  
11 surrounding that.

12 Q. And, is this provided to National Grid customers  
13 throughout the region?

14 A. (Smith) This type of information is provided to  
15 customers who request information about the Forward  
16 Capacity Market and National Grid's involvement in that  
17 market.

18 Q. So, it's not just for Grid's New Hampshire customers?

19 A. (Smith) That is true. I will point out that there was  
20 information contained in this presentation that was  
21 specific at the time that it was given, with regards to  
22 options we were aware of, of customers' options with  
23 competitive demand response suppliers. And, so,  
24 obviously, that type of information can change over

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 time.

2 Q. So, is it fair to say this is an example of what  
3 National Grid is providing to its customers?

4 A. (Smith) Yes.

5 Q. And, if you look at Page 19 of that presentation, and  
6 the few pages following that, it looks like you've  
7 given some very specific information to your customers  
8 about possible third party demand response suppliers,  
9 is that true?

10 A. (Smith) That's correct. Our customers, kind of goes  
11 back to a strategic decision that National Grid made to  
12 not participate as an active -- dispatching active  
13 demand response in the Forward Capacity Market at this  
14 time, and questions from customers about who they might  
15 work with. And, what led to specifically these, this  
16 particular list, was we researched the information  
17 available on the ISO's website of all market  
18 participants at the time. And, we reached out to all  
19 of them, there was some 30 to 35 participants, if I  
20 recall, to determine which ones might be willing to  
21 offer Forward Capacity Market agreements to these  
22 specific types of customers in these specific load  
23 zones. And, these five providers were the ones who  
24 responded in the affirmative at that time.

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 Q. And, do you know if any of National Grid customers are  
2 taking advantage of third party demand response  
3 providers?

4 A. (Smith) Our customers in the aggregate? Yes.  
5 Absolutely. Many of them are.

6 Q. And, does National Grid agree with the points made in  
7 the November 17th letter that Staff filed on behalf of  
8 the parties in the docket?

9 A. (Smith) Yes.

10 Q. And, specifically, on Page 1 of that letter, there is a  
11 bullet point, the third one states that "Competitive  
12 demand response options exist for industrial and  
13 commercial customers such as the customers currently  
14 enrolled in PSNH's PeakSmartPlus Program." Do you  
15 agree that competitive demand response options exist?

16 A. Yes.

17 MS. HATFIELD: Thank you. No further  
18 questions.

19 CHAIRMAN GETZ: Ms. Fabrizio.

20 MS. FABRIZIO: Thank you. Good morning,  
21 Mr. Smith.

22 WITNESS SMITH: Good morning.

23 BY MS. FABRIZIO:

24 Q. Could you tell us what demand response programs

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 National Grid does offer to its customers?

2 A. (Smith) Yes. At the current time, through transition,  
3 we offer the ISO-New England's -- we are one of many  
4 enrolling participants in the ISO-New England's  
5 Real-Time Demand Response Program. And, in addition to  
6 that, we are an enrolling participant in the ISO-New  
7 England's Real-Time Price Response Program.

8 Q. Thanks.

9 A. (Smith) And, that program actually is proposed before  
10 FERC to be extended for two additional years beyond  
11 June 1st, 2010.

12 Q. Okay. And, how does National Grid decide what demand  
13 response options to offer its customers?

14 A. (Smith) Well, we were involved in the FCM settlement  
15 that resulted in the Transition Period, as well as the  
16 Forward Capacity Market rules. And, we had a strategic  
17 decision to make internally with regards to how we  
18 might want to continue to participate with customers  
19 after transition or exit that market and let the other  
20 competitive suppliers participate. So, that was a  
21 time-dependent decision, as Mr. Gelineau has stated.  
22 There's very long lead times associated with the  
23 Forward Capacity Market and qualifying resources and  
24 clearing auctions many years in advance. And, it was

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 our feeling that the transition from a program approach  
2 to a market approach was -- there were other places  
3 within this space for National Grid to add value.  
4 Places such as assisting customers with their plans and  
5 integrating their plans in with our existing energy  
6 efficiency programs, and essentially helping all the  
7 competitive DR providers be successful with our  
8 customers in providing capacity to the market.

9 Q. Thanks. And, how does National Grid go about providing  
10 information to its customers and assisting its  
11 customers in alternative demand response programs?

12 A. (Smith) Well, typically, the customers that are  
13 eligible today to participate as individual assets in  
14 the ISO's -- in the Forward Capacity Market, are  
15 customers that have the capacity to interrupt at least  
16 100 kilowatts. So, that would be typically our largest  
17 customers, that are managed in a two-tiered approach.  
18 There are local account executives who manage the very  
19 largest customers, and then there's a team of energy  
20 efficiency consultants and other account rep. people  
21 who manage the other accounts in that group. And, we  
22 provide -- my group provides information to the field  
23 forces who manage these accounts, and we also respond  
24 directly to requests from either internal people or

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 external customers for this type of information.

2 Q. And, do you provide information through the Company  
3 website?

4 A. (Smith) There is a link on the Company website that  
5 would result in an e-mail being generated to me, under  
6 the -- you know, for information on demand response,  
7 and my group will respond to those requests.

8 Q. Thanks. And, does National Grid support using CORE  
9 funding for a continuation of programs such as  
10 PeakSmart?

11 A. (Smith) We support the use of CORE funding for demand  
12 response enabling technologies. And, we feel it's an  
13 area of growth within the programs over the next  
14 several years. But we don't support the use of SBC  
15 benefit and CORE type funding for demand response  
16 incentive payments.

17 Q. Could you elaborate on both parts of that response with  
18 respect to the enabling --

19 A. (Smith) I'll take the second part first.

20 Q. Okay. Sure.

21 A. (Smith) Demand response payments to customers are  
22 really intended to compensate them for the operating  
23 and maintenance costs involved in interrupting load.  
24 And, a payment to a customer for an interruption today

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 won't result in an interruption tomorrow. Where we  
2 feel that the more appropriate use of CORE funds is to  
3 build in permanent capabilities, such as load  
4 automation, as an example. And, also, we do also use  
5 CORE funding for providing technical assistance to  
6 customers. So, we use that funding to, in addition to  
7 traditional energy efficiency project analysis, we use  
8 that funding for demand response auditing, which helps  
9 customers develop action plans and helps customers  
10 understand what particular actions might be worth in  
11 the market, in the capacity market, and provide  
12 guidance to them, to those customers who are either  
13 considering or already working with demand response  
14 providers as to how to enhance their performance in the  
15 market on a permanent basis.

16 MS. FABRIZIO: Okay. Thank you. That  
17 concludes my questions.

18 CHAIRMAN GETZ: Mr. Eaton?

19 MR. EATON: I have no questions.

20 CHAIRMAN GETZ: Commissioner Below.

21 BY CMSR. BELOW:

22 Q. Did you say that National Grid will or will not  
23 continue to be an enrolling provider, enrollment  
24 provider for customers who want to participate in the

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 -- I think it's the price responsive -- the Price  
2 Responsive Demand Program, if it's extended?

3 A. (Smith) We do intend to remain an enrolling participant  
4 in the Real-Time Price Response Program, which is a  
5 program, a voluntary program, that is based on  
6 locational marginal energy prices, as opposed to the  
7 capacity prices.

8 Q. Right. So, you would actually be involved in offering  
9 those resources bid in at during the times that they  
10 could qualify for the energy payments?

11 A. (Smith) The nature of the program is that the ISO  
12 declares when the opportunity for participation is  
13 available, based on day-ahead forecasted energy prices  
14 by load zone. And, typically, they open that window  
15 for several hours, particularly in the winter season  
16 from 2:00 to 6:00 p.m.; in the summer season from noon  
17 to 6:00 p.m. So, it's not a bid in -- customers don't  
18 bid in, but they do -- they understand when the window  
19 is open and they make decisions around whether or not  
20 they're going to participate at those times. You know,  
21 and to the extent that they do participate by reducing  
22 load during those hours, they will ultimately -- well,  
23 we will ultimately receive credits, and then pass along  
24 those credits, some of those credits, most of those

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 credits to customers, 85 percent, actually.

2 Q. So, your role is facilitating that communication when  
3 that opportunity exists and communicating to ISO-New  
4 England which resources would participate during those  
5 or anticipated to participate during those --

6 A. (Smith) Our role would be marketing and explaining the  
7 program to customers, enrolling customers, submitting  
8 their interval load data to the ISO-New England on a  
9 daily or monthly basis, depending on the meter read  
10 cycle. Receiving the -- the settlements occur 90 days  
11 later, because of the 90 day resettlement of the energy  
12 markets. So, ultimately, we get -- we receive the  
13 money that customers have earned, and then we provide  
14 customers with bill credits for their portion of those  
15 savings.

16 Q. Okay. I guess a question for Mr. Gelineau. Has PSNH  
17 considered participating in that? I think it doesn't  
18 -- it's not actually the program that the PeakSmart  
19 customers have been involved with, is that correct?

20 A. (Gelineau) That's my understanding, yes. We had -- We  
21 had looked at that at one point in time, and felt that  
22 it was -- there was a lot, there were many similarities  
23 between that and the VIP Program. And, inasmuch as we  
24 have the VIP Program already in place, we decided that

{DE 09-158} {11-24-09}

[WITNESS PANEL: Gelineau|Smith]

1 we would use that.

2 CMSR. BELOW: Okay. Thank you. That's  
3 all.

4 WITNESS GELINEAU: And, I think that was  
5 reviewed in another docket as well.

6 CHAIRMAN GETZ: Commissioner Ignatius?

7 CMSR. IGNATIUS: Nothing. Thank you.

8 CHAIRMAN GETZ: Ms. Blackmore, anything  
9 further?

10 MS. BLACKMORE: I have nothing further.

11 CHAIRMAN GETZ: Anything further for  
12 either of the witnesses?

13 (No verbal response)

14 CHAIRMAN GETZ: Hearing nothing, then  
15 you're excused. Thank you, gentlemen.

16 CMSR. BELOW: I do have a question for  
17 Ms. Blackmore concerning the Motion for Confidential  
18 Treatment of their response to Staff 1-4.

19 MS. BLACKMORE: Yes.

20 CMSR. BELOW: And, in that response, I  
21 think you've -- it's not entirely clear to me exactly what  
22 you've asked to be treated confidentially. You've  
23 referred to the names of specific customers and their --  
24 and the load information. The actual response, on Page 2

{DE 09-158} {11-24-09}

1 of the response, which was prepared by Mr. Smith, there is  
2 some information from ISO-New England's Demand Resources  
3 Working Group meeting that show total enrollment by all  
4 participants of all ISO-New England programs as of  
5 September 1. And, my question is, is that -- are you  
6 seeking confidential treatment for that or is that, in  
7 fact, public information?

8 MS. BLACKMORE: No, we were not  
9 intending to seek confidential treatment for really  
10 anything other than the names of the participating  
11 customers, in association with the number of assets,  
12 because we have so few customers, that it would be  
13 possible to determine who those customers are if you had  
14 that information.

15 CMSR. BELOW: So, could you provide a  
16 version of this that shows, in a redacted form, just those  
17 parts of the response that you would seek confidential  
18 treatment for?

19 MS. BLACKMORE: Did you receive a  
20 redacted version of Staff 1-4?

21 CMSR. BELOW: I did not personally.

22 MS. BLACKMORE: Okay. I think we  
23 provided a redacted version that may address this. So,  
24 we'll figure out a way to get it to you.

{DE 09-158} {11-24-09}

1 CMSR. BELOW: Does anybody here happen  
2 to have --

3 MR. SMITH: I have it right here.

4 MS. FABRIZIO: I would note that these  
5 are discovery responses that have not been fully entered  
6 formally as exhibits in this hearing.

7 CMSR. BELOW: I understand.

8 MS. FABRIZIO: Okay.

9 CMSR. BELOW: But we still have to rule  
10 on the Motion for Confidential Treatment.

11 MS. FABRIZIO: And, we have copies of  
12 both versions.

13 CMSR. BELOW: Okay. I see that. Thank  
14 you.

15 MS. FABRIZIO: Okay.

16 CHAIRMAN GETZ: Okay. Is there any  
17 objection to striking identifications and admitting the  
18 exhibits into evidence?

19 (No verbal response)

20 CHAIRMAN GETZ: Hearing no objection,  
21 they will be admitted into evidence. Well, let me clarify  
22 one thing. On Exhibit 2, it's intended to be, Mr. Eaton,  
23 the cover letter and the -- well, actually, I guess this  
24 came from Ms. Fabrizio, the cover letter from November 17,

1 plus the Power Point done by National Grid?

2 MS. FABRIZIO: Yes.

3 CHAIRMAN GETZ: And, then, I guess  
4 that's been filed. I guess we just need a full copy for  
5 the Clerk.

6 All right. Is there anything else to  
7 address before opportunity for closings?

8 (No verbal response)

9 CHAIRMAN GETZ: Hearing nothing, then  
10 we'll start with Ms. Blackmore.

11 MS. BLACKMORE: Thank you. National  
12 Grid supports the consensus reached by the parties in this  
13 proceeding and appreciates the opportunity to participate.  
14 Thank you.

15 CHAIRMAN GETZ: Ms. Hatfield.

16 MS. HATFIELD: Thank you, Mr. Chairman.  
17 The OCA also supports the consensus that was reached and  
18 reflected in the November 17th, 2009 letter, which, as I  
19 think Commissioner Ignatius pointed out, means that we  
20 support the Commission rejecting PSNH's proposal or that  
21 the Commission approves the withdrawal of PSNH's proposal.

22 We really appreciate the time that PSNH  
23 put into putting something forward, because we agree with  
24 PSNH that ensuring that demand response opportunities are

1 taken advantage of is a very important goal. We do hope  
2 that customers who seek demand response options are able  
3 to get them in the market that exists today. If that  
4 doesn't, if that turns out not to be successful, we will  
5 continue to work with the parties and Staff to explore  
6 other ways to allow customers to do that.

7 We also are very grateful that National  
8 Grid took the time to participate in this docket, because  
9 we feel as though having another utility that also has  
10 experience outside of New Hampshire was extremely helpful  
11 to the discussion and to the review of the different  
12 options. So, thank you very much.

13 CHAIRMAN GETZ: Ms. Fabrizio.

14 MS. FABRIZIO: Thank you, Mr. Chairman.  
15 Staff also supports PSNH ending the PeakSmart Program at  
16 the end of the FCM Transition Period. And, that said, we  
17 note that ending the PeakSmart Program at this time does  
18 not preclude PSNH from participating in FCM auctions and  
19 market-based demand response programs in the future. As  
20 we've heard today, there is a viable market today for  
21 demand response and emergency generation. There was also  
22 the FCM auctions to date confirm that conclusion as well.  
23 Customers who want to participate in the FCM have options  
24 from which to choose. And, given those options available,

1 we agree with the party consensus that the best option for  
2 PSNH at this time is to end the program and assist its  
3 customers in migrating to other market-based DR options.

4 We do believe, however, that PSNH should  
5 continue to explore other options for DR programs that  
6 could benefit the system and PSNH's customers, both  
7 participating and non-participating. While the VIP Price  
8 Response Program is, in our view, a useful one that should  
9 be maintained, we believe that there could be options,  
10 such as targeted peak reductions of overloaded  
11 distribution circuits that may be appropriate for PSNH to  
12 consider in the future.

13 And, Staff also would like to add our  
14 note of commendation to National Grid for its active  
15 participation in this docket as they have provided  
16 valuable input and insight with respect to possible DR  
17 options. Thank you.

18 CHAIRMAN GETZ: Mr. Eaton.

19 MR. EATON: Thank you, Mr. Chairman.  
20 PSNH's intention in making this filing was to present the  
21 problem that was coming before us, in that we were losing  
22 a funding source for this program. And, we didn't have  
23 any vested interest in using the transition payments that  
24 came through the CORE programs, but that seemed to be one

1 option that didn't cripple the CORE programs. We  
2 appreciate the efforts that the other parties have taken  
3 to explore other options, and we will continue to look at  
4 those as well.

5 I guess, rather than -- rather than have  
6 the mark of, and Mr. Gelineau could correct me if I'm  
7 wrong, rather than having the mark of having a filing  
8 rejected, we would offer to withdraw the filing. And, we  
9 will also commit to helping our customers transition,  
10 either immediately or, if they would care to stay with us  
11 till the very end of the program, to make sure there's  
12 another provider that takes over after we're done.

13 CHAIRMAN GETZ: Okay. Thank you. Then,  
14 we will close the hearing and take the matter under  
15 advisement.

16 (Whereupon the hearing ended at 10:29  
17 a.m.)

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