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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 19, 2011 - 2:14 p.m.  
Concord, New Hampshire

NHPUC DEC30'11 PM 2:56

RE: DE 11-216  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:  
*Alternative Default Energy Service Rate.*

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:  
Gerald M. Eaton, Esq.  
Sarah B. Knowlton, Esq.

Reptg. Freedom Energy Logistics and  
Halifax American Energy Company:  
James T. Rodier, Esq.

Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Stephen R. Eckberg  
Donna L. McFarland  
Office of Consumer Advocate

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Thomas C. Frantz, Director/Electric Div.  
Steven E. Mullen, Asst. Dir./Electric Div.

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

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I N D E X

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**WITNESS PANEL:           STEPHEN R. HALL  
                                  FREDERICK B. WHITE**

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E X H I B I T S

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1 McFarland.

2 CHAIRMAN GETZ: Good afternoon.

3 MS. AMIDON: Good afternoon. Suzanne  
4 Amidon, for Commission Staff. To my left is Steve Mullen,  
5 who is the Assistant Director of the Electric Division,  
6 and to his left is Tom Frantz, the Director of the  
7 Electric Division.

8 CHAIRMAN GETZ: Okay. Good afternoon.  
9 Are you ready to proceed, Mr. Eaton?

10 MR. EATON: A procedural matter to begin  
11 with, Mr. Chairman. We made four filings of testimony and  
12 exhibits in this proceeding. On October 14th, we made a  
13 filing of the Supplemental Direct Testimony of Stephen  
14 Hall and Frederick White. In that, the adder that was  
15 calculated in that rate, on top of the calculated marginal  
16 cost, was an adder related to the non-operating costs of  
17 the Scrubber. And, consistent with how we proceeded in  
18 the other -- in the other case, we would not present that  
19 as an exhibit in this case.

20 On November 22nd, Mr. Hall filed Second  
21 Supplemental Testimony, and that substituted a flat adder  
22 of just one cent to the incremental cost or marginal cost  
23 of supply, and that will substitute for what we had filed  
24 on October 14th, so the Commission can -- will have a

1 record on which to base a calculation of the rate, if it  
2 deems it's in the interest, the public interest to approve  
3 the rate.

4 CHAIRMAN GETZ: And, that was  
5 November 22nd, the Hall --

6 MR. EATON: The October 14th filing  
7 won't be marked, because that includes a 0.97 cent adder  
8 based upon Scrubber costs.

9 CHAIRMAN GETZ: All right. Thank you.

10 MR. EATON: I call to the stand Stephen  
11 R. Hall and Frederick B. White.

12 (Chairman and Commissioners  
13 conferring.)

14 CHAIRMAN GETZ: Mr. Rodier.

15 MR. RODIER: I think there's one matter  
16 I'd just like to get cleared up real quickly. There was a  
17 motion to protect the response to OCA 8, I think that's  
18 the model. And, I have an objection to that.

19 CHAIRMAN GETZ: Yes. And, that's what I  
20 was just conferring with. We had determined to deny the  
21 objection and grant the Motion for Protection.

22 MR. RODIER: Okay.

23 CHAIRMAN GETZ: And, we will memorialize  
24 that in the final order in this proceeding.

[WITNESS PANEL: Hall & White]

1 (Whereupon **Stephen R. Hall** and  
2 **Frederick B. White** were duly sworn by  
3 the Court Reporter.)

4 **STEPHEN R. HALL, SWORN**

5 **FREDERICK B. WHITE, SWORN**

6 **DIRECT EXAMINATION**

7 BY MR. EATON:

8 Q. Mr. Hall, could you please state your name for the  
9 record.

10 A. (Hall) Stephen R. Hall.

11 Q. For whom are you employed?

12 A. (Hall) Public Service of New Hampshire. I'm Rate and  
13 Regulatory Services Manager.

14 Q. And, what are your duties at that position?

15 A. (Hall) I'm responsible for pricing, rate  
16 administration, and regulatory relations.

17 Q. Have you previously testified before this Commission?

18 A. (Hall) Yes.

19 Q. Did you prepare or have prepared under your supervision  
20 direct testimony and exhibits, including tariff pages,  
21 that was filed with the Commission on September 23rd  
22 2011?

23 A. (Hall) Yes.

24 Q. Do you have any corrections to make to that?

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1 A. (Hall) No.

2 Q. And, was it true and accurate to the best of your  
3 knowledge and belief --

4 A. (Hall) Yes.

5 Q. -- when it was filed?

6 A. (Hall) Yes.

7 MR. EATON: Could I have that document  
8 marked as "Exhibit 1" for identification?

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. Hall, I direct your attention to a document that  
15 has a cover letter from me dated November 22nd, 2011.  
16 Do you recognize that document?

17 A. (Hall) Yes, I do.

18 Q. And, what does that document contain?

19 A. (Hall) I'm sorry?

20 Q. What does that document contain?

21 A. (Hall) That contains my supplemental testimony. And,  
22 the purpose is to provide an additional proposal to the  
23 Commission for implementation of Rate ADE, as a result  
24 of the Commission's decision to remove or not consider

[WITNESS PANEL: Hall & White]

1 Scrubber costs in Rate ADE as of January 1st, 2012.

2 Q. And, do you have any corrections to make to that  
3 testimony?

4 A. (Hall) None.

5 Q. Was it prepared by you or under your supervision?

6 A. (Hall) Yes.

7 Q. And, is it true and accurate to the best of your  
8 knowledge and belief?

9 A. (Hall) Yes.

10 MR. EATON: Could that be marked as  
11 "Exhibit 2" for identification?

12 CHAIRMAN GETZ: So marked.

13 (The document, as described, was  
14 herewith marked as **Exhibit 2**  
15 for identification.)

16 BY MR. EATON:

17 Q. And, Mr. Hall, I direct your attention to a document  
18 dated December 14th, 2011. Could you please describe  
19 that document.

20 A. (Hall) The December 14th filing contained updated  
21 exhibits and a calculation of the rate level under Rate  
22 ADE that PSNH is proposing for effect January 1, 2012.  
23 That rate is 7.33 cents per kilowatt-hour.

24 Q. And, that was filed pursuant to an agreement with the

{DE 11-216} {12-19-11}

[WITNESS PANEL: Hall & White]

1 Staff and the parties, as far as updating our -- as far  
2 as updating our numbers?

3 A. (Hall) Yes.

4 Q. So, would it be similar to what we've done in the  
5 Energy Service and Stranded Cost Recovery Charge  
6 docket, to provide the Commission with the latest  
7 calculations of costs?

8 A. (Hall) Yes.

9 Q. Are there any corrections you'd like to make to those  
10 pages?

11 A. (Hall) No.

12 Q. And, are they true and accurate to the best of your  
13 knowledge and belief?

14 A. (Hall) Yes.

15 MR. EATON: I'd like the December 14th  
16 filing marked as "Exhibit 3" for identification.

17 CHAIRMAN GETZ: So marked.

18 (The document, as described, was  
19 herewith marked as **Exhibit 3** for  
20 identification.)

21 BY MR. EATON:

22 Q. Mr. White, would you please state your name for the  
23 record.

24 A. (White) Frederick White.

{DE 11-216} {12-19-11}

1 Q. And, for whom are you employed?

2 A. (White) I'm employed by Northeast Utilities Service  
3 Company.

4 Q. And, what is your position and duties with Northeast  
5 Utilities Service Company?

6 A. (White) I'm a Supervisor in the Wholesale Power  
7 Contracts Department. Our responsibilities include  
8 performance and I supervise analysis of the PSNH power  
9 supply portfolio.

10 Q. Have you previously testified before the Commission?

11 A. (White) Yes.

12 Q. And, what was your role in preparing the documents that  
13 have been introduced in this proceeding?

14 A. (White) Regarding those documents, there is an  
15 Attachment SRH/FBW-2, which is an outline of our  
16 marginal cost calculation. And, our group performed  
17 that analysis.

18 Q. So, questions concerning the marginal cost calculation  
19 should be directed to you?

20 A. (White) Yes. They can be.

21 Q. Mr. Hall, could you please summarize the Company's  
22 position in this proceeding?

23 A. (Hall) Certainly. PSNH made a filing of a proposed  
24 Rate ADE pursuant to the Commission's order in the

1 Migration docket, and that was an order that was issued  
2 last summer, in July. And, in that order, the  
3 Commission instructed PSNH to file alternative rates  
4 and tariffs for customers who return to PSNH's Default  
5 Energy Service from a competitive supply. PSNH's  
6 proposal for Rate ADE is a marginal cost based rate,  
7 plus an adder, under which customers who take  
8 competitive supply and subsequently return to PSNH will  
9 then take service under this alternate rate.

10 In accordance with the Commission's  
11 direction, we've designed the rate to work during  
12 periods of time when marginal costs are below PSNH's  
13 standard Default Energy Service rate, and as they are  
14 today, or when marginal costs exceed PSNH's Default  
15 Energy Service rate, as they did for several years  
16 subsequent to competition.

17 In the testimony, we describe the  
18 mechanism, how the rate will work, and the terms and  
19 conditions. And, we also include sample tariff pages  
20 that would be used to implement the rate.

21 Q. What is the rate that PSNH is requesting in this  
22 proceeding?

23 A. (Hall) PSNH is proposing a rate of 7.33 cents per  
24 kilowatt-hour effective January 1, 2012. That rate's

[WITNESS PANEL: Hall & White]

1 based on PSNH's marginal costs, which are calculated  
2 based on forward market prices of 6.33 cents for  
3 calendar year 2012, plus a one cent adder.

4 Q. And, could you refresh us as to who would be eligible,  
5 what customers would be eligible for this rate?

6 A. (Hall) Rate ADE would be available to PSNH's larger  
7 customers, those customers served under Rates GV or LG.  
8 And, it would be available and, in fact, mandatory, for  
9 any customer who has been on a competitive supply for a  
10 period of 12 consecutive months, and then subsequently  
11 returns for service from Energy Service from PSNH.

12 Q. Do you have anything to add to your direct testimony,  
13 Mr. Hall?

14 A. (Hall) No, I don't.

15 MR. EATON: Thank you. Mr. Hall is  
16 available and Mr. White are available for  
17 cross-examination.

18 CHAIRMAN GETZ: Thank you. Mr. Rodier.

19 MR. RODIER: Thank you, Mr. Chairman.

20 **CROSS-EXAMINATION**

21 BY MR. RODIER:

22 Q. Mr. White, how are your responsibilities the same or  
23 different from Mr. Labrecque? And, I'm only looking  
24 for a very brief answer.

{DE 11-216} {12-19-11}

[WITNESS PANEL: Hall & White]

1 A. (White) They're essentially the same. In his prior  
2 role, I assume that's what you're referring to?

3 Q. He's no longer responsible for the PSNH portfolio?

4 A. (White) No. He is a Manager of Supplemental Energy  
5 Resources Group.

6 Q. Okay. Got it. Okay. Just as a preliminary matter,  
7 I'd just like to clarify some of your data -- some of  
8 the data responses, if I may. And, I just want to get  
9 some quick clarifications to some of your responses you  
10 made to OCA. And, would you look at OCA 2.

11 A. (Hall) I'm there.

12 Q. Do you have it?

13 A. (Hall) I do.

14 Q. It looks like, and are Rate LGs -- are those still the  
15 customers greater than 1,000 kW?

16 A. (Hall) Yes. A thousand kilowatts or above of billing  
17 demand.

18 Q. And, it looks like there's approximately ten customers  
19 that are still on Default Service that have not gone to  
20 the competitive market?

21 A. (Hall) Ten percent.

22 Q. Ten percent of 102 is about ten customers?

23 A. (Hall) Well, I think it might be more than that, but,  
24 okay, I'll accept that. It's close enough.

{DE 11-216} {12-19-11}

[WITNESS PANEL: Hall & White]

1 Q. Okay. We're just talking rough here?

2 A. (Hall) Yes.

3 Q. And, are any of these customers PSNH accounts?

4 A. (Hall) They're all PSNH accounts.

5 Q. No. I meant where the customer on the bill is PSNH?

6 Are they in a --

7 A. (Hall) I don't believe so.

8 Q. Okay. All of your internal use is -- is that not sold  
9 to yourself under a tariff, evidently, right?

10 A. (Hall) Correct.

11 Q. Okay. Now, very quickly, and without speculating, I'm  
12 just wondering, why would there be ten customers who  
13 have not migrated?

14 A. (Hall) I don't know.

15 Q. Well, let me -- would one reason be they have got no  
16 credit, got lousy credit, poor financial condition?

17 CHAIRMAN GETZ: I thought this was going  
18 to be without speculating?

19 MR. RODIER: Well, okay. You're right.

20 CHAIRMAN GETZ: If you've got a  
21 question, let's just ask the questions, okay. You want to  
22 know who these ten customers are and why they --

23 MR. RODIER: What I was wondering is  
24 just wondering why there's ten that are still left. I'm

{DE 11-216} {12-19-11}

[WITNESS PANEL: Hall & White]

1 wondering if they would even react to light or something,  
2 you know, or what's wrong with them. But let's -- why  
3 don't we just keep moving here.

4 BY MR. RODIER:

5 Q. Now, the next one, 3, because I want to make this  
6 quick.

7 A. (Hall) Okay.

8 Q. 1,447 residential customers for PSNH have migrated,  
9 correct?

10 A. (Hall) Yes.

11 Q. And, I just wanted to compare that to, for example,  
12 CL&P. Are you aware that over 600,000 CL&P customers  
13 have migrated to the competitive market?

14 A. (Hall) Nope. I'm not aware. I don't know how many  
15 customers of CL&P have migrated.

16 MR. RODIER: Okay. Can we get an answer  
17 to that, Mr. Chairman? Because I think that's, you know,  
18 and I'll be quick about this, but I think it's important  
19 to have the Commission have a sense of and assist the  
20 Company what kind of migration has been experienced out of  
21 the residential category.

22 Is there anybody in the room that could  
23 say whether it's about 600,000 or not?

24 MR. EATON: I don't know what the

{DE 11-216} {12-19-11}

1 relevance of this is.

2 MR. RODIER: Well, the relevance, Mr.  
3 Chairman, is that there's a bigger picture here, and that  
4 -- and the bigger picture is that the smaller customers  
5 are basically stuck, and, as time goes on, would just keep  
6 getting more and more of this lost revenue heaped on them.  
7 Okay? And, I'm just trying to get at a basic premise  
8 here, I think, is that the Commission shouldn't  
9 necessarily assume that there are customers that are going  
10 to be able to migrate. That's all I'm trying to get at.

11 CHAIRMAN GETZ: Well, I mean, this  
12 witness doesn't have --

13 MR. RODIER: Okay.

14 CHAIRMAN GETZ: -- the answer to your  
15 question.

16 MR. RODIER: All right.

17 BY MR. RODIER:

18 Q. OCA 6, please. There is a sentence in the middle of  
19 that response that says "Since PSNH's generating fleet  
20 would be fully" -- "would be utilized fully for the  
21 benefit of existing ES customers, incremental load  
22 would not impact generation." Do you see that  
23 sentence?

24 A. (White) Yes.

[WITNESS PANEL: Hall & White]

1 Q. Okay. By the way, we're talking "decremental load"  
2 here, aren't we?

3 A. (White) This rate would be for customers returning.

4 Q. Okay. But, in your power supply model, it's actually a  
5 load decrement that you modeled, isn't that correct?

6 A. (White) No. It was a migration decrement. Perhaps the  
7 --

8 Q. Okay. It was a "migration decrement". Okay. Thank  
9 you. Here's what I'm getting at. Given the default  
10 service you're serving right now, you've got enough of  
11 your own generation to supply that? Or, do you have  
12 enough or do you not have enough?

13 A. (White) I'm sorry. Could you repeat it? I missed the  
14 question.

15 Q. Yes. Given the level of default service load that you  
16 have right now, given the migration that's taken place,  
17 is your existing fleet adequate to serve the needs of  
18 those customers or do you still have to make purchases?

19 A. (White) Purchases are still necessary.

20 Q. So, the existing -- well, let's kind of separate that a  
21 little bit. So, the existing generation is not  
22 adequate in capacity to serve the needs of the  
23 customers who are still with you, is that correct?

24 A. (White) That's correct.

{DE 11-216} {12-19-11}

[WITNESS PANEL: Hall & White]

1 Q. Okay. Now, given the low LMPs that we're seeing, and  
2 I've seen some about three cents, three and a half  
3 cents. Let me stop right there. Have you seen the  
4 same thing?

5 A. (White) Yes.

6 Q. Okay. Is it possible then that you would be making  
7 purchases, rather than running your own generators?

8 A. (White) Yes.

9 Q. Okay. Is that transpiring? Do you expect to do that?  
10 Is that happening currently or --

11 A. (White) It is happening currently. In a number of  
12 these proceedings, we've discussed about economic  
13 reserve shutdowns of our units.

14 Q. Okay. And, what I'm getting at then, let's say that  
15 that is happening, where you have some of your baseload  
16 generation that is on economic reserve or whatever you  
17 say, you're buying instead. Is that reflected in this  
18 model, that condition?

19 A. (White) Well, yes and no. In one manner of using the  
20 model, yes, that's modeled in here. The real point is  
21 that, in a scenario with and without load returning,  
22 the economic generation of the units doesn't change.

23 Q. Okay. It's on the margin, the decrement is not  
24 changing things?

{DE 11-216} {12-19-11}

1 A. (White) Correct.

2 Q. Is that what you're saying? Okay. And, that's all  
3 you're doing with your model. You are only looking at  
4 changes on the margin, isn't that correct, when you  
5 calculate your marginal costs? Because I think this  
6 answer goes on to say "the generation fleet costs are  
7 going to be identical in both the base case and the  
8 change case"?

9 A. (White) Right, or you could just run the models without  
10 the generation and you would arrive at the same place.

11 Q. Okay. And, we go over to Response 8, and there you get  
12 into some -- a detailed response here of the so-called  
13 "power supply portfolio model". I take it that's done  
14 on an Excel program or something like that?

15 A. (White) Yes.

16 Q. Okay. And, we have just covered some of this, but the  
17 load -- the migration decrement is equal to the  
18 difference between load at 33.4 percent migration and  
19 25 percent migration, is that about right?

20 A. (White) That was correct at this point in time. There  
21 was a slight change in the December update, where the  
22 decrement was from 34 percent to 25 percent.

23 Q. Okay.

24 A. (White) So, a fairly small change.

[WITNESS PANEL: Hall & White]

1 Q. All right. Thank you. And, I'm just looking for the  
2 concept here, though.

3 A. (White) Uh-huh.

4 Q. "Many proprietary assumptions and information regarding  
5 generating unit characteristics [were] removed from  
6 [the] model", is that right?

7 A. (White) Yes.

8 Q. What's the current level of migration?

9 A. (White) Thirty-four percent.

10 Q. It is? Has that been stagnant for a few months or --

11 A. (White) It hasn't changed a whole lot.

12 Q. And, when you did this testimony, I mean, I'm looking  
13 at a response here that talks about "6.89 cents per  
14 kilowatt-hour" for the marginal cost. Then, you  
15 recently updated that, and it went down by about a half  
16 a cent, to 6.39, is that correct?

17 A. (White) 6.33.

18 Q. And, what's the -- what is the -- you made your filing  
19 in September, and then you updated it in November, and  
20 the marginal cost had been reduced by roughly a half a  
21 cent. Why -- what is the single biggest contributing  
22 factor for that?

23 A. (White) A decrease in forward market electricity  
24 prices.

{DE 11-216} {12-19-11}

[WITNESS PANEL: Hall & White]

1 Q. I noticed the other day that they're about four cents  
2 now for calendar year '12, does that sound about right?

3 A. (White) Roughly. I think they're a bit above that.

4 Q. Okay. But is that what you just do, you go to the  
5 quote sheets, and you take a NEPOOL flat number? And,  
6 you took one in September, and it was greater than the  
7 one that you just looked at recently for your update?

8 A. (White) We base an hourly stream of market prices on  
9 the monthly quotes that you're referring to for 2012.

10 Q. Explain that to me. "Hourly stream"?

11 A. (White) We convert those forward market quotes into an  
12 hourly pattern of prices.

13 Q. How do you do that, real quick?

14 A. (White) It's based on historical relationships within  
15 each month, between peak and off peak prices and daily  
16 shapes, daily price shapes.

17 Q. So, what you're doing is you're almost taking, let's  
18 call it -- let's say it was \$40 a megawatt, okay, in my  
19 assumption?

20 A. (White) Okay.

21 Q. And, basically, you're breaking that down? Let's say  
22 that's the value for 12 months, a calendar year.

23 You're breaking that down to 8,760 values --

24 A. (White) Yes.

{DE 11-216} {12-19-11}

[WITNESS PANEL: Hall & White]

1 Q. -- on the basis of some algorithms you develop?

2 A. (White) Yes.

3 Q. So, somehow, when you come up with the 6.33, or  
4 whatever, you put them all back together again at some  
5 point and you come up with one number. You  
6 disaggregate it and then you put them all back  
7 together?

8 A. (White) Costs in the model are calculated on an hourly  
9 basis.

10 Q. Yes.

11 A. (White) And, when summed -- and summarized over the  
12 course of the calendar year, the average marginal cost  
13 is 6.33.

14 Q. Okay. Okay. So, would you call that the "market  
15 price"?

16 A. (White) Well, I would call that the "PSNH marginal cost  
17 to serve incremental load".

18 Q. Is it based upon market prices?

19 A. (White) Yes, it is.

20 Q. So, would I be way off to say that PSNH is basing this  
21 Rate ADE on a market price, plus one cent, isn't that  
22 really what we're doing in layman's terms?

23 A. (Hall) Yes.

24 Q. Okay. By the way, real quick, when you do this,

{DE 11-216} {12-19-11}

[WITNESS PANEL: Hall & White]

1 Mr. White, how do you handled the ICAP tags?

2 A. (White) With regard to what?

3 Q. Well, when you're -- you're assuming that 130 megawatts  
4 of customers comes back to the house, comes back, okay?

5 They don't use electricity, a flat amount, every hour  
6 of the year, do they?

7 A. (White) No.

8 Q. They have a load factor, don't they, or a load shape,  
9 correct?

10 A. (White) Yes.

11 Q. Okay. The load shape is different for each customer,  
12 is that correct?

13 A. (White) Yes.

14 Q. The ICAP tag is a function of the load shape for each  
15 customer, is that correct?

16 A. (White) It's a function of a share of the system peak  
17 at the time of the system peak.

18 Q. Right. But, the ICAP tag is critical in determining  
19 what your capacity costs to ISO-New England are going  
20 to be, is that right?

21 A. (White) Right.

22 Q. Okay.

23 A. (White) And, we start with the ICAP responsibility  
24 assigned to total PSNH load. And, then, based on

{DE 11-216} {12-19-11}

1 percentages, --

2 Q. Okay.

3 A. (White) -- we break out a ICAP requirement.

4 Q. This is a pretty -- this is not how marginal costs were  
5 calculated in the old days, this is a very  
6 sophisticated approach, isn't it, detail is  
7 sophisticated? Is that the idea? In the old days,  
8 somebody would have said, "okay, four bucks for" --  
9 "\$40 for energy for 12 months, 1.2 cents for capacity,  
10 0.3 cents for ancillary, so much for reserves, add some  
11 losses in there, and there's your number." Evidently,  
12 that's not how it's done anymore. It's a very  
13 sophisticated process, correct?

14 A. (White) Well, conceptually, I don't think it's any  
15 different.

16 Q. Yes.

17 A. (White) It may be more involved due to capabilities of  
18 Excel. We can calculate marginal costs in different  
19 ways.

20 Q. Right.

21 A. (White) Among them are a simple method as perhaps  
22 you're contemplating.

23 Q. All right. So, that could be a sanity check?

24 A. (White) That's correct.

[WITNESS PANEL: Hall & White]

1 Q. Okay. In your calculation here, do you pick up a loss  
2 factor? Are losses included in the 6.33, line losses?

3 A. (White) Yes, they are.

4 Q. Okay. So, everything is in there, as far as you know?  
5 I mean, --

6 A. (White) Yes.

7 Q. Okay. Now, if you bear with me, I'd just like to go  
8 through a few of the responses to Staff.

9 MR. RODIER: This is like comprising  
10 quite a bit of my cross-examination, Mr. Chairman. It's  
11 more than just preliminary.

12 BY MR. RODIER:

13 Q. In the response to Staff 1, I don't understand that  
14 response. Mr. Hall, can you explain that? Would you  
15 like to read it and tell me what that means?

16 A. (Hall) Okay, I'm with you.

17 Q. What is the message here? What is this saying? I'm  
18 not being facetious. I want to make sure I understand  
19 what it says.

20 A. (Hall) Basically, this says that, if the Commission  
21 approves Rate ADE, then in the future we may be filing  
22 our request for a rate earlier in the year, rather than  
23 in mid October and then updating in December. And, the  
24 reason for filing it earlier in the year is to provide

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[WITNESS PANEL: Hall & White]

1 information to customers from a planning perspective.  
2 Q. Okay. That's a general proposition. With respect to  
3 this year, you're looking for approval for January 1?  
4 A. (Hall) January 1st.  
5 Q. Okay. Let's, to keep this simple, let's just talk  
6 about, you said your updated substitute testimony --  
7 supplemental testimony was one cent, instead of the  
8 non-operating costs of the Scrubber, is that correct?  
9 A. (Hall) Correct.  
10 Q. Tell me how that's an actual cost.  
11 A. (Hall) How that's a what?  
12 Q. Actual cost.  
13 A. (Hall) An actual cost?  
14 Q. Yes.  
15 A. (Hall) It's not. It's an adder, above actual cost.  
16 Q. I thought default service was supposed to be premised  
17 upon the actual costs?  
18 A. (Hall) It is, in that it's premised on PSNH's marginal  
19 cost of providing the service.  
20 Q. But not the one cent?  
21 A. (Hall) The one cent is simply an adder over and above  
22 marginal cost. And, the purpose of the one cent adder  
23 is to provide a benefit to all other customers. If we  
24 simply price at marginal cost, there would be no

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1 benefit created. There would be no value created, and  
2 there would be no point in proposing going forward with  
3 the rate.

4 Q. So, it's an arbitrary adder to the actual cost?

5 A. (Hall) Based on judgment, yes.

6 Q. Okay. Okay, I want to ask about the answer to 3.

7 A. (Hall) Did you say "3"?

8 Q. The answer to Staff 3. And, again, we're getting back  
9 to this concept of the existing generation, in whole or  
10 in part, existing to provide backup supply, is that  
11 correct?

12 A. (Hall) Can you give me a moment, so I can read it  
13 please?

14 Q. Sure.

15 A. (Hall) Okay. I've read it.

16 Q. So, this proposal is premised upon there being a  
17 continued desire to have a backup supply for your  
18 customers, is that right?

19 A. (Hall) No. I wouldn't characterize it that way. PSNH  
20 is the default supplier, where PSNH is the supplier of  
21 last resort, regardless of whether this proposal goes  
22 forward or not.

23 Q. Well, what I'm just trying to get into, you know,  
24 you've got this challenge, let's call it, that your

[WITNESS PANEL: Hall & White]

1 rates -- your Default Service rate, as we have noted,  
2 is significantly higher than the market price of power,  
3 and that spread looks to me like it's going to  
4 increase. Would you agree with that?

5 A. (Hall) Over what time frame?

6 Q. Well, my personal opinion is about fifteen years.  
7 What's yours?

8 A. (Hall) Fifteen years? I have no idea what's going to  
9 happen in fifteen years.

10 Q. Yes, PSNH does not do forecasts --

11 (Court reporter interruption.)

12 MR. RODIER: I'm sorry.

13 BY MR. RODIER:

14 Q. PSNH does not do forecasts, is that correct?

15 A. (Hall) We don't do forecasting?

16 Q. Well, I've heard the witnesses say that a few times.  
17 Is that correct or not?

18 A. (Hall) No. PSNH does forecasting. In fact, we  
19 forecast every year for the purposes of setting the  
20 Energy Service rate.

21 Q. Right.

22 A. (Hall) We also do a financial forecast for the purpose  
23 of determining revenue and expense and earnings.

24 Q. Okay. Do you have a projection of what your default

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1 rates would be five years from now?

2 A. (Hall) Not a projection that I would rely on for  
3 planning purposes. We don't forecast Default Energy  
4 Service rates. And, the reason that we don't is, from  
5 a financial planning perspective, there's no need to do  
6 so.

7 Q. Okay. Do you have any forecast of what the migration  
8 might be, under your base case now, and your base case  
9 is probably the Scrubber is all in, you recover all  
10 your costs. Have you got a forecast out for years one  
11 through five of what the migration rate might be?

12 A. (Hall) No.

13 Q. How can you have a financial forecast that's useful  
14 without taking a look at that?

15 A. (Hall) How can we have a financial forecast that's  
16 useful?

17 Q. Yes.

18 A. (Hall) Because.

19 Q. If you don't have any forecast of your customers that  
20 are leaving --

21 (Court reporter interruption.)

22 MR. RODIER: Sorry.

23 WITNESS HALL: I missed your question.

24 BY MR. RODIER:

1 Q. Well, you have a financial forecast that is used for  
2 all kinds of purposes for the Company to forecast its  
3 ability to fund capital expenditures, and goes into  
4 what Mr. Baumann is planning for rate cases, I guess,  
5 what years he's going to have his rate cases. How do  
6 you know what that forecast would be if you're not  
7 forecasting migration rates?

8 A. (Hall) Migration rate involves energy service. The  
9 financial forecasts that we perform are forecasts for  
10 the purposes of financial planning, and they look at  
11 profitability, earnings.

12 Q. Okay.

13 A. (Hall) Based on what earnings are looking like, then  
14 that determines and leads PSNH to make decisions  
15 regarding what actions to take with respect to, for  
16 example, rate cases.

17 Q. Okay.

18 A. (Hall) Now, Energy Service is a fully reconciling  
19 mechanism.

20 Q. Right.

21 A. (Hall) And, therefore, there's no earnings impact.

22 Q. So, basically, implicit in all your forecasts is "one  
23 way or another, we're going to get this money"?

24 A. (Hall) What money are you referring to?

[WITNESS PANEL: Hall & White]

1 Q. The Energy Service costs. "We will eventually find  
2 somebody that we can collect this from"?

3 A. (Hall) Sure.

4 Q. Okay.

5 A. (Hall) We're entitled to by law.

6 Q. Okay. The next one is interesting, the response to  
7 Staff 4. "No administrative costs incurred by PSNH in  
8 implementing Rate ADE." Can you hear me? "No  
9 administrative costs", do you see that, Mr. Hall?

10 A. (Hall) I see the answer. That's not what it says,  
11 though.

12 Q. Okay. I'm sorry.

13 A. (Hall) It says "No. Any administrative costs will not  
14 be incremental."

15 Q. Okay. So, no incremental administrative costs?

16 A. (Hall) Correct.

17 Q. Does that mean you might have people sitting around  
18 with nothing to do? How can you not have any  
19 incremental administrative costs? If you --

20 A. (Hall) Because we're not doing -- I'm sorry.

21 Q. If you have more duties, work to be done, either  
22 there's additional costs or there's a lost opportunity  
23 -- or opportunity cost that's forgone, is that correct?

24 A. (Hall) Other work will not be done. We'll reallocate

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1 resources like we do everyday. From a managerial  
2 perspective, we have to make those decisions on a daily  
3 basis.

4 Q. Right.

5 A. (Hall) That's like saying that there's an  
6 administrative cost associated with me sitting here at  
7 this hearing.

8 Q. Okay.

9 A. (Hall) There is no incremental cost to the Company of  
10 me sitting here.

11 Q. Okay. Well, that brings me to my next point here.

12 MR. RODIER: May I, Mr. Chairman? I  
13 just -- and I'm not going to mark this, I'm just going to  
14 ask a few questions.

15 (Atty. Rodier distributing documents.)

16 CHAIRMAN GETZ: Can we read along?

17 MR. RODIER: Sure. Glad you got your  
18 glasses, because this came out real small. Okay, I've got  
19 three. And, then, I got one for Mr. Hall, and I have to  
20 keep one for myself.

21 BY MR. RODIER:

22 Q. Can you identify this sheet, Mr. Hall? Let me tell you  
23 what it is. Let me start that way. I printed this off  
24 a website called "PSNH Energy Brief". I printed it off

1 this morning.

2 A. (Hall) Okay.

3 Q. And, is it okay if we proceed on that basis?

4 A. (Hall) Sure.

5 Q. You can -- you're going to check later on, okay? I

6 only want to ask you about one thing, really.

7 Beginning one, two, three, fourth paragraph.

8 A. (Hall) Uh-huh.

9 Q. "Additionally, large energy customers will benefit from  
10 having a new option available to them in the market  
11 that offers stability, simplicity, and competitive  
12 pricing." Okay. You see that?

13 A. (Hall) I do.

14 Q. Did you write that?

15 A. (Hall) I didn't.

16 Q. Do you know who did?

17 A. (Hall) No.

18 Q. Strike you as plausible or reasonable or --

19 A. (Hall) Does this strike me as reasonable? Yes.

20 Q. Okay. Here's -- the first reason I'm bringing this up  
21 is because seems to me you're saying there's no  
22 incremental administrative costs, but it's starting to  
23 look like there's going to be a marketing effort  
24 associated with this.

- 1 A. (Hall) Okay.
- 2 Q. Is there?
- 3 A. (Hall) A marketing effort?
- 4 Q. Yeah.
- 5 A. (Hall) Not a formal effort that I'm aware of.
- 6 Q. Okay. Let me ask you here, when it says that Rate ADE,  
7 as you're proposing it, "offers stability, simplicity,  
8 competitive pricing", what do you mean by "stability"?
- 9 A. (Hall) Rates don't change dramatically from month to  
10 month.
- 11 Q. Okay. And, what's that different from? What out there  
12 right now that does change dramatically from month to  
13 month?
- 14 A. (Hall) Customers who take service directly from the  
15 ISO, where their rates vary by the hour.
- 16 Q. Okay. That's unless they hedge the account?
- 17 A. (Hall) I can't hear you.
- 18 Q. That's unless they hedge the account? You're assuming  
19 that they're taking it all on an hourly basis, but I  
20 see what you're saying. But, would you agree with me,  
21 that the vast majority of customers are on fairly  
22 long-term fixed rate contracts? Do you know whether  
23 that's true?
- 24 A. (Hall) You mean in the competitive market?

1 Q. Yes.

2 A. (Hall) I don't know what arrangements they have. And,  
3 this isn't speaking to the competitive market.

4 Q. Well, it seemed to me, we're -- you're saying  
5 "stability", so you're saying that's a differentiator,  
6 it's a marketing feature. And, I was just wondering  
7 what you were comparing it, addressing it to? It would  
8 be to a small group of customers that purchase power on  
9 an hourly basis, evidently?

10 A. (Hall) It's a matter of perspective.

11 Q. Okay.

12 A. (Hall) And, if a customer that is considering Rate ADE  
13 considers a rate that would change every six months,  
14 potentially, as "unstable", they won't take it.

15 Q. Okay.

16 A. (Hall) It's really a matter of perspective.

17 Q. Okay. And, "simplicity" means it's -- you'd probably  
18 give basically the same answer, it's just a simple --

19 A. (Hall) It's easy to understand, it's cents per  
20 kilowatt-hour, and it's very transparent. Everyone  
21 knows how to calculate it.

22 Q. Okay. You think you're -- PSNH is getting back in the  
23 business here of being a competitive supplier? Does  
24 that strike you as what you're doing here, you're going

1 to compete?

2 A. (Hall) Not at all. The price will be competitive.

3 We're not becoming a competitive supplier.

4 Q. You know what I wanted to ask you earlier is, do you

5 know what the definition of "default service" is?

6 A. (Hall) Of "default service"? I'd have to look it up.

7 Q. Let me just give you a hypothetical. Let's just say

8 that it's service that is available to customers who

9 otherwise wouldn't have a supplier."

10 A. (Hall) Okay.

11 Q. Okay? That ring a bell?

12 A. (Hall) Uh-huh.

13 Q. These Rate ADE targeted customers do have a supplier,

14 don't they?

15 A. (Hall) Sure.

16 Q. They're not otherwise going to be without a supplier,

17 correct?

18 A. (Hall) But, if they select Rate ADE, they won't

19 otherwise have a supplier. They'll be taking supply

20 from PSNH. Default service is also for customers who,

21 for whatever reason, elect not to have a competitive

22 supplier supply their energy.

23 Q. Okay. Let me just tell me what my hypothetical

24 definition is -- let me tell you what my hypothetical

[WITNESS PANEL: Hall & White]

1 definition is. Default service is available to  
2 customers who would not otherwise have a supplier.

3 A. (Hall) Okay. That's your definition.

4 Q. All right.

5 A. (Hall) Fine with me.

6 Q. Then, these Rate ADE candidates would have otherwise  
7 had a competitive supplier, correct? You're trying to  
8 entice them back to the house?

9 A. (Hall) Maybe, maybe not. Maybe not. What if a  
10 supplier, for whatever reason, decided they no longer  
11 wanted to do business with the customer and dropped  
12 them? Perhaps the customer was a credit risk or became  
13 a credit risk and ceased paying their bill. The  
14 supplier would drop them. That customer would now no  
15 longer have a competitive supplier, using your  
16 definition.

17 Q. Exactly. I agree. In that case. Okay. So, you know,  
18 I was looking at this, you see this picture? Does that  
19 look like a metering set up for a large Rate LG  
20 customer or does it look like something that's on the  
21 side of a garden apartment? Doesn't look like an  
22 industrial metering outfit to me.

23 A. (Hall) It looks like ivy-covered walls. Maybe it's  
24 taken from an Ivy League school. I don't know.

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[WITNESS PANEL: Hall & White]

1 Q. Just wondering if this is sort of a picture that's  
2 clipped out, was put in by somebody from your Public  
3 Information Department. Anyway, --

4 A. (Hall) Could be. Was it in color?

5 Q. I was wondering, if you blew it up 200 times, if you  
6 could see what utility's name was on there, you know,  
7 Detroit Edison or --

8 A. (Hall) I can't tell if those are demand meters or not.

9 Q. Okay. Let's -- you know, here's one of the key points,  
10 okay? Mr. White says, "okay, the 6.3", or the 6.9, you  
11 know, whatever is, on the current basis, "that's the  
12 market price. So, we want to add a cent to that." So,  
13 let's take a hypothetical here, where a customer has  
14 had a three year deal that expires May 31st, 2012.

15 A. (Hall) Uh-huh.

16 Q. Okay. And, now, they have got a decision, you know,  
17 they do these things ahead of time, in March, let's  
18 say, okay? And, you're going to be offering something  
19 at 7.33 for the next six months, correct, or, actually,  
20 they could stay on it for two years, but at least they  
21 know it would be 7.33?

22 A. (Hall) Yes.

23 Q. Okay. Now, what they're going to do is look at what  
24 their other options are in the competitive supply

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1 market, right?

2 A. (Hall) Sure.

3 Q. Okay.

4 A. (Hall) I would think so.

5 Q. Huh?

6 A. (Hall) I would think so.

7 Q. Okay. So, then, a competitive supplier is going to say  
8 "What, you've given a hard look at PSNH's 7.33? Well,  
9 we'll give it to you for 6.83", because they will only  
10 add a half a cent.

11 A. (Hall) Uh-huh.

12 Q. Plausible? That could happen?

13 A. (Hall) I suppose it could.

14 Q. How do you think you're going to get away with charging  
15 an extra cent per kilowatt-hour onto the market price?

16 A. (Hall) Because I don't know what suppliers are willing  
17 to offer. Maybe they won't offer 6.83. But, if they  
18 do, then, even without the customer coming back to  
19 PSNH, the result of the rate will be the customer's  
20 bill is lower. And, there's nothing wrong with that.

21 Q. Okay. You said you thought that the one cent arbitrary  
22 adder was not too high, not too low, it's just right.  
23 That's what you testified to, right?

24 A. (Hall) That's right.

[WITNESS PANEL: Hall & White]

1 Q. And, this is just a good 25 or 30 years of experience  
2 and intuition goes into that, correct?

3 A. (Hall) I don't know about that, but --

4 Q. Well, you go back, you went through all the old special  
5 contract wars, and then they went and made them -- the  
6 Commission required them special rates to keep some of  
7 these from moving to Vermont, that there actually be a  
8 rate schedule, and we're kind of like now going back to  
9 the future in a way, aren't we?

10 A. (Hall) I'm not so sure about that. We're going to a  
11 marginal cost based price.

12 Q. Okay. Now, let's look, finally, let's get to your  
13 testimony here for just a couple more questions.

14 Exhibit 2, the last page of Exhibit 2 please.

15 A. (Hall) Okay. You're going to have to refresh my memory  
16 which one Exhibit 2 is.

17 Q. Exhibit 2 is the October 14th filing.

18 A. (Hall) I thought that was the one that we didn't  
19 introduced?

20 CHAIRMAN GETZ: Exhibit 2 is the  
21 November 22nd filing, I believe. So, I'm not sure what  
22 you're reading from, Mr. Rodier.

23 MR. RODIER: Is it?

24 WITNESS HALL: I've got it.

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[WITNESS PANEL: Hall & White]

1 MR. RODIER: I apologize.

2 BY MR. RODIER:

3 Q. Okay. Well, one of these had a -- sort of actually had  
4 a breakdown, I guess I can't find it right now,  
5 breaking down the marginal cost into energy, capacity,  
6 ancillaries, RPS, ISO expenses. And, I guess we didn't  
7 mark the document.

8 MR. RODIER: Which exhibit is that,  
9 sorry?

10 MS. HATFIELD: Three.

11 MR. RODIER: Three? Exhibit 3.

12 MS. HATFIELD: It's the December 14th  
13 filing.

14 BY MR. RODIER:

15 Q. This is the one that I was having trouble getting the  
16 attachments to. Let me move along quickly. Yes, the  
17 last page of Exhibit -- this is 3, the last page  
18 please.

19 A. (Hall) We're there.

20 Q. And, there you have it broken down, "Energy",  
21 "Capacity", "Ancillaries", "RPS", "ISO Expenses",  
22 correct?

23 A. (White) Yes.

24 Q. These are the components of costs that vary when load

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1 varies, is that correct?

2 A. (White) Yes.

3 Q. Okay. And, what's -- where are the reserves? Is that  
4 in "Ancillaries"?

5 A. (White) Yes, it is.

6 Q. And, what they call "AGC", is that in "Ancillaries"?

7 A. (White) Yes, it is.

8 Q. I noticed that the portfolio costs were about 3/10ths  
9 of a cent per kilowatt-hour, does it sound about right,  
10 RPS costs?

11 A. (White) Yes. That's about right.

12 Q. Yes. Because, if you just divide any of these numbers  
13 by 694,000 megawatt-hours, you can get a rough  
14 estimate. So, Mr. White, this is -- we said "hey, this  
15 is the old way you might do it, instead of using the  
16 model", basically, that's what I was talking about, I  
17 guess.

18 A. (White) This is a summary of the model output.

19 Q. Okay. All right. Sorry. Did you, Mr. Hall, for  
20 customers for Rate ADE, did you ever consider saying  
21 "Do you want to come back? We'll give you an indexed  
22 price; we'll just let you pay the hourly market price  
23 for you to come back"?

24 A. (Hall) The hourly market price?

[WITNESS PANEL: Hall & White]

1 Q. Yes. Instead of fixing it at 6.33, just let it float?

2 A. (Hall) No.

3 Q. Doesn't that violate your simplicity/stability?

4 A. (Hall) Correct. That would be, in my judgment, an  
5 option that's pretty specialized for a pretty  
6 sophisticated customer. And, I don't think most  
7 customers would want that kind of option. And,  
8 therefore, it didn't make sense to design it that way.

9 Q. Let me ask Mr. White. Mr. White, let's just say that  
10 the 130 megawatts does come back to PSNH, okay? Is  
11 that going to be served out of the hourly markets or  
12 are you somehow going to hedge these power supply costs  
13 that you have to buy to cover those loads?

14 A. (White) That determination would be made at the time we  
15 saw load returning, and it would be managed along with  
16 --

17 Q. Okay.

18 A. (White) -- all ES load.

19 Q. Okay. Possibility that at least you'd just be serving  
20 this out of the ISO hourly wholesale market, isn't it?

21 A. (White) That possibility exists, yes.

22 Q. All right. And, that you could lose money on the rate?

23 A. (White) That could occur.

24 A. (Hall) And, for that reason, we put in protective

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[WITNESS PANEL: Hall & White]

1           measures that allow us to modify the rate after six  
2           months.

3                         MR. RODIER: All right. Let me just  
4           have a moment, Mr. Chairman.

5                                 (Short pause.)

6                         MR. RODIER: That's all I have, Mr.  
7           Chairman. I just have one inquiry to make to the  
8           Commission, if I might?

9                                 CHAIRMAN GETZ: One what?

10                                MR. RODIER: May I just ask a question?  
11           I'm through cross-examination. This is the only question:  
12           Does the Commission, and I know you said this last time  
13           "you always have the opportunity for a closing statement",  
14           do you have any idea in this case, in case I have to leave  
15           at some point here or want to leave, do you know when the  
16           closing statement might have to be in or has that decision  
17           been made?

18                                CHAIRMAN GETZ: You mean you're assuming  
19           that there's a written statement alternative available, is  
20           that what you're assuming?

21                                MR. RODIER: Well, my most recent  
22           experience was the SPP, you know, the wood-fired  
23           proceeding.

24                                CHAIRMAN GETZ: Well, I think our

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[WITNESS PANEL: Hall & White]

1 intention today was to finish the hearing and have the  
2 closing statements at the end of the hearing today.

3 MR. RODIER: Okay.

4 CHAIRMAN GETZ: Which I was hoping  
5 wasn't going to be a whole lot longer from now. Do you  
6 have some place to be?

7 MR. RODIER: I always have some place to  
8 be, Mr. Chairman. It's a question of priorities, you  
9 know? So, not to say that this isn't a priority. Can I  
10 get something in by the end of the day Wednesday or is  
11 that not workable?

12 CHAIRMAN GETZ: Let's hear, any position  
13 from the other parties?

14 MS. AMIDON: My only observation would  
15 be that I know the Company has asked for an effective date  
16 for these rates on January 1, and I'm not sure how that  
17 would factor into the Commission's other work. I just --  
18 it's just an observation.

19 MR. RODIER: You know, Mr. Chairman, we  
20 had a big string of last-minute cases here. To some  
21 extent, you know, everything has always been in a rush  
22 this year, it seems to me, the stuff that I come around  
23 for. I'm doing my best to try to, you know, cooperate  
24 here, and hopefully provide something that's of beneficial

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[WITNESS PANEL: Hall & White]

1 input to the Commission. I think I should get 48 hours to  
2 try to write something up, you know, send it in, if it's  
3 possible. Look, if you can't do it, then you've got the  
4 idea from my questions where I'm coming from.

5 CHAIRMAN GETZ: Well, let's just put it  
6 this way. You're asking the Bench what our plans were,  
7 and our plans were not to have anything in writing. If  
8 you're asking for the opportunity to put something in  
9 writing, now you've apparently gotten around to that.

10 MR. RODIER: Yes.

11 CHAIRMAN GETZ: Now I'm going to let the  
12 other parties weigh in --

13 MR. RODIER: Oh, I'm sorry.

14 CHAIRMAN GETZ: -- if they have a  
15 position. Ms. Hatfield, do you --

16 MS. HATFIELD: Thank you, Mr. Chairman.  
17 I think that this proposal raises significant legal  
18 questions. So, I think it might be useful if the parties  
19 could reduce their closing statements to writing.

20 CHAIRMAN GETZ: Mr. Eaton?

21 MR. EATON: Mr. Chairman, we don't agree  
22 that it raises significant legal questions. We think this  
23 is -- this is fully justified, because the marginal cost  
24 is the actual cost of serving these new customers coming

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[WITNESS PANEL: Hall & White]

1 back, and it's below the average cost. So, whatever  
2 definition you have of "actual cost", this falls within  
3 that definition.

4 We objected to the intervention of  
5 Freedom Energy and Halifax American. And, we understood  
6 that the intervention would mean that Mr. Rodier would  
7 conform with the procedural schedule as the Commission  
8 defines it. And, we don't believe that there's any  
9 necessity why Mr. Rodier couldn't make his statement right  
10 now, if he has to leave, or at the -- if he can stay to  
11 the end, to make it at the end of the proceeding.

12 (Chairman and Commissioners  
13 conferring.)

14 CHAIRMAN GETZ: All right, this is our  
15 ruling. That the written -- the option for written  
16 closings are due by 4:30 tomorrow.

17 MR. RODIER: Fine. Thank you.

18 CHAIRMAN GETZ: Ms. Hatfield.

19 MS. HATFIELD: Thank you, Mr. Chairman.  
20 Good afternoon, gentlemen.

21 WITNESS WHITE: Good afternoon.

22 WITNESS HALL: Good afternoon.

23 BY MS. HATFIELD:

24 Q. Mr. Hall or Mr. White, looking at Exhibit 3, the last

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[WITNESS PANEL: Hall & White]

1 page that Mr. Rodier was just asking you questions  
2 about, do you still have that in front of you?

3 A. (White) Yes.

4 Q. And, if we look at the "Sales Increment", the  
5 megawatt-hour number, I just want to make sure I  
6 understand this. That increment is the difference  
7 between 25 percent migration and 34 percent migration,  
8 is that correct?

9 A. (White) At the customer meter, yes. That's correct.

10 Q. So, you're assuming, for purposes of pricing the ADE  
11 rate, that migration won't go below 25 percent?

12 A. (White) No. Should a quantity of load beyond what's  
13 represented here, if we had assumed a larger amount, we  
14 would have calculated the same marginal cost. It's not  
15 dependent on the amount of load returning to PSNH.  
16 That's --

17 Q. And, -- excuse me. Go ahead.

18 A. (White) No, that's fine. I'll stop here.

19 Q. And, previously, I think one of you defined "marginal  
20 cost" in this setting as basically "PSNH's cost of  
21 procuring market power to serve customers on this  
22 rate", is that right?

23 A. (Hall) Not really. "Marginal cost" is the cost of  
24 serving an increment of load. As Mr. White said, it

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1 doesn't matter what that increment is. Where I take a  
2 little bit of exception to what you said is the "cost  
3 of procuring power". Marginal cost, the marginal cost  
4 for serving the load is independent of whether we have  
5 to go out and procure the power to serve the load or  
6 not; the marginal cost is still the same. And, that's  
7 because, if it was provided through generation, rather  
8 than purchasing it from the market, there would be an  
9 opportunity cost associated with providing the  
10 generation to serve that load, and that opportunity  
11 cost is equal to the market price. So, it doesn't  
12 matter whether you're buying power or generating power,  
13 the cost is the same. It's a slight distinction.

14 Q. But, in your -- what's been marked as "Exhibit 1", in  
15 your September 23rd testimony, Page 5, at Line 5, you  
16 referred to the Rate ADE as a "discounted rate when  
17 marginal costs are below PSNH's average energy costs",  
18 right?

19 A. (Hall) Yes.

20 Q. So, if you were to use your own generation to develop  
21 the ADE rate, it would be higher than 6.33 cents?

22 A. (Hall) No. No. It wouldn't. Because, if we were to  
23 use our own generation to serve the load, it's because  
24 the incremental cost of that generation is lower than

[WITNESS PANEL: Hall & White]

1           whatever the prevailing market price is.

2   Q.    So, you -- but you're assuming in that case that you're  
3           only using your generation if it's lower than market?

4   A.    (Hall) To serve that increment of load.  If the  
5           variable cost of the generation is lower than the  
6           market price, you use generation to serve that  
7           increment of load, rather than purchase from the  
8           market.  The cost associated with doing that is the  
9           market price.  And, that's because, if you didn't have  
10          the additional load, to the extent that the variable  
11          cost of generation is below market, you'd be selling  
12          that generation into the market and receiving the  
13          marginal price, the marginal market price.  That's why  
14          the cost is the same, regardless of whether you're  
15          generating to supply the load or buying from the  
16          market.

17   Q.    But we have already established that you don't have  
18          enough generation just to provide service to your  
19          default service customers, correct?

20   A.    (White) Yes, as a general rule.

21   Q.    So, have you purchased power or entered into agreements  
22          to purchase power in order to provide Rate ADE?

23   A.    (White) No.

24   Q.    So, what happens if customers wish to take Rate ADE and

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[WITNESS PANEL: Hall & White]

1 the cost is actually higher than the 6.33 cents?

2 A. (Hall) In a particular hour, you mean? In that  
3 particular hour, it costs more to serve than the 6.33  
4 cents, which is no different than a standard Rate DE  
5 customer taking power in that hour. The marginal cost  
6 of serving many load in a particular hour is going to  
7 be the same price. Hour by -- I'm sorry, go ahead.

8 Q. When would you collect the difference from the rate?  
9 Would you collect it from the Rate ADE customers or  
10 from someone else?

11 A. (Hall) Hour-by-hour, the market -- the price is going  
12 to vary all over the place. In some hours, it's going  
13 to be below 6.33 cents, in some it's going to be above.  
14 On average, to the extent that the market doesn't  
15 shift, it will average out at about 6.33 cents. If you  
16 look at one -- that's why I asked you earlier "in a  
17 particular hour?" In any particular hour, the price is  
18 going to be either higher or lower than the 6.33. We  
19 would recover 6.33, plus a penny adder, or 7.33 cents a  
20 kilowatt-hour. And, through that incremental amount,  
21 that's where a benefit goes to all other customers.

22 Q. Now, if -- I think you just said that you're projecting  
23 that the average cost for ADE is 6.33, assuming market  
24 prices don't go up, is that right?

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[WITNESS PANEL: Hall & White]

1 A. (Hall) Or down. I mean, they could shift downward,  
2 too.

3 Q. So, what if market costs go up and the average cost is  
4 more than 6.33, would you take any difference out of  
5 that one cent adder that you're proposing?

6 A. (Hall) If the market shifts upward, what that would do  
7 is result in less margin to go to all other customers.  
8 And, I mean, in theory, the market could shift  
9 dramatically up and eliminate the margin altogether.

10 Q. And, just by "margin", you're talking about the cent?

11 A. (Hall) Uh-huh. Yes. Now, that's why we put the  
12 safeguard into the rate that says that "the price is  
13 subject to change after six months." If we see a shift  
14 in the market, we're going to be in here proposing a  
15 modification, because we don't want that to be a  
16 long-term phenomenon.

17 Q. And, the tariffs that you've included in your original  
18 filing today specified that the rate could be changed  
19 in six months?

20 A. (Hall) Come again?

21 Q. That the rate could be changed in six months?

22 A. (Hall) I don't know if it said it in the tariff pages  
23 or not. I don't think the tariff pages say anything  
24 about the turnover rate, how long the rates could

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1 remain in effect.

2 Q. And, those were attached to Exhibit 1, correct?

3 A. (Hall) Yes.

4 Q. Well, if we do look at the tariff page on Exhibit 1,  
5 when it talks about a "limitation of availability", it  
6 says it's "limited to [a] 24-month [period]"?

7 A. (Hall) Yes.

8 Q. So, perhaps it might be necessary to just add some  
9 language, just to notify customers that it could change  
10 in six months, would you agree?

11 A. (Hall) I wouldn't have an issue with adding such  
12 language. The same problem, if you want to call it  
13 that, applies to any of our rate schedules. It applies  
14 to our Default Energy Service Rate D, it applies to the  
15 Stranded Cost Charge, it applies to distribution rates.  
16 I mean, nowhere in our rate schedules do we say "oh,  
17 and this is subject to change in the next so many",  
18 but, conceptually, I wouldn't have a problem adding  
19 that language.

20 Q. It just seems like it might be helpful to large  
21 customers who are trying to decide among the several  
22 options?

23 A. (Hall) Okay. That will certainly be explained to  
24 customers by account executives when customers are

1           inquiring about the rate.

2   Q.   Thank you.  Now, let's assume that you got the number  
3           right, that the 6.33 turns out to be the right number,  
4           and that customers do come back to ADE.

5   A.   (Hall) Okay.

6   Q.   What will you do with the extra penny, the revenues  
7           from that extra penny adder?

8   A.   (Hall) All of the revenue that we receive from billing  
9           Rate ADE will get credited to the Energy Service  
10          reconciliation calculation.  If the cost of serving  
11          that load -- and the cost associated with serving that  
12          load will automatically be included in the Energy  
13          Service reconciliation calculation on the expense side  
14          of the equation.  If the 6.33 cent amount turns out to  
15          be exact, then what will happen is, on the expense side  
16          of the equation in Energy Service costs will rise by  
17          6.33 cents.  When we perform the reconciliation,  
18          revenue will increase by 7.33 cents.  And, therefore,  
19          the one penny increment gets credited through the  
20          standard Default Energy Service reconciliation.  And,  
21          that's how all our customers benefit, is through the  
22          reconciliation process.

23   Q.   And, that reconciliation process, is that the one that  
24          happens in the next calendar year following a default

1 service year?

2 A. (Hall) Yes. If the Energy Service rate changed on  
3 July 1st, it could happen sooner. I mean, it could be  
4 part of the mid year adjustment.

5 Q. And, what happens if no customers take Rate ADE?

6 A. (Hall) Nothing. There's no -- there would be no  
7 expense incurred, there would be no revenue to receive,  
8 and we'd be right where we are today.

9 Q. And, if no customers take Rate ADE, how does the rate  
10 help address the issues that were explored in the  
11 Migration proceeding?

12 A. (Hall) It probably wouldn't. Because, if no customers  
13 took service under Rate ADE, there would be no benefit  
14 for all of the remaining customers. And, therefore,  
15 remaining customers would still be paying for those  
16 fixed costs.

17 Q. And, you cited to the Migration order in your  
18 testimony, did you not?

19 A. (Hall) I did.

20 Q. Do you have a copy of the Migration order with you?

21 A. (Hall) No, I don't.

22 Q. I'm just going to ask you a few questions to see if you  
23 recall language from it. On Page 32, the Commission  
24 stated: "To be consistent with the policy principles

[WITNESS PANEL: Hall & White]

1 of RSA 374-F, such rates must be cost-based and  
2 non-discriminatory." Do you recall that?

3 A. (Hall) Yes.

4 Q. And, you've testified that a portion of the ADE rate  
5 will be cost-based, and then there would be an adder on  
6 top of that, is that right?

7 A. (Hall) Yes.

8 Q. Mr. Rodier referred you to OCA 1-3, which was a  
9 question about how many customers had migrated as of  
10 September. Do you recall that?

11 A. (Hall) Yes.

12 Q. And, I think he cited the number of "1,447 residential  
13 customers" that had migrated. Do you recall that?

14 A. (Hall) Yes.

15 Q. Do you know if there's a more current number about the  
16 level of residential migration at this point?

17 A. (Hall) We probably have data through October at this  
18 point, possibly November, but I don't have that data  
19 with me.

20 MS. HATFIELD: Mr. Chairman, that's  
21 something that we're interested in, but I don't know if  
22 the Commission needs it to make a decision in this  
23 proceeding. So, I wouldn't want to hold up, you know, the  
24 record. So, it's really up to you.

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1 MR. EATON: We could file up with -- we  
2 could follow-up with a supplemental response to OCA 3, but  
3 not have it -- reserving another exhibit for it. But, in  
4 order to provide the Consumer Advocate with that  
5 information, we'd be glad to do that.

6 CHAIRMAN GETZ: Well, is that something  
7 that can happen by tomorrow?

8 WITNESS HALL: Oh, yes.

9 CHAIRMAN GETZ: Let's just save an  
10 exhibit for it. Tomorrow, at the end of day, is the  
11 deadline for closings, then let's get that information on  
12 the record. And, that would be -- is that Exhibit Number  
13 4?

14 MS. DENO: Yes.

15 **(Exhibit 4 reserved)**

16 MS. HATFIELD: Thank you.

17 BY MS. HATFIELD:

18 Q. Mr. Hall, do you have a copy of your response to OCA  
19 1-4 in this case?

20 A. (Hall) I do.

21 Q. I'd like to ask you a question about it.

22 A. (Hall) Okay.

23 MS. HATFIELD: Mr. Chairman, I'd like to  
24 have this marked for identification please.

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1 CHAIRMAN GETZ: Okay. This will be  
2 marked as "Exhibit Number 5".

3 (The document, as described, was  
4 herewith marked as **Exhibit 5** for  
5 identification.)

6 BY MS. HATFIELD:

7 Q. And, Mr. Hall, in looking at this question, do you see  
8 that it asks "why the ADE rate will only be" -- or,  
9 "will not be available to customers other than those in  
10 the GV, LG and B rate classes"?

11 A. (Hall) Yes.

12 Q. And, in the response, you provide two primary reasons.  
13 Do you see that?

14 A. (Hall) Yes.

15 Q. And, the second reason you state "there will be  
16 programming changes required to implement Rate ADE and  
17 possibly some manual effort (at least initially)", and  
18 you go on to explain that. Do you see that?

19 A. (Hall) I do.

20 Q. And, for that reason, and the fact, your first reason,  
21 because most of customers who have migrated are large  
22 customers, you say that you're "limiting the  
23 availability of [the] rate", is that correct?

24 A. (Hall) Yes.

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[WITNESS PANEL: Hall & White]

1 Q. So, if a small customer, who's not in one of those  
2 classes, whether they be residential or small business,  
3 if they have migrated and they wish to come back, they  
4 have to go to default service?

5 A. (Hall) Yes, if the Commission accepts our proposal.  
6 Since I got this question from you, I did do some  
7 inquiry of our billing folks. And, my understanding is  
8 that the programming would be six to eight months of  
9 effort. Because, as I indicated here, they're billed  
10 under a different system. It's a billing system that's  
11 used for all of the NU companies, and, therefore, it's  
12 a pretty substantial effort. In view of that, and in  
13 view of the fact that it's about a quarter of 1 percent  
14 or 3/10ths of 1 percent of total energy of residential  
15 customers who have migrated, the issue that one has to  
16 decide is, "is it worth undertaking that level of  
17 effort for a relatively small number of -- small amount  
18 of load?" That's really a philosophical question. I  
19 don't have any philosophical issue associated with  
20 making this available to residential customers, rather  
21 it's a practical one.

22 Q. And, would you have that same issue with the small  
23 general service customers and the street lighting  
24 customers?

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[WITNESS PANEL: Hall & White]

1 A. (Hall) Yes.

2 Q. Even though there's quite a larger group of those in  
3 those rate classes who have migrated?

4 A. (Hall) Yes. Again, our Rate G customers, and I believe  
5 many of our street lighting customers, are billed under  
6 that same system that residential customers are billed  
7 under. And, it would be a major effort to do the  
8 programming.

9 MS. HATFIELD: Mr. Chairman, I think I  
10 would like to have OCA 1-3 marked. We've referred to it,  
11 we've asked for an update with respect to the residential  
12 numbers. But I think the Commission might like to just  
13 have the information about how many small general service  
14 customers and street lighting customers would be impacted.  
15 Thank you.

16 CHAIRMAN GETZ: Okay. This will be  
17 marked as "Exhibit 6" for identification.

18 (The document, as described, was  
19 herewith marked as **Exhibit 6** for  
20 identification.)

21 BY MS. HATFIELD:

22 Q. And, Mr. Hall, do you have OCA 1-3 in front of you?

23 A. (Hall) I do.

24 Q. So, at least as of September, there were 9,351 small

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[WITNESS PANEL: Hall & White]

1 general service customers who had migrated?

2 A. (Hall) Yes.

3 Q. And, if they returned from a competitive supplier,  
4 under your proposal, they would have to go to the  
5 Default Service rate, they wouldn't be able to go into  
6 the ADE rate?

7 A. (Hall) Correct.

8 Q. And, the same would be true for the public street  
9 lighting the customers, the 188 who have migrated?

10 A. (Hall) Yes.

11 Q. And, in your testimony, when you cite to the  
12 Commission's Migration order in DE 10-160, I wanted to  
13 make sure that we're using the same language. In the  
14 ordering clause on Page 40 of that order, it states:  
15 "Further ordered, that PSNH shall file, as part of its  
16 2012 default service" -- excuse me, "default energy  
17 service filing, alternative proposed rates and tariffs  
18 for customers who return to PSNH default energy service  
19 from competitive supply, along with supporting  
20 testimony." Does that sound familiar?

21 A. (Hall) Yes.

22 Q. And, they specifically used "rates and tariffs" in the  
23 plural, do you recall that?

24 A. (Hall) Yes.

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[WITNESS PANEL: Hall & White]

- 1 Q. But the Company has just proposed ADE, is that correct?
- 2 A. (Hall) Yes. Applicable to two different rate classes.
- 3 Q. Now, you had originally proposed the 0.97 cent adder to
- 4 go to the non-operating costs of the Scrubber, is that
- 5 correct?
- 6 A. (Hall) Yes.
- 7 Q. But, then, when the Commission moved the Scrubber costs
- 8 to a new docket, you changed this proposal, correct?
- 9 A. (Hall) Yes.
- 10 Q. And, just so I'm clear, the penny, if there was any
- 11 amount of that penny that wasn't needed to cover the
- 12 cost of serving these customers, that wouldn't go to
- 13 the Scrubber under your proposal, that would just go
- 14 into regular Energy Service?
- 15 A. (Hall) I didn't quite follow you. Would you run that
- 16 by me again.
- 17 Q. If there's any -- if the penny is available to benefit
- 18 other customers, --
- 19 A. (Hall) Yes.
- 20 Q. -- it would just go into Energy Service. It wouldn't
- 21 be targeted specifically for Scrubber recovery?
- 22 A. (Hall) Correct. And, that was even under the original
- 23 proposal.
- 24 Q. I thought your original proposal, I think maybe I'm

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[WITNESS PANEL: Hall & White]

1           confusing -- oh, no. Your original proposal did say  
2           "the rate would be based on forward market prices for  
3           power necessary to serve additional customers returning  
4           to PSNH's default energy supply plus an adder based  
5           upon the non-operating costs of the [Scrubber]." That's  
6           reading from Paragraph 2 of your original petition in  
7           this case. Do you recall that?

8           A.     (Hall) Yes.

9                                   MS. HATFIELD: Thank you. I have  
10          nothing further.

11                                  CHAIRMAN GETZ: Thank you. Ms. Amidon.

12                                  MS. AMIDON: Thank you. I'm deferring  
13          to Mr. Mullen.

14                                  MR. MULLEN: Good afternoon.

15                                  WITNESS HALL: Good afternoon.

16                                  WITNESS WHITE: Good afternoon.

17          BY MR. MULLEN:

18          Q.     I just want to spend some time just reviewing the  
19                  workings of this a little bit.

20          A.     (Hall) Okay.

21          Q.     If we look at Exhibit 3, the last page, and I think you  
22                  ran through this. The "Sales Increment" you stated was  
23                  the additional load going between 34 percent migration  
24                  and 25 percent migration, correct?

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1 A. (White) Yes.

2 Q. And, as you stated, that was just a representative  
3 number. To the extent that the amount of load that  
4 migrates comes back, the costs that are below would  
5 change proportionately?

6 A. (White) That's correct.

7 Q. Okay. So, that results in your marginal cost of cents  
8 per kilowatt-hour of 6.33 cents, correct?

9 A. (White) Yes.

10 Q. To that, you have the one cent adder, which, Mr. Hall,  
11 I believe you testified was "reasonable, based on  
12 judgment"?

13 A. (Hall) Yes.

14 Q. So, that's basically all the Commission has to go on in  
15 terms of the reasonableness of the adder, is that  
16 right?

17 A. (Hall) Yes. When you get right down to it, it doesn't  
18 really matter how the adder is calculated. It's the  
19 fact that an adder exists and provides benefit to all  
20 other customers. So, the judgment to be applied is  
21 whether the adder is at a level that will, number one,  
22 result in customers coming back, and, number two,  
23 result in incremental revenues. If you price it too  
24 high, customers don't return; if you price it too low,

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1 you've lost an opportunity for additional revenue.

2 It's balancing those two objectives.

3 Q. Okay. In the past, did PSNH have in its tariff a  
4 similar type of proposal to try and stimulate  
5 competition?

6 A. (Hall) Yes.

7 Q. Was that the Retail Energy Services proposal?

8 A. (Hall) Yes, it was.

9 Q. And, I believe that was Docket DE 03-193?

10 A. (Hall) Probably. It was in 2003. I don't remember the  
11 docket number.

12 Q. That was in place for how long?

13 A. (Hall) Two or three years, if I recall.

14 Q. Would you take subject to check that it was two years?

15 A. (Hall) Sure. I'll accept that.

16 Q. During the term of that, how many customers took  
17 advantage of it?

18 A. (Hall) None.

19 Q. Given the current circumstances now, in terms of PSNH's  
20 rates, the energy market and the pricing for Rate ADE,  
21 do you have any expectations about how many customers  
22 might take service under Rate ADE?

23 A. (Hall) No, I don't. And, you know, to be candid, we  
24 can offer the rate and no customers take service under

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1 it. But, one thing I know for sure is, absent the  
2 rate, no customers are going to take service under it.  
3 So, it's, you know, it's a judgment call. I don't know  
4 if customers are going to return under this rate or  
5 not. Time will tell.

6 Q. Right. And, I think you've testified that PSNH is  
7 proposing this rate in response to the Commission's  
8 order in DE 10-160?

9 A. (Hall) Yes. I also think it's a good idea, though.

10 Q. Now, I think you've said you do not have a copy of the  
11 Commission's order in that case in front of you?

12 A. (Hall) I don't.

13 Q. Okay. Do you recall that, in a certain part of the  
14 order, the Commission set out a few examples of how  
15 PSNH could go about designing a rate?

16 A. (Hall) Yes.

17 Q. They were merely examples, and it was up to PSNH to put  
18 forth a proposal?

19 A. (Hall) Yes. And, if I recall, there was some language  
20 in the Commission's order that said, you know, "this  
21 isn't to say that this is the way the rate should be  
22 designed. This is just an example."

23 Q. Okay.

24 A. (Hall) Something like that.

[WITNESS PANEL: Hall & White]

1 Q. Right. And, did it say to do one rate? Did it say to  
2 do two? Or, was it that prescriptive?

3 A. (Hall) I don't think it was that -- I don't think it  
4 got down to that level of detail. But, without having  
5 it in front of me, I can't tell you for sure.

6 Q. Okay. And, there was a section that was discussed  
7 earlier about that "such rates must be cost-based and  
8 non-discriminatory and should not have an adverse  
9 effect on competition."

10 A. (Hall) Yes.

11 Q. And, there's other sections that, I'm reading from  
12 Page 33 of the order, said "In order to fully evaluate  
13 PSNH's proposal to address the current circumstance,  
14 when the default ES rate is greater than the market  
15 rate, by offering a rate that exceeds its marginal cost  
16 of default service, but is less than the average cost,  
17 we direct PSNH to develop and file a specific tariff  
18 proposal." Do you remember that?

19 A. (Hall) Yes.

20 Q. Okay. So, is that language what you're using for your  
21 basis for what you're filing today?

22 A. (Hall) Yes. In my judgment, the rate that we filed is  
23 consistent with that directive.

24 Q. Going back to the workings of this, I want to make sure

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1 I have this clear.

2 A. (Hall) Okay.

3 Q. When must a customer take service under Rate ADE?

4 A. (Hall) Under Rate ADE?

5 Q. Yes.

6 A. (Hall) I'm not quite following you. They never have to  
7 take service under Rate ADE, because they can always  
8 stay with the competitive market. Are you saying,  
9 "when they return, what are the conditions requiring  
10 them to take service under Rate ADE?"

11 Q. Sure. That's a better way to state it.

12 A. (Hall) Okay. I misunderstood you, I'm sorry. Based on  
13 our proposal, if a customer has been with a competitive  
14 supplier for a period of 12 consecutive months, then,  
15 if they return to Energy Service from PSNH, they must  
16 then take service under Rate ADE. And, their return to  
17 PSNH begins, for lack of a better term, a 24-month  
18 clock ticking. And, any time in the subsequent 24  
19 months, if they're taking Energy Service from PSNH, it  
20 must be under Rate ADE. They can always leave and go  
21 to the competitive market. But, when they return, they  
22 must take service under Rate ADE. So, they can jump  
23 back and forth.

24 Q. If a customer, during that 24-month period, did go to a

[WITNESS PANEL: Hall & White]

1 competitive supplier for a period of less than 12  
2 consecutive months, what happens?

3 A. (Hall) And then they return to PSNH?

4 Q. Yes.

5 A. (Hall) They would still be under Rate ADE, until the  
6 balance of the 24 months expired. So, let's use an  
7 example. Let's say a customer returned to PSNH for,  
8 pick a number, two months. Upon their return, the  
9 24-month clock starts ticking. They're with PSNH for  
10 two months, they leave and go to the competitive  
11 market. And, let's say they stay with the competitive  
12 market for 11 months; that's 13 months total. They now  
13 want to return to PSNH after 11 months. When they do,  
14 they are still under Rate ADE for the next 11 months,  
15 because there's 11 months remaining in that 24-month  
16 time period. That's basically how it would work. They  
17 can jump back and forth. And, the 24-month clock only  
18 gets reset, if they take service under Rate ADE, then  
19 they leave for at least 12 consecutive months.

20 MR. MULLEN: You just anticipated my  
21 next and last question.

22 WITNESS HALL: Okay.

23 MR. MULLEN: Thank you.

24 WITNESS HALL: My pleasure.

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[WITNESS PANEL: Hall & White]

1 CHAIRMAN GETZ: Commissioner Below.

2 CMSR. BELOW: Thank you.

3 BY CMSR. BELOW:

4 Q. What do the NYMEX forward electricity prices look like  
5 that you developed your model off of? I mean, are they  
6 monthly? Weekly? Daily? Hourly? Peak? On-peak?  
7 What are the components?

8 A. (White) They're, generally speaking, they are monthly  
9 peak and off-peak quotes, and they may go out, the  
10 further out you go it, at some point, transitions to  
11 annual quotes only. But they may go out five years.  
12 They are closing prices on a daily basis.

13 Q. So, those NYMEX future prices, therefore, when they're  
14 quoted on-peak and off-peak, they're for all the peak  
15 hours or off-peak hours as they're defined for that  
16 month that you're looking at the close on?

17 A. (White) Yes. Yes.

18 Q. How do you translate those in your model to essentially  
19 a single price per megawatt-hour. Do you assume some  
20 load profile?

21 A. (White) We assume a price profile based on history in  
22 the relevant market. In terms of -- so, then, we have  
23 8,760 hourly prices. And, if you took, for instance,  
24 the month of January, and averaged all the off-peak

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1 hourly prices, they would equal the forward quote for  
2 off peak in January. So, the monthly average is spread  
3 on an hourly basis over the applicable hours month by  
4 month.

5 Q. So, you weight it by the hours in the month, but do you  
6 apply any kind of load weighting then to that?

7 A. (White) No. The load weighting comes later, when you  
8 evaluate the cost to serve load. But, in terms of a  
9 forward price, an hourly stream of forward prices, it's  
10 based on historical price shapes, which are driven by  
11 loads, but we look at the straight price data.

12 Q. Right, I understand that. But, looking at Exhibit 3,  
13 the attachment where you've got what is, in effect, a  
14 price per kilowatt-hour, it's not broken out for the  
15 energy component. The NYMEX price, is that energy only  
16 or is it energy and capacity?

17 A. (White) It's energy only.

18 Q. So, capacity, ancillaries, those are based on a  
19 combination of estimates or is their forward price on  
20 capacity beyond the current capacity?

21 A. (White) The forward capacity market in New England  
22 clears a few years in advance. So, capacity prices are  
23 known for 2012. The other components of the rate are  
24 based on typically the most recent -- an average of the

[WITNESS PANEL: Hall & White]

1 most recent 12 months per kilowatt-hour costs on  
2 average.

3 Q. So, going back to the energy, let's just say the  
4 number, I don't know what it comes out to, but let's  
5 say it comes out to five cents or four and a half cents  
6 per kilowatt-hour. When you take that sort of historic  
7 time distribution of hourly cost, and you sort of take  
8 the NYMEX forward price for a given month,  
9 on-peak/off-peak, and you back that in to an  
10 hour-by-hour pricing model, --

11 A. (White) Yes.

12 Q. -- for the purposes of this rate, did you further apply  
13 some load factoring to that?

14 A. (White) Yes. In the calculation of the average you're  
15 talking about, the load shape of the load we model  
16 would -- that would be a weighted average, a load  
17 weighted average price. It works out to 4.87 cents per  
18 kilowatt-hour.

19 Q. 4.87 cents. And, what is the load shape that you use  
20 for that load weighting?

21 A. (White) It has the characteristics of the PSNH load  
22 forecasts that we utilize.

23 Q. In general or specifically for these three rate  
24 classes?

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[WITNESS PANEL: Hall & White]

1 A. (White) Just in general. It's the overall load factor.  
2 We have not distinguished based on load classes,  
3 similar to how we do not in ES rate and in other rates.

4 Q. Do you have a sense of what the load shape diversity is  
5 for Rate Class GV or LG or B?

6 A. (White) I believe it's -- those customers have a higher  
7 load factor than the total PSNH load shape.

8 Q. On average?

9 A. (White) On average.

10 Q. What I'm asking is, do you have an idea of the  
11 diversity within one of that group, the sort of median  
12 upper quartile/lower quartile, in terms of load  
13 factors?

14 A. (White) I don't have that information.

15 Q. Did you look at that information in working on this  
16 rate design?

17 A. (White) No.

18 Q. Okay.

19 A. (White) I could -- I would guess that there could be a  
20 fair amount of diversity among individual customers.

21 Q. I think you've testified that the way that this would  
22 work is that, if there's a over-recovery, if you will,  
23 compared to the projection, or even an over-recovery  
24 from the actual marginal cost, with whatever the adder

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1 works out to effectively be, that gets credited back to  
2 overall default service on the annual reconciliation.  
3 And, vice versa, if there's an under-recovery, if the  
4 actual cost to serve this load turns out to be greater  
5 than the rate, that would -- under-recovery would also  
6 go into the overall Default Service rate, is that  
7 correct?

8 A. (Hall) That's right.

9 Q. And, the customers, once they come onto this, they're  
10 free to go on and off on a monthly basis?

11 A. (Hall) Yes.

12 Q. If I could make reference to Exhibit 2 in DE 11-215  
13 that we looked at this morning, and the Joint Technical  
14 Statement, which isn't -- doesn't have page numbers,  
15 but on the second page, C.2, there's forward  
16 electricity prices for the Massachusetts Hub, which is  
17 a little different than your number, because you've  
18 adjusted it for New Hampshire and such. But it shows,  
19 for the December 14th, 2012 -- 2011, I mean, the  
20 11/30/11 closing prices, an average of \$44.70 per  
21 megawatt-hour, is that correct?

22 A. (White) Yes.

23 Q. And, you just indicated that the number you're using  
24 for the purpose of this proposed rate works out to be

1 about 4. -- would be \$48.70 per megawatt-hour?

2 A. (White) That's correct.

3 Q. And, what would you say the range of diversity is by  
4 month in that price?

5 A. (White) In the 48.70?

6 Q. Or in the 44.70.

7 A. (White) In C.2, it shows the monthly variation in  
8 prices. Looks like it ranges from a high of 59.30 in  
9 January, to a low of 38.10 in May.

10 Q. So, do you have any concern that a customer might come  
11 onto this ADE rate, say, for January and February, but  
12 then go off it for March, April, and May, when the --  
13 when they might get a lower price from the market, and  
14 then come back onto it late in the year, when the price  
15 is back up in the market, such that the actual cost to  
16 serve them could be well above the rate, including the  
17 adder?

18 A. (Hall) That risk exists. There's no question. And,  
19 the issue that we struggled with is, "do we make the  
20 rate seasonal or monthly, and therefore don't provide  
21 rate stability to customers?" Or, "do we make the  
22 rate, you know, 6 months or 12 months long?" We went  
23 back and forth and chose the latter, because we thought  
24 that that was more attractive to customers. But what

[WITNESS PANEL: Hall & White]

1 you point out could indeed happen. There is no barrier  
2 to customers coming and going.

3 A. (White) The adder serves as somewhat of a shock  
4 absorber in those instances.

5 A. (Hall) Correct. It provides some cushion.

6 Q. In working on modeling this, did you go back in history  
7 at all and compare a fall forecast or fall NYMEX  
8 electricity forward prices to what actually played out  
9 over the following year, to get a sense as to whether a  
10 one cent adder would actually cover you in some of the  
11 historic experiences we've had in recent years?

12 A. (White) We did not do that in preparation for this.

13 Q. Okay. And, even though you might have a July 1  
14 correction, isn't it possible that, in August, we could  
15 have a major gas supply disruption that would cause gas  
16 prices to spike for the rest of the year, like happened  
17 after Katrina?

18 A. (Hall) That possibility exists, there's no question.

19 Q. Okay.

20 A. (Hall) And, you know, in your decision-making, I think  
21 these are some of the issues you have to consider as  
22 well. We, like I said, we thought about this long and  
23 hard and struggled with it, and came up with a proposal  
24 that we thought would be acceptable to customers, would

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[WITNESS PANEL: Hall & White]

1 balance the risk that you're referring to, and still  
2 provide benefit. And, time will tell whether that  
3 happens.

4 Q. These Rate Class LG, GV, and B, are those all -- what  
5 kind of meters do they have?

6 A. (Hall) They all have meters that measure load in  
7 30-minute intervals.

8 Q. So, they're digital meters that measure both demand and  
9 kilowatt-hours?

10 A. (Hall) Yes.

11 Q. Did you consider putting a demand-based component in  
12 this energy rate?

13 A. (Hall) Not really. Because what a demand-based  
14 component would do is recover costs from those  
15 customers who are very low load factor customers.  
16 Customers who have high load factors, who are the  
17 customers who most likely have migrated, a demand  
18 component doesn't impact their bill that much, because  
19 their load factor is much higher. And, therefore, it  
20 doesn't really give you all that much more protection  
21 for a high load factor customer. You have essentially  
22 the same -- you get to the same result with a cents per  
23 kilowatt-hour rate. So, for simplicity of  
24 understanding, we opted not to.

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[WITNESS PANEL: Hall & White]

1 Q. But, thinking about that, not knowing exactly what your  
2 diversity of load factor is, and realizing that, in  
3 these largest classes, most customers have migrated, --

4 A. (Hall) Yes.

5 Q. -- it's probably reasonable to assume that there's some  
6 of those customers that have a very attractive, i.e.,  
7 high load factor, and others who have lower load  
8 factors, and even a low load factor is not -- could  
9 result in below average costs, if they're low load  
10 factors, because they have a lot of off-peak demand and  
11 low on-peak demand. And, I guess what I'm getting at  
12 is, isn't it possible that the customers that might  
13 find this rate most attractive are those that have the  
14 higher cost profiles, which may be high load factor, if  
15 they're mainly off-peak, or could be a low load factor,  
16 which is a very peaky on-peak load.

17 A. (Hall) Yes.

18 Q. But they have a worse-than-average cost profile, might  
19 the worse-than-average cost profile customer find this  
20 more attractive than a customer who has a below-cost  
21 profile?

22 A. (Hall) They may find it more attractive, to the extent  
23 that a lower load factor customer may not have as an  
24 attractive an option in the competitive market. And,

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[WITNESS PANEL: Hall & White]

1           therefore, to the extent that the pricing that they get  
2           in the competitive market isn't as attractive, then  
3           this rate might appear more attractive to them.

4                         That said, you were questioning a few  
5           minutes ago about "gee, what load factor did you use to  
6           calculate this rate level?" And, what Mr. White said  
7           is, "we used total company average load factor." One  
8           thing we did not do is use a load factor just for these  
9           larger customer classes, which is a better load factor  
10          than the Company -- total company as a whole.

11   Q.   Do you know how much better?

12   A.   (White) It's not significant. I would say, perhaps two  
13          or three percentage points on an annual load factor  
14          basis.

15   A.   (Hall) What that does, by using the Company as a whole,  
16          is it provides -- it makes the rate a little bit  
17          higher, and provides a little bit more margin than what  
18          we'd otherwise see if we calculated the rate based just  
19          on the load factor of the GV or LG classes combined.  
20          If we did that, the 6.33 cents would be lower, and the  
21          rate we're proposing would be lower. I don't know how  
22          much. It would be a relatively small amount, but it  
23          would be lower. Energy costs would be the same; demand  
24          and ancillary costs might be lower.

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[WITNESS PANEL: Hall & White]

1 Q. Would there be any incentive under this rate design for  
2 customers on the ADE to avoid the load during the  
3 single peak hour that the next year's capacity costs  
4 will be based on?

5 A. (Hall) I don't know if the design of Rate ADE in and of  
6 itself gives that incentive. If a customer is going to  
7 avoid a single peak hour, it's because their supplier  
8 doesn't want to incur the cost. And, when you get  
9 right down to it, that incentive exists today even with  
10 default service. There's nothing today to stop default  
11 service customers from jumping back and forth, or  
12 coming back for one month, avoiding a peak from the  
13 supply -- for the supplier's perspective, and then  
14 going right back to the supplier.

15 Q. Although, for these large customers, doesn't their ICAP  
16 tag go with them as a customer, versus the supplier for  
17 the next year?

18 A. (White) It does. I'm not sure I'm fully on board of  
19 your question. I think it would be a difficult game to  
20 play to avoid the peak hour, perhaps. But, yes, I  
21 don't see the ADE as behaving much differently than the  
22 current structure in that regard.

23 CMSR. BELOW: Okay. I think that's all.

24 CHAIRMAN GETZ: Commissioner Ignatius.

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[WITNESS PANEL: Hall & White]

1 CMSR. IGNATIUS: Thank you. Just a  
2 couple more questions, please.

3 BY CMSR. IGNATIUS:

4 Q. In going through the mechanics of how this would apply,  
5 the counting of 12 consecutive months of being off PSNH  
6 with a competitive supplier, is that over any  
7 particular period of time? Is it only if the people  
8 who are currently out, and have been out for 24 --  
9 excuse me, for 12 months that it would apply to? For  
10 example, if over a year ago someone was gone for 12  
11 more months, and came back to PSNH, but has only been  
12 back for, say, well, came back to PSNH and then left  
13 again, and was off for, say, two months. Are they  
14 under the "if you want to come back, you have to come  
15 back under ADE"?

16 A. (Hall) Yes.

17 Q. So that at sometime in their past they were out for 12  
18 months or more consecutively?

19 A. (Hall) If upon their return to PSNH, as of that month  
20 of return, we look back 12 months. If they had been  
21 gone for 12 months as of the month they returned, then  
22 they must take service under Rate ADE. And, that's  
23 when the 24-month clock starts ticking.

24 Q. All right. Well, that's interesting, because that's

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[WITNESS PANEL: Hall & White]

1 different than what I was trying to get out as a  
2 hypothetical. So, thank you for the answer.

3 A. (Hall) I might have misunderstood you.

4 Q. No. So, it's the most recent 12 months period that  
5 you're going to look to?

6 A. (Hall) Yes, with respect to their initial return to  
7 PSNH.

8 Q. And, after 24 months, under ADE, I realize, if you come  
9 and go, you keep starting a new 24-month clock. But,  
10 if you don't leave again and you stay under ADE for 24  
11 months, what happens in the 25th month?

12 A. (Hall) They're no longer eligible for Rate ADE. And,  
13 if they don't choose a competitive supplier, they  
14 transfer to our standard Default Energy Service rate.

15 Q. Have you heard feedback from customers, either in what  
16 they were looking for and that's what led you to design  
17 it the way you did, or feedback since you've announced  
18 this proposal?

19 A. (Hall) I know that our account executives have received  
20 some feedback. We did not go out and poll customers  
21 and say "gee, what are you looking for?" The design  
22 and the 12-month and 24-month periods that we came up  
23 with, the 12-month period was to prevent gaming, what  
24 Commissioner Below was getting into earlier. The

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[WITNESS PANEL: Hall & White]

1 24-month period is to ensure that Rate ADE is not a  
2 long-term option for customers. You don't want Rate  
3 ADE to be a long-term option in either case where  
4 market prices are very low or where market prices are  
5 very high. So, that was our thinking there. It wasn't  
6 based on feedback from customers.

7 Q. Have you -- I think you had already testified that you  
8 have not yet purchased any power to cover ADE  
9 customers, --

10 A. (Hall) Correct.

11 Q. -- sort of in anticipation of this being approved, is  
12 that correct?

13 A. (Hall) Correct.

14 Q. And, do you have any expectation that you would do so  
15 if it were approved?

16 A. (White) That would be evaluated as part of our normal  
17 periodic evaluations of our power supply portfolio. If  
18 we saw a significant increase in load, we may well see  
19 a need to make purchases.

20 A. (Hall) Sitting here today, we don't know what we'd do,  
21 because we have no idea what kind of response we're  
22 going to get.

23 Q. Is it likely, in the first six months, if this were  
24 approved, let's say, January 1st, that we would see an

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[WITNESS PANEL: Hall & White]

1 adjustment that is described as "making up an  
2 under-recovery" to cover purchases made for customers  
3 who never materialized?

4 A. (White) If I understood, I wouldn't say that was  
5 likely. We would need to see a significant amount of  
6 load returning, I think, before we would make purchases  
7 that would be attributed directly to that returning  
8 load. Could customers come back that quickly over the  
9 course of six months? I think there's enough customers  
10 out there that, if they all came back, that would  
11 certainly be a significant change in load.

12 Q. But, at least initially, you don't intend to obtain  
13 additional power until you see some sizeable number of  
14 customers show interest in the rate?

15 A. (White) Yes.

16 Q. The final things I wanted to ask, and time is late, so  
17 maybe this is better put to briefing. It would be your  
18 view of how the proposed rate meets the terms of the  
19 statute that require "no adverse effect on  
20 competition"?

21 A. (Hall) This rate is not going to be priced below  
22 forward market, in fact, it's going to be above it.  
23 And, I don't know how suppliers are going to respond.  
24 It may well be that suppliers see the pricing and

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[WITNESS PANEL: Hall & White]

1 simply reduce their price to customers, and cut their  
2 margins. And, I'll leave it up to the lawyers to  
3 figure out whether that's an "adverse effect on  
4 competition". I don't see it that way, but I'll leave  
5 it up to them to argue.

6 Q. And, the requirement that "Energy service rates be  
7 based on actual and prudent costs of the service", and  
8 how this proposal meets the terms of the statute?

9 A. (Hall) Well, our marginal cost is our actual prudent  
10 cost of providing service. And, the rate is marginal  
11 cost based, there's no question. So, I think it fits  
12 very well into that requirement.

13 Q. In the 6.33 is actual prudent costs, and the adder is  
14 just an adder?

15 A. (Hall) And, the one penny adder? Again, that's the  
16 value that goes to all other customers. And, if you  
17 conclude that a one penny adder above marginal cost  
18 does not fall into the four walls of "actual prudent  
19 costs of providing service", then, quite frankly, I  
20 don't think there's any way that a marginal cost based  
21 rate is ever going to be able to be approved. Because  
22 utilities can never price exactly at marginal cost,  
23 there always has to be some margin. And, in this case,  
24 the margin goes to all other customers.

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[WITNESS PANEL: Hall & White]

1 CMSR. IGNATIUS: All right. Thank you.

2 CHAIRMAN GETZ: Any redirect, Mr. Eaton?

3 MR. EATON: Yes.

4 **REDIRECT EXAMINATION**

5 BY MR. EATON:

6 Q. Do you have Exhibit 6, which is OCA Set 1, Question  
7 Number 3?

8 A. (Hall) Yes.

9 Q. Those percentages there -- first of all, let me ask a  
10 question. Is the billing program that's difficult to  
11 reprogram cover all of these categories of customers?

12 A. (Hall) It definitely is for residential and general  
13 service, and it's for at least some street lighting,  
14 but that's where I'm going to stop. I don't know how  
15 many street lighting customers are billed under that  
16 billing system.

17 Q. And, the "0.3 percent" is the percent of residential  
18 customers that, at this point of September, were taking  
19 service from competitive supply, right?

20 A. (Hall) Not exactly.

21 Q. All right.

22 A. (Hall) I stand corrected. It is. It's the percent of  
23 customers. I thought it might be the percent of  
24 kilowatt-hours, but it is customers.

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[WITNESS PANEL: Hall & White]

1 Q. And, the "12.7 percent" is the percent of general  
2 services customers that have migrated?

3 A. (Hall) Yes.

4 Q. Would it be a larger or smaller percentage of all those  
5 customers that are billed under that billing program?

6 A. (Hall) I'm not following your question.

7 Q. Out of all the customers that are billed under the C2  
8 Billing Program that you testified is used by all the  
9 operating companies, would that number of "9,351 small  
10 general service customers", would that be a smaller  
11 percentage of all those customers that are billed under  
12 the billing program?

13 A. (Hall) The percent would be smaller. There's about  
14 close to 500,000 accounts under residential and small  
15 general service. So, 9,000 divided -- 9 divided by 500  
16 would be the percent of total accounts billed under  
17 that system.

18 Q. I want to make sure that everything is clear, because  
19 you may not have picked up something I picked up in one  
20 of Commissioner Ignatius's questions.

21 A. (Hall) Okay.

22 Q. But the 24 months that you can be on the rate is a  
23 running 24 months, correct?

24 A. (Hall) Yes.

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[WITNESS PANEL: Hall & White]

1 Q. It's not cumulative, if you go on and off, if you were  
2 to go on the rate on January 1st 2012, you would leave  
3 at the end of 2013, correct?

4 A. (Hall) Correct, regardless of whether you jump back and  
5 forth between that rate and a competitive supply. The  
6 one caveat is that, if you left Rate ADE for a full  
7 12-month period, and then returned to Rate ADE prior to  
8 the end of 2013, the 24-month clock would start anew.

9 MR. EATON: Thank you. And, I'm sorry  
10 if I mischaracterized your question, but I didn't want  
11 there to be any confusion.

12 CMSR. IGNATIUS: I appreciate that,  
13 because I had a different understanding. So, I thank you  
14 for that clarification.

15 WITNESS HALL: My apologies.

16 MR. EATON: Thank you. That's all I  
17 have on redirect.

18 CHAIRMAN GETZ: Okay. Then, I think  
19 that's all for these witnesses. Thank you. You're  
20 excused, gentlemen.

21 WITNESS HALL: Thank you.

22 CHAIRMAN GETZ: Is there any objection  
23 to striking the identifications and admitting the exhibits  
24 into evidence?

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1 (No verbal response)

2 CHAIRMAN GETZ: Hearing no objection,  
3 they will be admitted into evidence. We're going to  
4 entertain closings in writing by close of business  
5 tomorrow.

6 Is there anything else we need to  
7 address this afternoon?

8 MR. RODIER: One quick thing. May I?  
9 The information I was looking for, when I asked for a copy  
10 of the model, I think what I needed I got from the  
11 witnesses. They were very willing to give it. And, I  
12 wasn't looking for anything that was proprietary. So, if  
13 it's of any use to the Commission, you know, I will  
14 withdraw that objection, or if it eliminates any work for  
15 you at all.

16 CHAIRMAN GETZ: Well, we will consider  
17 your objection withdrawn --

18 MR. RODIER: Thank you.

19 CHAIRMAN GETZ: -- and act accordingly.

20 MR. RODIER: Yes.

21 CHAIRMAN GETZ: Is there anything else  
22 we need to address today?

23 (No verbal response)

24 CHAIRMAN GETZ: Hearing nothing, then we

1 will close the hearing, wait for the written closings, and  
2 take the matter under advisement. Thank you.

3 (Whereupon the hearing ended at 4:20  
4 p.m.)

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