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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

October 18, 2012 - 10:22 a.m.
Concord, New Hampshire

DAY 1

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

NHPUC NOV05'12 PM 2:49

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: **Reptg. Public Service Co. of New Hampshire:**
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Robert A. Bersak, Esq.

Reptg. PNE:
James T. Rodier, Esq.

Reptg. Retail Energy Suppliers Association:
Joey Lee Miranda, Esq. (Robinson & Cole)
Jonathan H. Schaefer, Esq. (Robinson & Cole)

Reptg. Residential Ratepayers:
Susan W. Chamberlin, Esq., Consumer Advocate
Stephen R. Eckberg
Donna L. McFarland
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.
Al-Azad Iqbal, Electric Division

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

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 FREDERICK B. WHITE**

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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DE 11-216, which is Public Service
4 Company of New Hampshire's proposed revised Alternative
5 Default Energy Service rate. On Oct -- excuse me, on
6 April 27th, 2012, PSNH filed testimony and exhibits
7 describing a proposed redesigned Alternate Energy Service
8 rate, called "Rate ADE". That was filed pursuant to
9 Commission Order Number 25,320. And, the Company proposed
10 it be in effect as of July 1st, 2012. We, by a subsequent
11 secretarial letter, scheduled a hearing for today.

12 And, I understand we've had a little bit
13 of a flurry over figuring out phone access for a witness
14 who has, at the last minute, become unavailable. So, I'm
15 hoping that that's working. We'll find out.

16 Let's start with taking appearances.
17 And, when it's time for Mr. Estomin, I'll cue you. Mr.
18 Fossum.

19 MR. FOSSUM: Good morning. For Public
20 Service Company of New Hampshire, my name is Matthew
21 Fossum. And, this morning with me are Robert Bersak,
22 Stephen Hall, and Frederick White for the Company.

23 CHAIRMAN IGNATIUS: Good morning.

24 MR. BERSAK: Good morning.

1 MR. RODIER: Good morning. Jim Rodier,
2 with Gus Fromuth.

3 CHAIRMAN IGNATIUS: Good morning.

4 MR. RODIER: For PNE.

5 MS. MIRANDA: Good morning,
6 Commissioners. Joey Lee Miranda, from Robinson & Cole,
7 along with my colleague, Jonathan Schaefer, on behalf of
8 the Retail Energy Supply Association.

9 CHAIRMAN IGNATIUS: Good morning.

10 MS. CHAMBERLIN: Susan Chamberlin,
11 Consumer Advocate for the residential ratepayers. And,
12 with me today is Donna McFarland and Steve Eckberg.

13 CHAIRMAN IGNATIUS: Good morning.

14 MS. AMIDON: Good morning. Suzanne
15 Amidon, for Commission Staff. I have with me today Steve
16 Mullen, who is the Assistant Director of the Electric
17 Division, and Al-Azad Iqbal, who is an analyst in that
18 division.

19 CHAIRMAN IGNATIUS: And, Mr. Estomin,
20 can you hear me?

21 MS. CHAMBERLIN: He's --

22 MR. ESTOMIN: Yes, I can.

23 CHAIRMAN IGNATIUS: Good. So, that's
24 working. And, I apologize, is it "Estomin"? "Estomin"?

1 MR. ESTOMIN: "Estomin".

2 CHAIRMAN IGNATIUS: "Estomin", thank
3 you. If for some reason you get cut off or you're unable
4 to hear, obviously, speaking up won't help. So, maybe you
5 can --

6 MS. AMIDON: He could relay a message
7 through the Office of Consumer Advocate.

8 CHAIRMAN IGNATIUS: Right. We also have
9 Wifi access in this room. So, if anyone has a Smartphone
10 or computer access on them here, and then could get a
11 message, if you were to send an e-mail, I don't know if
12 anyone at OCA has that with them?

13 MS. CHAMBERLIN: No. But I can get
14 someone from my office to quickly contact him.

15 CHAIRMAN IGNATIUS: All right. So, if
16 something goes wrong, the system gets cut off, call in to
17 the Consumer Advocate's regular number, Mr. Estomin, and
18 they will run down and let us know and we'll get you
19 reconnected.

20 MR. ESTOMIN: All right. Thank you.

21 CHAIRMAN IGNATIUS: Thank you. Are
22 there any other procedural matters before we begin with
23 evidence?

24 MS. AMIDON: Yes. I just wanted to

1 clarify the order of witnesses for the Commission. As you
2 know, a Settlement Agreement was filed in this docket, and
3 the settling parties are PSNH, the Office of Consumer
4 Advocate, and Staff. So, what we propose to do is to
5 first put on PSNH witnesses to present the Settlement,
6 followed by Mr. Estomin for the Office of Consumer
7 Advocate, because the Office of Consumer Advocate
8 participated in the Settlement, and then Staff. The final
9 witness will be Mr. Fromuth, who filed testimony for PNE.

10 CHAIRMAN IGNATIUS: Thank you. I assume
11 that's acceptable to everyone?

12 (No verbal response)

13 CHAIRMAN IGNATIUS: And, any other
14 matters to take up, before we have Mr. White and Mr. Hall
15 take the stand?

16 (No verbal response)

17 CHAIRMAN IGNATIUS: If not, gentlemen.

18 (Whereupon **Stephen R. Hall** and
19 **Frederick B. White** were duly sworn by
20 the Court Reporter.)

21 **STEPHEN R. HALL, SWORN**

22 **FREDERICK B. WHITE, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. FOSSUM:

[WITNESS PANEL: Hall~White]

1 Q. Good morning. Mr. Hall, I suppose we'll start with
2 you. Could you state your name and place of employment
3 for the record please.

4 A. (Hall) My name is Stephen R. Hall. I'm employed by
5 Public Service of New Hampshire.

6 Q. And, what are your responsibilities in that position?

7 A. (Hall) I am Manager of New Hampshire Revenue
8 Requirements. I'm primarily responsible for docket
9 strategy and management for all PSNH dockets, other
10 than dockets involving C&LM and low income programs.

11 Q. And, Mr. White, your name and place of employment for
12 the record please.

13 A. (White) Frederick White. I'm employed by Northeast
14 Utilities Service Company.

15 Q. And, what are your responsibilities in your position
16 with Northeast Utilities Service Company?

17 A. (White) I'm a Supervisor in the Energy Supply group at
18 NUSCO. And, our responsibilities are primarily the
19 analysis of the power supply for energy service at
20 Public Service of New Hampshire for purposes of rate
21 setting and reconciliation dockets.

22 Q. And, back on April 27th, did you submit prefiled
23 testimony in this matter?

24 A. (Hall) Yes.

{DE 11-216} [Day 1] {10-18-12}

[WITNESS PANEL: Hall~White]

1 A. (White) Yes.

2 Q. And, do you have any changes, updates or corrections to
3 that testimony?

4 A. (Hall) No.

5 A. (White) No.

6 Q. And, that testimony is true and accurate to the best of
7 your knowledge and belief today?

8 A. (Hall) Yes, it is.

9 A. (White) Yes.

10 MR. FOSSUM: I'd like to enter that
11 testimony as the next exhibit, which I believe is 7.

12 CHAIRMAN IGNATIUS: So marked for
13 identification.

14 (The document, as described, was
15 herewith marked as **Exhibit 7** for
16 identification.)

17 BY MR. FOSSUM:

18 Q. Now, on September 21st, did you submit rebuttal --
19 prefiled rebuttal testimony in this docket?

20 A. (Hall) Yes.

21 Q. And, do you have any changes, corrections or updates to
22 that testimony?

23 A. (Hall) No.

24 Q. And, is that testimony true and accurate to the best of

[WITNESS PANEL: Hall~White]

1 your knowledge and belief today?

2 A. (Hall) Yes, it is.

3 MR. FOSSUM: And, I'd like to have the
4 rebuttal, the September 21st rebuttal testimony as the
5 next exhibit for identification.

6 CHAIRMAN IGNATIUS: So marked as
7 "Exhibit 8" for identification.

8 (The document, as described, was
9 herewith marked as **Exhibit 8** for
10 identification.)

11 BY MR. FOSSUM:

12 Q. And, pursuant to a procedural order in this docket, did
13 you participate in settlement discussions?

14 A. (Hall) Yes.

15 Q. And, out of those discussions, was a settlement or a
16 partial settlement reached?

17 A. (Hall) Yes, it was.

18 Q. And, was that Settlement filed on October 12th, 2012?

19 A. (Hall) Yes, it was.

20 MR. FOSSUM: And, I would like to enter
21 copies of that Settlement for identification as "Exhibit
22 9".

23 CHAIRMAN IGNATIUS: So marked.

24 (The document, as described, was

[WITNESS PANEL: Hall~White]

1 herewith marked as **Exhibit 9** for
2 identification.)

3 BY MR. FOSSUM:

4 Q. Now, Mr. Hall or Mr. White, as may be appropriate,
5 could you very briefly explain the Settlement terms.

6 A. (Hall) Uh-huh. Under the Settlement, PSNH, the
7 Commission Staff, and the OCA agreed to a design of a
8 Rate ADE that is similar to the design that PSNH
9 originally filed back in September 2011, with certain
10 modifications, to address both the Commission's
11 concerns expressed in their order and the OCA's
12 concerns.

13 Under the Partial Settlement that we
14 entered into, Rate ADE would be put into effect as a
15 pilot program for a period of 36 months. And, to
16 summarize the way it works, once a customer is on
17 competitive supply for 12 consecutive months, if they
18 return to energy service from PSNH, they would then be
19 required to take service under Rate ADE, rather than
20 standard Rate DE for a term of service. The term of
21 service in the Settlement is undefined. That is the
22 one issue on which the parties were unable to agree.

23 From a pricing perspective, Rate ADE
24 will be determined annually, with the price based on

{DE 11-216} [Day 1] {10-18-12}

[WITNESS PANEL: Hall~White]

1 forward market prices, plus an adder. And, the adder
2 would equal the non-operating costs of the Scrubber,
3 depreciation, return and incremental property taxes.

4 Under the Settlement, PSNH has agreed
5 that it will track forward market prices on a monthly
6 basis, and provide a report that compares the new
7 forward market prices to the original forward market
8 prices used to establish Rate ADE. If the difference
9 between those two amounts is greater than 75 percent of
10 the amount of the adder, Rate ADE would, under its
11 terms, be closed to new customers. Existing customers
12 would be allowed to remain on Rate ADE, but no new
13 customers would be allowed to take service under Rate
14 ADE.

15 Under its terms, Rate ADE can be
16 reopened if prices subsequently decrease, forward
17 market prices subsequently decrease, or if the rate is
18 adjusted after six months have elapsed.

19 Under the Settlement, PSNH has agreed to
20 provide monthly reports to the Commission and the
21 parties on the revenue that it receives under Rate ADE,
22 as compared to the marginal cost of serving the load.
23 And, by doing that, parties will have information on
24 how much benefit Rate ADE is providing to all customers

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1 served under standard Rate DE.

2 And, that completes my summary.

3 Q. Thank you. Now, you had mentioned that there had been
4 modifications to address concerns that had been raised
5 by the Commission. Was one of those concerns the price
6 of the adder?

7 A. (Hall) Yes, it was. In the Commission's original
8 order, they stated that there was no factual basis for
9 the amount of the adder that PSNH had been proposing.
10 PSNH had changed its position in that original
11 proceeding, because of an order the Commission issued
12 that said that "no costs associated with the Scrubber
13 were going to be recovered as of the date that PSNH had
14 proposed Rate ADE would go into effect." And, as a
15 result, PSNH modified its position and said that "the
16 average should be one cent per kilowatt-hour." In
17 their order, the Commission indicated that there really
18 wasn't any factual basis for the one cent per
19 kilowatt-hour. We're in a different situation now.
20 Cost recovery of the Scrubber has commenced. And,
21 therefore, PSNH is proposing, and under the Settlement,
22 we're proposing that the adder will be equal to the
23 non-operating costs of the Scrubber.

24 Q. Now, you also mentioned that the rate would close

[WITNESS PANEL: Hall~White]

1 temporarily, if forward market prices increased. How
2 would that occur exactly?

3 A. (Hall) The way that would happen is that, as I
4 indicated earlier, every month we will do a new
5 calculation of forward market prices. That will be
6 done on or about the 15th of each month. And, we will
7 compare the new forward market prices as of that date
8 to the corresponding prices used to establish Rate ADE.
9 If forward market prices have increased, to the extent
10 that the difference is great -- between the new prices
11 and the original prices is greater than 75 percent of
12 the amount of the adder, which is around one cent per
13 kilowatt-hour, by its terms, the rate will be closed,
14 and no new customers will be allowed to take service
15 under the rate. The purpose of that provision is to
16 address a second concern that the Commission voiced in
17 their earlier order, which is they want to ensure that
18 existing customers under PSNH's standard Rate DE would
19 be -- would not be subject to additional risk as a
20 result of the implementation of Rate ADE. So, closing
21 the rate is a mechanism that we have agreed to that
22 will result in minimizing any risk that could otherwise
23 occur, to the extent that market prices increase
24 significantly.

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[WITNESS PANEL: Hall~White]

1 Q. Thank you. Now, just for the record, at present, if
2 Rate ADE was to go into effect today, for example, what
3 -- approximately what would that rate be equal to?

4 A. (Hall) Currently, based on today's forward market
5 prices, it would be around seven cents a kilowatt-hour.
6 However, if the rate is approved, what we're proposing
7 in the Settlement is that, about a month prior to the
8 effective date, which we're proposing as being
9 January 1, 2013, that we would come up with a revised
10 calculation, based on forward market prices at that
11 time, and file that rate with the Commission at that
12 time.

13 Q. Thank you. Now, you had mentioned the one issue that
14 was not settled was the "term of service". Before
15 getting into issues about the term of service, could
16 you explain just generally how the "term of service"
17 provision works?

18 A. (Hall) Certainly. During the term of service, which
19 the Commission will have to determine, Rate ADE would
20 be the only Default Service rate available to customers
21 who are returning to PSNH for Default Service, if those
22 customers have been on competitive supply for at least
23 12 consecutive months. So, customers who have migrated
24 and have been gone for at least 12 consecutive months,

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[WITNESS PANEL: Hall~White]

1 if they return, Rate ADE is the only rate available to
2 them. Those customers will still be allowed to leave
3 Rate ADE at any time and return to competitive supply.
4 But the clock associated with the term of service would
5 continue to run. That term of service would only be
6 reset if the customer were to leave Rate ADE and remain
7 gone for 12 consecutive months, in effect, requalifying
8 for service and a new term of service under Rate ADE.
9 If customers leave for less than 12 consecutive months
10 and return, the term of service would continue to run.

11 BY CMSR. HARRINGTON:

12 Q. Excuse me. I just -- I don't quite understand --
13 understood the term you're making, when you say "term
14 of service". So, if somebody was -- let's, a
15 hypothetical, someone was on there for, say, they went
16 to the ADE for six months, and then they left.

17 A. (Hall) Uh-huh.

18 Q. And, then, nine months later they came back. Would
19 they go back on ADE for additional six months, the six
20 months that they were on, and then six months to give
21 them the year?

22 A. (Hall) No.

23 Q. Or could they -- that's why I'm a little confused. You
24 said the "term", and then --

{DE 11-216} [Day 1] {10-18-12}

[WITNESS PANEL: Hall~White]

1 A. (Hall) Understood.

2 Q. The clock, the mechanism on when it starts and when it
3 stops, I'm not following.

4 A. (Hall) Yes. "Term of service" is the length of time
5 that Rate ADE is available to customers, the only
6 Default Service rate available. Parties were unable to
7 agree on that term of service. Staff is proposing 12
8 months; PSNH and I believe OCA are proposing 24 months.
9 For discussion purposes, let's assume that the
10 Commission decides it's a 24-month term of service. If
11 a customer is on a competitive supply for 12
12 consecutive months, and they leave and return to PSNH,
13 they are then served under Rate ADE. Using your
14 example, if they stay on Rate ADE for six months, and
15 then leave and go back to the competitive market, that
16 24-month term of service clock continues to run. If
17 they're on competitive supply for nine consecutive
18 months, and they come back to PSNH for energy service,
19 that time frame is now 15 months from the time they
20 first took service under Rate ADE. Therefore, their
21 return would be during the time frame that the term of
22 service clock, the 24-month clock is still running,
23 upon return, they would be served under Rate ADE. And,
24 if they stay on Rate ADE, once their term of service

{DE 11-216} [Day 1] {10-18-12}

[WITNESS PANEL: Hall~White]

1 ran out, once the 24 months was reached, they would
2 then be transferred to standard Rate DE at that time.

3 CMSR. HARRINGTON: Thank you. That
4 helps quite a bit.

5 WITNESS HALL: Okay.

6 BY MR. FOSSUM:

7 Q. And, I guess that sort of jumps into the next question.
8 You had said the Company has proposed a 24-month term
9 of service. Why, in your opinion, why is 24 months the
10 appropriate term of service to use?

11 A. (Hall) Well, I covered this in the testimony that we
12 filed in April. And, those customers who are returning
13 to Rate ADE, because they have migrated and are now
14 returning, their return will provide a benefit to all
15 other customers. The benefit being the amount above
16 marginal cost that PSNH receives in revenue from those
17 customers. Really, you want to maximize that benefit,
18 and therefore maximize the amount of benefit that all
19 other customers receive.

20 That said, when marginal costs are very
21 low, as they are now, with Rate ADE priced below our
22 standard Rate DE, we don't want to be in a situation
23 where returning customers have that benefit of lower
24 pricing for an indefinite period. So, based on that,

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[WITNESS PANEL: Hall~White]

1 PSNH proposed 24 months as an appropriate period of
2 time during which returning customers could receive the
3 benefit of the lower pricing.

4 But Rate ADE works in both directions.
5 If market prices were to significantly increase, now a
6 customer returning to energy service from PSNH could
7 actually pay a higher price than PSNH's standard
8 Default Energy Service rate. In that situation, you
9 don't want returning customers to be required to pay a
10 higher rate for an indefinite period. And, again, we
11 concluded that 24 months was the appropriate period
12 during which customers would be subjected to those
13 prices.

14 Q. Mr. Hall, would it -- is it, in sum, is the term of
15 service essentially a 12 months of competitive supply
16 equals two years on Rate ADE, is that effectively what
17 happens?

18 A. (Hall) Yes.

19 Q. And, do you consider that to be inherently confusing?

20 A. (Hall) No. I think it's relatively straightforward.
21 In particular, I think the customers that are most
22 likely to take service under Rate ADE will be larger
23 customers. These customers are sophisticated users of
24 energy, they understand their energy options. They

{DE 11-216} [Day 1] {10-18-12}

[WITNESS PANEL: Hall~White]

1 have demonstrated that understanding by the fact that
2 they have migrated. I think it's going to be
3 relatively easy for customers to understand that, once
4 they're on competitive supply for 12 consecutive
5 months, they can then return to PSNH and Rate ADE for
6 up to 24 months.

7 Q. And, you mentioned that another term of service period
8 has been suggested by Staff, at 12 months. Do you
9 agree that 12 months is -- what's your opinion about
10 the value of 12 months as a term of service?

11 A. (Hall) Well, PSNH doesn't agree with limiting the term
12 of service to 12 months. Understand that the whole
13 purpose of Rate ADE is to provide value for standard
14 Rate DE customers. That's why we're proposing the
15 rate. Rate DE customers receive value when migrated
16 customers will return to Rate ADE. And, as I said
17 earlier, that value is the increment above marginal
18 cost in revenue that we receive.

19 If the term of service is limited to 12
20 months under Rate ADE, it diminishes the value that all
21 other customers can receive, by limiting the maximum
22 duration of that potential value to 12 months. The
23 term of service under Rate ADE really isn't related to
24 the 12-month time frame necessary to qualify for Rate

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[WITNESS PANEL: Hall~White]

1 ADE. They're really for two completely different
2 purposes. The 12 months under competitive supply
3 necessary to qualify for Rate ADE is to prevent gaming,
4 to prevent customers from jumping back and forth. For
5 example, if we didn't have the 12-month term of
6 service -- if we didn't have the minimum 12 consecutive
7 months under competitive supply in order to qualify for
8 Rate ADE, without that provision, a customer could go
9 to competitive supply for one month, and immediately
10 return to PSNH under Rate ADE and get a lower price, at
11 least under today's prices. So, the 12 consecutive
12 months under competitive supply to qualify for Rate ADE
13 is to prevent that kind of gaming.

14 The 24-month term of service is intended
15 to provide significant value to all other customers,
16 but we've got to balance that with the objective of not
17 having an indefinite term of service under Rate ADE.
18 And, that's why we didn't propose 36 or 48 months or
19 something longer. It's a limited term, but it's
20 balancing those objectives; providing value to all
21 other customers, without having it so long that it
22 becomes an indefinite term.

23 The other thing to keep in mind is that
24 the term of service that we're proposing, the 24

[WITNESS PANEL: Hall~White]

1 months, isn't necessarily a continuous term of service.
2 As I said earlier, customers can come and go as they
3 please. So, the result is that, with a 24-month term
4 of service, that doesn't necessarily mean that a
5 customer is going to return to Rate ADE, stay on it for
6 24 months, and therefore provide 24 months' worth of
7 benefit, if you will, to standard Rate DE customers,
8 because a customer always has the option of going to
9 the competitive market. And, therefore, the 24-month
10 term of service under Rate ADE is not -- we can't
11 assume that it's going to be 24 consecutive months that
12 a returning customer will provide value to all other
13 customers.

14 Q. Now, I guess right now one last question, Mr. Hall. If
15 Rate ADE is approved and implemented, would PSNH
16 shareholders receive any additional profit for those
17 customers choosing to return to PSNH and take Rate ADE?

18 A. (Hall) No.

19 MR. FOSSUM: Thank you. I have nothing
20 further at this time.

21 CHAIRMAN IGNATIUS: Thank you.

22 Mr. Rodier, questions?

23 MR. RODIER: Yes. Madam Chairman, is
24 that the correct way to address you, "madam Chairman", or

[WITNESS PANEL: Hall~White]

1 would you prefer something else?

2 CHAIRMAN IGNATIUS: No, I think "madam
3 Chairman" is good.

4 MR. RODIER: Okay.

5 CHAIRMAN IGNATIUS: Thank you.

6 MR. RODIER: Thank you.

7 CHAIRMAN IGNATIUS: And, basically
8 anything is okay, as long as it's not mean.

9 MR. RODIER: Okay. All right.

10 **CROSS-EXAMINATION**

11 BY MR. RODIER:

12 Q. Okay. Well, I guess I want to -- let's just start with
13 that last point, okay? Then, we'll go to your data
14 responses. You said "stockholders" --

15 (Court reporter interruption.)

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

17 BY MR. RODIER:

18 Q. Mr. Hall, you said "stockholders won't benefit from
19 ADE"?

20 A. (Hall) Correct.

21 MR. RODIER: Okay. I've got a portion
22 from a PSNH filing with the Securities & Exchange
23 Commission. I'd like it marked into evidence. I'll have
24 it -- maybe I should have the Company verify first that

[WITNESS PANEL: Hall~White]

1 it's their document.

2 CHAIRMAN IGNATIUS: Why don't you ask
3 the witness if they recognize it.

4 MR. RODIER: Okay. May I -- it's okay
5 to approach?

6 CHAIRMAN IGNATIUS: Of course.

7 MR. RODIER: Yes. Okay.

8 (Atty. Rodier handing document to
9 Witness Hall.)

10 BY MR. RODIER:

11 Q. Do you recognize this, Mr. Hall?

12 A. (Hall) I haven't seen it before, but it looks like an
13 NU 10-K.

14 MR. RODIER: Okay. May we mark this for
15 identification, madam Chairman?

16 CHAIRMAN IGNATIUS: Is that the
17 foundation? Is there anything else you can bring to --

18 MR. RODIER: Yes.

19 CHAIRMAN IGNATIUS: -- where it's from,
20 what it's dated, and why it's something --

21 MR. RODIER: Well, here's what I could
22 do. I could give the Chairman a copy right now or I could
23 say that it is a Form 10-K Annual Report to the Securities
24 & Exchange Commission for the fiscal year ending

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[WITNESS PANEL: Hall~White]

1 December 31st, 2001. And, I'm only going to ask about one
2 paragraph on Page 18, Page 18, at the bottom.

3 CHAIRMAN IGNATIUS: Fiscal year 2001?

4 MR. RODIER: Eleven.

5 CHAIRMAN IGNATIUS: Eleven.

6 MR. RODIER: Sorry. Eleven.

7 CHAIRMAN IGNATIUS: Thank you. And,
8 counsel for PSNH, have you received it? Do you have any
9 objection to it being marked for identification?

10 MR. FOSSUM: No, not at this time. No.

11 CHAIRMAN IGNATIUS: And, you've got
12 copies for all parties?

13 MR. RODIER: I believe I brought ten, so
14 I believe I have.

15 CHAIRMAN IGNATIUS: All right.

16 MR. RODIER: May I proceed?

17 CHAIRMAN IGNATIUS: Yes, please.

18 MR. RODIER: Okay.

19 (Atty. Rodier distributing documents.)

20 CMSR. HARRINGTON: Could we have three,
21 if you have it?

22 CHAIRMAN IGNATIUS: We can make it. We
23 can make an extra copy. So, we'll mark this for
24 identification as "Exhibit 10".

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[WITNESS PANEL: Hall~White]

1 (The document, as described, was
2 herewith marked as **Exhibit 10** for
3 identification.)

4 BY MR. RODIER:

5 Q. Mr. Hall, did you notice that in Mr. Estomin's
6 testimony that he also had a footnote to an SEC report?

7 CHAIRMAN IGNATIUS: One moment, before
8 you answer. Ms. Amidon, yes?

9 MS. AMIDON: I just want to make the
10 point that Mr. Estomin will not be able to hear anything
11 unless Mr. Rodier addresses his questions through the
12 microphone.

13 CHAIRMAN IGNATIUS: All right. And,
14 also, Mr. Estomin, you don't have a copy of Exhibit 10,
15 but it is as Mr. Rodier just stated, it's an SEC filing
16 Form 10-K for the year ending December 31st, 2011, which
17 you may have access to in your own materials. But we'll
18 try to make sure questions are clear, because he won't be
19 able to flip to them.

20 MR. ESTOMIN: All right. Thank you.

21 CHAIRMAN IGNATIUS: Mr. Rodier, go ahead
22 please.

23 BY MR. RODIER:

24 Q. Are you on Page 18, Mr. Hall?

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1 A. (Hall) I am.

2 Q. Okay. Do you see the paragraph one-third of the way
3 down, "Migration of customers from PSNH energy service
4 to competitive suppliers is increasing the cost to the
5 remaining customers of energy produced by PSNH
6 generation assets and decrease our revenues"? You see
7 that paragraph?

8 A. (Hall) I do.

9 Q. I want you to take a look, I think we're familiar with
10 the first two or three sentences, but I want you -- I'm
11 going to read you the last sentence of that paragraph.

12 A. (Hall) Uh-huh.

13 Q. And, I'm not going to belabor this point, but I just
14 want you to comment on the following sentence: "This
15 trend could lead to PSNH continuing to lose retail
16 customers and increasing the burden of supporting the
17 cost of its generating facilities" -- "generation
18 facilities on remaining customers and being unable to
19 support the cost of its generating" -- sorry --
20 "generation facilities through an ES rate." Did I
21 basically read that correctly?

22 A. (Hall) Yes.

23 Q. What does that mean, "being unable to support the cost
24 of its generation facilities through an ES rate"?

[WITNESS PANEL: Hall~White]

1 A. (Hall) It means exactly what it says.

2 Q. So, what we're saying here, that there is a danger
3 lurking out there from Public Service's perspective,
4 because, if things keep going the way they have, you
5 may not be able to recover the cost of these facilities
6 through ES rates?

7 A. (Hall) "Through ES rates", I agree with you.

8 Q. Okay. So, in fact, Rate ADE may enable your
9 stockholders to recover revenues they otherwise
10 wouldn't recover, isn't that correct?

11 A. (Hall) No, it isn't.

12 Q. Why?

13 A. (Hall) You're operating under the assumption in your
14 question to me that, if PSNH is unable to recover the
15 cost of its generating facilities through ES rates,
16 that those costs could never be recovered. I don't
17 agree with that assumption.

18 Q. Okay. All right.

19 A. (Hall) Moreover, Rate ADE is designed to mitigate the
20 very impact discussed in this paragraph. That's the
21 whole purpose of it. And, that is the impact on Energy
22 Service rates for all other customers.

23 Q. My point is, that without Rate ADE, stockholders may
24 come up short; with Rate ADE, they may get some of that

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[WITNESS PANEL: Hall~White]

1 money.

2 A. (Hall) Your point is incorrect.

3 Q. Okay.

4 A. (Hall) And, the reason your point is incorrect is the
5 law is very clear with regard to recovery of costs
6 associated with generating facilities that are either
7 retired or divested.

8 Q. I wasn't aware that was a settled issue, but let's move
9 on. You have a copy of your data requests with you?
10 First thing I really want to do here is walk through
11 your data responses.

12 MR. RODIER: And, I would like to, madam
13 Chairman, mark for identification Mr. Hall's first set of
14 data -- his responses to PNE's first set of data requests.
15 The cover letter is dated "July 5th".

16 CHAIRMAN IGNATIUS: All of them are
17 being marked or particular ones?

18 MR. RODIER: All of them. There's only
19 like five in this set.

20 CHAIRMAN IGNATIUS: And, you're going to
21 question on all of them?

22 MR. RODIER: On each one.

23 CHAIRMAN IGNATIUS: Okay. So marked for
24 identification. And, I assume everyone has copies

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1 already?

2 (Atty. Rodier distributing documents.)

3 CHAIRMAN IGNATIUS: Mr. Rodier, --

4 MR. RODIER: Everybody okay?

5 CHAIRMAN IGNATIUS: So, the packet dated
6 July 5th, 2012 will be marked for identification as
7 "Exhibit 11".

8 (The document, as described, was
9 herewith marked as **Exhibit 11** for
10 identification.)

11 BY MR. RODIER:

12 Q. Okay. Mr. Hall, let's just quickly go through here,
13 just to see what the question and the response was, and
14 I may pick up on some of these a little later. But
15 would you look at Page 1 of 1. This is PNE/FEL-001.
16 Do you have that in front of you?

17 A. (Hall) I do.

18 Q. "Is Rate ADE only available to customers who are
19 otherwise without a supplier?" "Yes."

20 (Court reporter interruption.)

21 BY MR. RODIER:

22 Q. "Is Rate ADE only available to customers who are
23 otherwise without a supplier?"

24 A. (Hall) Yes.

[WITNESS PANEL: Hall~White]

1 Q. And, would it be fair to say that we have a difference
2 of opinion as to what that language means?

3 A. (Hall) I'm not quite sure what your opinion is, but, to
4 me, it's pretty clear.

5 Q. Okay. Well, we'll get -- we'll clear it up later on,
6 how's that?

7 A. (Hall) Okay.

8 Q. Two, would you read the question.

9 A. (Hall) "Is Rate ADE designed to provide a safety net
10 and to assure universal access and system integrity?
11 Please explain."

12 Q. And, your answer says "Yes." And, I'm wondering, you
13 say here "complies with [all of] the requirements of
14 RSA 374-F", don't you?

15 A. (Hall) Yes.

16 Q. Okay. Well, for example, how does Rate ADE provide a
17 safety net and assure universal access?

18 A. (Hall) The same way standard Rate DE does. It's a
19 default energy service rate that's available to
20 customers who are otherwise without a supplier.

21 Q. Okay. Next, this is Request 3. And, here, I have
22 asked, and I think it's a provision of RSA 374-F, as
23 you know, that the Commission -- well, let me stop and
24 let me just ask the question. "Does Rate ADE

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[WITNESS PANEL: Hall~White]

1 discourage long-term use of default service?"

2 A. (Hall) Yes.

3 Q. Okay. And, it's because the other customers can go
4 back and forth, --

5 A. (Hall) Uh-huh.

6 Q. -- as you said, and you can only stay on it for 24
7 months. That's why it does not encourage long-term use
8 of default service?

9 A. (Hall) Correct.

10 Q. But, if this part of the program is successful, this
11 thing could go on for ten or fifteen years, isn't that
12 correct?

13 A. (Hall) I don't know. That remains to be seen.

14 Q. Well, would that be indefinite?

15 A. (Hall) Would default energy service rates be
16 indefinite? This is nothing more than a default energy
17 service rate.

18 Q. I'm asking you, could Rate ADE go on indefinitely?

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

20 Q. Next, FEL-004. "Does Rate ADE encourage long-term use
21 of default service?" And, your answer is "no" for the
22 same reasons?

23 A. (Hall) Correct.

24 Q. Okay. And, you won't even admit that it could go on

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[WITNESS PANEL: Hall~White]

1 indefinitely, because you just don't know. That's your
2 answer, right?

3 A. (Hall) Correct.

4 Q. All right. Next, I asked whether "the price of service
5 under Rate ADE equals PSNH's actual, prudent, and
6 reasonable costs of providing such power?" And, you
7 said "yes." And, there's probably two parts to this.
8 I think the part I want to get to right now is that the
9 adder only includes the non-operating costs of the
10 Scrubber, is that correct?

11 A. (Hall) Correct.

12 Q. Why doesn't it include all of the costs of the
13 Scrubber?

14 A. (Hall) Primarily due to difficulties associated with
15 allocating costs to different components of plant.

16 Q. Okay. You're not saying -- you're not denying that the
17 operating costs of the Scrubber are a cost of the
18 Scrubber, are you?

19 A. (Hall) Say that again.

20 Q. Should the adder under Rate DE [ADE?] cover the costs
21 of the Scrubber?

22 A. (Hall) Yes, and it does, at least those costs that can
23 be easily identified.

24 Q. All right. But it does not cover certain costs.

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[WITNESS PANEL: Hall~White]

1 A. (Hall) Well, the other costs that I think you're
2 referring to are costs which there will be some of
3 which would be incurred regardless of whether or not
4 the Scrubber existed, and, therefore, it becomes an
5 allocation issue.

6 Q. Well, allocating costs is something you do for a
7 living, you're a rate manager, right?

8 A. (Hall) I don't do cost allocations. That's not my job.

9 Q. Where does that get done these days?

10 A. (Hall) That's done in Connecticut by --

11 Q. Okay.

12 A. (Hall) I'm not responsible for cost of service.

13 Q. All right. Anyway, the point is that, what you were
14 saying, you haven't included them, because you'd have
15 to allocate costs, you'd have to allocate some costs,
16 is that right?

17 A. (Hall) Correct. And, when it comes to cost allocation,
18 no two people ever agree on what the appropriate
19 allocation is.

20 Q. That's correct. But you're not saying it couldn't be
21 done in Connecticut, are you?

22 A. (Hall) That it couldn't be done in Connecticut?

23 Q. That they could not take a crack at this?

24 A. (Hall) To what end?

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[WITNESS PANEL: Hall~White]

1 Q. To include it. To include something, to at least, in
2 principle, recognize the fact that there are other
3 costs of that Scrubber that aren't being included in
4 the adder as you proposed it.

5 A. (Hall) So, you're asking me, in theory, could we do a
6 cost allocation? The answer to that is "Sure." Anyone
7 can do a cost allocation.

8 Q. All right. And, the next question, which is 6, "Does
9 the price of service under DE equal PSNH's actual,
10 prudent, and reasonable costs of providing such power?"
11 "Yes." And, it looks like you say here "Rate DE
12 includes the embedded cost of PSNH's generation [as
13 long as] the marginal cost of power purchases",
14 correct?

15 A. (Hall) Yes.

16 Q. So, what this comes down to, you're saying both DE and
17 ADEE -- I'm sorry. Both DE and ADE equal PSNH's actual
18 prudent and reasonable cost of providing such power?

19 A. (Hall) Yes.

20 Q. Even though they're very different?

21 A. (Hall) Yes.

22 Q. They're different --

23 A. (Hall) One's marginal cost based and one's embedded
24 cost based.

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[WITNESS PANEL: Hall~White]

1 Q. All right. So, the small captive customers pay the one
2 that's based on embedded cost, and the larger customers
3 pay the one that's based on the marginal cost of power
4 purchases?

5 A. (Hall) I don't agree with your characterization that
6 customers are "captive". There is no such thing as a
7 "captive" customer.

8 Q. Okay. So, small customers who stay on Rate DE would
9 pay the embedded cost of PSNH's generation, while the
10 larger, mobile customers would just pay the marginal
11 cost of power purchases?

12 A. (Hall) Any customer receiving service under Rate ADE
13 pays embedded cost. Rate ADE -- Rate DE is an embedded
14 cost rate.

15 Q. Okay. You meant to say "Rate DE"?

16 A. (Hall) Rate DE.

17 Q. Yes.

18 A. (Hall) Standard Default Energy Service rate --

19 Q. Okay.

20 A. (Hall) -- is an embedded cost rate. Therefore, any
21 customer taking service under that rate pays embedded
22 costs.

23 Q. Okay.

24 A. (Hall) Customers who have migrated and been gone for 12

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[WITNESS PANEL: Hall~White]

1 months, and subsequently returned, would pay a marginal
2 cost based rate --

3 Q. Okay.

4 A. (Hall) -- for a term of service to be determined by the
5 Commission.

6 Q. So, customers who stay on Rate DE pay for the high cost
7 power, and the ones who migrate pay for the lower cost
8 power?

9 A. (Hall) I don't agree with your characterization. Rate
10 ADE can be higher priced than Rate DE.

11 Q. Okay. And, that's a good point, because, in all my
12 questions, please assume that I'm only talking about
13 the situation where marginal costs are less than
14 average costs, okay?

15 A. (Hall) Okay.

16 Q. Because I'll just interject that I don't think we have
17 any problem with what your proposal is when marginal
18 costs are higher than average cost, all right?

19 A. (Hall) I'm glad you don't have a problem with the
20 proposal in that event.

21 Q. Excuse me?

22 A. (Hall) I'm glad you don't have a problem with our
23 proposal in the event that the situation reverses.

24 Q. Well, you and I have talked a lot about this aspect

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[WITNESS PANEL: Hall~White]

1 over the years about what happens when purchased power
2 costs are higher than average costs, haven't we?

3 A. (Hall) Yes, we have. And, in fact, we entered into an
4 agreement that was very similar to Rate ADE when the
5 situation was reversed. And, that was a marginal cost
6 based rate.

7 Q. And, that was to offer customers a credit so they would
8 switch, right?

9 A. (Hall) Yes.

10 Q. To jump start the market, correct?

11 A. (Hall) Yes.

12 Q. Okay. And, that program was a big success, wasn't it?
13 I'm being facetious.

14 A. (Hall) Is that a rhetorical question?

15 Q. Yeah. It failed, didn't it?

16 A. (Hall) No customers took service under it.

17 Q. Okay. Now, the next one I thought was interesting.
18 Would you read, I'll have you do it this time, we'll
19 share the workload here, FEL-007. Would you read the
20 question.

21 A. (Hall) "Is the purpose of Rate ADE to provide customers
22 who have migrated from PSNH's default service an
23 attractive opportunity to return to the Company for
24 energy service?"

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[WITNESS PANEL: Hall~White]

1 Q. And, then, you referred to your testimony, correct?

2 A. (Hall) Yes.

3 Q. Can you answer this question "yes" or "no"?

4 A. (Hall) Let me turn to my testimony.

5 Q. No, I was just asking right now whether you could
6 answer this question as "yes" or "no"?

7 A. (Hall) Let me turn to my testimony.

8 Q. Okay. Let's cut this short. Is that going to be your
9 answer, you're going to read me your testimony?

10 A. (Hall) I want to see what I said.

11 Q. Okay.

12 A. (Hall) The answer to that question would be "no".

13 Q. That's not the purpose?

14 A. (Hall) No.

15 Q. So, you don't recognize this language is taken directly
16 from Attorney Knowlton's cover letter that you filed
17 with the Commission on April 27th?

18 A. (Hall) From Attorney Knowlton's cover letter?

19 Q. Yes. Do you have that?

20 A. (Hall) It may well have been in the cover letter.

21 Q. Okay. So, you don't agree with the characterization in
22 her cover letter?

23 A. (Hall) I'm agreeing with the characterization in my
24 testimony.

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[WITNESS PANEL: Hall~White]

1 Q. Okay.

2 A. (Hall) That "the purpose...is to provide...energy
3 service at prices in excess of marginal cost while
4 providing a contribution to fixed costs that will
5 benefit all other customers taking energy service from
6 PSNH." And, the reason for that is the discussion that
7 we just had a few minutes ago. Rate ADE can be higher
8 than Rate DE. And, therefore, it's the
9 characterization of the question that I disagreed with.

10 Q. Just you -- you do not agree that "the purpose of Rate
11 ADE is to provide customers who have migrated from
12 PSNH's default service an attractive opportunity to
13 return to the Company", even though I'm representing,
14 if we look at Attorney Knowlton's cover letter on
15 April 27th, that's what she says, you still disagree?

16 A. (Hall) That cover letter may have been in preference to
17 the circumstances as they exist today. My testimony
18 describes the general purpose of Rate ADE. And, in
19 fact, that statement and that question may be a result
20 of approval of Rate ADE. But the purpose is --

21 Q. Okay. Let's --

22 A. (Hall) -- "to provide...energy service at a price in
23 excess of marginal cost while providing a contribution
24 to fixed costs that will benefit all other customers."

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[WITNESS PANEL: Hall~White]

1 Q. Do you have Mr. Eaton's cover letter he sent to the
2 Commission that's dated December 27th, 2011 with you?
3 I'm sorry, it would be -- would it be the post trial
4 statement?

5 CHAIRMAN IGNATIUS: Can you repeat the
6 date and the -- I didn't follow what you just said.

7 MR. RODIER: If I could have a moment, I
8 just want to get it up here myself.

9 (Short pause.)

10 WITNESS HALL: Just to follow up on your
11 earlier question, --

12 MR. RODIER: There's no question
13 pending, Mr. Hall.

14 WITNESS HALL: Well, I want to
15 supplement my answer, if that's all right?

16 CHAIRMAN IGNATIUS: No.

17 MR. RODIER: Well, you can do it on
18 redirect, okay?

19 WITNESS HALL: Okay.

20 MR. RODIER: I am referring to PSNH's
21 final statement in this proceeding, closing statement. I
22 think, let me look and see what the date is on the back.
23 It was submitted by Attorney Eaton. And, it's dated
24 December 20th, 2011.

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[WITNESS PANEL: Hall~White]

1 BY MR. RODIER:

2 Q. And, without spending much time on this at all, you
3 don't have that, right, Mr. Hall?

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

5 Q. Okay. So, I want you to just accept this subject to
6 check, okay? That, under Paragraph 5, on Page 4, it
7 says, in part, "The purpose of the rate is to provide
8 an alternative default service price for customers" --
9 that's not the one I wanted.

10 A. (Hall) I now have it.

11 MR. RODIER: Mr. Hall, I'm going to have
12 to come back to this, if I ever do. I can't find what I
13 was asking. So, I apologize to the Commission and
14 everybody else in getting us down this track and not being
15 able to back up at the moment. So, let's come back to
16 that. Sorry.

17 BY MR. RODIER:

18 Q. All right. Let's move onto the second set of data
19 requests. Do you have those?

20 A. (Hall) The ones from you?

21 Q. Yes.

22 A. (Hall) Yes, I do.

23 MR. RODIER: I'd like to mark these for
24 identification.

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[WITNESS PANEL: Hall~White]

1 CHAIRMAN IGNATIUS: What is it that
2 we're marking please?

3 MR. RODIER: Sorry. This would be
4 PSNH's responses to PNE's second set of data requests, and
5 the cover -- in this proceeding, and the cover letter is
6 dated "July 25th, 2012".

7 CHAIRMAN IGNATIUS: And, again, it's a
8 packet of multiple questions and answers?

9 MR. RODIER: It is. Every question and
10 every answer that was given, but, again, it's only five
11 data responses.

12 (Atty. Rodier distributing documents.)

13 CHAIRMAN IGNATIUS: Thank you. So
14 marked as "Exhibit 12" for identification.

15 (The document, as described, was
16 herewith marked as **Exhibit 12** for
17 identification.)

18 BY MR. RODIER:

19 Q. So, Question FEL-001, the question was "How long will
20 Rate ADE be in existence?" You said you "don't know
21 how long"?

22 A. (Hall) Correct.

23 Q. And, then, Mr. Fromuth said, in his testimony, it's
24 going to be in effect indefinitely, and you took

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[WITNESS PANEL: Hall~White]

1 umbrage at that, didn't you?

2 A. (Hall) Correct. I didn't say "it was going to be in
3 effect indefinitely." I said "I didn't know".

4 Q. And, you're saying -- suggesting there's a distinction
5 between those two?

6 A. (Hall) Yes. I think there's a big distinction.

7 Q. Okay. Number 2, moving on quickly here. "Please
8 describe in detail any marketing and outreach program
9 that PSNH would undertake in conjunction with Rate ADE.
10 Will PSNH undertake any targeted" -- that should
11 probably say "targeted", it reads "targeting marketing
12 to customers presently under contract with an electric
13 supplier?" You said you "have not formulated any
14 marketing or outreach programs", is that correct?

15 A. (Hall) Correct.

16 Q. Is that still the case?

17 A. (Hall) Yes.

18 Q. So, you want the Commission to let this go into effect
19 January 1st, and you still don't have any marketing or
20 outreach program, is that correct?

21 A. (Hall) Correct.

22 Q. You've had no discussions, no e-mails, no exchange of
23 documents, nothing on this matter?

24 A. (Hall) Discussions, e-mails, and exchange of documents

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[WITNESS PANEL: Hall~White]

1 with whom?

2 Q. Anybody.

3 A. (Hall) With anybody?

4 Q. Yes. In terms of --

5 A. (Hall) I've had lots of discussions, e-mails, and
6 exchanges of documents with people at PSNH and at
7 Northeast Utilities.

8 Q. On marketing and outreach programs for Rate ADE?

9 A. (Hall) Marketing and outreach?

10 Q. For Rate ADE? Look, I'll accept your answer. You want
11 this to start January 1st, and you don't have -- you
12 have done no work of developing a marketing program or
13 outreach programs?

14 A. (Hall) Is that a question?

15 Q. Yes.

16 A. (Hall) We have had discussions with account executives.
17 We haven't developed any formal programs. We don't
18 know what form it's going to take. We don't know how
19 account executives are going to contact customers, if
20 at all. In fact, the role of account executives and
21 their responsibilities are changing. So, we don't even
22 know to what extent they will be utilized. I have
23 certainly described the rate to them.

24 Q. Is that because all the account executives are going

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[WITNESS PANEL: Hall~White]

1 under the new community service organization?

2 A. (Hall) I didn't understand your question.

3 Q. Never mind. Okay. So, you don't know whether your
4 account executives will be making outgoing calls to the
5 customers. You don't know, in addition, you don't know
6 whether you're going to be sending them glossy
7 brochures in the mail or e-mails. Is that what your
8 testimony is?

9 A. (Hall) I don't know what's planned.

10 Q. Okay. But, then again, I guess you're not in charge of
11 planning, so that's one reason you might not know,
12 correct?

13 A. (Hall) Could be. I'm not aware of any marketing or
14 outreach planning or programs.

15 Q. Okay. All right. Okay. Then, the last one I want to
16 ask you about, in 3, the next one. I'll read it.

17 "Please provide an estimate for the costs expected by
18 PSNH to be incurred for Rate ADE, including, without
19 limitation, costs for administration, promotional
20 materials, marketing, sales and customer service." The
21 same answer as what we just discussed, is that correct?

22 A. (Hall) No. The answer refers to two other data
23 responses.

24 Q. Okay. Well, what is the answer, so we don't have to

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[WITNESS PANEL: Hall~White]

1 look it up?

2 A. (Hall) Say that again please.

3 Q. What's the substance of the answer? You do refer to
4 "FEL-002", and I think that's the one we just looked
5 at, where it says you don't have anything. So, --

6 A. (Hall) Correct. And, I also referred to "OCA 2-002",
7 which basically talked about the work necessary or that
8 will be necessary to be done, if ADE is approved.

9 Q. Okay. So, there's going to be costs incurred, aren't
10 there, Mr. Hall, with respect to rolling out Rate ADE?

11 A. (Hall) Opportunity costs, because people will be
12 working on --

13 Q. I see.

14 A. (Hall) -- programming.

15 Q. Well, how about the marketing and -- well, let's just
16 take customer service. Don't you expect a lot of calls
17 from customers that say "how do we get in on this?"

18 A. (Hall) I don't know. Perhaps. We are not planning on
19 hiring additional customer service reps --

20 Q. Okay.

21 A. (Hall) -- to deal with additional calls as a result of
22 Rate ADE.

23 Q. How about written materials? Anything? Now, you said
24 -- well, let me follow up. You said "opportunity

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[WITNESS PANEL: Hall~White]

1 costs". That means that you have people now, they're
2 not sitting around with nothing to do, they're working,
3 right?

4 A. (Hall) Correct.

5 Q. They're going to be working on something and now
6 they're going to be re-deployed over to ADE. So, then,
7 the question becomes "that's costs, why isn't that
8 included in the adder?"

9 A. (Hall) It's not a marginal cost. Rate ADE is a
10 marginal cost based rate.

11 Q. Well, how about the cost of the lost opportunity to use
12 them doing something else?

13 A. (Hall) It would be difficult to calculate it. I
14 wouldn't know how to calculate that lost opportunity
15 cost.

16 Q. I guess where I'm coming from is that competitive
17 suppliers have concerns here. And, you're using the
18 resources of a regulated utility, whose costs are all
19 in base rates, and you're using those to market this
20 rate?

21 A. (Hall) And, we're not seeking any cost recovery from
22 the Commission as a result of this rate.

23 Q. Okay. So, I guess then the way that we leave it is,
24 you said there was an "opportunity cost", because the

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[WITNESS PANEL: Hall~White]

1 employees would no longer be doing what they normally
2 do, right?

3 A. (Hall) Yes. But your question makes it sound like this
4 is going to be a full-time job for someone. It's not.

5 Q. Well, let's look at it this way. Let's just say that
6 this goes into effect. And, we've talked in the past
7 about the two customers on Dubuque Street, in
8 Manchester, haven't we?

9 A. (Hall) Is that your old neighborhood?

10 Q. No, it's not.

11 A. (Hall) Oh. Okay.

12 Q. Even though I'm French, it's not. But I have asked you
13 in the past, a typical person in Manchester, I say
14 "Dubuque Street", okay, it's right behind West High.

15 A. (Hall) I wasn't aware of that.

16 Q. So, there's two customers, okay? And, they talk to
17 each other. And, one's paying 9. -- what's your
18 proposal for January 1st? 9.57? I mean, 8.97? What's
19 your proposed ES rate for January, ES rate?

20 A. (Hall) I don't recall.

21 A. (White) 8.97.

22 Q. Thank you. One's paying close to 9. What did you say
23 your current estimate was for ADE?

24 A. (Hall) About 7 cents.

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[WITNESS PANEL: Hall~White]

1 Q. The other's paying 7. And, so, one's saying "well, how
2 did you do that?" Let's assume that Customer 1 has
3 been with PNE.

4 A. (Hall) Uh-huh.

5 Q. Goes back to the house, goes to PSNH, gets your 7
6 cents. You don't think that that is going to cause a
7 lot of calls to you or concerns?

8 A. (Hall) I have no idea.

9 Q. Okay.

10 A. (Hall) What if Customer 2 is getting a deal from
11 Comcast because they have been gone or they're a
12 brand-new customer?

13 Q. Yes, but --

14 A. (Hall) Is that going to cause problems between them?
15 Perhaps. I don't know.

16 Q. Yes, but Comcast is not regulated.

17 A. (Hall) Understood.

18 Q. Let me ask you, then. What if a residential supplier
19 were to say "You're a chump, you're paying 9 cents a
20 kilowatt-hour, and your neighbor is paying 7 cents; go
21 to -- come to us for a year, and then you can get the 7
22 cents yourself"?

23 A. (Hall) Uh-huh.

24 Q. You really think that's not going to happen?

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[WITNESS PANEL: Hall~White]

1 A. (Hall) I have no idea what suppliers might say.

2 Q. Okay.

3 A. (Hall) In fact, some of the reports that I receive from
4 what some suppliers are telling customers are somewhat
5 disturbing.

6 Q. Are you talking about Gold's Gym? Are you talking
7 about the incident with Gold's Gym?

8 A. (Hall) No.

9 Q. Okay. So, let's just leave it at that. I think I'm
10 going to try to ask Mr. Mullen whether -- well, let me
11 just leave it with you, rather than -- there could be
12 some unanticipated consequences that might not be
13 pleasant for PSNH out of this program, is that right?

14 A. (Hall) I don't agree with your characterization.

15 Q. I said "there could be". You're saying "no"?

16 A. (Hall) I don't agree with your characterization.

17 Q. Okay.

18 A. (Hall) I don't know what you mean by "unpleasant for
19 PSNH". I don't know what you mean by "unanticipated
20 consequences".

21 Q. Okay.

22 A. (Hall) Your question is too vague for me.

23 Q. All right, Mr. Hall. Then, I'll make it very specific.
24 You could have 200,000 residential customers leave for

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[WITNESS PANEL: Hall~White]

1 the competitive market so that -- as a matter of fact,
2 you were saying today, they could leave for the
3 competitive market on January 1st, and 12 months,
4 customers are going to be on ADE for 12 months, then
5 they can go back. A customer has to be with a
6 competitive supplier for 12 months, I'm very sorry.
7 After that, they can go back to ADE on January 1st,
8 leave again on April 1st, come back again July 1st, and
9 leave again on October 1st?

10 A. (Hall) They could.

11 MR. RODIER: Okay. Are you going to
12 take a break, madam Chairman? I'm happy to keep going.

13 CHAIRMAN IGNATIUS: No, we'll keep
14 going.

15 MR. RODIER: Okay.

16 BY MR. RODIER:

17 Q. Well, I think we're down to my last one, which is the
18 metaphysical debate about what's the meaning of
19 "otherwise without a supplier". And, I have asked you
20 on a number of occasions. But we both agree that Rate
21 ADE is available to customers who -- that you intend to
22 make it available to customers who are otherwise
23 without a supplier, is that correct?

24 A. (Hall) Correct.

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[WITNESS PANEL: Hall~White]

1 Q. You interpret that as meaning, well, if the customer is
2 with a competitive supplier and they quit, and they go
3 to Rate ADE, then they're otherwise without a
4 competitive supplier. Without a supplier. Sorry.
5 Your position, let me see if I got it right. A
6 customer is with a competitive supplier, they terminate
7 their contract. So, they qualify for Rate ADE, because
8 they're otherwise without a supplier?

9 A. (Hall) Correct.

10 Q. So, even though -- by the way, did you notice -- did
11 you read Mr. Estomin's testimony?

12 A. (Hall) I did.

13 Q. He said "the purpose of ADE is to lure customers back
14 to the regulated utility." Did you read that?

15 A. (Hall) I read it.

16 Q. Did you read Mr. Fromuth's testimony, he said the same
17 thing, he even you used the same word "lure"? Do you
18 recall that?

19 A. (Hall) I read it.

20 Q. Okay. Using their phrases, if you "lure" the customer
21 back to the house, back to the regulated utility, your
22 saying they're otherwise without a competitive
23 supplier?

24 A. (Hall) I don't agree with the characterization of

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[WITNESS PANEL: Hall~White]

1 "lure". That only applies or would only apply in a
2 situation where marginal costs are low. Remember, Rate
3 ADE applies regardless of whether marginal costs are
4 low or high. And, if the situation reverses, certainly
5 you wouldn't suggest that we're "luring" customers back
6 at a price above --

7 Q. Right.

8 A. (Hall) -- the standard Default Energy Service rate.
9 Beyond that, I address this very issue in my rebuttal.
10 If you apply your logic, then, even without Rate ADE,
11 let's set that aside, then, using your logic, Rate DE
12 would not be a rate that's available to customers who
13 are otherwise without a competitive supplier. Because,
14 in the same situation where marginal costs increase,
15 would you then be saying that Rate DE, the standard
16 Default Service rate, is meant to "lure" customers
17 back? I don't think so. And, therefore, your argument
18 doesn't hold water. Your logic falls apart.

19 Q. Okay. And, I've asked -- earlier I asked you to assume
20 that all my questions were in the context of marginal
21 costs being less than average costs, okay? You have
22 that in mind?

23 A. (Hall) I have today's situation in mind.

24 Q. Right.

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[WITNESS PANEL: Hall~White]

1 A. (Hall) But I think you need to understand, and the
2 Commission needs to understand, the broader context in
3 which Rate ADE is designed and will apply. We can't be
4 putting blinders on and looking at one specific
5 situation and assuming that's the way it's always going
6 to be.

7 Q. Well, I'm getting ready to wrap this up, I believe.
8 But I want to stick to the present situation, which
9 could prevail for quite a long period of time, I guess.
10 Marginal costs are less than the average costs. PSNH,
11 you don't like the use of the word "lure", do you?

12 A. (Hall) I don't agree with it. That's not the purpose
13 of the rate.

14 Q. Okay. Back to --

15 MR. RODIER: Very quickly, madam
16 Chairman, I really am almost done.

17 BY MR. RODIER:

18 Q. I want to go back to Gerald Eaton's closing statement
19 in this proceeding, dated December 20, 2011. Page 2,
20 bottom of Page 2. Do you have that, Mr. Hall?

21 A. (Hall) I'm getting it.

22 Q. And, let me know when you reach it.

23 A. (Hall) I'm there.

24 Q. Okay. Bottom of Page 2, there's a paragraph there that

[WITNESS PANEL: Hall~White]

1 says "Reasonableness", do you see that?

2 A. (Hall) I do.

3 Q. Would you read the first sentence in that paragraph.

4 A. (Hall) Sure. "Rate ADE is reasonable because it's
5 designed to attract customers back to default service."

6 Q. Do you disagree with his statement?

7 A. (Hall) The statement describes today's situation. I'd
8 direct your attention to Page 4.

9 Q. I'm just --

10 A. (Hall) Where you were before.

11 Q. Okay.

12 A. (Hall) That also talks about the purpose of Rate ADE.
13 Where that same document says "the purpose of the rate
14 is to provide an alternative default service price for
15 customers taking service from competitive suppliers and
16 contribute to the default service costs above marginal
17 costs; therefore, it provides another price signal to
18 compare with competitive suppliers' offers."

19 Q. I want to invite your attention back to the bottom of
20 Page 2, the first sentence that says "Rate ADE is
21 reasonable because it is designed to attract customers
22 back to default service."

23 A. (Hall) Okay.

24 Q. You seem to have a problem with anything that suggests

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1 that what you're trying to do here is really take
2 customers out of the competitive market. But, in any
3 event, do you agree or disagree with this sentence?

4 That's all.

5 A. (Hall) I agree with the sentence in the context of the
6 circumstances that were in effect when it was drafted,
7 and today's circumstances. Since the rate is lower
8 priced and it's marginal cost based, we hope it will be
9 attractive to customers. And, if it is, that will
10 result in benefit to all other customers who are served
11 under the standard rate.

12 Q. Okay. By the way, when this -- this, I think, is the
13 last one. I just wanted to ask you this, it just
14 occurred to me. A customer leaves PSNH to go to PNE.
15 Do you have that hypothetical in mind?

16 A. (Hall) Yes.

17 Q. Okay. PNE pays you the selection charge, billing
18 charges, a charge -- a third charge for payments and
19 collections, is that right?

20 A. (Hall) Assuming PNE has contracted for those services.

21 Q. Okay. Which every supplier in your territory must do?

22 A. (Hall) No.

23 Q. No?

24 A. (Hall) No.

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[WITNESS PANEL: Hall~White]

1 Q. Okay.

2 A. (Hall) Some suppliers do their own billing.

3 Q. Okay. For the residential customers, stick to
4 residential, okay? Sorry. This is a residential
5 customer. Now, so, all the way into PNE, let's just
6 stick to the selection charge, PNE pays five bucks. On
7 the way out the door, PSNH -- a customer leaves to go
8 back to you, PSNH pays another \$5.00 -- PNE pays
9 another \$5.00 to you?

10 A. (Hall) I don't know. I'd have to check the tariff.

11 Q. Okay. Let's assume that's the case.

12 A. (Hall) I don't believe it is.

13 Q. Okay. Then, can you check that and maybe let me know
14 after lunch or something like that, whether that's the
15 case? We know we pay it --

16 A. (Hall) I'm not going to be able to do it today.

17 MR. RODIER: Okay. That's all I have,
18 madam Chairman.

19 CHAIRMAN IGNATIUS: Thank you.

20 Questions from Ms. Miranda?

21 MS. MIRANDA: Thank you, madam Chairman.
22 Good morning, gentlemen.

23 WITNESS HALL: Good morning.

24 MS. MIRANDA: For the record, Joey Lee

[WITNESS PANEL: Hall~White]

1 Miranda, from Robinson & Cole, on behalf of the Retail
2 Energy Supply Association.

3 BY MS. MIRANDA:

4 Q. The Rate DE -- ADE is going to be determined on an
5 annual basis, is that correct?

6 A. (Hall) Correct. Subject to change after six months.

7 Q. In one event, and that's when the market price --
8 forward market price is greater than 75 percent of the
9 adder, is that correct?

10 A. (Hall) No. It's when the difference between forward
11 market prices, basically, four or five months into the
12 annual period, the forward market prices differ from
13 the forward market prices used to set the rate. And,
14 that difference is more than -- is 75 percent or more
15 of the adder.

16 Q. Okay. So, it's the -- it was the difference between
17 the forecasted forward energy market prices and the
18 actual energy market prices that is greater than
19 75 percent, the difference?

20 A. (Hall) No. No. It's looking at two different sets of
21 forward market prices that were determined at two
22 different times. I mean, the market can shift. So,
23 forward market prices for a 12-month period,
24 determined, say, in December of the previous year, will

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[WITNESS PANEL: Hall~White]

1 be different than forward market prices for the
2 remainder of that 12-month period, when looked at in,
3 say, May of the following year.

4 Q. Okay. So, then, essentially, it is -- you're not
5 comparing -- you're comparing your forward market price
6 forecast when the rate is set, let's say, for
7 January 1st, 2013, to the forward market price as it
8 exists, say, in February 2013. And, if there's less
9 than a 75 percent -- 75 percent or less difference, the
10 rate remains in effect. If it's greater than
11 75 percent, you would seek to close Rate ADE?

12 A. (Hall) Essentially, yes.

13 Q. Okay. So, it's not looking at forward market price as
14 a comparison to actual costs. It's a forward market
15 price versus the forward market price in some other
16 month?

17 A. (Hall) Correct.

18 Q. Thank you. With respect to the term -- the term of
19 service, I thought I understood it, but now, based on
20 your response to Commissioner Harrington's question,
21 I'm confused.

22 A. (Hall) Okay.

23 Q. So, I'd like to clarify. For the term of service,
24 let's assume right now that it's 24 months as you

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[WITNESS PANEL: Hall~White]

1 propose. If I'm a customer that has been on
2 competitive supplier for 12 or more months, I return.
3 I stay with PSNH for six months on the Alternative
4 Default Energy rate.

5 A. (Hall) Okay.

6 Q. I then leave and go back to competitive supply for some
7 period less than a year. During the time I'm on
8 competitive supply, does that go into the 24 months or
9 does the clock stop at the six months I was at PSNH,
10 and then starts again when I come back to PSNH?

11 A. (Hall) The clock continues to run.

12 Q. So, if I am -- so, I just want to clarify it. I'm on
13 PSNH service for six -- Alternative Default Energy rate
14 for six months.

15 A. (Hall) Uh-huh.

16 Q. I go to the competitive market, and I'm served by a
17 competitive supplier for nine months. I then return to
18 PSNH, return to PSNH Alternative Default Energy rate,
19 correct?

20 A. (Hall) Correct.

21 Q. And, I'm on it for nine more months, for a total of 24?

22 A. (Hall) Yes. Except that understand, even during that
23 remaining nine more months, there's no requirement to
24 stay on energy service from PSNH.

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[WITNESS PANEL: Hall~White]

1 Q. Right. But I am required to stay on Alternative
2 Default Energy, not Default Energy, if I am at PSNH?

3 A. (Hall) Yes.

4 Q. Thank you. Earlier, I believe you testified that you
5 "did not believe that the rate was confusing, because
6 you expect mostly larger sophisticated customers to
7 take advantage of it." Is that accurate?

8 A. (Hall) Yes.

9 Q. However, the rate is open to customers who are small
10 commercial and industrial customers, is that correct?

11 A. (Hall) It will be within nine months following the
12 initial effectiveness of the rate.

13 Q. So, nine months after the initial effectiveness, it
14 will be open to small commercial and industrial
15 customers?

16 A. (Hall) Yes.

17 Q. And, nine months after the initial effectiveness, it
18 will be open to residential customers?

19 A. (Hall) Yes.

20 Q. Okay. Currently, PSNH cannot track how long a customer
21 has been out on -- an individual customer has been out
22 on competitive supply services, is that correct?

23 A. (Hall) No. I think a more accurate statement would be
24 "Currently, we do not track how long, because there's

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[WITNESS PANEL: Hall~White]

1 no need to do so."

2 Q. Do you recall receiving a data request from the Retail
3 Energy Supply Association --

4 A. (Hall) Yes.

5 Q. -- in connection with this proceeding?

6 A. (Hall) Yes.

7 Q. And, do you recall, in those RESA -- in those data
8 requests that RESA asked for specific information
9 regarding the number of customers that switched back
10 and forth from competitive supply for some period of
11 time?

12 A. (Hall) Yes. I'm turning to them now. I think it is
13 Questions 1 and 2.

14 Q. That's correct. I'm sorry, I'm actually having trouble
15 finding them. One second. In response to those
16 requests for information regarding how many customers
17 moved back and forth between competitive supply and
18 default service, you indicated that "PSNH does not
19 track this information and has no way of obtaining it,
20 other than by analyzing each individual's customer
21 history", is that correct?

22 A. (Hall) Correct.

23 Q. Okay. For purposes of determining how long customers
24 are on Rate ADE, and how long customers are away and on

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[WITNESS PANEL: Hall~White]

1 competitive supply, --

2 A. (Hall) Uh-huh.

3 Q. -- PSNH will need to obtain this information, is that
4 correct?

5 A. (Hall) Not the specific question you asked, but we will
6 need to track individual customers and the amount of
7 time their own on competitive supply.

8 Q. And, the amount of time they're on Rate ADE?

9 A. (Hall) Yes.

10 Q. And, will that be done through an automated system or a
11 manual system?

12 A. (Hall) Automated.

13 Q. And, will that require changes to your IT
14 infrastructure to make that happen?

15 A. (Hall) I'm not sure what you mean by "changes to IT
16 infrastructure". There will be programming necessary
17 to do it.

18 Q. Okay. And, the costs of that programming will be borne
19 by who? PSNH stockholders?

20 A. (Hall) Essentially, yes. I mean, any costs that PSNH
21 incurs, that doesn't get flowed through some tracking
22 mechanism, is effectively borne by stockholders.

23 Q. In response to questions from Attorney Rodier, you
24 indicated that existing employees would be used to

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[WITNESS PANEL: Hall~White]

1 provide -- to make whatever changes were necessary to
2 implement this program, is that correct?

3 A. (Hall) Yes. We're not going to be hiring contractors
4 to do it.

5 Q. And, where are the costs associated with those
6 employees' salaries currently recovered? In the
7 generation portion of rates or the distribution portion
8 of rates?

9 A. (Hall) I'm going to answer this in two ways. It
10 depends on the type of work that they're doing. In
11 general, the test year costs associated with work done
12 by that function is included in distribution rates.
13 But, once rates are set, distribution rates are just a
14 price. There is no matching after-the-fact of costs
15 incurred with rates recovered.

16 So, with that caveat, I think the answer
17 to your question is "distribution, generally."

18 Q. So, essentially, the costs are incurred through
19 distribution, with the understanding that there is no
20 reconciliation between estimated costs and actual
21 costs, is that correct?

22 A. (Hall) Again, I'm going to add the caveat. Because, if
23 costs have increased since the time that rates were
24 set, and the test year used to set rates, then who

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1 knows where those costs are recovered. Maybe they're
2 not recovered at all.

3 Q. So, essentially, there is no reconciliation process for
4 your distribution rates?

5 A. (Hall) Correct.

6 Q. Okay. Thank you. In response to questions from
7 Attorney Rodier, and I know it's been talked about
8 through the technical sessions and discovery, the plan
9 is for PSNH to engage in some educational or marketing
10 opportunity to make customers aware of Rate ADE and how
11 it will work, is that correct?

12 A. (Hall) I'm sure that there will be some sort of
13 education or discussions with customers or whatever.
14 I'm not sure what it will be.

15 Q. The costs associated with that will be collected in the
16 distribution rates?

17 A. (Hall) No. Going --

18 Q. From PSNH stockholders?

19 A. (Hall) Going back to my earlier response, it's
20 impossible to trace where certain costs are collected.
21 Distribution rates are just a number. Therefore, to
22 the extent that any of these costs are incurred, we're
23 not going to change rates as a result of it.

24 Q. Isn't it true that Northeast Utilities, when it has an

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1 employee performing functions, it can have that
2 employee categorized, the functions that they're
3 performing as "generation related", "transmission
4 related", "distribution related"?

5 A. (Hall) Or "customer service related", and there are
6 probably two or three others.

7 Q. But, yes, Northeast Utilities Service Company employees
8 do account for their time based on the function that
9 they're performing, is that correct?

10 A. (Hall) Yes.

11 Q. And, based on the function that they're performing,
12 that those costs are allocated to generation,
13 distribution, and transmission rates, generally, using
14 the broad -- the broad categories, I know there are
15 customer service charges, but using the broad
16 categories, it's generation, distribution and
17 transmission, correct?

18 A. (Hall) Oh, I agree. Right.

19 Q. Thank you. In response to questions from Attorney
20 Rodier, he referred you to PSNH's response to the
21 PNE-FEL Set 1, Question 6. Can you just turn there
22 please?

23 CHAIRMAN IGNATIUS: And, that would be
24 in Exhibit 11?

[WITNESS PANEL: Hall~White]

1 MS. MIRANDA: Yes. I apologize, yes.

2 That's Exhibit 11.

3 BY MS. MIRANDA:

4 Q. Okay. Exhibit 11, Question 6. And, the response
5 indicates that "Rate DE includes the embedded cost of
6 PSNH's generation and the marginal cost of PSNH's power
7 purchases." Did I read that correctly?

8 A. (Hall) Yes.

9 Q. Rate ADE, on the other hand, will be the marginal cost
10 of PSNH's power purchase necessary to serve the
11 customers on that rate, plus the adder, is that
12 correct?

13 A. (Hall) Yes.

14 Q. As a result, the marginal cost paid by the Rate DE
15 customers, currently paid by the Rate DE customers,
16 will decrease, is that correct?

17 A. (Hall) No. It will remain the same.

18 Q. When a customer -- so, let me clarify then. When a
19 customer returns today, no Rate ADE in effect, when a
20 customer returns from competitive supply today, no
21 matter how long they have been gone, they return to
22 Rate DE, is that correct?

23 A. (Hall) Yes.

24 Q. When the customer returns to Rate DE, if PSNH does not

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1 have sufficient power from its own generating resources
2 to serve that customer, it must purchase that power in
3 the market, is that correct?

4 A. (White) Yes.

5 Q. And, there is a marginal cost associated with
6 purchasing the power for that additional customer in
7 the market, correct?

8 A. (White) Correct.

9 Q. And, if two customers come back, I know this is
10 probably over simplifying it, but I'm sure one customer
11 may not change it all that much. But, if two customers
12 come back, two -- you now then have an additional
13 marginal cost to serve the second customer that has
14 returned, is that correct?

15 A. (White) Yes.

16 Q. Okay. Now, let's switch to Rate ADE is in effect.
17 Customer 1 comes back, has been on competitive supply
18 for more than 12 months, they go to Rate ADE.

19 A. (Hall) Uh-huh.

20 Q. There is no additional added marginal cost to Rate DE
21 for serving that customer, correct?

22 A. (Hall) Correct.

23 Q. Rather that added marginal cost is now into Rate ADE,
24 correct?

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1 A. (Hall) Yes.

2 Q. And, then, the second customer returns, same thing, no
3 additional marginal cost to Rate DE, but added marginal
4 cost to Rate ADE?

5 A. (Hall) Conceptually, that's correct. The difference is
6 that all of the costs associated with serving Rate ADE
7 and all of the revenue received from Rate ADE will flow
8 through the Rate DE reconciliation.

9 Q. Okay.

10 A. (Hall) But, conceptually, I agree with you.

11 Q. Thank you. I'd like to turn now to a discussion of
12 what happens when Rate ADE closes and reopens.

13 A. (Hall) Okay.

14 Q. Rate ADE, my understanding is, as we talked about, is
15 the difference between the forward -- the forward
16 market price at the time Rate ADE is set and the
17 forward market price at some point during the one-year
18 period.

19 A. (Hall) Uh-huh.

20 Q. The difference is greater than 75 percent the rate will
21 close, is that correct?

22 A. (Hall) If the difference is greater than 75 percent of
23 the adder, yes. The rate closes to new customers.

24 Q. Customers who come back to PSNH service during the time

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[WITNESS PANEL: Hall~White]

1 that the rate is closed will be placed on Rate DE, is
2 that correct?

3 A. (Hall) Correct.

4 Q. Once Rate ADE reopens, those customers who were put on
5 Rate DE will then be moved to Rate ADE, is that
6 correct?

7 A. (Hall) Yes.

8 Q. Rate ADE will never be closed for longer than six
9 months, is that correct?

10 A. (White) Yes, I don't know how it could stay closed for
11 longer than that.

12 A. (Hall) Yes.

13 A. (White) It would reopen for at least a month, --

14 A. (Hall) Right.

15 A. (White) -- like a mid-year rate adjustment.

16 A. (Hall) I was trying to envision a situation where it
17 would stay closed for longer than six months, and I
18 can't come up with a scenario.

19 Q. If I'm a customer -- if I'm a current customer of PSNH,
20 when I want to know what rate I'm paying, I look to
21 Rate DE and I know that it's X dollars, X dollars per
22 megawatt-hour or X cents per kilowatt-hour, correct?

23 A. (Hall) Yes.

24 Q. When I'm a customer -- under the current situation,

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[WITNESS PANEL: Hall~White]

1 when I'm a customer with a competitive supplier, and
2 I'm trying to figure out if I want to stay with my
3 competitive supplier, or maybe PSNH's rate is better, I
4 look to Rate DE, is that correct, under today's
5 circumstances?

6 A. (Hall) Presumably, yes.

7 Q. Okay. Now, let's jump forward and assume that Rate ADE
8 is implemented.

9 A. (Hall) Okay.

10 Q. I am a current customer of PSNH, when I want to know
11 how much I'm paying, I look to Rate DE, no change?

12 A. (Hall) Correct.

13 Q. When I'm a customer who's on a competitive supplier, I
14 have to first figure out how long I've been with the
15 competitive supplier before I know which rate I'm going
16 to go on when I come back to PSNH, correct?

17 A. (Hall) Yes.

18 Q. Okay. Second, I need to know whether or not Rate ADE
19 -- assume for a second I am in the 12-month period, --

20 A. (Hall) Uh-huh.

21 Q. -- I've been out more than 12 months. I then need to
22 know if Rate ADE is open or not, is that correct?

23 A. (Hall) Yes.

24 Q. So, -- and, then, if Rate ADE is closed, then I know

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[WITNESS PANEL: Hall~White]

1 that I would look to Rate DE to see what I would pay
2 when I switch back?

3 A. (Hall) Yes.

4 Q. But I would only know what Rate DE is -- I would only
5 be on Rate DE until you reopened Rate ADE?

6 A. (Hall) Correct.

7 Q. So, as a customer, who's been out for 12 or more months
8 on the competitive market, in order to figure out what
9 I'm paying when I go back to PSNH, I need to understand
10 if the rate is open or closed, and I need to understand
11 how long DE is going to be closed before I know what my
12 new rate is going to be under ADE, if it's closed, how
13 long it's going to be closed, so that I can figure out
14 what my potentially new rate would be?

15 A. (Hall) Yes.

16 Q. Okay. Thank you. I'd like to refer you to Exhibit 7,
17 which is your initial testimony.

18 A. (Hall) Okay.

19 Q. Page 17. Are you there?

20 A. (Hall) I am.

21 Q. Lines 19 through 21. The first full sentence, the
22 beginning of the sentence started on Line 19, reads
23 "PSNH believes that it is important to establish this
24 rate as soon as possible so that customers will have

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[WITNESS PANEL: Hall~White]

1 another alternative that has the benefit of mitigating
2 migration." End of sentence. Did I read that
3 correctly?

4 A. (Hall) Yes.

5 Q. Thank you. In performing PSNH's analysis for the
6 establishment of Rate ADE, there were essentially three
7 assumptions that were looked at in that analysis, as
8 indicated on Page 18 of Exhibit 7?

9 A. (Hall) Yes. You're referring to the risk analysis?

10 Q. Yes.

11 A. (Hall) Okay.

12 Q. So, with respect to that analysis, you looked at market
13 price movements; the amount of sales, which react to
14 price movements; and the amount of adders to marginal
15 cost to determine retail price, is that correct?

16 A. (White) Yes.

17 Q. However, on Page 20 of Exhibit 7, Lines 11 through 13,
18 you do indicate that "some of the assumptions [you]
19 have made with respect to the market prices are highly
20 unlikely to occur", is that correct?

21 A. (White) That's what's stated there, yes.

22 Q. And, you also, on that same Page 20, at the bottom on
23 Pages 8 -- excuse me, Lines 18 through 20, also
24 indicate that "the amount of the benefit to be realized

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[WITNESS PANEL: Hall~White]

1 from implementation of Rate ADE will largely be
2 dependent on the amount of the load that returns", is
3 that correct? Did I read that or summarize that
4 correctly?

5 A. (White) Yes, you did.

6 Q. Okay. If no customers take service under Rate ADE,
7 there will be no benefit from Rate ADE realized for
8 customers on Rate DE, is that correct?

9 A. (Hall) Yes.

10 Q. If -- and, so, your sentence -- this sentence that I
11 just read about the amount of load that returns, the
12 benefit, as I understand your testimony, is that the
13 Rate ADE customers contribute the -- we'll use one cent
14 we know, adder, to the non-operating costs of the
15 Scrubber. And, that's the benefit that the Rate DE
16 customers receive from Rate ADE customers in having
17 this rate in effect, is that correct?

18 A. (Hall) Yes. The benefit is the increment, the revenue
19 that we get in excess of the marginal cost of serving
20 the load.

21 Q. In reaching your -- coming up with your assumptions
22 with respect to the risk analysis, and this is on Page
23 18 of Exhibit 7, one of those assumptions, correct, is
24 that customers have perfect foresight, that customers

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1 essentially react immediately to a price change that
2 benefits them, even if it's the smallest, you know, if
3 it's four decimal points out, every customer reacts
4 positively or negatively to a price change, is that
5 correct?

6 A. (White) Yes. The analysis was done using Excel. And,
7 the customer decisions were based on a direct
8 comparison of assumed third party supplier rates to
9 Rate ADE. So, any however small a difference would
10 drive the assumed reaction one way or the other.

11 Q. And, the prices that were used to represent the retail
12 market prices, not the PSNH prices, were also based on
13 assumptions on your part, and not actual data, correct?

14 A. (White) Yes. It's based on assumptions. We, through
15 the normal course of business, in other jurisdictions,
16 our group also handles competitive solicitations for
17 standard service supply in Massachusetts and
18 Connecticut. And, during the course of those
19 solicitations, we perform analysis to make a forecast
20 of what we believe should be reasonable offers from
21 suppliers.

22 Q. Those are wholesale suppliers, correct?

23 A. (White) That's correct. Those are wholesale suppliers.
24 And, having done that for several years, and developing

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1 the baseline for that analysis through a marginal cost
2 analysis, and then, through experience, seeing the
3 difference between the straight marginal cost and the
4 offers that actually come in, we've derived some
5 empirical evidence about what profit and risk premium
6 adders are on top of a straight marginal cost
7 calculation. So, --

8 Q. At the wholesale level?

9 A. (White) At the wholesale level. So, it's been roughly
10 using that type of information and knowledge that
11 resides in our department, sort of guided the
12 assumptions used in this risk analysis. It's not hard
13 data necessarily.

14 Q. For purposes of determining the cost of Rate ADE,
15 you've indicated it's a marginal cost, plus the
16 non-operating costs associated with the Scrubber adder.
17 I want to talk not about the adder, because I think we
18 all know sort of what's going in that. I want to talk
19 about the other piece of the cost that is used to
20 establish ADE.

21 A. (White) Okay.

22 Q. That cost will only include the costs that PSNH incurs
23 in buying power out of the market to serve the
24 customers returning, is that correct, and including

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[WITNESS PANEL: Hall~White]

1 energy, ancillary services, renewable energy credits,
2 all of the pieces of the energy? It will -- is that
3 correct?

4 A. (Hall) I want to make sure that we're grounded and
5 understand your question.

6 Q. The cost component, the non-adder component, will
7 consist of the costs that PSNH incurs to serve
8 customers that are on Rate ADE through the market,
9 including all costs of energy, ancillary services,
10 renewable energy credits, capacity congestion,
11 *etcetera*, is that correct?

12 A. (White) Yes. It's market-based full requirements
13 service.

14 Q. So, again, keeping the adder out of the picture, the
15 marginal cost does not include any costs associated
16 with PSNH's existing generation fleet, is that correct?

17 A. (White) That's correct.

18 Q. The adder, I understand, does. But the cost does not,
19 is that correct?

20 A. (White) That's correct. That the forecast of market
21 prices to establish the rate does not include any costs
22 of PSNH owned generation. It's strictly market-based.

23 Q. And, PSNH will set the annual rate for Rate ADE based
24 on its -- based on forward energy -- a forecast of

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1 forward energy market prices, plus the adder, is that
2 correct?

3 A. (White) I'm sorry. Could you repeat that. I think I
4 missed the first part.

5 Q. PSNH will set Rate ADE on an annual basis, assuming --
6 let's assume that the thing that closes the rate
7 doesn't occur, on an annual basis, based on a forecast
8 of forward energy market prices, plus the cost of the
9 adder?

10 A. (White) Yes. And, when you say "forward market energy
11 prices", it will also include the things you mentioned
12 previously, all ancillaries, capacity, ISO
13 administration expenses, all expenses assigned to load
14 in the New England region.

15 Q. And, it will be based on a forecast of all those costs,
16 correct?

17 A. (White) That's correct.

18 Q. Plus the adder?

19 A. (White) Plus the adder.

20 Q. Okay. Assuming again the rate doesn't close, during
21 the -- for one year PSNH will track all of the actual
22 costs that it incurs, is that correct?

23 A. (White) Yes.

24 Q. To serve Rate ADE customers?

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1 A. (White) That's correct.

2 Q. At the end of a year, PSNH will then, again, assuming
3 no closure, at the end of a year, PSNH will then
4 reconcile its actual costs for serving ADE customers,
5 and the -- against its forecast of all the load-serving
6 costs associated with serving those customers, plus the
7 cost of the adder?

8 A. (White) Well, let me address two parts. The "official
9 reconciliation" of default energy service costs, both
10 DE load and ADE load will be reconciled together. As
11 agreed to in the Settlement, --

12 Q. To which RESA is not a party, correct?

13 A. (Hall) Correct.

14 A. (White) That's correct.

15 Q. Thank you.

16 A. (White) By the 25th of each month during the ADE term,
17 we're going to provide a report, which will provide the
18 information you mentioned, which will be a comparison
19 of ADE revenue, compared to the actual costs to serve
20 Rate ADE load during the course of a month. So, at the
21 end of a year, we'll have a year's worth of -- I just
22 mention it, because it's really a calculation sort of
23 off to the side for reporting purposes to evaluate the
24 benefits or the performance of Rate ADE.

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[WITNESS PANEL: Hall~White]

1 Q. And, the reason it's a calculation off to the side is
2 because the actual reconciliation of the costs and
3 revenues will be done in -- costs and revenues
4 associated with Rate ADE will actually be reconciled in
5 Rate DE, is that correct?

6 A. (White) That's correct.

7 Q. Thank you.

8 CHAIRMAN IGNATIUS: Before you move on,
9 Ms. Miranda, this may be a good time for a break. Am I
10 cutting you off on a question?

11 MS. MIRANDA: Nope. That's fine. Thank
12 you, madam Chairman.

13 CHAIRMAN IGNATIUS: All right. So,
14 assuming you have more to go, let's not start a new area,
15 it's now 12:15. I think we should take a lunch break of
16 an hour and fifteen minutes, and resume at 1:30 and
17 continue with your questioning.

18 MS. MIRANDA: Thank you.

19 CHAIRMAN IGNATIUS: All right. Thank
20 you. So, Mr. Estomin, if you can call back in at 1:30,
21 we'll resume.

22 MR. ESTOMIN: I will be here.

23 CHAIRMAN IGNATIUS: Thank you.

24 MS. CHAMBERLIN: Thank you.

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1 MR. ESTOMIN: Thank you.

2 CHAIRMAN IGNATIUS: All right. We will
3 stay in recess until 1:30. Thank you.

4 (Lunch recess taken at 12:14 p.m. and
5 the hearing resumed at 1:32 p.m.)

6 CHAIRMAN IGNATIUS: All right. We're
7 back to the afternoon. And, Ms. Miranda, you're
8 continuing your questioning of the PSNH witnesses.

9 MS. MIRANDA: Thank you, madam Chair.
10 Good afternoon, gentlemen.

11 WITNESS HALL: Good afternoon.

12 MS. MIRANDA: I only have about ten,
13 fifteen more hours -- no, about ten or fifteen more
14 minutes of questions. So, I appreciate your patience.

15 WITNESS HALL: I was going to ask you
16 for a sharp stick to push into my eye.

17 (Laughter.)

18 BY MS. MIRANDA:

19 Q. Earlier, we were discussing customer choices when they
20 come back from competitive supply, once, assuming Rate
21 ADE is implemented, and indicating that, if a customer
22 comes back, who is eligible for Rate ADE, and it is
23 closed, they are put on the Rate DE, that's correct?

24 A. (White) Yes.

[WITNESS PANEL: Hall~White]

1 Q. Okay. Once Rate ADE is reopened, they are then
2 transferred over to Rate ADE, correct?

3 A. (White) Yes.

4 Q. Okay. How will the customer know what the rate will be
5 on Rate ADE? What notice will they be provided, and in
6 what manner?

7 A. (Hall) You mean when they get transferred back?

8 Q. Yes. How will they know what the -- assuming for a --
9 let me try it this way. I'm a customer and I'm on Rate
10 DE.

11 A. (White) Yes.

12 Q. And, ADE is closed, and you're about to reopen it in
13 some period of time, whether it's two days from now or
14 sixty days from now.

15 A. (Hall) Uh-huh.

16 Q. How am I going to know what my new rate will be on Rate
17 ADE when I -- when that rate reopens?

18 A. (Hall) The only way Rate ADE will change will be
19 pursuant to a hearing before the Commission, which is
20 subject to notice procedure, and then we have a tariff
21 that we file in compliance with an order that the
22 Commission issues. So, it's a public procedure.

23 Q. Will the customer be provided individual notice or will
24 it just be the public notice that there is a proceeding

[WITNESS PANEL: Hall~White]

1 in front of this Commission?

2 A. (Hall) Right now, if we're transferring them from Rate
3 DE back to Rate ADE, when Rate ADE reopens, we're not
4 planning on individual customer notification. Just
5 like today, there's no notification individually when
6 Rate DE changes.

7 Q. When Rate DE changes, it changes on a predictable
8 schedule for customers, is that correct? Every three
9 months, every six months, every twelve months, whatever
10 that is, it's a predictable schedule?

11 A. (Hall) Rate DE is basically annually, subject to change
12 every six months. Historically, there has been a
13 change every six months. Rate ADE will be the same.
14 It will change on the same dates.

15 Q. And, how far in advance of the new Rate ADE being
16 implemented will customers know what the approved rate
17 is from this Commission? Is it two days? Is it thirty
18 days? Does it vary?

19 A. (Hall) The customers -- excuse me. PSNH's filing would
20 be made, I believe, approximately 45 days in advance of
21 a July 1st effective date. So, there would be at least
22 a 45 day notice.

23 Q. And that, that would be -- the 45 day notice would be
24 the PSNH proposed rate, correct?

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1 A. (Hall) Yes.

2 Q. And, it is possible that this Commission could decide
3 that the proposed rate is not the actual approved rate
4 and change it, correct?

5 A. (Hall) Sure.

6 Q. How far in advance does the Commission issue a decision
7 giving the actual rate that will be -- that will be
8 implemented?

9 A. (Hall) That is up to the Commission and the -- how
10 heavy their schedule is at the time. Typically, the
11 Commission issues orders for rates effective July 1st
12 sometime during the last week of June.

13 Q. So, approximately -- I understand that it varies. But,
14 generally, it's about a week in advance of the rate
15 going into effect?

16 A. (Hall) Could be, yes.

17 Q. If I'm a customer who's currently on PSNH service, and
18 I wish to switch to a competitive supplier, how many
19 advance days notice is required for PSNH to make that
20 change occur?

21 A. (Hall) I think it's two, but that's subject to check.

22 Q. Two business days or two calendar days?

23 A. (Hall) I believe it's two business days. Might be
24 three, but two seems to come to mind.

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[WITNESS PANEL: Hall~White]

1 Q. Okay. Thank you. Okay. Switching gears slightly back
2 to costs for implementation of the Alternative Default
3 Energy rate. In response to an interrogatory from the
4 OCA, Set 2, Question 2, you were asked to provide
5 additional information regarding plans to modify your
6 billing system, to enable residential and small C&I
7 customers to participate?

8 A. (Hall) Yes.

9 Q. Assuming Rate ADE is approved by the Commission,
10 currently, PSNH is seeking to have it go into effect on
11 January 1st, 2013 for large and medium C&I customers,
12 correct?

13 A. (Hall) Correct.

14 Q. And, then, approximately nine months later, you're
15 seeking to have it go into effect for small commercial
16 and residential customers, correct?

17 A. (Hall) Yes.

18 Q. And, the reason that you need that time lag is to make
19 the modifications to the billing system that are
20 referenced in this interrogatory response, is that
21 correct?

22 A. (Hall) Yes.

23 Q. And, you have not yet developed a detailed schedule or
24 cost estimate for making those modifications, is that

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1 correct?

2 A. (Hall) Correct.

3 Q. And, the cost associated with modifying that billing
4 system will not be included in the costs that are
5 charged to customers as part of Rate ADE, is that
6 correct?

7 A. (Hall) Correct.

8 Q. Thank you. Further following up on the cost issue, in
9 response to an interrogatory from OCA, Set 3, Question
10 2, you were asked about the employee hours that will be
11 allocated to the modification of the billing system.
12 And, whether or not PSNH has a mechanism or a process
13 in place to track the employee work tasks and time. Do
14 you recall that?

15 A. (Hall) Yes.

16 Q. Okay. And, you indicated that you do have a time
17 reporting -- PSNH does have a time reporting system
18 that is capable of tracking costs, that's correct?

19 A. (Hall) Yes.

20 Q. But PSNH does not intend to allocate or otherwise
21 apportion costs associated with those changes to Rate
22 ADE itself, is that correct?

23 A. (Hall) Correct.

24 Q. Thank you. During discovery, in RESA's interrogatories

[WITNESS PANEL: Hall~White]

1 or data requests to the Company, the Company was asked
2 "if the Commission approves Rate ADE, is Rate DE
3 expected to decrease or increase?" Do you recall that
4 question generally? It's Question 6.

5 A. (Hall) Okay. I was just looking for it. Yes, I do
6 recall it.

7 Q. And, then -- and, the response was that you "expect
8 Rate DE will decrease if Rate ADE is approved"?

9 A. (Hall) Yes.

10 Q. That -- and, further on in the response, it indicates
11 that that's based on the assumption essentially that
12 the revenues that you receive through ADE are in excess
13 of the marginal cost of serving those customers, is
14 that correct?

15 A. (Hall) Correct.

16 Q. Okay. And, therefore, it will produce an overrecovery?

17 A. (Hall) Correct.

18 Q. Is there a circumstance under which it would produce a
19 underrecovery?

20 A. (Hall) That circumstance always exists. But that
21 really was -- excuse me -- that was the purpose of the
22 risk analysis that we did that was attached to our
23 testimony that we filed in April. We kind of came up
24 with different scenarios and a set of assumptions which

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1 we thought were relatively conservative, with respect
2 to making it appear as risky as possible. And, what we
3 found is that, in I think all but one or two of the
4 scenarios that we looked at, there would be a decrease
5 in costs for Rate DE. In other words, the revenue from
6 Rate ADE would be greater than the cost of serving the
7 load. And, in those one or two scenarios where the
8 opposite occurred, the difference was a matter of a few
9 thousand dollars. It was very small. So, that really
10 was what that risk analysis was trying to get at.

11 Q. And, in either event, an overrecovery or an
12 underrecovery, that overrecovery or underrecovery will
13 be done through Rate DE, is that correct?

14 A. (Hall) Yes.

15 MS. MIRANDA: Okay. I have no further
16 questions. Thank you, madam Chairman.

17 CHAIRMAN IGNATIUS: Thank you.
18 Questions from Ms. Chamberlin?

19 MS. CHAMBERLIN: Thank you.

20 BY MS. CHAMBERLIN:

21 Q. Mr. Hall, at the beginning of these questions, you
22 estimated that ADE would be approximately seven cents,
23 is that correct?

24 A. (Hall) Yes. Based on a look at 2013 forward market

1 prices that I think we looked at perhaps a couple of
2 weeks ago.

3 Q. And, that includes the one cent -- approximately one
4 cent adder?

5 A. (Hall) Yes.

6 Q. Yes. Okay. Under the terms of the proposed Settlement
7 Agreement, it's PSNH, the OCA, and Staff that are in
8 agreement, except for the one term of service?

9 A. (Hall) Correct.

10 Q. Correct. And, this is proposed to be a pilot program?

11 A. (Hall) Yes.

12 Q. And, as a pilot program, it will not continue past the
13 three years without a Commission order and review to do
14 so?

15 A. (Hall) Correct. There's language in the Settlement
16 describing what happens. It's on Page 4, under
17 Paragraph 2.2. And, it says, "the term "pilot" is
18 intended to indicate a non-permanent test or trial of
19 Rate ADE, which pilot shall be evaluated by the
20 Commission upon conclusion of the pilot period or prior
21 to any modifications to or extensions of the pilot
22 program." So, something's got to happen.

23 Q. Right. But the Commission has to take action?

24 A. (Hall) Yes.

[WITNESS PANEL: Hall~White]

1 Q. Right. And, we also included in the agreement that, if
2 the Legislature were to take action and override this,
3 that is not prohibited by this pilot? And, that is --

4 A. (Hall) I believe so. I don't know where that language
5 is offhand.

6 Q. Page 9, Paragraph 3.3?

7 A. (Hall) We're here. Yes. Thank you.

8 Q. And, in terms of the one element that we haven't
9 reached agreement on with the three parties, could you
10 reiterate why you believe 24 months is the correct
11 time?

12 A. (Hall) Sure. The basic reason is to ensure that Rate
13 ADE -- to ensure that value isn't removed from standard
14 Rate DE customers as a result of Rate ADE's
15 implementation. And, PSNH's concern is that, with just
16 the 12-month term of service, there really isn't going
17 to be a whole lot of opportunity for Rate ADE to work
18 and provide that value. And, therefore, we're
19 proposing 24 months, instead of 12.

20 Q. So, looking at the rebuttal testimony, on Page 9, it
21 says, "PSNH's concern with a 12 month term is that it
22 dilutes the value of the rate as a mitigation tool for
23 the effects of migration, and thereby dilutes value for
24 all other customers." And, you still agree with that

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1 statement?

2 A. (Hall) I do.

3 Q. In terms of whether or not the rate is an attractive
4 one, that will be up to the customers, correct?

5 A. (Hall) That's entirely up to customers to determine.

6 Q. So, customers will -- they still have the option to do
7 competitive supply or they can come back to this rate,
8 they will have to choose?

9 A. (Hall) Yes.

10 Q. What they think is best for their business or for their
11 homes?

12 A. (Hall) Correct.

13 Q. And, the only reason that this is being delayed for the
14 residential customers is a software billing issue?

15 A. (Hall) Yes. And, it's because our smaller customers,
16 small general service and residential, are billed under
17 a different billing system than larger customers.

18 Q. Okay.

19 A. (Hall) And, as a result, there's a lot more work
20 involved, it's a more complex system. And,
21 implementing Rate ADE under that billing system,
22 there's a lot more to it. I don't fully understand all
23 of the things that are being done, I'm not an expert in
24 our billing system, but that's what I've been told.

[WITNESS PANEL: Hall~White]

1 Q. And, if the Commission approves this, you'll make sure
2 they get right on it?

3 A. (Hall) We committed to having Rate ADE available to
4 smaller customers within nine months.

5 Q. Okay. And sooner, if possible?

6 A. (Hall) Yes.

7 MS. CHAMBERLIN: Okay. Thank you. No
8 more questions.

9 CHAIRMAN IGNATIUS: Thank you. Ms.
10 Amidon?

11 MS. AMIDON: Thank you. With your
12 permission, Steve Mullen and I will both have some
13 questions for the witnesses.

14 CHAIRMAN IGNATIUS: That will be fine.
15 I just -- I realize we forgot to check in with our mystery
16 guest here.

17 MS. CHAMBERLIN: He's still here. We
18 brought him in.

19 CHAIRMAN IGNATIUS: Were you here, Mr.
20 Estomin?

21 MS. CHAMBERLIN: Steve, are you there?

22 MR. ESTOMIN: Yes. I'm still here.

23 CHAIRMAN IGNATIUS: Good. Thank you.

24 All right. Please proceed with Staff questions.

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[WITNESS PANEL: Hall~White]

1 MS. AMIDON: Thank you. Good afternoon.

2 WITNESS HALL: Good afternoon.

3 BY MS. AMIDON:

4 Q. I wanted to follow on something that Ms. Chamberlin
5 raised, and that has to do with the term of the pilot
6 program. And, if we look at Page 7 of Exhibit 9, which
7 is the Settlement Agreement, at 2.4.2, the settling
8 parties agree that PSNH shall file a report on
9 December 1 of each year to -- basically, for purposes
10 of assessing what's happening with the Rate ADE, is
11 that correct?

12 A. (Hall) Yes.

13 Q. And, it details in that section, and I won't read it,
14 what the report will consist of. But, if we go back to
15 Page 4 of the Agreement, at Section 2.2, the last
16 sentence in that section says, "Nothing in this
17 agreement shall be construed to limit the authority of
18 the Commission to terminate this rate prior to the end
19 of the 36-month pilot period." Is that correct?

20 A. (Hall) Yes.

21 Q. And, would you agree with me that the purpose of this,
22 recognizing the Commission's authority, is that, based
23 on whatever report may be filed, the Commission may
24 determine that it's appropriate to terminate the pilot

1 program, for whatever reason?

2 A. (Hall) Yes.

3 Q. Okay. Thank you. And, Mr. Hall, I believe -- I
4 believe this is a question for you. You've talked a
5 lot about how the Company would propose to readjust the
6 marginal -- marginal energy cost portion of the ADE
7 rate. Would you please describe at this point what the
8 Company proposes as an adder to the rate? I know the
9 adder represents the non-operating costs of the
10 Scrubber installed at Merrimack Station. But could you
11 give us a value for that at this point?

12 A. (Hall) In cents per kilowatt-hour?

13 Q. Yes.

14 A. (Hall) I believe it's around 1.03, or at least that's
15 what it was the last time we calculated it. I haven't
16 done an updated calculation of it in a few months.

17 Q. In connection with, for example, the updated forecast
18 that you would be preparing for the marginal energy
19 cost portion of the case -- of the rate, --

20 A. (Hall) Okay.

21 Q. -- would you also be preparing an updated calculation
22 of the adder?

23 A. (Hall) That wasn't the intent. Rather, the adder was
24 intended to remain in effect for 12 months, and the

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1 rate would only be subject to change to the extent the
2 marginal costs shifted.

3 Q. Well, let me ask you this a different way.

4 A. (Hall) Okay.

5 Q. If you were going to set the ADE rate for the year --
6 the calendar year 2013, --

7 A. (Hall) Uh-huh.

8 Q. -- would you recalculate the adder for purposes --
9 closer to the effective date of the rate --

10 A. (Hall) Oh.

11 Q. -- and submitting the filing with the Commission?

12 A. (Hall) Yes.

13 Q. And, if I understand correctly, the current -- the
14 current calculations that you included in this filing
15 were based on the then applicable customer migration
16 rate, is that correct?

17 A. (Hall) Yes.

18 Q. And, the Company has updated its report to the
19 Commission on customer migration?

20 A. (Hall) We made a filing yesterday or the day before, I
21 think.

22 Q. And, would you agree with me that it's -- the customer
23 migration is now roughly 44 percent? 43.96, perhaps?

24 A. (Hall) Maybe in energy. Yes, that might be.

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1 Q. Okay. So, what I'd like to know is, as the migration
2 continues to change, does that -- what impact does that
3 have on the calculation of any portion of this rate,
4 and -- well, specifically, does it affect the
5 calculation of the adder?

6 A. (Hall) Yes. Because the --

7 Q. And, could you explain how?

8 A. (Hall) Sure. The denominator of the equation used to
9 calculate the adder is lower, and, therefore, the
10 average cents per kilowatt-hour is higher.

11 Q. So, with the higher migration level, what would you
12 anticipate be happening to the adder?

13 A. (Hall) All else being equal, it would be slightly
14 higher.

15 MS. AMIDON: Okay. Thank you. Mr.
16 Mullen.

17 MR. MULLEN: Good afternoon.

18 WITNESS HALL: Good afternoon.

19 WITNESS WHITE: Good afternoon.

20 BY MR. MULLEN:

21 Q. Just to follow up on a question that Attorney Amidon
22 just asked you, regarding changes to the calculation of
23 the adder. I believe you stated that, in your annual
24 filing, you would recalculate the adder, is that

1 correct?

2 A. (Hall) Yes.

3 Q. Would you also anticipate doing that for any July 1st
4 change?

5 A. (Hall) We didn't anticipate doing it then, and it's not
6 in the Settlement. So, it's not something that we
7 settled on. So, the Settlement doesn't contemplate
8 that revised calculation.

9 Q. Okay. In relation to -- you also discussed quite a bit
10 the changes to the projected marginal costs. Let's
11 just run through a scenario to see if we can make sure
12 that everybody is clear on how this works.

13 A. (Hall) Okay.

14 Q. And, in doing an annual filing, and determining the
15 projected marginal costs, you will look at forward
16 prices for the next 12 months, is that correct?

17 A. (Hall) Yes.

18 Q. Okay. So, that would -- say you were doing a rate for
19 effect January 1st, 2013.

20 A. (Hall) Uh-huh.

21 Q. The marginal costs would include a projection of every
22 month in calendar year 2013?

23 A. (Hall) Yes.

24 Q. On the 15th of the following month, you would submit an

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1 updated forecast of marginal costs for the remainder of
2 the year, in this case, it would be the months February
3 through December of 2013, is that correct?

4 A. (Hall) Yes.

5 Q. Okay. So, say the marginal costs in the annual filing
6 were at six cents.

7 A. (Hall) Uh-huh.

8 Q. And, then, say now we've gone -- now we're at
9 February 15th, and you had a projection for the months
10 of March through December 2013?

11 A. (Hall) Okay.

12 Q. Now, say -- and assume you have a one cent adder, just
13 for purposes of the discussion.

14 A. (Hall) Yes.

15 Q. Now, when you look at that, that forecast for March --
16 got to make sure which month I'm in now, February 15th,
17 for the months of March to December.

18 A. (Hall) Right.

19 Q. Now, the marginal cost has increased to seven cents.

20 A. (Hall) For those months.

21 Q. Right. So, now, you will compare the seven cents to
22 what?

23 A. (Hall) We would compare that seven cents to the forward
24 prices for the months of March through December of

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1 2013, the same time period, that were used, that were
2 looked at and determined back in December, when we
3 calculated the entire rate for 2013. So, we basically,
4 as you said earlier, we do a -- we have forward monthly
5 prices that we use to calculate an annual rate. Once
6 we get to February, we look at the new forward monthly
7 prices for March through December, compare it to the
8 original forward monthly prices for March through
9 December, using the calculation of the annual rate.
10 The difference -- I'm sorry?

11 Q. Go ahead.

12 A. (Hall) The difference between those two, we then
13 compare to the amount of the adder. And, if that
14 difference is greater than -- if it's 75 percent or
15 more of the amount of the adder, the rate would be
16 closed as of March 1st.

17 Q. Okay. Bringing us a little further, if, when you did
18 your annual calculation, --

19 A. (Hall) Uh-huh.

20 Q. -- the projected forward prices for the months of March
21 through December --

22 A. (Hall) Yes.

23 Q. -- were six cents?

24 A. (Hall) Yup.

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[WITNESS PANEL: Hall~White]

- 1 Q. Now, on February 15th, you look at them, and the
2 projected marginal prices for those months are now
3 seven cents?
- 4 A. (Hall) Yup.
- 5 Q. So, you have a change of one cent?
- 6 A. (Hall) Uh-huh.
- 7 Q. What happens?
- 8 A. (Hall) And, in your scenario, the adder was also one
9 cent. In that, under that scenario, the rate would
10 close on March 1st.
- 11 Q. Okay. And, now, we move forward another month.
- 12 A. (Hall) Okay.
- 13 Q. March 15th.
- 14 A. (Hall) Yes.
- 15 Q. Now, you look at the marginal costs for the months of
16 April through December, is that correct?
- 17 A. (Hall) Yes.
- 18 Q. And, you compare those back to the same months that
19 were in the annual filing?
- 20 A. (Hall) Yes.
- 21 Q. Okay. Now, if that -- now, if, for those months, the
22 projected marginal cost is six and a half cents, --
- 23 A. (Hall) Uh-huh.
- 24 Q. -- what happens?

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1 A. (Hall) The rate would reopen on April 1st.

2 Q. And, why is that?

3 A. (Hall) Because the difference between the forecasted,
4 between forward market prices currently, versus the
5 original forward market prices used to establish the
6 rate, would be less than 75 percent of the one cent
7 adder. And, therefore, the rate would reopen. And,
8 there's language in the proposed tariff pages that were
9 in Attachment 1, I believe, to the Settlement Agreement
10 that provide for that potential reopening.

11 Q. Would Rate ADE itself change at that time?

12 A. (Hall) No.

13 Q. If a customer was currently receiving Rate ADE at the
14 time it closed, what happens to them?

15 A. (Hall) Rate ADE would have closed on February 1st or
16 March 1st, I can't remember where we were. Let's say
17 Rate ADE closed on March 1st.

18 Q. Okay.

19 A. (Hall) Customer was on Rate ADE at that time?

20 Q. Yes.

21 A. (Hall) They continue to receive it. Rate ADE reopens
22 on April 1st. That customer who's on Rate ADE, if he
23 stays on Rate ADE in April, would continue to receive
24 Rate ADE.

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1 Q. Okay. And, that's different than some of the
2 discussion about a customer that would have qualified
3 -- otherwise qualified for Rate ADE at the time it was
4 closed, they would have been a new customer, they would
5 have gone instead to DE until the rate reopens?

6 A. (Hall) Yes. The distinction is, that a customer who is
7 taking service under Rate ADE on the date that it
8 closes is an existing customer.

9 Q. Okay. Now, this whole -- this whole mechanism to close
10 the rate and look at the -- a new forecast of the
11 marginal costs, --

12 A. (Hall) Uh-huh.

13 Q. -- was that done in response to the Commission's prior
14 order in this proceeding?

15 A. (Hall) Yes.

16 Q. And, that was to address which particular problem that
17 the Commission had?

18 A. (Hall) That was to address the concern the Commission
19 had over marginal costs shifting and to limit risk
20 associated with such a shift. If you recall, in the
21 original proposal, there was no provision for closing
22 the rate. Rather, what PSNH had proposed, back in
23 2011, was it would be subject to another look after six
24 months, subject to change -- the rate would be subject

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1 to change. Now, not only is the rate subject to change
2 after six months, but to further limit risk to all
3 other customers, we will close the rate to new
4 customers, to the extent the marginal costs jump even
5 prior to recalculating the rate.

6 Q. With respect to the difference of opinion we have on
7 the length of the term of service, --

8 A. (Hall) Uh-huh.

9 Q. -- I believe you said that "use of a 12-month term of
10 service would dilute the value of the rate to other
11 customers"?

12 A. (Hall) I believe it would.

13 Q. Regardless of the length of the term of service, any
14 value is highly dependent on how long a customer
15 decides to remain on Rate ADE and not go back to
16 competitive supply or self-supply, is that correct?

17 A. (Hall) Absolutely.

18 Q. So, you could have a situation where, whether it's 12
19 months or 24 months, depending on the length of time a
20 customer were to stay on, you could get the same amount
21 of benefit?

22 A. (Hall) You could. Obviously, if the rate is available
23 for 12 more months, there's a potential for up to an
24 additional 12 months of benefit. That really, I think,

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1 is the difference between our two positions.

2 MR. MULLEN: Thank you. I have nothing
3 further.

4 CHAIRMAN IGNATIUS: Thank you.
5 Commissioner Harrington, questions?

6 CMSR. HARRINGTON: Yes. Good afternoon.

7 WITNESS HALL: Good afternoon.

8 BY CMSR. HARRINGTON:

9 Q. I guess whoever is most appropriate should just go
10 ahead and answer these. I've got a number of
11 questions. A lot of them are just trying to get
12 straight on how the Settlement Agreement works and some
13 of the things that may have changed over the past
14 months since this docket was initiated.

15 In the previous docket, DE 10-160, there
16 was a discussion by the Commission, and it was
17 something to the effect that we had customers that were
18 on the engineering service -- or, the energy service
19 rate that had little or no option, they had but to stay
20 on that. Would you agree at this time or just answer
21 the question, are there any Public Service customers
22 now who have no option but to take the Default Service
23 rate?

24 A. (Hall) Not in my opinion.

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1 Q. Okay. So, there is no one -- there is no captured
2 customer base, if you will, that couldn't go to an
3 alternative supplier, if they chose to do so?

4 A. (Hall) Correct.

5 Q. Okay. And, just sort of trying to get the whole
6 concept of this, when we look in 374-F:3, which is the
7 restructuring statute under policy principles in
8 Section II. One of the principles it starts out with,
9 and it seems to be quite clear, "Customers should
10 expect to be responsible for the consequences of their
11 choices." And, I would assume that would mean the
12 choice of taking an alternative energy supplier or not
13 to take one.

14 So, given that, we seem to be looking at
15 a program here that will help those who chose to stay
16 with Public Service's energy supplier under the default
17 -- the DE rate. Why do we have to have or why should
18 we have a program that would help these people out
19 because they chose to stay with the DE rate, where the
20 law is pretty explicit that, people making that choice
21 should be responsible for the consequences of their
22 choice?

23 A. (Hall) Because notwithstanding the fact that all
24 customers have the ability to go to competitive supply,

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1 when you get right down to it, there are certain
2 customers that will not choose, and that, for whatever
3 reason, would always remain on standard Default Energy
4 Service rate. What Rate ADE will do is reduce costs
5 for those customers. And, really, the entire purpose
6 of restructuring is to reduce costs for customers,
7 reduce the cost of electricity. And, that's what this
8 will do.

9 Q. Okay. But you do agree that those customers who, for
10 whatever reason, would never leave, are facing higher
11 rates because they're suffering the consequences or
12 being responsible for the consequences of their choice
13 not to move?

14 A. (Hall) No question.

15 Q. Okay. There's been a lot of discussion about the
16 "moving back and forth" portion of this.

17 A. (Hall) Uh-huh.

18 Q. And, part of that is the justification, I guess. It
19 sort of disrupts the whole planning process. So, if
20 you have a bunch of customers that one month decide to
21 go to an alternate supplier, because the price is
22 lower, and then something happens, two months later
23 they jump back, it makes it extremely difficult for
24 Public Service then to buy power, because they're

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1 responsible to supply it to whoever comes back to the
2 default rate, or the DE rate, and they may have to go
3 out and get what would be higher priced contracts to
4 accommodate that. So, it seems as if this process that
5 we're talking about really doesn't solve that problem,
6 because, and tell me if I'm wrong here, if you go into
7 the ADA [ADE?] rates, somebody says "I'm going to go to
8 an alternative supplier." They have been there for
9 over a year. The ADE rates have been approved. Now,
10 they decide "well, because of market conditions, I'm
11 going to back."

12 A. (Hall) Uh-huh.

13 Q. And, so, they go back to Public Service. Public
14 Service says "okay, we're going to put you on ADE
15 rates." And, as we've heard previous testimony, that
16 basically you're going to go out and find power to
17 accommodate those customers. You really have no
18 specific way of knowing. I guess you could do some
19 estimation based on market trends and looking at
20 forward prices, but you could do that right now just as
21 well. So, they switch back, and they're getting the
22 ADE rate. And, then, three months later something else
23 happens, and they decide to move out to a competitive
24 supplier, and they go and back and forth, back and

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1 forth. So, how does this address that issue? It seems
2 like, to me, the exact same thing occurs.

3 A. (Hall) We will not be purchasing power in advance to
4 serve the Rate ADE load. And, Mr. White can expound
5 more on this than I can. But, rather, since Rate ADE
6 is truly a marginal rate, and based entirely on
7 marginal costs, what we will do is essentially rely on
8 spot market purchases to serve this additional load.
9 And, when we do our analysis to determine whether Rate
10 ADE is providing benefit, we will use spot market
11 prices to do that analysis.

12 So, there won't be any forward purchases
13 that we're making. And, as a result, if a customer
14 comes out of Rate ADE and then leaves, all that would
15 do is it would reduce the amount of spot market
16 purchases that we make, and won't -- I'm sorry?

17 Q. I understand that. But I guess I'm trying to
18 understand how that would be different under the
19 present setup. Because, right now, a customer who has
20 taken an alternative supplier says "okay, I'm coming
21 back. Now, at that point, I would assume you don't
22 have contracts out there that you've signed, with
23 someone saying that "we're going to maintain an extra
24 supply, just in case customers come back." You would

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1 more than likely say, "okay, now I've got a new load I
2 have to serve. We'll go to the same spot market and
3 serve that load." So, I'm just not sure. It seems to
4 me as if the exact same problem, potential idea that
5 you're going to buy in the spot market, which could
6 drive up the price, as compared to maybe longer term
7 contract or whatever. So that whatever happens would
8 happen under both circumstances, isn't that correct? I
9 see nodding, but you have to say something, so
10 people --

11 A. (White) Yeah. If I'm with you, I'm not sure, but I
12 think you're right. And, as we've stated, the
13 portfolio of our resources and the load, DE load and
14 ADE load combined, will be managed as one portfolio.
15 So, to the extent today, when DE load goes up or down,
16 we make decisions about whether forward purchases are
17 appropriate or not. And, it would be the same with ADE
18 load, as it came and went, we would continually monitor
19 the position of that portfolio as a whole, and make
20 decisions about the proper management going forward.
21 And, if that involved forward purchases, then we would
22 make those purchases.

23 So, I think, if your point is that we
24 would approach portfolio management in the same manner,

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1 there's another group of another portion of load,
2 customers making individual decisions that would affect
3 the position of that portfolio through time.

4 Q. Okay. Well, maybe I can put it another way then. I'm
5 trying to just discern what the differences on these
6 are. And, I guess, let me see if this plays out, if
7 you think this is correct. Under the present scenario,
8 where there's only one Default Service Rate, DE,
9 there's -- you get migration back and forth. They come
10 in, they go away, they could come back, depending on
11 market prices.

12 At that point, when you go out and you
13 buy, let's say we've got an influx of people returning
14 to the Default Service rate. So, you go to the market
15 and you buy spot market prices as Mr. Hall stated.
16 Now, that price is higher, for whatever reason, that's
17 probably what's driving the people back to the DE load,
18 because the market prices are going up. Would that
19 additional cost associated with servicing the new
20 customer, who has returned to the DE load, be borne by
21 all DE customers? There wouldn't be -- there's no
22 special rate for someone who just came back. If they
23 can come back and bring additional costs with them,
24 that costs would be spread out to all customers in that

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1 class, is that correct?

2 A. (Hall) Yes. But, under the circumstances that exist
3 today, there's two things to keep in mind. First,
4 we're not seeing customers migrating back to standard
5 Rate DE, because it's above market. Secondly, to the
6 extent that that did happen, PSNH's costs would be
7 impacted by market price, which is at a certain level.
8 We get revenue from Rate DE above market. And,
9 therefore, customers returning to standard Rate DE
10 today would result in lower overall costs to all other
11 Rate DE customers. The whole purpose of Rate ADE,
12 however, is that we're not seeing that migration back
13 in today -- under today's circumstances.

14 Q. Okay. So, I guess we get back to then to somewhat of a
15 debate, I guess, to some extent. The purpose of the
16 ADE rate is -- one purpose could be stated that it
17 could help bring additional customers back to Public
18 Service?

19 A. (Hall) At a price in excess of marginal cost.

20 Q. At a price in excess of marginal cost, okay. And, so,
21 again, to try to reverse the trend that we're seeing
22 where migration is in one direction, and that's out?

23 A. (Hall) That's part of it.

24 Q. Okay. Let me just move around to a different subject

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1 here, so I can see if I can get a few more facts here.
2 Let's go back to the figure that was given where, if
3 you had to set the ADE rate today, it would be about
4 seven cents a kilowatt-hour. So, let's just -- we'll
5 just do that. The breakdown of that is how much of
6 that is the marginal and how much of that is the
7 Scrubber?

8 A. (Hall) Not quite six cents, I believe, somewhere just
9 under six cents would be the marginal cost, and
10 something slightly more than a penny would be the
11 adder.

12 Q. Okay. And, I think it's sort of straightforward what
13 the variables would be to the marginal cost, because,
14 obviously, you're talking about buying power out in the
15 market, and that could change. On the variables to the
16 adder, is there any variables there other than property
17 tax? I'm trying to think what else would vary there.
18 Is that fairly fixed, when you take out the other
19 things?

20 A. (Hall) Yes. Property taxes don't change too
21 frequently. Then, there's depreciation and return.

22 Q. Okay. And, you're saying the depreciation and rate of
23 return would change as time went along, because there
24 would be less depreciation to do it, okay. And, the

1 last proposal, there was a proposal to put an adder on
2 of about one cents a kilowatt-hour, and you said there
3 was no factual basis for your coming up with that
4 number, I think it was stated earlier. So, now, you're
5 talking about using the non-operating Scrubber costs.
6 What's the factual basis for using the non-operating
7 Scrubber costs?

8 A. (Hall) Well, we know what the costs are. And, they're
9 costs that are currently being recovered through our
10 Default Energy Service rate, or at least partially
11 recovered.

12 Q. Then, maybe I should make my question a little bit
13 broader. Why pick non-operating Scrubber costs? Why
14 not pick non-operating -- other costs associated with
15 Merrimack Station? The non-operating costs --

16 A. (Hall) Okay.

17 Q. -- associated with all generating facilities or
18 whatever?

19 A. (Hall) That kind of goes back to the discussion we had
20 the last time around, in 2011. Where I said, "it
21 really doesn't matter how you come up with the adder."
22 It doesn't matter whether you base it on certain costs
23 or whether you simply say, "oh, it's going to be a
24 penny a kilowatt-hour." It's the fact that there is an

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1 adder in excess of marginal cost of serving the load
2 that's important. And, at that time, in the last
3 order, the Commission determined that it needed some
4 sort of analytical or factual basis, rather than coming
5 up with a number, as we had proposed, one cent, that
6 the Commission viewed as somewhat arbitrary. But,
7 going back to what I said back then, it's the existence
8 of an adder that's important, an adder above marginal
9 costs, rather than the mechanics of how you calculate
10 it.

11 Q. So, it could have been -- it could have been calculated
12 as a certain part of some other fixed cost?

13 A. (Hall) Sure.

14 Q. Such as, you know, Schiller Station or whatever, it's
15 just you happened to choose this particular one?

16 A. (Witness Hall nodding in the affirmative).

17 Q. Okay. There was some previous discussion on both of
18 these, the DE and the ADE, as being actual, prudent,
19 and reasonable costs. And, I think you stated that
20 both of them were. And, you know, I kind of revert
21 back to math on these things. And, you know, if we're
22 saying that the DE equals the actual, prudent, and
23 reasonable cost, and the ADE equals the actual,
24 prudent, and reasonable cost, but then we say that the

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1 DE and the ADE don't equal each other. We sort of get,
2 you know, DE equals X and ADE equals X, but DE doesn't
3 equal ADE.

4 A. (Hall) Uh-huh.

5 Q. That doesn't -- how do you account for that? It
6 doesn't make it with me. You're saying two things are
7 the same, but they're not equal.

8 A. (Hall) The language in the law is "actual, prudent, and
9 reasonable cost". What the law doesn't say is, "here's
10 how that cost should be determined." On the one hand,
11 Rate DE is based on average embedded cost, while Rate
12 ADE is based on marginal costs. Two very different
13 concepts results in two different answers, yet both of
14 them can meet the definition of -- excuse me --
15 "actual, prudent, and reasonable costs", because the
16 law doesn't say "embedded costs", nor does it say
17 "marginal cost".

18 Q. But you're saying, for the exact same service, both
19 people are buying the same product, electricity, from
20 Public Service.

21 A. (Hall) Uh-huh.

22 Q. That one group of people -- or, they're both being --
23 both groups are being charged actual, prudent, and
24 reasonable costs, yet there's two different prices

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1 associated with that?

2 A. (Hall) Yes. And, that goes back to pricing principles,
3 where customers who have migrated have demonstrated a
4 high demand elasticity. In other words, they respond
5 more quickly to changes in price. Marginal cost
6 pricing principles state that, for those customers who
7 have highly elastic demand, their price ought to be
8 priced based on marginal cost, and that's exactly what
9 Rate ADE is doing.

10 Q. And -- okay. I don't want to get into an extended
11 discussion of this, but I'm just saying, what you're
12 saying then is, somewhere in the concept of actual,
13 prudent, and reasonable costs, there's embedded in
14 there this idea that highly elastic customers can be
15 charged a different rate than non-elastic customers?

16 A. (Hall) Might point is that there really isn't anything
17 in those words that says "how's that cost determined".

18 Q. Okay.

19 A. (White) And, just to add, at the end of the year,
20 there's a reconciliation to actual, prudent, and
21 reasonable costs, to be trued up against revenues
22 received during that year.

23 A. (Hall) Uh-huh.

24 A. (White) So, the reconciliation process is part of that

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[WITNESS PANEL: Hall~White]

1 whole outcome.

2 Q. And, the reconciliation process, maybe I misunderstood,
3 but I thought all reconciliation was done through the
4 DE rate, is that correct?

5 A. (Hall) Yes.

6 A. (White) Yes.

7 Q. So, if there's reconciliation associated with, let's
8 say, both rates at the end of the year, whatever that
9 is, it's only going to affect the DE customer?

10 A. (Hall) Yes.

11 Q. Okay. So, then, -- so, if there was a underpayment of
12 some type associated with ADE, at the end of the year
13 when you reconcile, you send the bill to the DE
14 customers?

15 A. (Hall) That could happen. We think it's highly
16 unlikely. We think the reverse is going to happen,
17 which is, there's an overpayment by Rate ADE. They're
18 paying in excess of marginal cost, and that value is
19 going to be sent to Rate DE customers.

20 Q. Okay. I'll have to think about that one for a little
21 bit. And, please appreciate that some of these
22 questions will jump around a little bit because they
23 were written at a different time.

24 A. (Hall) Not a problem.

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[WITNESS PANEL: Hall~White]

1 Q. There was a lot of discussion, again, on getting back
2 to, because I think this has probably been resolved,
3 about "otherwise without a supplier", and what we --
4 basically, previous statements, there was a lot of
5 discussion on what "otherwise without a supplier"
6 actually implied.

7 A. (Hall) Uh-huh.

8 Q. And, from what I'm hearing, from what you're saying, at
9 least your opinion is "there's no such thing as that
10 because all Public Service customers have an option to
11 either go to some type of default service or some other
12 competitive supplier?"

13 A. (Hall) In a sense, yes. What I'm saying is that PSNH
14 has to offer default energy service for customers who
15 are otherwise without a supplier. My interpretation of
16 "otherwise without a supplier" means a supplier has
17 dropped the customer, either on its own volition, or
18 the customer has requested that the supplier drop them.
19 Once that happens, if the customer doesn't select a
20 supplier, Default Energy Service must be available to
21 them.

22 Q. Right. Okay. I think we're clear on that in the
23 agreement. Thank you. A couple more questions. In
24 125-O, the Multi-Pollutant Reduction Program, 125-O:18,

[WITNESS PANEL: Hall~White]

1 under "Cost Recovery", it talks about, and this is the
2 cost recovery of the Scrubber, it says, "During
3 ownership and operation by the regulated utility,"
4 which, in this case, is Public Service, "such costs
5 shall be recovered via the utility's default service
6 charge." How is having this, your proposal, going to
7 comply with that part of the law?

8 A. (Hall) Well, the cost of the Scrubber is recovered
9 through standard Rate DE. That's how we do the
10 calculation. By including the non-operating costs of
11 the Scrubber in Rate DE, we believe that we're
12 complying with the requirements of --

13 Q. Maybe did you mean "ADE"?

14 A. (Hall) "ADE", I'm sorry. We're complying with the
15 requirements of 125-0:18, because those costs are
16 identifiable, and they're being included in the
17 calculation of the rate. That's what the adder is.

18 Q. So, the Company's position would be that, where this
19 says it's "via the utility's default service charge",
20 that that could be either DE or ADE or ABCDE, if you
21 decide to come up with a third group, as long as
22 they're all default service charges?

23 A. (Hall) Yes.

24 Q. Okay. You had stated earlier that there was a case

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1 where the ADE could result in an increased cost to DE.
2 Now, I thought I followed this that, if you go in and
3 you have a certain amount of fixed costs associated
4 with the Default Service rate, and right now, without
5 the ADE, all of that is being charged to the DE
6 customers. So, if you were to bring back or add new
7 customers under ADE, would they pay the marginal going
8 forward cost, plus an adder, they would be covering
9 some of those costs, otherwise would have to be borne
10 exclusively by the DE customers. So, hence, it would,
11 in the long term, put downward pressure on DE rates, is
12 that correct?

13 A. (Hall) Yes.

14 Q. Okay. So, now I'm trying to figure out, how is it that
15 they could put upward pressure on those rates?

16 A. (Hall) In a circumstance where market -- forward market
17 prices, and, therefore, marginal costs, shift
18 significantly from the forward market prices that were
19 used to calculate the Rate ADE rate level, if it shifts
20 -- if the shift is by more than the amount of the adder
21 to determine Rate ADE, then you could be in a situation
22 where marginal costs are at a certain level and Rate
23 ADE, even with the adder, is at a level below that
24 marginal cost.

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[WITNESS PANEL: Hall~White]

1 Q. Okay. I think I understand what you're saying then is,
2 if rates were to go up, if future rates were to go
3 up --

4 A. (Hall) Yes.

5 Q. -- substantially, then someone that got in just under
6 the wire before that rate increase to the ADE, would
7 actually be getting a discount rate --

8 A. (Hall) Yes.

9 Q. -- until the ADE was adjusted upward in the next --

10 A. (Hall) Right.

11 Q. -- whatever is next year?

12 A. (Hall) Now, we've put in safeguards to somewhat
13 mitigate the impact of that, in that, if that situation
14 occurs, Rate ADE gets closed. But, nonetheless, any
15 customer that is on Rate ADE at the time of closure
16 would be allowed to remain on it. But Rate ADE would
17 then be reset after six months. So, we think that
18 exposure is relatively small. But, conceivably, I
19 suppose it could happen.

20 Q. Okay. And, getting back to what's called "Exhibit 9",
21 which is the Settlement Agreement, I just had a couple
22 of questions there. In the beginning of this, on Page
23 1, it's just a statement that "PSNH proposed to address
24 certain issues relating to customer migration by

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1 removing a portion of the fixed costs from its default
2 energy service (Rate DE) and recovering those costs
3 through a non-bypassable charge." Now, that is no
4 longer in your proposal, is that correct?

5 A. (Hall) Correct.

6 Q. Okay. So, that non-bypassable charge has gone away,
7 okay. I have to admit, I must have read this about 30
8 times last night, and then before, trying to figure out
9 exactly what all this said, this rate -- term of
10 service thing, that really screwed me up. I wasn't
11 quite sure what all that meant. But, I think, after
12 your explanation to my question this morning, that
13 helped quite a bit on that.

14 So, basically, the Settlement Agreement
15 is stating that, whatever this term of service is, it's
16 going to be set by the Commission, and that will be
17 that length of time that we were discussing earlier
18 this morning?

19 A. (Hall) Yes.

20 Q. Okay.

21 A. (Hall) The length of time under which customers can
22 take service under Rate ADE, excuse me.

23 Q. And, on the pricing aspect of this, when they were
24 discussing about the adder, and, again, I think you

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1 made it clear that how the adder was exactly set is not
2 as important as the fact that you needed one, to some
3 extent, to mitigate what we were just discussing in the
4 rates that were going up quite a bit. And, the
5 non-operating costs, was there a particular reason why
6 operating costs -- just the total cost of the Scrubber
7 weren't used as the benchmark to measure against, some
8 percentage of that?

9 A. (Hall) Yes. That gets into a discussion that we had
10 earlier this morning. When you start talking about
11 "operating costs", you're talking about things like
12 labor, insurance, things that are general to the plant,
13 A&G expense. And, the issue there is, all right, how
14 much of that do we now allocate to just the Scrubber?
15 It's not clear what the Scrubber's share, if you want
16 to call it that, of that cost is, because we don't
17 treat the Scrubber as a separate plant.

18 Q. It's just part of the plant?

19 A. (Hall) Correct.

20 Q. Okay.

21 A. (Hall) It's the same plant.

22 Q. So, I just -- for the purposes of making a more
23 definitive calculation, it was chosen to do something
24 different and variable?

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1 A. (Hall) Yes.

2 Q. Is that -- okay. And, just I'm trying to, again, just
3 kind of get back to the restructuring statute here,
4 374-F:3. And, it talks about that "Default service
5 should be [used] to provide a safety net and to assure
6 universal access and system integrity." I think you
7 just discussed that about someone who might not have
8 had anyplace else to go for whatever reason.

9 A. (Hall) Uh-huh.

10 Q. Then, "If the commission determines it to be in the
11 public interest, the commission may implement measures
12 to discourage misuse, or long-term use, of default
13 service." Is your proposal addressing -- is it being
14 covered under that provision of the law?

15 A. (Hall) Yes, we believe it is. Because the term under
16 Rate ADE, the term of service is limited. Whether the
17 Commission selects 12 or 24 months, customers aren't
18 going to be able to continue to take service under Rate
19 ADE indefinitely.

20 Q. But you -- is there any misuse that this proposal is
21 attempting to discourage?

22 A. (Hall) Rate ADE isn't intended to discourage any
23 misuse. Rather, Rate ADE is intended to address the
24 effects of migration on all customers served under Rate

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1 DE.

2 Q. Okay. And, the other portion that it talks about,
3 "Notwithstanding any provisions of the subparagraph
4 [above], as competitive markets develop", and I think
5 we can admit that competitive markets are starting to
6 develop, "the commission may approve alternative means
7 of providing...default service which are designed to
8 minimize customer risk, not unduly harm the development
9 of the competitive markets, and mitigate against price
10 volatility without creating new deferred costs, if the
11 commission determines [it's] in the public interest."

12 A. (Hall) Uh-huh.

13 Q. Would you comment on how your proposal complies with
14 that part of the law?

15 A. (Hall) Sure. We've already talked about the risk
16 mitigation to all other customers. We don't believe
17 that Rate ADE will result in competitive harm. In
18 fact, Rate ADE, we believe, will enhance the
19 competitive market. And, it will do that by, in
20 effect, creating a new benchmark that competitive
21 suppliers will have to beat. And, this is sort of a
22 follow-p on a discussion we had earlier, which was
23 "well, if no customers take service under Rate ADE, is
24 there any benefit to Rate DE customers?" And, the

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1 answer to that question was, "Well, no. If no
2 customers take service under it, there's no benefit to
3 DE customers." However, there may well be benefit to
4 customers who are currently served under the
5 competitive market. Because, if Rate ADE is priced at,
6 for example, seven cents, now that conceivably could
7 establish a new benchmark that competitive suppliers
8 are going to have to say, "Oh, okay. Instead of
9 looking at a rate of 8.97 that PSNH is proposing and
10 pricing slightly below that, I've now got to price
11 below seven cents." So, it could actually reduce cost
12 to customers who are currently taking supplier service.

13 CMSR. HARRINGTON: Okay. Thank you.

14 That's all the questions I have.

15 CHAIRMAN IGNATIUS: Thank you.

16 BY CHAIRMAN IGNATIUS:

17 Q. Mr. Hall, the discussion of the adder, and looking back
18 at the first phase of this docket, is interesting,
19 because the Company was very forthright in the first
20 phase to say "it was a number selected that might
21 work." There was no math, there was no theoretical
22 basis. Really, it just seemed like it was high enough
23 to bring some benefit, but not so high that it would
24 drive customers away. Is that right?

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[WITNESS PANEL: Hall~White]

1 A. (Hall) Yes. If you recall, I believe, when we
2 originally proposed it, we did base it on the
3 non-operating cost of the Scrubber, and we came up with
4 something that was -- it was right around a penny.
5 Then, when the Commission issued an order, that
6 basically said "we're not going to be rendering a
7 decision on rate level including the cost of the
8 Scrubber as of January 1st. Rather, that's going to be
9 put off, and we're not going to allow any cost of the
10 -- cost recovery of the Scrubber through either Rate DE
11 or Rate ADE until we render this decision on a
12 temporary rate level."

13 At that point, that's when PSNH said
14 "Well, okay. We can't base it on the cost of the
15 Scrubber, so let's remove that. But let's make it a
16 one penny adder." And, our position then was "it seems
17 about right." We think that is enough to provide
18 benefit to other customers, to reduce risk associated
19 with marginal costs jumping, and to be attractive to
20 customers who have migrated.

21 Since that time, since the Commission's
22 last order, we've done something to address the risk
23 aspect. We've also gotten back to our original
24 proposal, since we're now recovering at least part of

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1 the cost of the Scrubber through our standard Rate DE,
2 we've gone back to the notion of basing the adder to
3 Rate DE [ADE?] on the non-operating costs of the
4 Scrubber, which happens to be right around a penny a
5 kilowatt-hour. So, we kind of think it works.

6 Q. It feels, though, as if you went looking for something
7 that totaled up to about a cent, because that was the
8 number that you thought would be a palatable level.
9 And, there you were, the non-operating costs of the
10 Scrubber fit that test?

11 A. (Hall) When we first came up with the notion of Rate DE
12 -- Rate ADE, we knew we had to deal with the cost of
13 the Scrubber. And, so, we came up with this notion of
14 "Okay, what are the costs that are easily identifiable,
15 and now what does the rate look like?" And, lo and
16 behold, when we did our calculations, came out to be
17 about a penny. When we saw it was about a penny, we
18 concluded "yes, that seems about right." It seemed to
19 be in the right ballpark.

20 So, it wasn't -- we didn't go about this
21 saying "Gee, we need to figure out how to come up with
22 a penny. So, now, let's come up with costs that add up
23 to a penny." Rather, it was the other way around. It
24 was, "Let's look at the non-operating costs of the

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[WITNESS PANEL: Hall~White]

1 Scrubber. They come up to about a cent per
2 kilowatt-hour. That seems to work."

3 Q. Where are the operating costs of the Scrubber being
4 recovered?

5 A. (Hall) Through Rate DE.

6 Q. And, when we say "operating costs", can you define
7 that?

8 A. (Hall) Sure. They include --

9 Q. And, I'll be more specific. In a plant that sometimes
10 is dispatched to run and sometimes is not dispatched to
11 run?

12 A. (Hall) Yes. It includes all costs associated with the
13 plant: Labor, O&M, maintenance, fuel, total property
14 taxes, environmental costs, everything. It also
15 includes admin. -- administrative and general expense
16 associated with management personnel, whose costs are
17 allocated to various functions and various plants. So,
18 it's really the total cost of running the plant.

19 Q. So, what falls into the "non-operating costs" bucket?

20 A. (Hall) Depreciation is one, O&M is one -- I'm sorry,
21 depreciation, return, incremental property taxes.
22 Those are the three largest amounts that are
23 non-operating costs.

24 Q. I have a few questions about the reconciliation

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1 process. And, I don't know, Mr. White or Mr. Hall,
2 whoever prefers to answer them. I think, Mr. White,
3 you had said that, when you get to the reconciliation
4 process in Rate DE, you take all of the ADE actuals and
5 feed that into one reconciliation process. But can you
6 just explain a little more how that would really work?
7 I mean, do you track ADE actuals against projected or
8 is it truly all in one pool of money?

9 A. (Hall) It's the latter. The Rate DE reconciliation
10 process looks at total cost of generation and purchased
11 power, 100 percent of it. So, we have all of these
12 costs associated with meeting energy service load. We
13 compare that -- and that bucket of costs will include
14 costs associated with serving Rate ADE load, by --
15 automatically, by definition, because all we're going
16 to look at is total cost of serving load, both
17 generation and purchased power. And, a piece of the
18 purchased power cost is going to automatically flow
19 into those costs. We're then going to look at the
20 total revenue we receive under Rate DE, plus the
21 revenue we receive under Rate ADE. The sum of those
22 two is the revenue number that we look at. And, we
23 compare that total revenue number to the total cost
24 number, and the difference is the Rate DE

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1 reconciliation.

2 As long as the Rate ADE revenue exceeds
3 the costs that automatically go into the "cost" bucket,
4 customers under Rate DE will benefit, because, all else
5 being equal, it would create an over recovery.

6 Q. Are you ever looking at how your actual cost of serving
7 Rate ADE customers compares to your projected cost of
8 serving them?

9 A. (White) Yes. We'll be doing that in a monthly report
10 throughout the course of the year. We'll do exactly
11 that. We'll track, through ISO reporting, of costs and
12 using actual cleared energy prices, we'll track the
13 cost of serving ADE load, and compare that to revenues
14 received for ADE load, and provide a monthly status
15 report on how that --

16 A. (Hall) Right.

17 A. (White) -- how that looks. And, it's our belief that
18 it will create an overrecovery. That's by design, and
19 we expect that to occur.

20 Q. And, if the projections, your forecasts turn out to be
21 right on target, you would be collecting the adder, the
22 adder really would be for the benefit of Rate DE
23 customers?

24 A. (Hall) Yes.

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[WITNESS PANEL: Hall~White]

1 Q. Have you ever thought of a rate where you actually put
2 that adder amount into Rate DE automatically, the
3 revenue received from the adder, rather than pooling
4 all of the dollars and seeing how -- whether they come
5 up high or low?

6 A. (Hall) I'm not quite following you. I think that the
7 way we reconcile it, it will do just that. It will
8 take that, if our forecasts are perfect, the benefit
9 will be the amount of the adder, that adder amount will
10 automatically flow directly into Rate DE.

11 Q. But, if your forecasts turn out not to be, and they're
12 -- either way, the amount of the adder that ends up to
13 the benefit of DE customers will be higher or lower?

14 A. (Hall) Yes. Yes. There will either be benefit in
15 excess of the adder, if marginal costs turn out -- if
16 the cost of serving load turns out to be lower, or it
17 will be less than the adder. Hopefully, it's greater
18 than or equal to the adder.

19 Q. And, either way, the Rate ADE customers see no
20 reconciliation, no change --

21 A. (Hall) Correct.

22 Q. -- at the end of the term?

23 A. (Hall) Correct.

24 Q. I don't even mean "term", that's the wrong word. At

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1 the end of the reconciliation period, --

2 A. (Hall) That's correct.

3 Q. -- whether it turned out to be high or low, there's no
4 readjusting their rate on that account?

5 A. (Hall) Correct. But the rate is, remember, subject to
6 closure, if marginal costs jump, number one. Number
7 two, the rate is subject to midterm adjustment.

8 Q. On a going forward basis?

9 A. (Hall) Yes.

10 Q. Not on an actual basis?

11 A. (Hall) Correct.

12 Q. Shifting gears a little bit. The billing system
13 changes that will be required for all of the customers,
14 and I take it more substantially for the smaller
15 customers, all of the costs that will be incurred by
16 the Company to do that are -- there will be no request
17 for recovery of any of those costs?

18 A. (Hall) Correct.

19 Q. And, there's no inclusion of those costs in Rate ADE or
20 DE or anything else?

21 A. (Hall) Correct.

22 CHAIRMAN IGNATIUS: I think those are my
23 questions. Thank you very much. Is there redirect from
24 the Company?

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[WITNESS PANEL: Hall~White]

1 MR. FOSSUM: Just a few, yes.

2 **REDIRECT EXAMINATION**

3 BY MR. FOSSUM:

4 Q. Mr. Hall, you were asked or you responded to questions
5 earlier about, from Attorney Miranda, about what it is
6 that a customer would need to know about ADE. Do you
7 recall that line of questioning?

8 A. (Hall) Yes.

9 Q. And, specifically, questions like having to do with
10 whether to return to ADE, knowing whether ADE is open
11 to them, and what the price of ADE is. Do you recall
12 those questions?

13 A. (Hall) Yes.

14 Q. Now, in your experience, have you seen or do you know
15 of offers from competitive suppliers that have been
16 made to potential purchasers in the marketplace?

17 A. (Hall) Generally, yes.

18 Q. And, you know, without referencing any particular
19 supplier, --

20 A. (Hall) Uh-huh.

21 Q. -- have you seen some offers that have promotional or
22 introductory rates?

23 A. (Hall) Yes.

24 Q. Have you seen some that include fees for exiting or

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1 ending service before a particular period elapses?

2 A. (Hall) Yes.

3 CHAIRMAN IGNATIUS: Mr. Fossum, before
4 you go on any further, I'm a little troubled by the
5 questioning. Why is that not something that was brought
6 out in direct?

7 MR. FOSSUM: I guess I didn't think it
8 relevant at the time.

9 CHAIRMAN IGNATIUS: And, so, why
10 relevant now?

11 MR. FOSSUM: I was going to ask just one
12 more question that may bring that around, if I might?

13 CHAIRMAN IGNATIUS: You still haven't
14 told me anything about why it's relevant?

15 MR. FOSSUM: Why it's relevant is that
16 we believe that there will be contentions that Rate ADE is
17 somehow confusing, is somehow introduction -- introducing
18 some new level of confusion to the marketplace. The
19 questioning was in an attempt to indicate that customers
20 are already faced with a number of choices that require
21 them to do a number of analyses and calculations about
22 their energy needs. And, that Rate ADE is simply one more
23 offering that has certain terms associated with it, and
24 is, in that way, not in any meaningful way particularly

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1 different than what is in the competitive marketplace.

2 CHAIRMAN IGNATIUS: Well, if it's in
3 response to the earlier questioning from Mr. Rodier and
4 Ms. Miranda about customer communications and possible
5 confusion, I'll allow it.

6 BY MR. FOSSUM:

7 Q. And, that was simply, my last question was going to be,
8 Mr. Hall, in your opinion, is Rate ADE any more
9 complicated or confusing than any of those offers that
10 you are aware of?

11 A. (Hall) Not in my opinion.

12 MR. FOSSUM: Thank you.

13 MR. RODIER: Madam Chairman, could I
14 have leave to ask a couple questions following up on
15 Commissioner Harrington. No?

16 CHAIRMAN IGNATIUS: Not necessarily.

17 MR. RODIER: Okay.

18 CHAIRMAN IGNATIUS: What's the area and
19 why is it appropriate?

20 MR. RODIER: Well, --

21 CHAIRMAN IGNATIUS: We don't do a full
22 going around the room.

23 MR. RODIER: I understand. That's why
24 I'm asking for leave. I will certainly respect and

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1 understand your position. But I think we touched on
2 what's really going on here, the exchange about "reversing
3 the trend", the witness agreed. I think that is a correct
4 characterization of what is at stake here. The Commission
5 taking actions to "reverse the trend".

6 CHAIRMAN IGNATIUS: So, what would your
7 question -- what would your question be? I don't want a
8 closing argument here, I want what's the question to the
9 witness?

10 MR. RODIER: Just want to hammer home
11 that point that that's what they were talking about.

12 CHAIRMAN IGNATIUS: Well, he was asked
13 the question --

14 MR. RODIER: Okay.

15 CHAIRMAN IGNATIUS: -- and gave you an
16 answer. You may not get the same answer the second time.

17 MR. RODIER: That's true. I should quit
18 while I'm ahead. Let me ask -- the other one I wanted to
19 follow up on, Commissioner Harrington really made a unique
20 point about "consequences of not making a choice".
21 Somehow, okay, you got this informed electorate out
22 there --

23 (Court reporter interruption.)

24 MR. RODIER: I'm sorry. The

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1 "consequences of not making a choice", so that it implies
2 there's this informed, savvy group of people out there
3 that are making a informed decision.

4 CHAIRMAN IGNATIUS: And, help me
5 understand what would your question be, not your --

6 MR. RODIER: Well, my question would be,
7 the vast majority of the residential customers have no
8 idea of what's going on. They don't know that they have a
9 choice.

10 CHAIRMAN IGNATIUS: I'm going to not
11 allow it. You could have asked that in the beginning.

12 MR. RODIER: That's true.

13 CHAIRMAN IGNATIUS: There's nothing in
14 the questioning that came forward to keep you not thinking
15 of that question.

16 MR. RODIER: Okay.

17 CHAIRMAN IGNATIUS: So, moving forward?

18 MR. RODIER: So, I'm done.

19 CHAIRMAN IGNATIUS: Thank you. Unless
20 there's anything further of these witnesses, you're
21 excused. Thank you. Why don't we take a break until
22 3:00. Thank you.

23 (Recess taken at 2:48 p.m. and hearing
24 resumed at 3:07 p.m.)

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[WITNESS: Estomin]

1 CHAIRMAN IGNATIUS: Okay. So, we are
2 back. And, OCA, I assume you're calling your witness, Mr.
3 Estomin?

4 MS. CHAMBERLIN: Yes. Let me see if
5 he's still here. Steve, are you connected?

6 MR. ESTOMIN: I'm still here.

7 MS. CHAMBERLIN: Good. We are going to
8 call you as a witness. If the court reporter has any
9 trouble hearing you, he's going to let me know, and I'll
10 let you know.

11 MR. ESTOMIN: Very good.

12 CHAIRMAN IGNATIUS: He can first swear
13 the witness in.

14 (Whereupon **Steven L. Estomin** was duly
15 sworn by the Court Reporter.)

16 **STEVEN L. ESTOMIN, SWORN**

17 **DIRECT EXAMINATION**

18 BY MS. CHAMBERLIN:

19 Q. Please state your name and position for the record.

20 A. My name is Steven Estomin. I'm a Senior Economist and
21 principal at Exeter Associates, Incorporated, a
22 consulting firm located in Columbia, Maryland.

23 Q. Could you summarize your qualifications.

24 A. I have been involved in analysis of regulated industry

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1 for approximately 31 years. During that time, also
2 heavily concentrating in the field of energy and
3 electricity, in particular.

4 In terms of educational background, I
5 have a Bachelor's degree and a Master's degree and a
6 Ph.D in Economics, all from the University of Maryland.
7 I've testified previously in approximately 40
8 occasions, most of which were before regulatory
9 commissions, but I've also testified before U.S.
10 District Court and before the General Assembly of
11 Maryland.

12 Q. And, on August 24th, did you prefile testimony in this
13 case?

14 A. I did.

15 Q. And, do you have any changes to that testimony at this
16 time?

17 A. I do not.

18 Q. Is it true and accurate as filed?

19 A. Yes.

20 MS. CHAMBERLIN: I'm going to give
21 copies to the court reporter. Could you mark this for
22 identification?

23 CHAIRMAN IGNATIUS: That would be
24 "Exhibit 13" for identification.

[WITNESS: Estomin]

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

4 BY MS. CHAMBERLIN:

5 Q. Mr. Estomin, could you give a summary of your position
6 on the Settlement Agreement that is being proposed in
7 this docket today?

8 A. Yes. I looked at the --

9 CHAIRMAN IGNATIUS: And, sir, before you
10 begin -- before you begin, let me just tell you, we've
11 read your testimony and the Settlement, you don't need to
12 do an extensive summary.

13 WITNESS ESTOMIN: All right. Then, let
14 me keep it brief.

15 **BY THE WITNESS:**

16 A. I support the elements of the summary -- of the
17 Settlement.

18 BY MS. CHAMBERLIN:

19 Q. With this Settlement, will there be benefits to
20 residential ratepayers that would not take place absent
21 the Settlement?

22 A. I believe that is to be expected, the way the
23 Settlement is structured. Existing residential
24 customers currently receiving service on DE, which is

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1 the vast bulk of residential customers, would, I
2 believe, receive a benefit in the form of reduced
3 responsibility for coverage of some of PSNH's fixed
4 system costs.

5 Q. For the term of service, we did not reach agreement.
6 Can you summarize why you believe the 24 months is the
7 better term of service?

8 A. I believe it's the better term of service for two
9 reasons. One reason is that it provides a longer
10 period of time over which customers could receive the
11 benefits associated with the rate, that is
12 contributions to fixed costs that would otherwise be
13 covered by the DE customers. And, the second, which is
14 not unrelated, is that I believe a 24-month term of
15 service would be more attractive to customers
16 contemplating movement to Rate ADE.

17 MS. CHAMBERLIN: Thank you. That's all
18 I have on direct.

19 CHAIRMAN IGNATIUS: All right.
20 Cross-examination, Mr. Fossum?

21 MR. FOSSUM: Apologize, I have nothing
22 for Mr. Estomin.

23 CHAIRMAN IGNATIUS: All right. Mr.
24 Rodier?

[WITNESS: Estomin]

1 MR. RODIER: Thank you.

2 **CROSS-EXAMINATION**

3 BY MR. RODIER:

4 Q. Mr. Estomin, you've been listening in most of the day,
5 I take it?

6 A. Yes.

7 Q. Okay. I guess the first thing I want to do is very
8 quickly follow up on your qualifications. I counted
9 about 60 reports that you've done. Is that roughly
10 correct?

11 A. Yes. There's a few more that would show up with an
12 updating, but that's approximately right.

13 Q. And, then, you list 40 to 45 pieces of testimony that
14 you've done over the years before regulatory agencies?

15 A. Yes.

16 Q. Okay. So, you, obviously, have a lot of experience and
17 you have a very broad view of the issues that are at
18 stake in these proceedings, is that correct?

19 A. I believe so, yes.

20 Q. Yes. And, some of these issues really aren't new, are
21 they? I mean, they seem to reoccur every ten or
22 fifteen years, and then go away for ten or fifteen
23 years, and then come back. Would you agree with that?

24 A. I'd like a little more specificity on what issues

[WITNESS: Estomin]

1 you're referring to.

2 Q. Oh. Okay. Well, the one that most intrigued me was
3 the colloquy on elasticity of demand. Did you hear
4 that?

5 A. Yes.

6 Q. Have you heard talk about that recently? I mean,
7 that's fifteen, twenty years ago, isn't it? Wasn't
8 that correct?

9 A. You know, at least. But that -- that discussion, I
10 think, in the context that it was made here was related
11 to those customers most likely to be attracted to Rate
12 ADE.

13 Q. They are -- those are the elastic customers, correct?

14 A. Customers with more price elastic demand, yes.

15 Q. Right. And, the smaller customers, they, for whatever
16 reasons, tend to be the last ones to change, and
17 therefore they're inelastic?

18 A. As a general rule, the price elasticity for smaller
19 customers tends to be lower.

20 Q. Okay. Now, have you done any work over the years on
21 price discrimination in the electric industry?

22 A. Yes.

23 Q. Okay. And, is there such a thing as -- have you seen
24 places where price discrimination has been deemed

[WITNESS: Estomin]

1 unlawful?

2 A. Unlawful?

3 MS. CHAMBERLIN: I'm going to object.
4 I'm not sure what he means by "price discrimination" and
5 how it's relevant to this proceeding.

6 CHAIRMAN IGNATIUS: Well, Mr. Rodier, I
7 guess maybe inquire of the witness if he's unclear of what
8 you mean by "price discrimination".

9 BY MR. RODIER:

10 Q. Mr. Estomin, by "price discrimination", I'm talking
11 about charging different prices to similar -- to
12 basically similarly situated customers, except that
13 they have different degrees of elasticity. Do you
14 follow that?

15 A. Yes.

16 Q. Okay. And, it seems that's what we're doing here, is
17 that correct?

18 A. That is what's being done here.

19 Q. Okay. By the way, did you hear the exchange between
20 Mr. Hall and Commissioner Harrington about "reversing
21 the trend of migration"?

22 A. I did.

23 Q. Okay. And, I'm referring now to Page 6 of your
24 testimony. Do you have that in front of you, right at

[WITNESS: Estomin]

1 the top?

2 A. Yes, I do.

3 Q. I'll just quickly read it, Page 6 of Mr. Estomin's
4 testimony: "The purpose of the rate is to lure
5 customers back to PSNH as a way of reducing fixed
6 kilowatt-hour costs to PSNH generation customers."
7 Now, let me stop right there. Mr. Estomin, as I
8 understand your testimony, what you were saying is,
9 this really isn't a good idea. However, we're in a
10 situation that's rather dire, and there's no good
11 remedies available at this point. And, therefore, you
12 are on board with this partial pilot program
13 settlement, because you think that this is -- and this
14 is probably the only thing that's left to try at this
15 point, is that correct?

16 A. I would not be willing to agree to that
17 characterization.

18 Q. Okay. Can you recharacterize it then?

19 A. I think my testimony is what it is and stands on its
20 own. I've looked at this rate that was proposed by the
21 Company, and assessed that it would provide what I
22 believe to be economic advantages to the residential
23 customers that are being served under Rate DE.

24 Q. Okay. Now, in Line 4, Page 6, let me pick up again:

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1 The notion of enacting programs to reduce the amount of
2 load being served by the competitive market, which the
3 OCA supports as an interim measure to protect
4 residential default service customers, is antithetical
5 to the basic premise of industry restructuring."

6 Right?

7 A. Right.

8 Q. So, obviously, you don't think this is the best way to
9 go -- to go about addressing the problems that PSNH is
10 facing right now?

11 A. In the short term, I believe it is.

12 Q. Okay. But what you say is that, you continue on, and
13 you say "well, hey, there's some other options that the
14 Commission should expeditiously move to take up."

15 CMSR. HARRINGTON: Excuse me, Mr.

16 Rodier. What page are you quoting from in his testimony?

17 MR. RODIER: Page 6. I'm in the middle
18 of Page 6.

19 CMSR. HARRINGTON: Thank you.

20 MR. RODIER: Do you have it, --

21 WITNESS ESTOMIN: Yes, I do.

22 MR. RODIER: -- Commissioner?

23 Commissioner Harrington, do you have it, before I --

24 CMSR. HARRINGTON: Yes, I do. Thank

[WITNESS: Estomin]

1 you.

2 MR. RODIER: I want to make sure you
3 have it before I proceed.

4 BY MR. RODIER:

5 Q. So, you're saying, are you not, that the real solutions
6 really are things like divestiture, and that the
7 Commission ought to move expeditiously, is that right?

8 A. Well, as indicated in my testimony, I believe that the
9 current situation that exists, with respect to the rate
10 setting process for Public Service of New Hampshire, is
11 -- is not sustainable where you have the intention of
12 establishing a competitive market. There are going to
13 be times when the embedded cost of service is going to
14 exceed the market rate, the rate that's available to
15 retail customers on the market, and there are times
16 when it's going to be below that. And, those
17 differences may persist for fairly long periods of
18 time. And, it's going to be a situation that's either
19 going to create difficulties for Public Service of New
20 Hampshire or difficulties for the competitive
21 suppliers.

22 Q. Okay. And, right now, it's creating difficulties for
23 PSNH, right?

24 A. And, in particular, its customers on Rate DE.

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1 Q. Right. And, I noticed in your testimony that you
2 referred to a report that PSNH -- well, you actually
3 referred, on Page 5 of your testimony, to the
4 "Northeast Utilities 2011 Annual Report, Page 6",
5 didn't you?

6 A. That's correct.

7 Q. And, did you hear the portion of the 2011 report filed
8 with the SEC, I think it was a 10-K, I can't remember?
9 Did you hear that? Where they said, "if migration
10 continues, we may not be able to cover all of the costs
11 of the Scrubber through the ES rate." Did you hear
12 that?

13 A. Yes, I did.

14 Q. So, is this implementation of Rate ADE going to help
15 PSNH recover costs they wouldn't otherwise be able to
16 recover?

17 A. No.

18 Q. Okay. Would you --

19 A. They would be recovering those rates from, you know,
20 Rate DE customers. And, the implementation of Rate ADE
21 will permit those fixed costs to be spread over a
22 larger number of customers.

23 Q. Okay. Now, and just briefly, I said that this may --
24 implementation of ADE may help the stockholders, as

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1 much as ratepayers, would you agree with that?

2 A. I think there is a benefit to stockholders in helping
3 to mitigate the impacts that I identified on Page 5, as
4 quoted from their 2010 Annual Report.

5 Q. Okay. Now, you said "the existing situation is not
6 sustainable", I believe. And, I wanted to just refer
7 quickly to the bottom of Page 5, where you say that's
8 "not conducive to development of a competitive market,
9 which is a cornerstone of industry restructuring." Is
10 that correct?

11 A. Specifically where are you referring to?

12 Q. The "boom/bust" cycle, where you refer to on the bottom
13 of Page 5.

14 A. Right.

15 Q. You're saying that's not really good to developing a
16 competitive market?

17 A. That's correct.

18 Q. Okay. And, when you say that programs, such as Rate
19 ADE, are "antithetical to the basic premise of industry
20 restructuring", what do you mean?

21 A. Well, there's a tension here. In order to promote
22 industry restructuring and a competitive market, you
23 would want customers moving away from default service
24 or standard offer service or standard supply, whatever

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1 is the appropriate term, they're all used in various
2 places, and to receive service from competitive
3 suppliers, with a notion that the competitive market
4 will be in a position to provide, over the long term,
5 better prices, and provide perhaps some products that
6 customers might not be receiving under regulated
7 service. You know, Rate ADE works if a customer is
8 coming back to service from their regulated utility.
9 So, there's this inherent tension between these two
10 concepts.

11 I do think it's important, however, to
12 draw a distinction between a short-term situation and a
13 longer-term situation. Rate ADE, particularly as a
14 pilot program as proposed in the Settlement Agreement,
15 represents a way to ameliorate a short-term problem.
16 The issues that I discussed on Page 5 and 6 of my
17 testimony are longer-term problems.

18 Q. Okay. Do you think that Rate ADE could have a chilling
19 effect on the willingness of competitive suppliers to
20 do business in New Hampshire?

21 A. It may.

22 Q. And, were you troubled by the language of "reversing
23 the trend"?

24 A. No, I wasn't particularly troubled by the language.

[WITNESS: Estomin]

1 But I do -- and, I do see the point that is being made.
2 And, that's certainly a circumstance and a result that
3 one would expect with Rate ADE.

4 Q. Okay. And, that would be "antithetical to the basic
5 premise of industry restructuring", is that right?

6 A. Correct, with the *proviso* that I had mentioned before
7 regarding short term versus long term.

8 Q. Right. So, what you're saying is that, "yes, it looks
9 like something's got to be done, and we can do this in
10 the short term, while we work on a longer-term
11 solution"?

12 A. That is, I think, a fair, broad characterization of my
13 testimony.

14 (Cellphone ringing.)

15 CMSR. HARRINGTON: Your phone is
16 ringing.

17 MR. RODIER: I'm very sorry. Would you
18 shut that off.

19 BY MR. RODIER:

20 Q. Just wanted to ask you about the discussion of
21 residential customers "bearing the consequences of not
22 making a choice", did you overhear that?

23 A. Yes, I did.

24 Q. And, do you think that the residential customers really

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1 are making an informed choice here of not going to a
2 competitive supplier or would they just not be informed
3 or aware of what their choices are?

4 A. I think both conditions exist within the residential
5 class.

6 Q. Okay. But, I guess what we're saying here, whether or
7 not they're informed, it's appropriate that these
8 customers who don't make a choice should pay a higher
9 rate?

10 A. Can you repeat that please?

11 Q. Well, you're talking about price elasticity again, the
12 customers who, for whatever reason, whether they're
13 informed or not, who do not make a choice to go to the
14 competitive market, it's okay for them to pay a higher
15 default rate, because they're -- because they're
16 inelastic?

17 A. I don't think that is what's going on here. It's not
18 that they're paying a higher rate, they would actually
19 be paying a lower rate with the implementation of ADE.

20 Q. Okay.

21 A. They would be paying a higher rate than the ADE
22 customers, but they would be paying a higher rate than
23 they otherwise would be -- a lower rate than they would
24 otherwise be paying.

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1 Q. Let me put it another way then.

2 A. Okay.

3 Q. Would you agree with the characterization that the DE
4 customers are paying for the high cost power and that
5 the ADE customers will be buying the low cost power?

6 A. No. I would -- what you have is a situation, I mean,
7 conceptually, it's a simple situation. What you have
8 is a group of customers, the current DE customers are
9 responsible for covering the, you know, fixed system
10 costs of Public Service of New Hampshire. In order to
11 reduce that burden, a rate is being offered to attract
12 additional customers who would be covering their
13 marginal costs, plus making a contribution to the fixed
14 costs. So, the existing DE customers would be
15 benefiting from this arrangement.

16 Q. Okay. So, you're saying they're benefiting, they're
17 not being exploited?

18 A. No.

19 Q. Okay. Then, let me just ask you quickly. When would
20 unlawful price discrimination in a regulatory setting
21 exist?

22 A. Depends on what the laws are of the state. There are
23 some states, for example, that --

24 (Court reporter interruption.)

[WITNESS: Estomin]

1 MS. CHAMBERLIN: -- have laws on their
2 books. Can you continue from there?

3 **BY THE WITNESS:**

4 A. Oh. Have laws on their books that preclude, for
5 example, different price structures for different
6 customers in different parts of the state that are
7 served by the same utility. And, there are, you know,
8 certainly variations on that. But price discrimination
9 generally is a very common arrangement. And, you see
10 it with, you know, senior discounts at movie theaters
11 and early bird specials at restaurants. And, I mean,
12 it's pervasive.

13 BY MR. RODIER:

14 Q. Okay. But we're talking about regulated rates here,
15 though, aren't we?

16 A. Yes, we are.

17 Q. Okay. Let me move on. Do you think that the Rate ADE
18 adder should include all of the costs associated with
19 this program? And, by that, I'm referring to the
20 marketing costs, administrative costs, promotional
21 costs, sales costs, and customer service costs. Do you
22 think they should be in there?

23 A. I mean, clearly, if those marginal costs, in aggregate,
24 added to the energy costs would be so large as to swamp

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1 the benefit of the contribution to fixed costs, I think
2 that would be an issue. Given the temporary nature of
3 the program, and the fact that I would not anticipate
4 those costs to be particularly large, I don't know if I
5 would look for that to be a requirement for this,
6 especially since the utility has indicated that those
7 costs are not going to be sought for recovery
8 elsewhere.

9 Q. Okay. So, you're saying -- I guess what we're saying
10 here, as long as they are not like eventually recovered
11 through distribution rates, that you could live with
12 these not being included in the adder, is that right?

13 A. Yes.

14 Q. Okay. So, what it comes down to is no cost recovery?

15 A. No cost recovery, or, I would even go further, I think,
16 if the costs are relatively minor, I would not view
17 this as an issue. And, I would expect those costs to
18 be minor.

19 Q. Okay. Okay. You don't think there's going to be a
20 full-blown marketing -- I guess we don't have the -- we
21 don't know, because the Company did not have any
22 information or opinion on what they were going to be
23 doing with respect to marketing and administration,
24 *etcetera*, do you recall that?

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[WITNESS: Estomin]

1 A. Yes, I do.

2 Q. Okay. So, that would bring us probably to the next
3 question, which do you think that this is a complex
4 program to understand?

5 A. I mean, there are -- there is a little bit of
6 complexity to it. You know, is it significantly more
7 complex than, you know, other rate arrangements out
8 there? I don't think so.

9 Q. Well, you heard Commissioner Harrington say he had to
10 "read it 30 times", did you hear that?

11 A. Yes.

12 Q. Doesn't that tell you it is complex?

13 A. No. It tells me that the settlement document is a
14 little bit dense. Doesn't necessarily say that the
15 program is necessarily complex.

16 Q. If I spent a half hour going through that Settlement
17 Agreement and asked you every question I could think
18 of, do you think you'd get every one right?

19 A. Well, I hope we're not going to do an experiment on
20 this. I think I would probably come close.

21 Q. Okay. Now, I guess the -- do you think there's any
22 chance here of setting off envy between similarly
23 situated customers? They're living right next door to
24 each other, okay? One's paying nine cents to PSNH,

{DE 11-216} [Day 1] {10-18-12}

[WITNESS: Estomin]

1 one's paying seven cents. Do you see any -- and, do
2 you see any -- well, let me just ask you. Do you see
3 any problems associated with that? What do you think
4 is going to happen?

5 A. Do I believe that there may be some customers who take
6 some umbrage at this?

7 Q. Yeah, that --

8 A. Who might view themselves as somehow disadvantaged by
9 not having availability of the lower rate? I suspect
10 that that may be the case.

11 Q. Okay. And, they will call the Commission and complain,
12 don't you think?

13 A. Perhaps.

14 Q. And, so, the Commission Staff here will have to, the
15 ones that deal with consumers, will have to master all
16 the intricacies of this Agreement, correct?

17 A. Well, I think -- I think we're getting into some fairly
18 speculative areas here.

19 MR. RODIER: Okay. I'm just checking to
20 see -- I want to thank you very much for your testimony.

21 WITNESS ESTOMIN: Thank you.

22 CHAIRMAN IGNATIUS: Thank you, Mr.

23 Rodier. Ms. Miranda?

24 MS. MIRANDA: No questions. Thank you,

[WITNESS: Estomin]

1 madam Chair.

2 CHAIRMAN IGNATIUS: Ms. Amidon?

3 MS. AMIDON: We have no questions.

4 Thank you.

5 CHAIRMAN IGNATIUS: All right.

6 Commissioner Harrington, questions?

7 CMSR. HARRINGTON: Yes. Just a couple.

8 First, thanks. I thought you were going to call me

9 "dense", not the document.

10 (Laughter.)

11 CMSR. HARRINGTON: So, that's
12 appreciated. But, having said that, let me get on with a
13 couple questions.

14 BY CMSR. HARRINGTON:

15 Q. In your testimony on Page 6, on the top of the page,
16 the end of the first answer, it ends with "is
17 antithetical to the basic premise of industry
18 restructuring". Are you referring to this in general
19 for restructuring or are you talking specifically about
20 the principles of restructuring as defined in New
21 Hampshire law?

22 A. Just give me a moment, so I can view that.

23 Q. Sure. It would be Line 7, on Page 6.

24 A. No. I mean, I think this -- and, I don't know what the

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1 specific legal environment is in New Hampshire related
2 to this. What I've been saying here is that, if the
3 notion of restructuring is to create a competitive
4 market that would be serving the generation needs of
5 consumers, that this rate and that concept are in some
6 friction.

7 Q. Okay. Thank you. Okay. And, you've also stated in
8 your testimony and in discussions with Mr. Rodier, that
9 this is -- you view this as a short-term solution to
10 the migration issue, is that correct?

11 A. Yes.

12 Q. Okay. And, when you say "short term", can you kind of
13 give us some idea of exactly, is that "short term" ten
14 years? Ten weeks? Ten months?

15 A. Ha, ha, ha. Yes, this is always a tricky question. In
16 the context of what I was looking at this, I would view
17 "short term" as the period of time that would be
18 required to implement an alternative arrangement that
19 would address this issue on a more permanent basis.

20 Q. Okay.

21 A. And, I think three years is certainly, you know, within
22 that time period.

23 Q. Okay. That helps. Now, during that short term, we're
24 saying somewhere in the general vicinity of three

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1 years, did you make any assumptions on wholesale
2 electric prices in New England over that short term, to
3 make any determination as to whether this option was
4 beneficial to ratepayers or not?

5 A. I think, over the -- certainly, over the next year, and
6 if you look at projections out further than that, I
7 would anticipate this arrangement being beneficial to
8 Rate DE ratepayers.

9 Q. So, I guess I'm trying to figure what you used as a
10 basis for doing that, would have to have looked at
11 wholesale prices. Are you assuming that wholesale
12 prices in New England will stay in the area of \$50 a
13 megawatt-hour on average?

14 A. Yes. Or, you know, maybe just a bit higher than that.

15 Q. Okay. And, the two things -- two factors that are --
16 or, major factors, I guess, that will be affecting the
17 rates for Public Service's default service, whether
18 that be DE or ADE, is going to be the Scrubber and the
19 Berlin biomass plant. Now, the Berlin biomass plant
20 rates are set by a previous order of the Commission.
21 Did you look at those -- let me just hold on and say
22 that they're set by a previous order of the Commission.
23 Now, the Scrubber, obviously, has not. But did you
24 make any assumptions with the effect that the Scrubber

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1 could have on future Public Service rates?

2 A. No, I did not.

3 Q. Okay. When looking at the marginal rate that is used
4 to calculate the ADE, you must have come up with some
5 type of a rate for Public Service going forward in the
6 short-term?

7 A. You mean under Rate DE or under Rate ADE?

8 Q. ADE, I'm sorry.

9 A. Yes, I took a look at what the forwards were in the
10 market. They're in the high 50s. And, to that, you
11 would add a penny a kilowatt-hour for the adder.

12 Q. Well, what I'm trying to get at is, we have the Public
13 Service rates that are based right today on the
14 temporary rates approved for the Scrubber, which, by
15 most estimates, may -- could be higher, at least with
16 permanent rates, it's a possibility.

17 A. Uh-huh.

18 Q. And, then, we have the market prices that the Company
19 has to pay for electricity in New England, which are
20 fixed and would be the same as any other person buying
21 wholesale rates. But the Scrubber costs are an
22 addition that most other suppliers do not have, most
23 other suppliers supplying power at market rates. Where
24 the Scrubber would be market rates, plus the cost of

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1 the Scrubber. And, we also have the Berlin biomass
2 plant, which has a fairly substantial impact on what
3 Public Service has to incorporate into their energy
4 service rates. So, I assume, when they do their
5 marginal cost of energy service in the ADA [ADE?]
6 rates, they will be including both of those costs,
7 because that will be -- that's part of the overall
8 Public Service cost, is that correct?

9 A. In their ADE rate?

10 Q. Yes.

11 A. I don't believe so. I believe that the only things
12 that will be included in that cost is the forward price
13 of electricity, prior to the commencement of the
14 program, just prior to the commencement of the program.

15 Q. Okay.

16 A. Plus a adder equal to a bit over one cent a
17 kilowatt-hour.

18 Q. Okay. So, you're then, when you say "forward rates",
19 you're stating -- your basic assumption is that the
20 Scrubber costs and the Berlin biomass plant's are not
21 included in any of the going forward costs? That
22 they're simply fixed costs, like the price of Schiller
23 Station, for example?

24 A. Yes. In Rate ADE?

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1 Q. Yes.

2 A. Yes.

3 Q. Okay. So, they won't have any effect on the Rate ADE
4 at all?

5 A. No.

6 Q. Okay. And, so, what -- I guess, is it correct then to
7 assume that, when those two factors, or whatever the
8 Scrubber costs happen to be, and the known Berlin
9 biomass costs, when they get added in, they will be
10 borne completely by the DE customers?

11 A. They will be borne by the DE customers, except for the
12 --

13 Q. Adder.

14 A. -- contribution of the adder to defray fixed costs.

15 Q. Right. So, I guess what I'm trying to get at here is
16 the separation between the two prices, which, if it
17 were to occur today or very shortly, would look --
18 we're talking around nine cents a kilowatt-hour for the
19 DE rates, and seven cents a kilowatt-hour for the ADE
20 rates. If we were to go ahead some period of time
21 where whatever the Scrubber rates that were going to be
22 incorporated were incorporated, and when the Berlin
23 biomass rates kicked in, that separation would be, in
24 fact, quite a bit larger than as well, because the ADA

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1 rate -- ADE rates would not see anything from Berlin
2 biomass, and they have already incorporated part of
3 their portion of the Scrubber rates, which is the fixed
4 cost portion, where the DE rates presently have a
5 limited amount of Scrubber in, just the temporary rates
6 that were approved, and none of the Berlin biomass.
7 So, would it be safe to say that, if we were to look
8 ahead, we're going to see, assuming the wholesale power
9 prices stay about the same, we see a further separation
10 of this, where, instead of two cents, it may be three
11 or four or whatever cents that separates the DE and the
12 ADE rates?

13 A. And, to the extent that you have, you know, say
14 relatively stable wholesale market prices on a
15 forward-going basis, in other words, stable forwards,
16 and your DE rates are increasing, then, arithmetically,
17 you would see a wider gap between those -- those two
18 sets of rates.

19 Q. And, I guess that what my point is I'm trying to get
20 across is we're not dealing with hypotheticals here.
21 We don't know what the Scrubber is, but there's a good
22 chance that the rates incorporated from the Scrubber
23 could be higher than the temporary rates that are now
24 in there. And, we know what the Berlin bio rates are,

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1 and none of that is incorporated in the present DE
2 rates, and that is going to add to those rates. That's
3 not hypothetical, that's not supposition, that's a
4 fact.

5 A. Uh-huh. No, I understand.

6 Q. Okay. So, we will see further separation between these
7 two. Which gets us back to the earlier point where now
8 we're talking about selling the exact same product to
9 two customers from the exact same company, and we start
10 seeing the difference that we charge getting greater
11 and greater between those companies, based on sort of
12 circumstances of how often they happen to switch
13 between one supplier and another supplier. But the
14 fact is, when they're buying the power from Public
15 Service, they're buying the same product at what's
16 going to be increasingly different prices?

17 A. No, I mean, what you're saying is certainly true. It's
18 also a situation that isn't unique. I mean, many
19 utilities, for example, you know, offer, you know, what
20 they will call "economic development rates". Where, if
21 there's a user who is contemplating either leaving the
22 service area or coming into the service area with a new
23 load, they will provide some period of time during
24 which lower rates are available to that customer. The

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1 idea being that marginal costs are covered. There is a
2 contribution to fixed costs. There's also, you know,
3 social benefits in the form of increased employment,
4 increased tax base and so forth. So, these types of
5 arrangements, where you have differing rates, you know,
6 they're -- I mean, it's not a unique situation to
7 Public Service of New Hampshire. And, the purpose of
8 the differential, I mean, if the differential did not
9 exist, then the benefit to the existing DE customers,
10 in the form of increased contribution to system fixed
11 costs from an outside group, in other words, those
12 folks who are not currently DE customers, would be --
13 would be lost.

14 Q. Okay. So, it's safe to assume then what you're saying
15 is that the present DE customers would be better off
16 with the ADE rates up and running than they are without
17 them?

18 A. Yes.

19 Q. Okay. But, on the other hand, if they were to choose
20 the available options, which, as we discussed earlier,
21 it appears that all or just about, if not all
22 customers, now have the option to pick a competitive
23 supplier, that that would probably even be better for
24 them?

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1 A. Maybe. It depends what they can be offered in the
2 market. And, particularly in the case of residential
3 customers, I mean, there is a certain -- I mean, that
4 is the slowest customer group in any jurisdiction, that
5 is the slowest customer group to move to the
6 competitive market, even where rate differentials are
7 pretty substantial between default service rates and
8 what the competitive market has to offer. Those
9 customers tend to stay with the local distribution
10 utility, for a number of reasons.

11 So, yes. I mean, there is a benefit
12 that would accrue to those customers that are reluctant
13 to switch, for whatever reason.

14 Q. Okay.

15 A. That would not otherwise be available.

16 Q. Okay. Now, going on the other side of that, if you
17 were a customer and you looked at the situation and you
18 said -- excuse me -- "I can get a slightly better rate
19 going to a competitive customer than I can now."

20 A. Uh-huh.

21 Q. And, not only if I do that, and I do that for a year,
22 then I've got sort of in my back pocket this extra ace
23 to play. If things in the competitive market don't go
24 well, I can simply say "I'm coming back to Public

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1 Service", and I get this special discounted rate called
2 "ADE" that's not available to other people, unless you
3 happen to leave Public Service to begin with. So, I
4 could kind of use that as my -- whatever this term is
5 going to be, we've heard recommended one year,
6 recommended two years, I think you recommended two.
7 So, for a two-year period, I'd have almost an insurance
8 policy against higher rates, if market rates decided
9 that, whatever was happening with natural gas, market
10 rates went up substantially, and all of a sudden my
11 competitive supplier was charging me 13 cents a
12 kilowatt-hour, I could jump back to Public Service, get
13 the ADE rate at something substantially lower, and have
14 that as an insurance policy for a couple of years. So,
15 would that not be an inducement to get some people to
16 leave Public Service and go to a competitive supplier,
17 assuming they would just maybe only save a little bit,
18 but it would give them this two-year insurance policy?

19 A. Well, a couple things there. With respect to
20 residential customers, I think that probably lays on
21 them a greater degree of sophistication and market
22 analysis than probably actually exists. Might it
23 happen, you know, on occasion? Sure.

24 I would also point out, and this hasn't

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1 really been brought up before, but, if we're looking at
2 a program that's 36 months in duration, and let's say
3 we offer a term of service period that's 24 months, in
4 order for a customer to benefit from ADE for 24 months
5 under the arrangement that you provided, they would
6 have to leave DE service for a competitive service on
7 month one. If they leave later than month one to
8 receive service from the competitive market, when they
9 return to Public Service of New Hampshire under Rate
10 ADE, the amount of time available to them to receive
11 service under the rate is going to be less than 24
12 months.

13 Q. Okay.

14 A. Just because of the termination of the program, you
15 know, after the 36 months end. But, you know, the
16 situation you described, is that plausible for some
17 customers? Sure.

18 Q. Okay. And, one other question maybe, on the Settlement
19 Agreement itself that you just prompted in me. That
20 what happens to a present customer who, I don't know,
21 let's say, ten months ago left Public Service and went
22 to a competitive supplier, and now the ADE rates come
23 into effect, in a year from now, for whatever reason,
24 they decide they want to go back to Public Service, or

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1 less than a year from now. Do they -- when did their
2 clock start as being a -- for that 12-month period that
3 they have to have a competitive supplier? Is it when
4 they actually went to a competitive supplier? Or, does
5 the clock start the day the ADE rates go into effect?
6 Or does it only affect someone who migrates after ADE
7 goes into effect?

8 A. No. It's my understanding that, if they left ten
9 months before ADE went into effect, they would be
10 eligible to receive ADE service two months after --

11 Q. Okay.

12 A. -- ADE goes into effect.

13 Q. And, if they left three years ago, they would be
14 eligible for ADE at the date of inception of the rates
15 then?

16 A. Yes.

17 CMSR. HARRINGTON: Okay. All right.
18 That's all the questions I had. Thank you very much.

19 WITNESS ESTOMIN: All right.

20 CHAIRMAN IGNATIUS: Thank you. I have
21 no other questions. Ms. Chamberlin, any redirect?

22 MS. CHAMBERLIN: No redirect.

23 CHAIRMAN IGNATIUS: All right. Then,
24 thank you. We appreciate your willingness to take this

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1 through the phone. I hope it's working well enough. And,
2 glad that you could participate that way.

3 WITNESS ESTOMIN: And, I thank you for
4 bearing with this as well.

5 CHAIRMAN IGNATIUS: Well, I know things
6 -- things happen. All right. Our next witness I believe
7 would be Mr. Mullen, is that right?

8 MS. AMIDON: That's right.

9 CHAIRMAN IGNATIUS: Before, Mr. Mullen,
10 before you get started, let's talk about scheduling a bit.
11 Should we go off the record?

12 (Off-the-record discussion ensued.)

13 CHAIRMAN IGNATIUS: Let's go back on the
14 record. We are going to confirm schedules with the
15 Commission and issue a secretarial letter. But it looks
16 as though resuming, when we're done today, to resume
17 Monday, November 26, at 1:00 p.m., for final proceedings
18 in this case.

19 But we still have half an hour. We'd
20 like to keep making progress. So, Staff, are you ready to
21 call your witness?

22 MS. AMIDON: Yes. Mr. Mullen, please.

23 (Whereupon **Steven E. Mullen** was duly
24 sworn by the Court Reporter.)

[WITNESS: Mullen]

1 MS. AMIDON: Good afternoon.

2 WITNESS MULLEN: Good afternoon.

3 **STEVEN E. MULLEN, SWORN**

4 **DIRECT EXAMINATION**

5 BY MS. AMIDON:

6 Q. Would you please state your full name for the record.

7 A. My name is Steven Mullen.

8 Q. For whom are you employed and what is your position?

9 A. I am employed by the New Hampshire Public Utilities
10 Commission. And, I am the Assistant Director of the
11 Electric Division.

12 Q. Thank you. Have you previously testified before the
13 Commission?

14 A. Yes, I have.

15 Q. And, I have a question regarding your participation in
16 this docket. I can tell from your testimony you have
17 participated in this docket since the initial phase of
18 this docket, which was commenced last year, is that
19 correct?

20 A. Yes, it is.

21 Q. And, did you participate in the discussions that led to
22 the Settlement Agreement?

23 A. Yes, I did.

24 Q. Thank you. Do you have a copy of your testimony before

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1 you?

2 A. I do.

3 Q. And, the testimony consists of about 12 pages,
4 including three one-page attachments, is that correct?

5 A. Yes, it is.

6 Q. Do you have any corrections at this time to your
7 testimony?

8 A. No, I do not.

9 Q. And, if you were asked these questions today under
10 oath, would you provide the same answers?

11 A. Yes.

12 MS. AMIDON: Thank you. I'd like to
13 mark Mr. Mullen's testimony as -- is it Exhibit 14?

14 CHAIRMAN IGNATIUS: So marked for
15 identification.

16 (The document, as described, was
17 herewith marked as **Exhibit 14** for
18 identification.)

19 BY MS. AMIDON:

20 Q. Mr. Mullen, as you know from sitting here today,
21 there's been a lot of discussion about the Settlement
22 Agreement and about how the proposed ADE would operate.
23 The principal question of concern at this point is the
24 term of service, and Staff's position that the term of

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1 service be for 12 months, instead of 24 months. So, I
2 would like you to address -- you can summarize your
3 testimony insofar as it relates to that, but I would
4 really like to direct your attention to addressing why
5 the Staff supports the 12-month period for term of
6 service.

7 A. Sure. In relation to looking at the term of service
8 for this rate, it seems to me that there's a few things
9 that have to be weighed. While I understand the
10 argument put forth by PSNH earlier and by Mr. Estomin
11 about providing for a longer period of potential
12 benefit to other DE customers, there's also some issues
13 with, you know, potential impacts to the competitive
14 market, as well as -- and potential impacts on customer
15 options.

16 So, as I looked at it, I said "well,
17 there's really a few reasons why I prefer a 12-month, a
18 shorter period term of service than the 24 months."
19 One is, it's a better match with the eligibility
20 criteria, where a customer would have to be either
21 served by a competitive supplier or on self-supply for
22 at least 12 consecutive months. It's just easier to
23 remember. Also, in reviewing Mr. Hall's rebuttal
24 testimony, where he agreed with saying "well, you know,

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1 I think having a pilot is a good thing, and I think
2 that we should probably look at this on an annual
3 basis." So, I think it's a better match with the
4 annual assessment of the rate.

5 Also, I mentioned the competitive
6 market. And, I think it helps mitigate potential
7 concerns that this is -- the rate is somehow
8 anti-competitive or will otherwise disrupt the
9 competitive market. And, I think, by having a shorter
10 term of service, that helps mitigate some of those
11 concerns, because somebody might not be served by this
12 rate for a longer period of time.

13 I think also, since it's a pilot rate,
14 and it's proposed to be a 36-month pilot, in accordance
15 with the Settlement. If it's a longer term of service,
16 if you go the whole 36 months of the pilot, at the time
17 you get to the end, you may still have quite a number
18 of customers who haven't gone through their entire term
19 of service. So, therefore, you won't get a total
20 picture of actions customers might take while on or off
21 that term of service. With a shorter term of service,
22 it helps provide, I think, a better assessment of what
23 customers may or may not do when the term of service
24 ends.

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1 Also, if, for some reason, prior to the
2 end of the pilot, the rate is terminated, after the
3 Commission looks at it and says, "you know, maybe
4 that's not working the way that it should." Well, I
5 think any customers served under the rate should serve
6 out their remaining term of service. And, for a
7 customer who just got on the rate prior to any such
8 termination, that would -- there could be a significant
9 number of months still left in that term of service.

10 Also, what I mentioned about in
11 "limiting customer options", a shorter term of service
12 would not limit customers from returning to default
13 service for an extended period of time. So, if, for
14 some reason, it became more advantageous for them to
15 receive service under Rate DE, than Rate ADE, they
16 wouldn't be limited from having that option for some
17 longer period of time.

18 So, I think, when you take all those
19 into account, a 12-month term of service seems to
20 provide a better balance, in my view, of all the
21 competing interests; those of the customers, those of
22 the Company, and those of the competitive market
23 participants.

24 MS. AMIDON: Thank you. I have no

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1 further questions.

2 (Chairman Ignatius and Cmsr. Harrington
3 conferring.)

4 CHAIRMAN IGNATIUS: All right. I think
5 we're going to conclude here, and begin cross-examination
6 when we resume, rather than get started and then break it
7 up. So, before we leave, are there any matters to take up
8 that we need to address? Any administrative issues?
9 Anything hanging out there to take on? I'm not aware of
10 anything.

11 (No verbal response)

12 CHAIRMAN IGNATIUS: All right. Well,
13 seeing none, then we will adjourn until what I expect will
14 be Monday, November 26th, at 1:00. We will send you a
15 letter confirming that, and finish up with Mr. Mullen,
16 then take up Mr. Fromuth, and then oral closings. All
17 right? Thank you very much. We stand adjourned.

18 (Whereupon the hearing was adjourned at
19 4:09 p.m., and the hearing to resume on
20 Monday, November 26, 2012, commencing at
21 1:00 p.m.)

22

23

24