

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

May 31, 2016 - 10:34 a.m.
Concord, New Hampshire

NHPUC JUN16'16 PM 3:16

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

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New
Hampshire doing business as
Eversource Energy:
Matthew J. Fossum, Esq.

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Richard Chagnon, Electric Division

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

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23	Filing by Eversource Energy consisting of a Technical Statement of Christopher J. Goulding, including attachment (03-31-16)	4
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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this morning in Docket DE 11-216 on a request by Public Service Company of New Hampshire, which does business as Eversource Energy, to extend Rate ADE.

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

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

MR. KREIS: Good morning, Mr. Chairman, members of the Commission. I'm the Consumer Advocate, Donald Kreis, here on behalf of residential utility customers.

MS. AMIDON: Good morning. Suzanne Amidon, for Commission Staff. And with me today is Rich Chagnon, who is an Analyst in the Electric Division.

CHAIRMAN HONIGBERG: How are we going to proceed this morning?

MR. FOSSUM: Excuse me. The Company has one witness to present. And we'll just

[WITNESS: Goulding]

1 have him take the stand and testify.

2 CHAIRMAN HONIGBERG: Any preliminary
3 matters we need to deal with, Ms. Amidon?

4 MS. AMIDON: No.

5 CHAIRMAN HONIGBERG: Mr. Kreis?

6 MR. KREIS: None.

7 CHAIRMAN HONIGBERG: All right. Why
8 don't you call your witness.

9 MR. FOSSUM: Yes. The one thing I'll
10 note, while Mr. Goulding is taking the stand,
11 is that the Company does intend to mark for
12 identification one item. Having checked with
13 the other Parties, it would be the Company's
14 March 31, 2016 filing. And the next exhibit
15 number is 23.

16 CHAIRMAN HONIGBERG: All right. So,
17 the March 31st filing, "Exhibit 23". Check.

18 (The document, as described, was
19 herewith marked as **Exhibit 23**
20 for identification.)

21 (Whereupon **Christopher J.**
22 **Goulding** was duly sworn by the
23 Court Reporter.)

24 **CHRISTOPHER J. GOULDING, SWORN**

[WITNESS: Goulding]

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DIRECT EXAMINATION

BY MR. FOSSUM:

Q. Good morning, Mr. Goulding. Could you state your name and your position and your responsibilities for the record please.

A. My name is Chris Goulding. I'm Manager of Revenue Requirements for New Hampshire. I'm employed by Eversource Service Company. My responsibilities as the Manager of Revenue Requirements for New Hampshire is overseeing the implementation and coordination of revenue requirement calculations, as well as the rate calculations associated with the Rate ADE, Energy Service rate, the TCAM rate, the SCRC rate, and any distribution rate changes.

Q. And, Mr. Goulding, did you file, as part of what has been marked as "Exhibit 23", a technical statement and attachment?

A. Yes, I did.

Q. And that technical statement, was that prepared by you or at your direction?

A. Yes, it was.

Q. And do you have any changes or updates to that statement or attachment?

[WITNESS: Goulding]

1 A. I do. On Bates Page 003 of the filing, in the
2 first column of that Page 003, there's a bunch
3 of months, "January '15" through "February".
4 The last two columns -- or, last two years
5 should be "January 2016" and "February 2016".

6 Q. Do you have any other changes or updates this
7 morning?

8 A. I do not.

9 Q. And the information that's contained in that
10 technical statement and the attachment, as
11 you've amended it this morning, is that true
12 and accurate to the best of your knowledge and
13 belief today?

14 A. Yes, it is.

15 Q. Let the attachment speak for it -- or, let the
16 document speak for itself. But I will ask,
17 just for clarity on the record, what is it that
18 the Company is seeking to do through this
19 filing?

20 A. Well, as part of the original ADE Pilot
21 Program, it was a 36-month pilot that would end
22 July 1st -- or, June 30th, 2016. So, if we're
23 looking to extend the Pilot Program or end the
24 Pilot Program, we had to make a filing three

[WITNESS: Goulding]

1 months prior to the end date. So, what
2 Eversource is requesting is that Rate ADE
3 remain in effect and continue to be calculated
4 and administered in the manner consistent with
5 the Order Number 25,739, back in December 2014,
6 which is a monthly Rate ADE.

7 Q. Now, turning to your technical statement, Part
8 B, on the "Background", the last sentence of
9 that -- of that first paragraph under that
10 part, states that "Rate ADE is achieving the
11 goals it was intended to achieve." Do you see
12 that?

13 A. Yes.

14 Q. Could you explain what those goals are and how
15 Rate ADE is achieving them?

16 A. So, Rate ADE, the goals it's achieving is
17 mitigating the cost-shifting from the annual
18 Energy Service users -- from the monthly Energy
19 Service user to the annual Energy Service
20 users. What we were experiencing before Rate
21 ADE was changed to a monthly ADE rate was large
22 customers were coming back during the high
23 price winter months, taking the high -- or,
24 taking the annual Energy Service rate when the

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1 prices were higher in the market, and then,
2 when prices dropped in the market, they were
3 getting off of Rate ADE and going back into the
4 market, and then hopping back on in the winter.

5 So, when Rate ADE was modified to become a
6 monthly rate, if any LG/GV customer, the large
7 customers, come back to take Energy Service for
8 default service from PSNH doing business as
9 Eversource, the option was Rate ADE, which is a
10 monthly variable rate. So, it has mitigated
11 the cost-shifting.

12 Q. And is that mitigation what's shown on the
13 attachment?

14 A. Yes. So, if you look at attachment, Exhibit
15 CJG-1, you'll see, for the 14-month period,
16 there was about a \$200,000 contribution to the
17 Energy Service fixed costs. Prior to it being
18 changed, there was a -- it was a detriment to
19 customers.

20 Q. And one last question, Mr. Goulding. Is it the
21 Company's position that extending Rate ADE as
22 proposed would be a just and reasonable and
23 appropriate outcome?

24 A. Yes.

[WITNESS: Goulding]

1 MR. FOSSUM: Thank you. That's all I
2 had for direct.

3 CHAIRMAN HONIGBERG: Mr. Kreis.

4 MR. KREIS: Thank you, Mr. Chairman.

5 **CROSS-EXAMINATION**

6 BY MR. KREIS:

7 Q. Mr. Goulding, continuing to look at Bates Page
8 003 of your March 31st filing, if you look at
9 the difference between revenue and actual
10 costs, which is the last column of Bates Page
11 003, back in February of 2015 there was a
12 negative contribution of was it \$13,128?

13 A. Yes.

14 Q. And the following winter there was a
15 significant positive contribution. Why a
16 negative contribution in February of 2015, but
17 a significantly positive one in February of
18 2016?

19 A. So, some of the negative contributions, the way
20 the rate is set, we do a forecasted rate. So,
21 if it was, say, January 15th, we would forecast
22 what the rate is going to be for February 1st
23 of 2015. And, if our forecast is under what
24 the actual experience is, then there could be

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[WITNESS: Goulding]

1 an under recovery. So, I believe, in February
2 of this year, it was reversed. We forecasted a
3 rate that was higher than our actual
4 experience, so we ended up coming in with
5 higher fixed cost contributions. And some of
6 that higher -- the contribution of fixed cost
7 is attributable to the contribution from the
8 Scrubber adder that's included in the Rate ADE.

9 Q. In your March 31st filing, you asked the
10 Commission to extend Rate ADE through either
11 January or July 1st of 2017 or divestiture.
12 That would be which ever of those two things
13 comes first, right?

14 A. Correct.

15 Q. In your view, is Rate ADE optimally designed?
16 It has contributed positively, as indicated or
17 reflected in that \$202,000 figure at the bottom
18 of Bates Page 003. Could it be improved?

19 A. I think it's actually working optimally right
20 now. So, I'm not sure how much it could be
21 improved.

22 MR. KREIS: Okay. I think that's all
23 the questions I have, Mr. Chairman.

24 CHAIRMAN HONIGBERG: Ms. Amidon.

[WITNESS: Goulding]

1 MS. AMIDON: Thank you. Good
2 morning.

3 WITNESS GOULDING: Good morning.

4 BY MS. AMIDON:

5 Q. With respect to the fixed costs, as I recall,
6 the Settlement Agreement allowed the Company to
7 add a fixed cost -- a cost adder to the
8 forecast energy rate that constituted a portion
9 of the fixed costs associated with the
10 Scrubber. Is that what -- am I right on that?

11 A. Yes. I believe it was the non-fuel Scrubber
12 costs, O&M, depreciation, and return on rate
13 base.

14 Q. So, how do you calculate it now that cost
15 recovery is being obtained through Energy
16 Service rates?

17 A. We calculate it the exact same way, because we
18 have to do the temporary Scrubber rate. So, we
19 have the Scrubber costs separated out. So,
20 it's not different than how it had been done
21 before.

22 Q. Thank you. And the filing correctly states
23 that Staff supports the continuation of the
24 ADE. You recall we participated in the

[WITNESS: Goulding]

1 Settlement Agreement that led to the
2 development of this rate?

3 A. Yes.

4 Q. Thank you. Will you continue to calculate and
5 report monthly to the Commission the new
6 proposed rate for the forthcoming months?

7 A. Yes. On the 15th of month, prior month, we'll
8 file the rate that's in effect for January 1st
9 in the next month, just like we do now.

10 Q. Thank you. And you'll continue to develop an
11 annual report?

12 A. Yes.

13 Q. And I hope that we don't have to do another one
14 after the report due in 2017.

15 MS. AMIDON: That's all my questions.
16 Thank you.

17 CHAIRMAN HONIGBERG: Commissioner
18 Scott.

19 CMSR. SCOTT: Thank you. And good
20 morning.

21 BY CMSR. SCOTT:

22 Q. If I can direct you to the cover letter, so,
23 it's not Bates stamped, but Page 2 of the cover
24 letter of the March 31st filing. I think you

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1 had it as "Exhibit 23".

2 A. Okay. I'm looking it.

3 Q. If you go to the second to the last full
4 paragraph, midway through it talks about, if
5 the Rate ADE was terminated, it "could result
6 in unintended consequences". Do you see that?

7 A. Yes.

8 Q. I was curious if you could elaborate a little
9 bit what's meant by that?

10 A. The "unintended consequences" are getting back
11 to, if we eliminate it, and the only option
12 available for returning large and LG and GV
13 customers is they would come back onto the
14 Energy Service rate. So, if we have those
15 massive price spikes in the winter, you could
16 have the shifting of costs from the large users
17 back down to the constant users who are taking
18 the annual -- or, Energy Service rate as an
19 annual rate.

20 Q. Okay. Generally, can you characterize how Rate
21 ADE is compared to the Default Service rate?

22 A. It has been significantly or fairly lower. In
23 the winter months, not as low. But, just for
24 an example, for this year, January was 8.25

[WITNESS: Goulding]

1 cents, February 8.24 cents, and then were down
2 to roughly 7 cents, and 6.6 cents, and 6.7
3 cents for March, April, May, and June. And the
4 annual Energy Service rate is 9.99 cents. And
5 that's all a product of the market price. It
6 was just a very, very warm winter. So, prices
7 never -- you never had that huge spike like we
8 would have seen last winter. I think last
9 winter we had prices in the 18-cent range for
10 the winter months.

11 Q. So, to the extent Rate ADE ends up being less
12 expensive, when that does happen, I go back in
13 time when we originally approved Rate ADE,
14 there was a lot of concern in the press, and I
15 assume among customers, that the Company would
16 be effectively punishing customers who didn't
17 leave by giving a cheaper rate for those who
18 left and then came back. What's your
19 experience with that? Have you gotten feedback
20 from customers regarding that?

21 A. We have not. I mean, this is all for the
22 larger customers anyway. And most of the large
23 customers are in the market taking competitive
24 supply. So, there is other options available

[WITNESS: Goulding]

1 for them. And, because this rate is supposed
2 to track the market, they should be able to get
3 the same market rate as with the competitive
4 suppliers. So, there should also be the same
5 option for small customers and residential
6 customers, if they want to go to the market and
7 take a rate, they should be able to get a
8 similar type rate.

9 Q. Thank you.

10 A. You're welcome.

11 Q. And Ms. Amidon mentioned the adder for the
12 Scrubber. Has that changed in any way?

13 A. It changes, usually, we do the rate on
14 January 1st and then July 1st, when we do our
15 updated Energy Service rate. So, last year,
16 for the first six months, it was 1.15 cents.
17 For the second six-month period in 2015, it was
18 1.07 cents. And, then, for the first six
19 months of this year, it was 1.15 cents again.
20 So, I would expect that for the second
21 six-month period of this year to be relatively
22 similar.

23 CMSR. SCOTT: Thank you. That's all
24 I have.

[WITNESS: Goulding]

1 CHAIRMAN HONIGBERG: Commissioner
2 Bailey.

3 CMSR. BAILEY: I thought I understood
4 what I was looking at, but a follow-up to
5 Commissioner Scott's question.

6 BY CMSR. BAILEY:

7 Q. You said that, in the first six months of this
8 year, the adder was 1.07?

9 A. No, 1.15 cents.

10 Q. When was it 1.07?

11 A. That was July to December of 2015, the second
12 half of 2015.

13 Q. Okay. So, on Exhibit 23, Bates Page 003, that
14 last column that shows the "Contribution to
15 Fixed Costs" for Energy Service customers, the
16 \$202,000, is that net of what you have
17 recovered for the Scrubber or is that -- does
18 that include the 1.07 and 1.15 cents per
19 kilowatt-hour?

20 A. That would include that, the Scrubber rate
21 adder.

22 Q. So, does that \$202,000 go to pay off some of
23 the debt of the Scrubber?

24 A. Yes. Any over/under recovery that's created as

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[WITNESS: Goulding]

1 a result of Rate ADE rolls into the Energy
2 Service filing. So, it would go to reduce the
3 fixed costs that normal Energy Service
4 customers are paying for.

5 Q. Okay. And, so, if this were a negative number,
6 would Energy Service customers have to pay --
7 would these customers not be paying their
8 portion of the Scrubber?

9 A. Well, they would be paying their portion of the
10 Scrubber. They might be paying a lower energy
11 rate, because we're forecasting the energy
12 rate. So, the energy might come in lower or
13 higher than we're actually experiencing. So,
14 they would be paying less for the energy cost
15 than maybe was their fair share. But they
16 would be -- the Scrubber adder is the adder.
17 So, they would be paying that full adder.

18 Q. And that full adder would be accounted for
19 against the fixed costs of the Scrubber?

20 A. Yes. It's included as a revenue -- as a credit
21 against the fixed costs in the Energy Service.
22 So, yes.

23 CMSR. BAILEY: Okay. All right.

24 Thank you.

1 CHAIRMAN HONIGBERG: I have no
2 questions.

3 Mr. Fossum, do you have any further
4 questions for Mr. Goulding?

5 MR. FOSSUM: No, I do not.

6 CHAIRMAN HONIGBERG: All right. I
7 assume there's no objection to striking the ID
8 on Exhibit 23?

9 *[No verbal response.]*

10 CHAIRMAN HONIGBERG: Seeing none.
11 Mr. Goulding, I think you can probably just
12 stay where you are.

13 WITNESS GOULDING: Okay.

14 CHAIRMAN HONIGBERG: Mr. Kreis, you
15 want to sum up first?

16 MR. KREIS: Thank you. I'd be
17 delighted to. Rate ADE, since it was
18 reconfigured, effective at the beginning of
19 2015, has been a rate that has achieved its
20 desired effect. It creates net benefits for
21 PSNH's default service customers who have not
22 migrated.

23 And we therefore recommend that the
24 Commission approve the request that Eversource

1 has filed in its March 31st letter.

2 CHAIRMAN HONIGBERG: Ms. Amidon.

3 MS. AMIDON: Thank you. Staff was
4 part of -- one of the Parties to the Settlement
5 Agreement that underlies the creation of Rate
6 ADE. And, because the Pilot Program has ended,
7 we do want to indicate that we support the
8 continuation of the program, subject to the
9 Company agreeing to provide the monthly updated
10 rates and an annual report, as was required in
11 the Settlement Agreement, which is no longer in
12 effect.

13 And, further, we believe that the
14 Commission has the authority, pursuant to RSA
15 374-F:3, V(e) to approve the program. That
16 provision says that the Commission may approve
17 alternatives to -- alternative rate design
18 provided that it doesn't create any new
19 deferred costs or harm the competitive market.

20 The Commission reviewed this issue in
21 connection with the underlying Settlement
22 Agreement, and we believe that the same
23 authority and the same condition applies today
24 to authorize the Commission to approve the

1 continuation.

2 CHAIRMAN HONIGBERG: Mr. Fossum.

3 MR. FOSSUM: Thank you. I appreciate
4 the comments of the Staff and OCA in support of
5 the Company's request this morning.

6 And it just seems sort of strange,
7 given the history, the long and difficult
8 history of this rate, that continuing it has
9 been such a -- I guess a non-controversial item
10 by comparison. At any rate, I appreciate the
11 review of the Staff and the OCA, what they have
12 looked at.

13 Rate ADE, as reconfigured a little
14 over a year ago, does appear to be achieving
15 its desired ends. And we would ask that it be
16 continued consistent with our request from
17 March 31.

18 CHAIRMAN HONIGBERG: All right.
19 Thank you all very much.

20 If there's nothing else, we will
21 adjourn, take this under advisement, and issue
22 an order as quickly as we can.

23 ***(Whereupon the hearing was***
24 ***adjourned at 10:54 a.m.)***