

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE
PUBLIC SERVICE COMMISSION

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In the Matter of
CASE 12-E-0201

A Proceeding on Motion of the Commission as to
the Rates, Charges, Rules and Regulations of
Niagara Mohawk Power Corporation d/b/a National
Grid for Electric Service.

CASE 12-G-0202

A Proceeding on Motion of the Commission as to
the Rates, Charges, Rules and Regulations of
Niagara Mohawk Power Corporation d/b/a National
Grid Gas Services.

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January 8, 2013
9:50 a.m.

Empire State Plaza
Agency Building 3, 3rd Floor
Albany, New York 12223-1350

STENOGRAPHIC RECORD of a Hearing in the
above-entitled matters pursuant to notice.

BEFORE: RUDY STEGEMOELLER, Administrative Law Judge
PAUL AGRESTA, Administrative Law Judge

APPEARANCES:

For National Grid:
CATHERINE L. NESSER, ESQ., Vice President
and General Counsel
KERI SWEET-ZAVAGLIA
PATRICK O'BRIEN
STEVE CANNALINO
PAM DiBIANO
KEN DiMARIE

For the Department of Public Service:
JANE CICERANI, ESQ
DAKIN LECAKES, ESQ.

1 WITNESSES FOR THE DEPARTMENT OF PUBLIC SERVICE

2 Christopher L. Graves, ORE
3 Kwaky Duah, OA&F
4 Allison Esposito
5 Denise Gerbsch
6 Michael J. Rieder
7 Leonard Silverstein
8 Richard E. Schuler, Jr.

9
10 Multiple Intervenors

11 COUCH, WHITE

12 MICHAEL MAGER, ESQ.
13 M. J. GOODMAN, ESQ.

14
15 USHER FOGEL, ESQ.,
16 Retail Energy Supply Association

17 Department of State, Utility Intervention Unit

18 SAUL A. RIGBERG, ESQ.

19
20 WITNESSES FOR NATIONAL GRID

21 James M. Molloy
22 David Doxsee
23 Kellie Smith
24 Pamela Dise
25 Allen Chieco

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21 Received this date

22 Commission Exhibits 1-467

23

24

25

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

2 ALJ STEGEMOELLER: Good morning. I
3 apologize for the slight delay. I also apologize
4 for the warm temperature in the room. Hopefully,
5 it is going to get better; we called the grounds
6 people.

7 This is Case 12-E-0201 and 12-G-0202,
8 investigations of the Public Service Commission
9 into the rates of Niagara Mohawk for electric and
10 gas. The first thing we will do is take
11 appearances from counsel.

12 MS. NESSER: Good morning, Your Honors.
13 For the Company, I am Catherine Nesser. With me
14 is Keri Sweet, Patrick O'Brien, Ken DiMarie, Steve
15 Cannalino, and Pam DiBiano.

16 MS. CICERANI: For the Department of
17 Public Service, Jane Cicerani and Dakin Lecakes.

18 MR. MAGER: Good morning. For the
19 Multiple Intervenors from Couch, White, Mike Mager
20 and M. J. Goodman.

21 MR. RIGBERG: For the Utility
22 Intervention Unit of the Department, Saul A.
23 Rigberg.

24 JUDGE STEGEMOELLER: Thank you. I am
25 Rudy Stegemoeller, and joining me is Paul Agresta.

1 We have already run through
2 preliminaries while we were off the record, so we
3 will just proceed straight to impaneling the
4 witnesses. Would Counsel for Staff and Counsel
5 for the Company introduce the witnesses? On the
6 telephone is Usher Fogel for the New York --

7 MR. FOGEL: Your Honor, I'm just going
8 to keep my phone on mute so there is no outside
9 interference. I'm listening in, and I will just
10 pop in whenever I think I have got to.

11 JUDGE STEGEMOELLER: Okay, thank you. I
12 guess since you are not sponsoring testimony, you
13 don't need to -- We need to have the witnesses
14 give their names and business affiliation, and
15 then we can swear them in. Let's start with Mr.
16 Schuler.

17 MR. SCHULER: Yes. Richard E. Schuler,
18 Jr., with the Office of Regulatory Economics of
19 the Department of Public Service.

20 MR. SILVERSTEIN: Leonard Silverstein,
21 also Consumer Policy, Department of Public
22 Service.

23 MR. RIEDER: Michael J. Rieder, Office
24 of Electric, Gas, and Water, Department of Public
25 Service.

1 MS. GERBSCH: Denise A. Gerbsch, Office
2 of Accounting and Finance, DPS.

3 MS. ESPOSITO: Allison Esposito, Office
4 of Accounting and Finance, DPS.

5 MR. DUAH: Kwaky Duah, Office of
6 Accounting and Finance, Financial Analyst.

7 MR. GRAVES: Christopher L. Graves,
8 Office of Regulatory Economics, Department of
9 Public Service.

10 MR. CHIECO: Allen Chieco, Network
11 Strategy, National Grid.

12 MS. DISE: Pamela Dise, Regulation and
13 Pricing, National Grid.

14 MS. SMITH: Kellie Smith, Regulation and
15 Pricing, National Grid.

16 MR. DOXSEE: Dave Doxsee, National Grid.

17 MR. MOLLOY: James M. Molloy, Regulation
18 and Pricing, National Grid.

19 ALJ STEGEMOELLER: Thank you. We will
20 do a mass swearing here: Do you promise to tell
21 the truth? Please say yes.

22 (The witnesses, called before the
23 Commission, and being duly sworn by the
24 ALJ testified as follows)

25 ALJ STEGEMOELLER: Very good. We can

1 proceed with our questions. My first question, I
2 think is for counsel. I just need to clarify that
3 the Appendix A to the Company's Statement of
4 Support which, I believe, is the Joint Response
5 from Staff and the Company, I'm sure I missed it
6 but I didn't see it anywhere in the Company's
7 filing that actually said that. So, I just need
8 to confirm with staff that you also sponsor that
9 appendix.

10 MS. CICERANI: That's correct, Your
11 Honor. It's a joint response.

12 ALJ AGRESTA: Thank you. We also have
13 that listed on the exhibit list as a Joint
14 Response.

15 ALJ STEGEMOELLER: The first issue that
16 we have is the ESCO Collaborative. The first
17 question I would like Staff and/or the Company to
18 clarify is exactly what is in the agreement as
19 opposed to what you have testified to and what you
20 intend to pursue in a Collaborative, specifically
21 with respect to inclusion of price comparisons on
22 customer bills and provision of information of
23 payment-troubled customers. I don't know which
24 one of you wants to go first. The question is:
25 Can you clarify what was agreed to in the Joint

1 Proposal.

2 MS. NESSER: I can start, Your Honor.
3 I'll give it a shot. I'm not looking at the
4 language at the moment. But, what was agreed to
5 in the Joint Proposal from the Company's
6 perspective is that there will be a bill
7 calculator that assists residential customers with
8 knowing what they would have paid in comparison to
9 what they would pay with an ESCO and what they
10 would pay if they stayed with the Company. Staff,
11 in their testimony, made proposals for various
12 other communication tools, some to troubled
13 customers, some to low income customers. The
14 Company agreed with those recommendations. But,
15 in the Joint Proposal all that is being committed
16 to is that there will be a bill calculator and the
17 other materials will be discussed in the context
18 of the Collaborative.

19 MS. CICERANI: Your Honors, I would
20 agree with that, with the further understanding
21 that the Joint Proposal includes \$298,000 for that
22 process and that \$298,000 was designed to cover
23 more than just the bill calculator. It includes
24 more than that; it includes those other pieces.
25 But the agreement is not specific as to that.

1 ALJ STEGEMOELLER: Thank you. Will the
2 product of the collaborative be something that the
3 Company can implement without further Commission
4 approval, or do you envision submitting -- I guess
5 more generally, what process do you envision
6 coming out of the Collaborative?

7 MR. RIGBERG: This is Saul Rigberg. My
8 understanding is a little different from Counsel
9 for the Company and Staff. Our understanding is
10 based on the rebuttal testimony of the Company
11 which it agreed to Staff's proposals that three
12 items would be discussed in the Collaborative.
13 The one was: Information regarding price
14 comparisons would be printed on the monthly
15 consolidated bills. There would be a web-based
16 historical utility bill calculator, and the
17 information would also be printed on termination
18 and DPA, default notices. And the \$298,000 that
19 the Company said it would cost to do those things
20 is the amount of money that is agreed upon as the
21 threshold amount in the Collaborative. So, it is
22 our understanding that all three items would be
23 discussed in the Collaborative.

24 As regarding your second question, we
25 would view the report as a compliance filing that

1 would not require SAPA notification. If not all
2 parties agreed with where on the bill this
3 information would be placed or the size of the
4 font or something like that, the Commission could
5 -- there could be a process to consider that
6 dispute. But we wouldn't view this filing as
7 requiring SAPA.

8 ALJ STEGEMOELLER: Thank you. Are there
9 any other comments on that?

10 MR. FOGEL: Do you want to hear me or
11 from Staff and the Company as to what they
12 envision as the process. I don't know if I agree
13 or disagree with what Saul just said.

14 ALJ STEGEMOELLER: I'm sorry. Say that
15 again.

16 MR. FOGEL: I don't know if I agree or
17 disagree with what Saul just said, but I didn't
18 want to jump ahead until the Company and Staff
19 indicated how that they view the process here.

20 ALJ AGRESTA: When are you going to know
21 whether you agree or disagree?

22 MR. FOGEL: Well, let me give you my
23 spiel and then you folks can tell me. In terms of
24 what was in the settlement agreement and what the
25 parties have agreed to, I think I am in accord

1 with what Cathy and Jane just said; that is, there
2 is agreement that there will be a bill calculator.
3 The rest of the items that were discussed in the
4 testimony of Staff and the rebuttal testimony of
5 the Company would be covered in this
6 Collaborative. That is, they would be discussed,
7 because the settlement agreement makes reference
8 to the term "other materials," including possibly
9 stuff that would include non-ESCO customers.
10 Those would be discussed. There is no prior
11 agreement that I or anybody else has to agree to
12 those particular items.

13 In addition, I do agree with Jane that
14 the \$298,000 covers items besides the bill
15 calculator. I have no problem with that. And, as
16 I understood it, the Collaborative will meet. I
17 believe that the first meeting has already been
18 scheduled. The result of that will be a report
19 that goes to the Commission. I don't know if that
20 is a compliance filing. There will be a report to
21 describe what the outcome of that Collaborative
22 may be. The Collaborative may reach consensus; it
23 may not reach consensus. The people will agree or
24 disagree, and that report either by inclusion of
25 the disagreement in the report or other parties,

1 that will then go to the Commission. That is my
2 understanding of both what we have agreed to and
3 what the process is.

4 ALJ STEGEMOELLER: Thank you. Can we
5 hear from --

6 ALJ AGRESTA: I didn't hear a
7 disagreement between Saul and the description that
8 Cathy gave; is that correct, Cathy?

9 MS. NESSER: I didn't hear disagreement.

10 ALJ AGRESTA: All right. We will have
11 to reconcile this.

12 MR. RIEDER: Your Honor, do you want
13 Staff's counsel's opinion on the process?

14 ALJ STEGEMOELLER: If you have anything
15 to add.

16 MS. CICERANI: No. I'm pretty much in
17 agreement. Obviously, if there is disagreement at
18 the end of the Collaborative, there needs to be
19 further process so those parties have the
20 opportunity to say something. But I don't believe
21 that is inconsistent with what has been said here.

22 ALJ STEGEMOELLER: Thank you. Before we
23 leave this issue, I have a question that is
24 probably most pertinent to Mr. Fogel but could
25 apply to anybody. We anticipate significant

1 Commissioner interest in this. And, one possible
2 question might be: Well, why can't we just order
3 that this information be included in bills and to
4 the payment-troubled customers regardless of what
5 the Joint Proposal says. I wouldn't rule out that
6 possibility as far as Commissioner questions or
7 what they might want to do. So, given that as a
8 possibility, I would like to give the opportunity
9 to the parties to address that either right now or
10 in a follow-up written submission.

11 So, Mr. Fogel, you are going to be
12 leaving us and Mr. Rigberg is going to be leaving
13 us as soon as we are done with this issue. We
14 will talk more generally at the end of this
15 hearing about what follow-up written briefing
16 might be needed, but I want to cover this one now.
17 Do you think that there is any -- would you like
18 an opportunity to respond to that possibility and
19 present arguments for why or why not the
20 Commission ought to, on its own motion, go ahead
21 and require those measures?

22 MR. FOGEL: The only thing I have a
23 problem with, Your Honor, my understanding is what
24 happened to the joint settlement. Theoretically,
25 this concern of yours could be with respect to

1 myriads of issues in the settlement agreement,
2 ESCO-related stuff that shouldn't be viewed as the
3 tail wagging the dog. There are a lot of big
4 issues in this case. But, theoretically, the
5 Commission may decide to go a different way. And
6 the question would become, well -- I guess where
7 I'm confused, isn't that necessarily in the nature
8 of going through a settlement in that there is
9 disagreement or lack of agreement on any
10 particular issue. It doesn't have to be mine.
11 And the parties say: Here's the way we are going
12 to resolve it, through a settlement process. So,
13 we are not precluding the Commission from doing
14 something subsequently. As I see it, it's indeed
15 a Collaborative that has to be done in short
16 order. There will be a report to the Commission
17 and the Commission is, obviously, free to do what
18 it wants. So, I don't know at this time, besides
19 laying out the whole substantive case which I
20 think is what we looked at in the Collaborative,
21 to say, well, you know, Commission, if you want to
22 do something else, here's reasons why you
23 shouldn't do it and here's why the settlement
24 makes sense. That's why I am a little bit
25 confused and maybe just a little bit ambivalent.

1 ALJ AGRESTA: Mr. Fogel, are you saying
2 that you are opposed to printing the information
3 on the bills or printing the information on
4 terminations and defaults? Couldn't the
5 Collaborative just be a way to figure out how to
6 do that as opposed to --

7 MR. FOGEL: I have serious substance
8 problems with including this stuff on the monthly
9 bill.

10 ALJ AGRESTA: Then, I think we want to
11 give you an opportunity, in case the Commissioners
12 want to move ahead, to be heard.

13 ALJ STEGEMOELLER: Right. There is no
14 testimony in the record or no exhibit in the
15 record that counters the arguments put forward by
16 UIU and adopted -- agreed to by Staff and the
17 Company.

18 MR. FOGEL: I just put something out in
19 the form of a letter or supplement, or whatever
20 we can decide. But, then, I'm sure other people
21 who disagree with me are going to want to respond.
22 Then, I'm going to have it litigated with the
23 Commission when I thought I had a settlement
24 agreement. I don't think that's fair.

25 ALJ STEGEMOELLER: It's the nature of

1 our process. We don't hand the Commission a fait
2 accompli. The Commission wants to have some
3 input. And, where we as ALJs anticipate an issue
4 that we think the Commission is going to be
5 concerned about, we want to develop as full a
6 record as we can. We don't want to go to the
7 Commission and say: You can't do that because we
8 don't have a record for it. That's why I want to
9 give you the opportunity to address this issue if
10 you choose to.

11 MR. FOGEL: I'm just making some
12 comments, Your Honor. I'm perfectly comfortable
13 doing that, but it just seems that all I'm going
14 to start up now is a briefing schedule and, pardon
15 the expression, stub my own foot because, who
16 knows, I mean I have a Collaborative. I thought
17 that was appropriate for the Collaborative.
18 That's why I am very confused. I can submit
19 comments. I can have them to you in twenty-four
20 hours.

21 ALJ STEGEMOELLER: Great. We can give
22 you a lot more than twenty-four hours, but we will
23 decide at the end of the hearing what sort of
24 schedule we will put forth. I'm sure at least
25 seven days will be available, and I don't

1 anticipate that we would be entertaining replies.
2 So, why don't we follow up with an e-mail after
3 the hearing.

4 MR. FOGEL: Okay. Just one more thing,
5 Your Honor. If you wants something from me -- and
6 I understand you like to see my brilliant writing
7 all the time -- it will be in the form of a letter
8 like I did the Statement of Cause. Will that be
9 sufficient?

10 ALJ STEGEMOELLER: Yes. This would be
11 in the nature of argument.

12 MR. FOGEL: Okay, fine. Brilliant
13 argument.

14 ALJ STEGEMOELLER: I always anticipate
15 brilliant argument from you.

16 Does anyone have anything else to add on
17 this issue before we move on?

18 (No response noted)

19 ALJ STEGEMOELLER: Okay. Thank you, Mr.
20 Fogel. I think we are done with that issue. So
21 if you are finished with us, then we will
22 disconnect the phone.

23 MR. FOGEL: I'm done, Your Honors.
24 Again, thank you very much for accommodating my
25 position.

1 ALJ STEGEMOELLER: You're very welcome.
2 We will send an e-mail around after the hearing
3 about dates for paper.

4 MR. FOGEL: Bye-bye.

5 (Mr. Fogel and Mr Rigberg exited the
6 hearing)

7 ALJ STEGEMOELLER: Let's go off the
8 record for a second.

9 (A discussion was held off the record.
10 Time noted: 10:15 a.m.)

11 ALJ STEGEMOELLER: We are back on the
12 record.

13 ALJ AGRESTA: Do the panelists have the
14 questions that the ALJs posed in writing a few
15 days ago before them?

16 (Affirmative response)

17 ALJ AGRESTA: Okay. We are going to
18 talk about an issue that we've called stay-out
19 premium. There is a table that I prepared to try
20 to illustrate how the clawback provision would be
21 applied, and I prepared the table based on the
22 simple language that was in the Joint Proposal.
23 So, I would like first for the parties to address
24 whether this table accurately illustrates how the
25 provision would be applied.

1 MR. MOLLOY: I think the table actually
2 works the way the provision is written. I think
3 the first column is probably right. After that,
4 it goes astray. But we did produce something very
5 similar to what we had in the Gas Joint Proposal
6 when it was an exhibit there that we can hand out
7 and show you how we envision it and calculate it.

8 ALJ AGRESTA: I guess it would be easier
9 if before people answered they could just give
10 their name.

11 MS. GERBSCH: Denise Gerbsch, Staff.
12 The intent of the provision for the stay-out
13 premium that you are referring to was to be more
14 in line with the previous gas case, Case
15 08-G-0609, and the provision that was in there.
16 And, the example that is on the sheet of paper
17 that we are handing out portrays what the intent
18 of this provision was.

19 MS. SWEET-ZAVAGLIA: May I approach?

20 ALJ AGRESTA: Please.

21 (Distribution of document marked as
22 Exhibit 464 for identification)

23 ALJ STEGEMOELLER: Can you send this to
24 us electronically when we are finished here so
25 that we can add this to our exhibits?

1 MS. SWEET-ZAVAGLIA: Yes.

2 ALJ AGRESTA: I have marked the document
3 that we have been handed, which is a one-page
4 document marked as Exhibit 464 for identification.
5 Is someone going to take us through this?

6 MR. MOLLOY: Yes, I can. Basically, we
7 did two examples, one assuming that the company
8 files for rates to go into effect in October of
9 2014. And, that would be basically one year plus
10 another six months. And, so, for the first year
11 we would get back all of the premiums, the \$10.1
12 million for electric and \$2.7 million for the gas.
13 And, then, we would give six months worth of
14 credit for the period between April 1st and
15 September 2014.

16 The second example is the exact same,
17 except now, it goes out one more year, so it's 2.5
18 years. And, we would get back the premium for the
19 first year, the second year, and six months of the
20 third year.

21 ALJ AGRESTA: All right. So, maybe you
22 can help me through this, then. In your first
23 example you are talking about a length of rate
24 plan that is one and a half years; is that right?

25 MR. MOLLOY: That is correct.

1 ALJ AGRESTA: And, the customers would
2 have at that point paid in rates on the electric
3 side \$15.15 million?

4 MR. MOLLOY: 15.092, and we would be
5 returning that as a credit.

6 ALJ AGRESTA: Okay. How do you get
7 .092?

8 MR. MOLLOY: Because of the weighting of
9 the months. The revenues come in differently, so
10 it's not a fifty/fifty.

11 ALJ AGRESTA: Okay. And, then, the
12 refund in this instance would be how much,
13 electric only?

14 MR. MOLLOY: Electric would be
15 \$15,092,000.

16 ALJ AGRESTA: So, the net customer cost
17 would be zero?

18 MR. MOLLOY: Yes.

19 ALJ AGRESTA: And, the Company cost
20 would be zero, so this seems to line up with the
21 table that I handed out; right?

22 MS. GERBSCH: No, I don't think so, Your
23 Honor.

24 ALJ AGRESTA: What is different? Other
25 than the 15.15 and the 15.09?

1 MS. GERBSCH: As we understood your
2 question as it was provided is that it worked in
3 the inverse.

4 MR. MOLLOY: A good example would be the
5 two and a half year, at 2.5 years which is example
6 two, the company -- the customers have paid in the
7 \$27 million and we pay them back \$27 million. In
8 your chart here, it doesn't look that way.

9 ALJ AGRESTA: Yes, correct, because in
10 my chart you would only be paying them back five
11 million dollars.

12 MS. GERBSCH: Right. And that was not
13 the intent. The intent was that if the Company
14 came in within the three years, they would have to
15 pay back to the customers the entire amount of the
16 stay-out premium that they were given in the
17 rates.

18 ALJ AGRESTA: Okay. Could somebody
19 hazard, then, a restatement of the sentence that
20 is in the Joint Proposal to capture what was
21 intended?

22 MS. GERBSCH: We went back and looked at
23 the previous gas case, and the language in there
24 is probably more representative of what we would
25 need to put in here. I don't have that with me

1 right now.

2 ALJ AGRESTA: I did look at that, and I
3 think that language does clearly state what you
4 are now saying is your intent in this Joint
5 Proposal.

6 MS. GERBSCH: Right.

7 ALJ AGRESTA: So, I would like you to
8 hazard a chance at that language. But is the
9 intent, basically, that all monies that had been
10 paid just get refunded?

11 MR. MOLLOY: Yes.

12 MS. GERBSCH: Yes.

13 ALJ AGRESTA: So, it doesn't matter
14 when. Whatever has been paid to date gets
15 refunded at that time?

16 MS. GERBSCH: That's correct.

17 ALJ STEGEMOELLER: Other than this
18 clawback mechanism, are there any constraints in
19 the Joint Proposal against the company filing
20 early? I shouldn't say early. I should say
21 filing for rates that would take effect before the
22 end of Rate Year 3.

23 MR. MOLLOY: There is no other
24 provision.

25 ALJ STEGEMOELLER: I guess my question,

1 then, is in how we are characterizing this. I
2 will just read the question I gave you before.
3 "Would it be accurate to call the premium an
4 inducement to stay out rather than compensation
5 for risk"?

6 MR. MOLLOY: I'm not sure I see a
7 difference between those two statements. It seems
8 to be the same thing to me.

9 MS. GERBSCH: I believe Staff would
10 agree with that. We think it's both.

11 ALJ STEGEMOELLER: Well, my
12 understanding is that -- a commitment to stay out
13 entails a certain amount of risk that there will
14 be a rate fluctuation in interest rates or some
15 other change in circumstances that would otherwise
16 induce the Company to come in for rates but it
17 can't, and that risk is rewarded with a risk
18 premium which is part of a stay-out agreement.
19 And, in this situation, the Company doesn't bear
20 those risks because if the circumstances change,
21 the Company can simply come back in and simply
22 return the premium. So, it is --

23 ALJ AGRESTA: Presumably, when they
24 return the premium, they will get an even higher
25 amount back when the rates are reset, which is why

1 there is no risk.

2 MS. GERBSCH: Well, there isn't a
3 provision in there detailing the circumstances
4 under which they could come back in. I believe it
5 is Staff's expectation that they would not come
6 back in unless there were some dire financial
7 circumstance.

8 MR. MOLLOY: I think I would agree with
9 the Company's perspective on this. It wouldn't be
10 worth it. It's too much risk in a rate case
11 generally to try to get a couple of basis points
12 here and there. It has to be something big.

13 ALJ AGRESTA: Who would define "dire
14 circumstance"? Would it be defined by the Company
15 who makes the decision?

16 MR. MOLLOY: I would guess the Company
17 would make the filing, obviously.

18 MS. GERBSCH: I would just like to make
19 one other point. In the last gas case in which
20 the same provision was in there, the Company -- I
21 don't have the exact returns with me. But they
22 were significantly under-earning from where they
23 are allowed. It was in between five and six
24 percent in some years. And, they didn't come back
25 in at that point while they certainly had the

1 availabilities to do that.

2 ALJ AGRESTA: If they had come in at
3 that point, do you think they would have been
4 given a higher rate allowance than they currently
5 had?

6 MS. GERBSCH: I don't know. We would
7 have had to analyze the filing that they
8 presented.

9 ALJ AGRESTA: Were interest rates
10 dropping during that period?

11 MR. RIEDER: Your Honor, that would be
12 one aspect of the entire filing, but other aspects
13 other than interest rates would be looked at as
14 well.

15 ALJ AGRESTA: But interest rates were
16 dropping during that period?

17 MS. GERBSCH: I believe interest rates
18 were going down, yes.

19 ALJ AGRESTA: All right. Mr. Molloy,
20 did we get the language?

21 MR. MOLLOY: I'm sorry. I didn't find
22 it yet, no.

23 MS. CICERANI: Your Honor, you might
24 want to move on to another one. We are going to
25 get the gas Joint Proposal so we get the exact

1 language you are talking about. Or you might want
2 to take a break; I don't know.

3 ALJ STEGEMOELLER: Let's move on to
4 another issue, and we can get that language in
5 when it comes.

6 The next thing we would like to talk
7 about are major storm issues. For those of you
8 who might not have seen it, the Governor's
9 Moreland Act Commission filed an interim report at
10 the end of the day yesterday. One of the
11 Governor's other commissions, the NYS-2100, there
12 was a draft report which has not been formally
13 released but has been reported in the press. This
14 is an issue that is certain to get a fair amount
15 of Commissioner interest. So, we have a number of
16 questions we would like to ask.

17 The first one is: To what extent can
18 items that are currently in the electric
19 infrastructure plan that is being adopted here, to
20 what extent can those items be called storm
21 hardening initiatives, or whatever words you want
22 to use?

23 MR. CHIECO: Allen Chieco, National
24 Grid. There is actually a great deal in the Joint
25 Proposal and in the work plan in regards to storm

1 resiliency, hardening. I think it starts with our
2 -- actually the State's inspection and maintenance
3 program providing value to ensure that we are
4 looking at our operations on a five-year basis and
5 doing corrections to the facilities accordingly
6 based on the visual inspections. We have a very
7 strong tree trimming program in the plan that we
8 stay on approximately -- I think it's a
9 five-and-a-half year cycle. And, obviously,
10 trimming is a major part of any other major storm
11 event. We believe that is an excellent cycle.

12 In the plan also is side-tap fusing,
13 which would limit interruptions to customers, so
14 that instead of large numbers of customers being
15 interrupted, the more tap fusing we do would
16 reduce the number of customers potentially
17 interrupted by an outage.

18 ALJ STEGEMOELLER: Is that a new
19 initiative or an increase in the application of
20 side-tap fusing?

21 MR. CHIECO: Increasing the application.
22 Additionally, in the plan are numerous rebuilds of
23 whether it would be our transmission or
24 sub-transmission or distribution facilities. Any
25 time that you can do a rebuild you are

1 strengthening your system. We have been
2 discussing with Public Service Staff other
3 opportunities in regards to storm hardening, and
4 we will be doing some work out of this plan in
5 regards to three specific feeders in areas that
6 have historically not performed well in storm
7 events and working on mechanisms to work on those.

8 We annually do a worst feeder review on
9 our worst performing feeders and look for
10 corrections to resolve all of these issues and
11 find better service.

12 One of the items from Hurricane Irene
13 that we continue to work on is flood-prone
14 substation areas. We try to make sure that when
15 we do any design work in the substation for any
16 type of rebuild or work in a substation that in
17 flood-prone areas we look at mitigation to help
18 remedy a situation that we may be in there.

19 One of the last things I would like to
20 mention is in this plan, there is a lot of -- or
21 several new transformer banks for distribution
22 customers. And, I think what really provides is
23 if an area does become affected by a storm it
24 provides an opportunity to do more switching to
25 try to restore more customers because we will have

1 the capacity to do so.

2 ALJ STEGEMOELLER: Thank you. It seems
3 -- it is certainly possible in the wake of Sandy,
4 and the various commissions that are reporting,
5 that it's certainly possible that within the time
6 frame of this rate plan there could be some new,
7 major initiatives, infrastructure initiatives
8 either at the order of the Commission or possibly
9 at the initiative of the Company in response to
10 the Governor's commissions, or -- there is no
11 point in speculating about exactly what form these
12 initiatives might take. But the question is: Is
13 this rate plan equipped to handle -- equipped to
14 address the cost to the Company of potential major
15 initiatives that might occur within the next three
16 years? I mean there would be planning, obviously,
17 and potentially capital investments, or O&M. How
18 does this Joint Proposal handle a situation like
19 that?

20 MR. MOLLOY: I see the Joint Proposal
21 handling it in several different ways. I think
22 first, the capital plan has the ability to walk in
23 and out of projects. So that to the extent that
24 within our current budget we can handle it and
25 move things in and out of the capital plan. If

1 that's not possible, we think there is a provision
2 on regulatory legislative changes that will permit
3 deferral for the particular changes. And,
4 finally, I think that in any other particular
5 order associated with maybe new storm costs it
6 could be addressed in that particular docket as
7 well.

8 ALJ AGRESTA: Where is the regulatory
9 language?

10 MR. RIEDER: It's Appendix 7, page two
11 of 19 Section 1.2.2.

12 ALJ AGRESTA: Does it include Commission
13 initiatives?

14 MS. GERBSCH: Yes, it does.

15 MR. RIEDER: Instead of legislative or
16 regulatory.

17 ALJ AGRESTA: By "regulatory" it doesn't
18 mean hard rules, if counsel wants to address that?

19 MR. LeCAKES: From Staff's perspective,
20 it could refer to orders, commission initiatives
21 sponsored through orders or directives to
22 companies, not just hard rules.

23 ALJ STEGEMOELLER: I'm just wondering
24 whether the \$8.8 million we call that a cushion
25 margin -- no, it's not a margin -- might create a

1 deterrent to the company supposing -- we are in
2 hypothetical land here, which is not a good place,
3 not where we want to be asking questions if we can
4 help it. But I don't want to get into a situation
5 where the Commission wants to do something and the
6 answer is: Well, the Joint Proposal is going to
7 get in the way of that. You know, if the
8 Commission orders companies to devise a plan for
9 upgrading, more aggressive storm hardening --
10 whatever it might be called -- and the Company,
11 you know, can devise a plan within the context of
12 this rate plan and use walk-in walk-out or other
13 changes. But if a company -- if this plan were to
14 entail a lot of expense beyond what is in the rate
15 plan, then you would have the \$8.8 million per
16 year. Is that something that would create a
17 deterrent to the Company to put forward an
18 aggressive plan?

19 MR. CHIECO: I think the Company is
20 committed to providing proper storm response to
21 the New York State customers. And I believe the
22 Joint Proposal provides us with the ability to
23 manage through prioritization changing our
24 priorities accordingly based on the state's
25 guidance. So, I believe that we would be all for

1 enhancing our service. Specifically, you know, I
2 think staff has already had some discussions with
3 us in regards to the types of things that we could
4 do to storm harden and to enhance our system. To
5 date, all of the discussions have been very good.
6 And I also believe that there is recognition that
7 there are certain things that are going to make
8 sense and certain things would not be adding as
9 much value. So, based on the discussions we have
10 had to date with staff, my belief is that the work
11 would be appropriate and that the Company would
12 move forward with that work accordingly. And,
13 most likely, we would be able to move some things
14 around to enhance it. So, if it was an extreme
15 amount of money, I think that would change things.
16 But I think we are in favor of providing an
17 enhanced storm response and resiliency.

18 MR. RIEDER: So, from Staff's
19 perspective, if the Company moves things around
20 within their capital budget, they could do so and
21 the \$8.8 million wouldn't be a deterrent for them
22 because they could do that. As Mr. Chieco said,
23 if the costs were more than \$8.8 million or
24 substantial, then the provision in the Joint
25 Proposal would apply. So, as far as Staff's

1 perspective, is that there is no deterrent from
2 the Joint Proposal for them to do any kind of
3 storm hard hardening that may come down.

4 ALJ AGRESTA: You are saying that the \$8
5 million is not big enough to be a deterrent?

6 MR. RIEDER: That's right.

7 ALJ AGRESTA: Thank you.

8 ALJ STEGEMOELLER: The SAIFI and CAIDI
9 do not apply to major storm events, as I read it;
10 correct? Is there any performance metric that
11 applies to major storm recovery?

12 MR. CHIECO: No, there is no metric that
13 applies to major storm recovery.

14 MR. RIEDER: Your Honor, as you are
15 aware, what has happened typically prior to Sandy,
16 any type of storm restoration, that is, from a
17 major storm, Staff has investigated and submits a
18 report to the Commission regarding the utilities'
19 performance during the restoration.

20 ALJ STEGEMOELLER: Okay. Again, I don't
21 know how many of you have had a chance to look at
22 the Moreland Act report that was issued at the end
23 of the day yesterday. But, one of its
24 recommendations is that the Commission take a more
25 enforcement-oriented approach to major storm

1 performance by the companies including higher
2 penalties. And, again, we don't want to get too
3 speculative about what form a new initiative might
4 take. If that interim recommendation holds, and
5 if the Commission were to follow up on it and take
6 a more, let's say, aggressive approach to -- I
7 should say take a penalty-oriented approach to a
8 company's performance in preparing for and
9 recovering from storms, that would, I think, add a
10 significant level of risk to the company. And I
11 guess my question is: How would this Joint
12 Proposal accommodate a development like that, if
13 at all? If you want to take a couple of minutes
14 -- yes, let's go off the record.

15 (A discussion was held off the record.

16 Time noted 10:45 a.m.)

17 MS. NESSER: The simple response is that
18 it does not increase penalty authority as
19 demonstrated in the Moreland Commission's interim
20 report, nor does it cause any other potential
21 finding of the Moreland Commission. And this is
22 an example of an extraordinary event that, if it
23 came to pass, where the Company may have no choice
24 but to go in and file another rate case to recover
25 its prospective costs and forfeit the premium.

1 ALJ STEGEMOELLER: Does staff have
2 anything to add to that?

3 MR. LECAKES: I would like some
4 clarification as to what the judges are looking
5 for. Are you looking for the initiatives that the
6 Company would undertake on its own or legislative
7 regulatory mandated changes, because I think those
8 are covered in a couple of different ways.

9 ALJ STEGEMOELLER: I guess what we are
10 looking for is, again, we are trying to anticipate
11 something that the Commission might do during the
12 course of this rate plan and wondering whether the
13 existence of this rate plan would either inhibit
14 the Commission from taking an action like that --
15 you know, ordering some new storm response penalty
16 regime -- or whether the Commission in ordering
17 that, is going to disrupt the rate plan in some
18 way. And is there a mechanism in the rate plan to
19 accommodate that or, if not, what would happen.
20 As Ms. Nesser said, well, if it's dramatic enough
21 it might provoke the Company to come back in.

22 MR. LECAKES: As far as Staff's
23 perspective, there are a number of clauses that
24 are put into these agreements that are often
25 considered boiler plates that are overlooked and

1 not really given much weight but exist for a
2 reason. Clause 13.8 specifically recognizes the
3 Commission's authority where at the end of the
4 paragraph it says, "Nothing in this Joint Proposal
5 will be construed to limit the Commission's
6 authority to address the Company's customer
7 service, reliability, and/or safety measures in
8 accordance with the Public Service Law." The
9 Commission has a mandate to make sure that the
10 utilities provide safe and adequate service. To
11 the extent that the Moreland Commission or any
12 other outside body believes the Commission should
13 take more action with regard to storm restoration
14 efforts, the Commission does have that right under
15 its State law mandate as well as through the
16 provision of 13.8 to enact those changes. To the
17 extent that such changes require the Company to
18 look at its circumstances financially and
19 otherwise and make a weighted decision about
20 whether it should pay back the penalty for filing
21 rates early, I mean that's something that the
22 Company has to make, knowing full well the effect
23 of that financial provision about paying back the
24 clawback for the stay-out premium as well as any
25 other intangible results that filing early might

1 have, you know, in regard to its relationship with
2 the regulators and the position that those people
3 that will have to judge the filing might take
4 having an agreement in place. In other words,
5 there should be conversations that will take place
6 between the Company and Staff as to what the
7 initiatives are that are coming out of the
8 Commission, such that -- I'm sure that there will
9 be some sort of agreement that if it's that large
10 of a burden on the Company, it won't be a surprise
11 to anyone that the Company would have to forego
12 its stay-out premium to refile early.

13 ALJ AGRESTA: So, what I am hearing is
14 nobody in this room is saying that the Commission
15 couldn't go forward with its initiatives; just
16 that there might be questions in terms of the
17 Company being allowed to refile for a different
18 level of rate.

19 MR. LECAKES: I would say that is a fair
20 characterization.

21 ALJ AGRESTA: Does the Company agree
22 with that, too?

23 MS. NESSER: I do. I don't think
24 anybody here is inhibiting the Commission from
25 doing what it thinks is the right thing to do.

1 And, the Company would have to take whatever steps
2 it needed to take.

3 ALJ STEGEMOELLER: Just to clarify, I am
4 less concerned with inhibiting the Commission than
5 I am with going ahead with a rate plan that we
6 reasonably anticipate might be massively disrupted
7 by things that are unfolding as we speak. So, I'm
8 satisfied with your answers.

9 Does anybody have anything to add to
10 that?

11 (No response)

12 ALJ STEGEMOELLER: Okay, let's move on.

13 The gas conversion program, is there an
14 analysis of the potential demand beyond the
15 available resource of the one million dollar cap?
16 What I'm getting at here is: What is the
17 practical impact of the one million dollar cap?
18 Do you have an estimate?

19 MR. RIEDER: As we provided in response
20 to ALJ 29, it is very difficult to estimate the
21 number of customers who are actually going to
22 participate in the conversion program until the
23 details of that program have been finalized. As
24 provided in our response to 29, we provided a
25 range of 800 to 1,000 customers that could

1 benefit. And, that was derived assuming
2 alleviating or discount to those customers of
3 \$1,000 to \$1,250. Now, put that in perspective of
4 fiscal year 2012, the Company ran approximately
5 3,000 new services and conversions. So, if you
6 just assume that 1,000 customers are going to
7 participate, they have 3,000 new services.
8 Assuming all of those are oil, and with the oil to
9 gas you add about a third of those customers.

10 Again, the details are very high level.
11 The details of the program right now are at a very
12 high level, in the initial stages. We expect over
13 the next several months the Staff, the Company and
14 the parties to work together to develop a
15 comprehensive oil and gas conversion program that
16 is targeted at the most number as possible and
17 still provide a benefit to most of those customers
18 who switch from oil to gas.

19 ALJ STEGEMOELLER: Thank you. I think
20 we can move on.

21 Service company costs, I think my
22 question is mostly for Staff. It seems that most
23 of the concerns that were so prevalent in the last
24 case have been resolved to Staff's satisfaction or
25 many of the concerns; is that correct?

1 MS. GERBSCH: That's correct.

2 ALJ STEGEMOELLER: It also seems that
3 most of the unresolved concerns are being
4 addressed going forward in the Joint Proposal. Am
5 I correct about that?

6 MS. GERBSCH: Yes, that's correct.

7 ALJ STEGEMOELLER: So, my question
8 really is, going forward, particularly the
9 analysis of the SAP, comparing the previous
10 allocation with it and development of the external
11 cost comparisons, can you talk a little bit about
12 your perception of the risk that those processes
13 might end up showing significant levels of
14 improper costs?

15 MS. GERBSCH: Is your question: What
16 recourse is there after they do their analyses?

17 ALJ STEGEMOELLER: Well, no, because I'm
18 assuming, based on my reading of the Joint
19 Proposal, there would be no retroactive recourse.

20 MR. SCHULER: Richard Schuler. We don't
21 have any up-front expectation that there would be
22 a large likelihood that the SAP investigations
23 would uncover an average. But the agreement is
24 set up such that we can get the data and
25 investigate that and, up front, be ahead of

1 schedule for the next rate case. But, given that
2 there is no a priori expectation of cost overruns
3 --

4 MS. GERBSCH: I think he's talking --
5 you are talking prospectively?

6 MR. SCHULER: Yes.

7 MS. GERBSCH: I think that there are
8 other alternatives to dealing with any improper
9 costs that show up through these analyses
10 throughout for the term of the rate plan, for the
11 years covered by the rate plan. The first is if
12 we find that there are improper costs, the
13 earnings sharing -- the earnings report would be
14 adjusted. It could be adjusted through there.
15 And, I think it is Staff's perspective that if
16 there is something substantial that comes out of
17 these analyses, we could always make
18 recommendations to the Commission to address those
19 substantial improper costs. We did something
20 similar in the DePrill case back in 2006 where we
21 went through a single proceeding to deal with
22 deferral differences that we had with the Company
23 and a similar type proceeding could be undertaken
24 if that is what Staff recommended and the
25 Commission wanted to go that route.

1 There is also a dispute resolution
2 clause in the Joint Proposal that if the company
3 does not agree with something that we recommended,
4 we could go through dispute resolution first.

5 ALJ STEGEMOELLER: Thank you. These
6 questions come up and we have an unusual context
7 here, a continuation from the last case where the
8 Commission actually stated in the Order that it
9 really didn't want to see another rate case before
10 all of these accounting and allocation issues had
11 been resolved. Again, as I read your initial
12 testimony and as I read the Joint Proposal, it
13 does seem that staff in its professional judgment
14 is satisfied to a large extent that the Company
15 has really addressed most of the issues that came
16 up in the last case. But there are the lingering
17 concerns and they are also being addressed going
18 forward. So, I guess my question really is, to
19 the extent your perception of the risk that those
20 lingering concerns will turn out to be bigger than
21 -- big enough to be substantial in the context of
22 the Joint Proposal, that your professional
23 judgment is that there is a very small risk of
24 that. And, is that based on a specific quantified
25 analysis or is it based more on a more general

1 sense of having gone through this whole review
2 process yet again with the Company?

3 MS. GERBSCH: We have not done a
4 specific analysis. I would say it's probably the
5 latter. We did a review of the Company's filing.
6 They did put in an adjustment for the new
7 allocation factors that would be put into place
8 with their new SAP system. We reviewed that, and
9 at this point we are comfortable. We believe that
10 what has been forecasted is reasonable. But at
11 the same time, we need that analysis done once we
12 have one year's worth of actual data with their
13 new system.

14 ALJ STEGEMOELLER: Thank you. I am
15 looking to see if anyone has anything to add to
16 that but no one is raising their hand.

17 MS. GERBSCH: One other thing I would
18 like to point out is that the earnings sharing in
19 this case, sharing starts from dollar one. If
20 they go over their allowed return of point. That,
21 in itself, protects customers for any -- I don't
22 want to say substantial improper costs -- but the
23 differences in forecasted service company costs
24 versus what actually results.

25 ALJ STEGEMOELLER: Thank you. My last

1 question on this topic involves the economies of
2 scale issue which, as I read the Joint Proposal,
3 it's not on the table. And I understand that
4 much. I guess what I would like staff to clarify,
5 does that reflect an agreement with the Company
6 that this is not a significant issue or is no
7 longer a significant concern, or does it simply
8 represent an agreement that was negotiated that
9 you will not pursue it any further in this case?
10 In other words, did it just come off the table, or
11 did you agree that this is an issue that we don't
12 have any more concerns about?

13 MS. GERBSCH: We don't have --

14 ALJ STEGEMOELLER: Let me interrupt
15 because I'm seeing a furrowed brow back at the
16 counsel's table here. It's really a question of
17 -- what is the nature of the agreement in the
18 Joint Proposal? Is it an agreement that economies
19 of scale is not a significant issue, or is it
20 simply that this issue does not appear in the
21 Joint Proposal because of whatever happened at the
22 negotiating table?

23 MR. LECAKES: The agreement that was
24 reached weighed a lot of factors. How causal we
25 could make our evaluation of certain elements, and

1 economies of scale, without giving away
2 discussions that took place confidentially and
3 settlement negotiations, at least from Staff's
4 evaluation, economies of scale was a difficult
5 topic for us to quantify and to apply a concrete
6 measure to. And, therefore, we made a decision on
7 our own not to pursue it as aggressively in
8 negotiations as we did some of the other topics
9 with which we have had issues with the Company in
10 the past.

11 ALJ STEGEMOELLER: Okay, thanks. I
12 think you managed to answer without getting too
13 close to divulging the contents of negotiations.
14 I appreciate that. Does anybody have anything to
15 add to that?

16 MS. GERBSCH: Yes. I believe in our
17 Statement of Support we did address -- we stated
18 that we still have some reservations regarding
19 this issue, but there are provisions in the Joint
20 Proposal that have mitigated our concerns at this
21 point and that we are satisfied with that for the
22 time being.

23 ALJ STEGEMOELLER: Thank you. Okay.

24 ALJ AGRESTA: Do we have the language
25 from the Gas Joint Proposal?

1 MR. LECAKES: Yes, we do, Your Honor.
2 Denise Gerbsch has something.

3 MS. GERBSCH: This would be Staff's
4 recommendation; I'm not sure if the Company will
5 agree. And, it's in regard to Section 12.11 of
6 the Joint Proposal filing for new base delivery
7 rates during the term of the rate plan. It might
8 be more clear if it would read such that it
9 states: "If the Company seeks to establish new
10 rates to go into effect prior to April 1, 2016,
11 the Company will be required to defer for the
12 benefit of customers \$10.1 million annually and/or
13 \$2.7 million annually for the electric and gas
14 businesses respectively prorated to represent the
15 amount that has been recovered by the Company up
16 to the time new rates go into effect."

17 MR. MOLLOY: Not to compete -- I was
18 with you up until the last sentence. I was
19 thinking of putting a period after "respective"
20 and saying: "The amounts will be calculated from
21 the start date of the rate plan to the date new
22 rates go into effect," to be a little bit more
23 specific.

24 ALJ AGRESTA: Do you have any objections
25 to that?

1 MS. GERBSCH: This does not surprise me.
2 Okay.

3 ALJ STEGEMOELLER: Let's go off the
4 record for a second.

5 (A discussion was held off the record.
6 Time noted 11:06 a.m.)

7 ALJ STEGEMOELLER: We are back on the
8 record. Mr. Molloy, do you want to clarify it for
9 us, please.

10 MR. MOLLOY: Yes. For 12.11 we are
11 changing after the word "respective" we will put a
12 period and have the new words: "The amounts will
13 be calculated from the start date of the rate plan
14 to the date new rates go into effect, as shown in"
15 --

16 MR. RIEDER: "Exhibit 464."

17 ALJ STEGEMOELLER: Thank you. We can
18 move on. The next topic is the disposition of the
19 deferral credits. The responses that we got in
20 the statements indicate an acceptance of any
21 schedule that utilizes the same overall level of
22 deferral credits. Why is the overall level of
23 credits used important?

24 MR. MOLLOY: I would say it's twofold.
25 One is that, remember, these are forecasts so they

1 are not necessarily exact numbers, so there could
2 be some fluctuations. And we wanted to leave a
3 little cushion in case the forecasts weren't
4 perfect. A good example might be repair costs
5 where we have a deferral on the books that could
6 reverse if the tax -- IRS changes their
7 interpretations on how provisions rule. So, it
8 gives us a little cushion there. And, I believe
9 it also allows for at the end of the plan to maybe
10 be in a position where we are not increasing rates
11 for deferrals as well as base rates. It's a
12 little bit more rate stability.

13 MS. GERBSCH: I think, also, we want
14 rates at the end of the third rate year to be
15 reflective of the actual cost of service. And, if
16 there were credits in year three, that creates
17 problems for year four in the end.

18 ALJ STEGEMOELLER: Thank you. Speaking
19 of year four, is there a reason why the Commission
20 should not provide that if the Company does not
21 come in for new rates beginning year four that the
22 deferral balance at that time, or the credit
23 balance at that time, should automatically be
24 applied to ratepayers?

25 MR. MOLLOY: I think it's more of a rate

1 stability, especially if one is still in a credit
2 position because, now, you will be layering on
3 maybe two years of cap acts and maybe new
4 increases pushing up costs. And, so, you will now
5 have the credit going away as well as all of these
6 other costs that are increasing rates. So, it
7 creates more of a hockey stick.

8 ALJ AGRESTA: Well, in the stay-out year
9 -- Let's call it rate year four -- does the Joint
10 Proposal provide that the rates would be higher
11 than they would be in rate year three?

12 MR. MOLLOY: Under the preferred method
13 of dealing with the credits, it would be the exact
14 same this year, the rate.

15 ALJ AGRESTA: But wouldn't the credits
16 be different?

17 MR. MOLLOY: Under the preferred method
18 there are zero credits in the third year.

19 ALJ AGRESTA: Okay. And, under the
20 other method there is how much in credits in year
21 three?

22 MR. MOLLOY: In the alternative, there
23 is \$18 million for electric and --

24 MS. GERBSCH: No.

25 MR. MOLLOY: -- in gas. In the electric

1 there is -- for gas it's \$18.1 and for electric
2 --

3 MS. GERBSCH: It's \$54.867 million.

4 MR. MOLLOY: Thank you.

5 ALJ STEGEMOELLER: So, I guess our
6 question was: Would there not be, to the extent
7 that the \$54 million is a hockey stick for
8 electric rates, that would occur beginning rate
9 year four in the absence of any further action by
10 the Company to come in or the Commission.

11 MR. RIEDER: Under the alternative
12 approach, that's correct.

13 ALJ STEGEMOELLER: Right. If the
14 estimate holds up and there is a balance in the
15 order of thirty to forty million dollars at that
16 time, it would moderate rates for that balance to
17 be applied in rate year four; is that correct?

18 MR. RIEDER: If there is a balance, it
19 would moderate it. However, in rate year five,
20 you have the same issue, as you are using credits
21 again. So, any time you use credits, there is
22 going to be a hockey stick or an increase the
23 following year. Then, as James said, you tack on
24 the capital expenditures and other issues and you
25 have got some serious problems.

1 ALJ STEGEMOELLER: Although the impact
2 in rate year five would only be drawing off of --
3 say, it was \$35 million as opposed to \$51 -- so,
4 it's a question of whether the Commission -- all
5 things being equal, would it make any sense for
6 the Commission to provide for that leveling effect
7 to occur beginning rate year four if the Company
8 is not coming in?

9 MR. LECAKES: I would just like to point
10 out from a legal perspective that this is assuming
11 that the Commission uses the alternative approach
12 as opposed to the approach the parties put forward
13 as the preferred. That, that is a distinction
14 that does matter to this conversation.

15 ALJ STEGEMOELLER: Okay. We are just
16 trying to clarify. I don't know if there are any
17 boundaries on what the Commission wants to do with
18 these deferral credits, but they will certainly be
19 having a discussion about scheduling them. Aside
20 from whether it's a wise thing to do, is there any
21 legal or procedural reason why the Commission
22 would not be able to make that provision for rate
23 year four?

24 MR. LECAKES: From Staff's perspective,
25 there is no legal or procedural reason why the

1 Commission couldn't do that.

2 ALJ STEGEMOELLER: I don't want to put
3 you on the spot for a legal opinion right now.

4 ALJ AGRESTA: You would require
5 additional process? Wouldn't you require a SAPA
6 notice and the ability to be heard before they can
7 act?

8 MR. LECAKES: It's not in the Joint
9 Proposal.

10 ALJ AGRESTA: That's what I'm saying.

11 MR. LECAKES: Right, correct. I'm just
12 trying to figure out whether the SAPA attached to
13 this case that resulted in the Joint Proposal
14 would cover it. And I think it would require an
15 additional process.

16 ALJ AGRESTA: The SAPA notice is going
17 to be used up, so it's not going to be available.

18 MR. LECAKES: Yes. I think it would
19 require more involvement from a public comment
20 perspective, possibly SAPA.

21 MR. RIEDER: This is Mike Rieder. I
22 would just like to add that I think given the
23 absence of any agreement on year four credits, for
24 the Commission to adopt the alternative approach
25 and to order the use of credits in year four would

1 constitute a modification of the Joint Proposal,
2 which would then start that process.

3 ALJ STEGEMOELLER: All right, thank you.

4 The paperless billing credit, this is an
5 item that has received some interest from
6 Commissioners, so I really want to clarify a
7 couple of things. The response to our question
8 indicated a 46 cent avoided cost. And my first
9 question is whether that is simply the avoided
10 cost of sending out the paper bill, or does that
11 include processing the customer's return?

12 MS. SMITH: Kellie Smith. The 46 cents
13 avoided cost is not including the payment handling
14 issue. It's strictly the avoided cost of
15 producing a paper bill. Customers that elect
16 paperless billing don't have to elect paperless
17 payment. We have currently about 750,000
18 customers, which is about a 50 percent adoption
19 rate, that are on paperless payment, and we have
20 about 251,000 customers on paperless billing,
21 which is about a fifteen percent adoption rate.

22 ALJ STEGEMOELLER: Okay. The cost of
23 handling, do you have an estimate for the cost of
24 handling?

25 MS. SMITH: I have a rough estimate. I

1 still need to go back and check with our Director
2 of our Billing Operations. It depends on how the
3 payment comes in, so there are different levels of
4 costs that the Company incurs depending on how the
5 payments come in to the lockbox. I believe it can
6 be anywhere from four cents to ten cents per
7 payment.

8 ALJ STEGEMOELLER: Thank you.

9 ALJ AGRESTA: The next topic is
10 reliability support services. Now, recently there
11 was a coal plant in the service territory that
12 announced it was going to close, and the Company
13 determined that additional infrastructure was
14 needed in order to accommodate that closure and
15 that ratepayers were going to have to pay to keep
16 that plant open while they figure out what to do
17 with it. I asked a question in the first round of
18 questions and I wasn't really satisfied with the
19 response. I thought I heard that there was a
20 discussion underway between Staff and Company to
21 do some planning as to the other plants that are
22 out there that might potentially close so that we
23 don't get any surprises later on, and we can sort
24 of preplan for some of the infrastructure that
25 needs to be put in place if necessary to

1 accommodate the closures. So, I'm hoping someone
2 from the Company can give me some better assurance
3 than we got in the earlier answer.

4 MR. CHIECO: Allen Chieco, National
5 Grid. Yes, you are correct. In 2011, the Staff
6 and the Company proceeded with an effort to try to
7 look proactively at the generators attached to the
8 Niagara Mohawk service territory, attached to the
9 Niagara Mohawk transmission system and to figure
10 out which ones would create the greatest issues or
11 whether it would create any issues. So, that
12 worked at the beginning. How that work started is
13 that the Niagara Mohawk Transmission Planning
14 Group took a look at each of the generators and,
15 on a very quick review, put them in categories of
16 risk. So, whether it be high level where they
17 believed we have a problem, then medium where
18 we're not sure of the impact, and then low, which
19 is we don't believe there will be an issue. And
20 the Company did go through and develop a list of
21 all of those categories. In the meantime, what
22 occurred is that the Dunkirk scenario or situation
23 occurred. And, prior to that, frankly, we were
24 looking at the southwest region in New York as far
25 as transmission planning issues with regards to

1 some voltage problems, and we discussed it in a
2 different spot in the capital plan. So, the
3 Dunkirk issue, frankly, took a lot of resources,
4 transmission planning resources, and we basically
5 suspended review of specific plants in regards to
6 that work in our review. And upon -- as the
7 Dunkirk work from a planning perspective for study
8 perspective was completed, as you are probably
9 aware, the Cayuga issues started up. So, to
10 answer your question more directly, we have not
11 gotten any further with reviews of generators and
12 specific impacts on the system if those generators
13 cease operating. So, no further work has been
14 done due to the incremental work from Dunkirk and
15 Cayuga. All of the generators have been ranked by
16 risk as we see it, but there is study work that
17 will need to be done accordingly.

18 ALJ AGRESTA: How many plants do you
19 have in the high risk category?

20 MR. CHIECO: The high risk category, I
21 am working off memory, somewhere in the range of
22 15 to 20, I believe.

23 ALJ AGRESTA: When do you think you will
24 have that done in the system?

25 MR. CHIECO: Depending on each scenario

1 it can take up to six months to do a study, which
2 is what we found with Dunkirk specifically. There
3 are some that have no issues that we have found.
4 So, it could take some time to do that, depending
5 on the resources available to us.

6 ALJ AGRESTA: Do you do them one at a
7 time and complete one and then move on to the next
8 one, such that it's going to take you seven years
9 to get the high risk list, or is there some plan
10 to gear up? I am hoping you can give me something
11 I can go back with.

12 MR. CHIECO: That's fair, sir. Our
13 intent was to -- if you don't mind, I will back up
14 just a bit. What we found with Cayuga when
15 reviewing Cayuga was that it wasn't on our list to
16 review because it wasn't in our service territory.
17 It was in NYSEG's service territory. So, the
18 impact on Niagara Mohawk we didn't understand
19 until NYSEG did their work and ISO did their work.
20 And, eventually, Niagara Mohawk came about in the
21 process. So, one of the problems -- I guess it
22 really is a benefit of learning from the
23 experience -- is that by us doing our studies by
24 ourselves rather than a state focus study, creates
25 some gaps. So, we have reached out to the New

1 York ISO to look at another way of doing these
2 studies and to understand the impact to New York
3 State versus just to a utility or transmission
4 owner. So, we are hoping that the ISO, the other
5 transmission owners and DPS would be interested in
6 more of a coordinated effort in these reviews. If
7 not, Niagara Mohawk would continue with its work,
8 the studies we started to do such as like we did
9 with Dunkirk. To be more direct to your question,
10 we would most likely outsource the work to try to
11 get it done in a quicker manner because there is
12 transmission planning functions being done and
13 it's tying up our resources. I don't know how
14 long it would take, but we would most likely
15 outsource it to speed it up.

16 ALJ AGRESTA: Thank you. Does anybody
17 on staff want to add anything?

18 (No response)

19 ALJ AGRESTA: We are going to move on,
20 then. Time-of-use rates: The proposal to
21 commence a time-of-use rate for SC-1 is not
22 subject to a Collaborative; is that correct, the
23 way I read the Joint Proposal?

24 MS. DISE: That's right. It's a
25 proposal from the company.

1 ALJ AGRESTA: So, the example that was
2 given is how you would go just ahead and implement
3 it. Is that right?

4 MS. DISE: Right. The example was given
5 with the intent to show for a given month -- this
6 happened to be October -- to show what a
7 residential customer would be billed versus a
8 time-of-use customer, and a time-of-use customer
9 using a specific on-off peak percentages that we
10 put in for our purposes.

11 ALJ AGRESTA: Okay. I find the example
12 to be clear in most regards. But I need a little
13 help understanding the ESRM and the NHA. It's the
14 New Hedge Adjustment and the Electricity Supply
15 Reconciliation Mechanism. Can somebody explain
16 what those charges are for and why they are
17 treated differently for a regular customer and a
18 time-of-use customer?

19 MS. DISE: Yes. Pamela Dise, National
20 Grid. I also want to mention that this Joint
21 Proposal proposes no change to our commodity
22 mechanisms. The Commodity mechanisms were done in
23 a compliance filing on the last case and went into
24 effect January of 2012. So, this proposes no
25 change to the commodity mechanism. It just

1 offering an option for SC-1 customers, which is
2 our only customers which don't have that option
3 unless you go to SC-1C for a time-of-use rate.

4 The mechanism that we have for ESRM,
5 which stands for Electricity Supply Reconciliation
6 Mechanism, what it does, it reconciles our
7 electricity supply revenue with our costs. And
8 there are really three components of that
9 mechanism. I should back up a little bit. The
10 way that we charge our residential customers for a
11 commodity is we do it on a forecast basis. So,
12 every month three days before the month we put
13 together the forecast -- our supply group actually
14 does it -- of what the commodity price will be for
15 residential customers. That is posted and is the
16 same rate for all the customers for each given
17 month. That is what you see on the left-hand side
18 of the example.

19 The ESRM, what it does is, it looks at
20 all of our commodity expenses for a given month
21 and looks at all of our commodity revenue and
22 reconciles them. Within there, based on what I
23 just said about the revenue customers, one of the
24 adjustments that we know goes exclusively to
25 residential customers is the mass market

1 adjustment. We forecasted in this example it was
2 4661. We forecast the rate. When the rate
3 actually comes in, it will be different from that.
4 So, whether it's larger or smaller, that
5 reconciliation is done and streamlined right to
6 the residential customers.

7 Also, in the ESRM is the new hedge
8 adjustment. What The new hedges are, those are
9 hedges that the Company entered into for the
10 benefit of our hedge classes which are currently
11 only SC-1 and SC-2 ND classes. So, they are
12 hedges that were entered into after June 1, 2001
13 separate from all the legacy hedges. Those would
14 just be charged to the hedge classes SC-1 and SC-2
15 ND. So, a reconciliation of forecasts and actual
16 also happens in the ESRM. The balance of that
17 with all the revenue and expenses taken out, those
18 reconciliations go to all of our commodity
19 customers.

20 The second part of your question is why
21 the new hedge adjustment is only given to the SC-1
22 and SC-2 ND related to SC-1 and not SC-1
23 time-of-use. The SC-1 time-of-use offering was
24 really intended to give those customers the
25 ability to not be charged commodity based on a

1 class load shape, but actually get meters
2 installed so they could manage their own usage.
3 And, if they have the ability to push their usage
4 to off-peak or shoulder-peak when the prices are
5 lower than the on-peak, they can benefit by making
6 their load shape heavier weighted to off-peak and
7 shoulder versus on-peak. And, so, the intent is
8 to put them in the market and let them manage
9 their own commodity and to give them a hedge to
10 somewhat mitigate that, whether it's up or down.
11 It's really for the benefit of the customers
12 though the class load shape.

13 ALJ AGRESTA: Is that another way of
14 saying that the higher on-peak rate includes some
15 hedging, or is it just a decision to
16 administratively just charge zero?

17 MS. DISE: No. The reason not to charge
18 them -- it's not embedded in the on-peak rate.

19 ALJ AGRESTA: What if every single
20 customer was to switch to on-peak, what would
21 happen to the money you used to collect for the
22 hedge adjustment?

23 MS. DISE: Assuming everybody moved to
24 on-peak, we wouldn't be doing hedging for those
25 customers. The hedge is to actually mitigate the

1 bill volatility for residential customers and
2 small commercial customers.

3 ALJ AGRESTA: So, you wouldn't want to
4 reduce their volatility on-peak even if they are a
5 time-of-use customer?

6 MS. DISE: The intend of time-of-use is
7 to let them manage, whether it's on, off, or
8 shoulder peak.

9 ALJ AGRESTA: Why is the ESRM different?
10 Did you say the hedge adjustment is part of the
11 ESRM?

12 MS. DISE: Yes. The ESRM is made up of
13 three pieces: The mass market which only goes to
14 the residential customers that are not
15 time-of-use.

16 ALJ AGRESTA: Is mass market different
17 from time-of-use to regular customers?

18 MS. DISE: Mass market is our
19 residential customers that wouldn't opt into the
20 time-of-use. And, those are the ones who are
21 forecasting their commodity price on a monthly
22 basis. So, we need to reconcile between the
23 forecasts and the actuals.

24 ALJ AGRESTA: That is done through the
25 ESRM?

1 MS. DISE: It's a portion of the ESRM.

2 ALJ AGRESTA: It's not done through the
3 commodity line that's higher up --

4 MS. DISE: No. It is definitely done
5 through the ESRM as well as the new hedge
6 adjustment reconciliation, which goes just to the
7 hedge classes. That's why you will see rates
8 different from residential versus residential and
9 2ND, because residential gets the mass market.
10 They get the NHA and then they get the balance.
11 SC-2 ND only gets the NHA, the balance. All of
12 our other customers get the balance.

13 ALJ AGRESTA: What is the third
14 component?

15 MS. DISE: It's the remaining balance.
16 We take all of our commodity revenue and all of
17 our expenses and we take out the reconciliations
18 that we know get streamlined to those individual
19 classes. The rest is shared by all of our other
20 commodity customers.

21 ALJ AGRESTA: Is the remaining balance
22 the same for the common use customers too, or not?

23 MS. DISE: Yes. The balance would be
24 the same for all classes that get commodity from
25 us, yes.

1 ALJ AGRESTA: Could you provide me after
2 the hearing with a breakdown of the ESRM into the
3 component parts that show how the components would
4 show up on either scenario?

5 MS. DISE: Yes. We have to file a
6 statement every month and it breaks that out. It
7 would probably be easier to provide you with the
8 most recent statement. That would be this example
9 for this month. I will do that.

10 ALJ AGRESTA: That would be a good idea,
11 okay. Now, the percentages for on-peak, off-peak
12 and shoulder peak, how are they determined?

13 MS. DISE: In this example, purely
14 illustrative, we just chose the ones that we
15 always used for SC-1C time-of-use rate where we do
16 typical bills. But these would be specific to
17 each individual customer. A time-of-use meter
18 would be put in, and it would meter the actual on,
19 off, and shoulder. So, these percentages would
20 change based on the customer's usage patterns.

21 ALJ AGRESTA: I am assuming that for the
22 example on the left for the on-peak, shoulder, and
23 off-peak where you have zeros, does somebody at
24 the Company know generally what the breakdown is
25 in percentage for SC-1 customers as a class by

1 percentage? In other words, how often are SC-1
2 customers on peak, how often are they shoulder
3 peak, how often are they off-peak?

4 MS. DISE: For the SC-1 customers as a
5 class, I asked that question. And they use load
6 shapes and survey meters because not all of our
7 residential customers have time-of-use. They have
8 samplings and survey meters. So, in the class, if
9 we looked at the most recent annual period, which
10 is I think what they did for me, it was 26 percent
11 on-peak, 22 shoulder, and 52 off-peak. And, this
12 is an annual number. During each month that moves
13 a bit. October is different from July, and such.
14 So, I have a breakdown by the entire year, but
15 that is the annual average.

16 ALJ AGRESTA: Would it be possible for
17 you to pick a month and show those percentages for
18 that month on the left-hand example, and on the
19 right-hand example assume the customers exactly
20 matched those percentages, and give me a breakdown
21 of all of these charges one more time?

22 MS. DISE: Yes. But in this example,
23 what happens is that the SC-1 customer doesn't
24 have different rates for on, off, and shoulder.
25 They would have a load shaped rate that would only

1 be one. So you would get to the same point. We
2 don't forecast for an SC-1 customer any of those
3 rating periods because we need only our total.
4 So, it's based on the load shape.

5 ALJ AGRESTA: I understand. If you were
6 to do a weighted average of the commodity rate for
7 the time-of-use customer in the example I just
8 suggested, you should come out with the same
9 commodity cost as you have in your left-hand
10 example; right?

11 MS. DISE: No. The reason for that is
12 on the right-hand side -- that's true in theory if
13 we were to charge them actual on the right-hand
14 side. But the way we do residential, billing is
15 for commodity. It's a forecast. So, this
16 forecast rate of .04661 is just that. It's a
17 forecast; it's not an actual. The time-of-use
18 customers are actual rates.

19 ALJ AGRESTA: I want you to assume that
20 they were the same. What I am trying to get is a
21 table that discloses what the differences are
22 because of choice rather than the happenstance
23 that you made up some percentages to create an
24 example. I'm trying to get that noise out of the
25 comparison. So, in other words, you would assume

1 that the breakdown that you have for the class
2 average in your forecast just happens to be the
3 same exact distribution that the particular
4 customer came up with that was on time-of-use.
5 So, I am guessing, then, that your commodity rate
6 on the left-hand, which is a single number, would
7 equal the weighted average of the commodity rates
8 broken down on the right-hand example, and that
9 the only differences in the rates would be the
10 stuff below that.

11 MS. DISE: I could do that by
12 introducing the assumption that my forecast is 100
13 percent correct.

14 ALJ AGRESTA: Yes. If you could provide
15 that example, I would appreciate it.

16 MS. DISE: Yes.

17 ALJ AGRESTA: Thank you. We are going
18 to move to the next topic. The next topic is RPS
19 or Renewable Performance Standard. I set forth
20 the question: Do the parties intend that the term
21 for the Joint Proposal would prevent the
22 imposition of carrying charges on the RPS monies
23 during the term of the rate plan if the Commission
24 decided that it wanted to do that?

25 MS. DISE: The RPS surcharge is

1 completely outside of base rates. So, it was not
2 a piece of this case where we were settling on
3 what rates or revenue the requirement was for RPS.
4 All of the rates for RPS, EADS, SPC, come out of
5 orders. And those rates are changed independently
6 of the rate case.

7 ALJ AGRESTA: I'm not talking about the
8 rate. I'm talking about whether there should be
9 carrying charges to the benefit of the ratepayers
10 or not.

11 MR. MOLLOY: I think we are saying that
12 the Joint Proposal, while it states that there is
13 no carrying charge today, if the Commission were
14 in the RPS docket to introduce an interest charge,
15 the Joint Proposal does not affect that decision.

16 ALJ AGRESTA: Okay, thank you. The next
17 category is the DPS Consumer Issues Panel. One of
18 the responses that Staff panel made to a proposal
19 made by the Public Utility Law Project testimony
20 was that the Company's website should be updated
21 to provide specific low-income discount
22 information. Is any provision made for that to
23 happen either inside the Joint Proposal or outside
24 the joint proposal?

25 MS. SWEET: Keri Sweet, National Grid.

1 There is no specific provision in the Joint
2 Proposal, but the Company will be updating its
3 website to reflect that in this case.

4 ALJ AGRESTA: So, we can assure the
5 Commission that that is going to be happening in
6 the case.

7 MS. SWEET: They can be reassured, yes.

8 ALJ AGRESTA: The second provision in
9 the Consumer Issues Panel rebuttal testimony,
10 certain acts were described as being in violation
11 of HEFA. What provision is being made to
12 discontinue that problem or concern?

13 MS. SWEET: In response to Staff's
14 testimony, the Company clarified its policies and
15 procedures and amended an IR that had been
16 submitted in these proceedings to clarify the
17 Company is required to offer repayment to
18 residential customers with arrears. And we
19 actually have a copy of the amended IR that we
20 would ask be marked as an exhibit.

21 ALJ AGRESTA: Okay. We will identify
22 that as Exhibit 465 for identification.

23 MS. SWEET: And that resolved many of
24 the noncompliance issues that were raised.

25 ALJ AGRESTA: Can the Staff confirm that

1 that is correct?

2 MR. SILVERSTEIN: Len Silverstein. Yes,
3 that is correct. I can confirm that those
4 concerns were resolved.

5 ALJ AGRESTA: Thank you. Could you get
6 us an electronic copy of that as well? If you
7 have a hard copy, I would like a copy of that
8 before you leave. Thank you.

9 ALJ STEGEMOELLER: One of my questions,
10 a preparatory question that we sent out involves
11 the ratio of delivery charges to supply charges.
12 And anyone who follows the public comments that we
13 get on our website knows that this is a subject
14 that perplexes and angers many customers. They
15 are asking: How could we possibly be paying more
16 for delivery of the product than the product
17 costs? So, I am inviting you to give me a
18 somewhat brief and general summary of, first, the
19 historical trends and, second, the reasons why the
20 ratio is what it is today.

21 MS. DISE: We felt that the best way to
22 do this is to actually provide a couple of bar
23 charts for you. The data we used is actually the
24 data we provided to the Public Service Commission.
25 There are ten-year averages of bills for

1 residential customers on the website. We used
2 that same data. And we went back to 2001 through
3 2012 of actuals, and we stacked a bar chart that
4 says: Here is the delivery portion in both
5 dollars and percentages of the total bill. Here
6 is commodity. And, we also broke out the
7 surcharges, the EADS, RPS, SPC, GRT and ETA
8 assessment. So, there are two charts we are going
9 to hand out. One has the dollar amounts of a
10 typical customer, 600 Kilowatt hours residential
11 customer, and the other has the percentage. And
12 we can talk about a few monumental events that
13 happened as they go up and down. Other than that,
14 we can open up for discussion. If I can approach
15 the bench --

16 ALJ STEGEMOELLER: Please.

17 MS. DISE: I will pass out what we have.
18 We obviously don't have enough for everyone in the
19 room. And if you guys can share, that would be
20 great. I think the best one to focus on first is
21 probably the dollar one. It kind of steps through
22 what a 600 kwh customer would have been paying
23 both on the delivery side, the commodity side, and
24 on top of that, the surcharge portion. And you
25 can see back in 2001 it was \$48. And, currently,

1 in rate year one it's \$41. So, it's fairly stable
2 across the years.

3 You will see a bit of a blip. And I
4 have to preface this by saying prior to what we
5 did in this commodities filing, the DCA and CAC,
6 which were a commodity reconciliation mechanism
7 were on the delivery side of the bill, which
8 caused a lot of confusion. We changed that in
9 2012. For this representation, all the quantities
10 are the commodities. So, the DCA and CAC would be
11 the commodity portion of the bill.

12 ALJ STEGEMOELLER: Could you just slow
13 down a little and say that again, please.

14 MS. DISE: What we wanted to show is the
15 commodity-related costs in the commodity portion
16 of this representation in customers' bills during
17 the merger Joint Proposal. So it started in 2002
18 and it changed in 2012 when we changed the
19 commodity reconciliation mechanisms. You would
20 have found the DCA and CAC -- and, trust me, you
21 don't want me to go into the details of all that.
22 If you remember, back in the time period we did
23 forecast for commodity on a two-year basis for
24 customers because we needed to be able to forecast
25 and charge our credit customers for the

1 over-market variable piece of all the legacy
2 hedges which were buried in our CTC.

3 So, every two years we had a CTC reset
4 that did two things. It set the forecast of
5 commodity, and also set what our over-market
6 variable cost or under-market variable cost
7 depending on what it was, what the CTC was. And
8 you will see that there are a couple of blips in
9 here which you can talk about that are caused by,
10 one, Hurricane Katrina in 2005 which shot the
11 forecast way up. So, our commodity rates were
12 very high. Our delivery rates went down a bit
13 because that over-market variable piece is in the
14 CTC rate which is embedded in the delivery. So,
15 the delivery component is fairly stable. There
16 are some years we started to introduce deferral
17 recovery, but they are fairly small in nature.
18 The fixed component of the CTC was fairly fixed,
19 so most of the fluctuation that happened in here
20 was the commodity -- for every two years of the
21 reset was the commodity and the offsetting of the
22 variable costs.

23 So you can see in 2006 and 2007 the
24 delivery component of the bill dropped from 41 to
25 37. It went up a little bit because we started to

1 collect some deferrals. And the commodity portion
2 of the bill was very large, which has everything
3 to do with the commodity forecast because of
4 Hurricane Katrina and the offsetting reduction in
5 the over-market variable costs.

6 Deferral, every two years there is also
7 a look at the deferrals. Based on thresholds, we
8 are allowed to collect deferrals in rates.
9 Starting in 2006, we had a small amount of
10 deferrals of \$78 million. And 2008, it went up to
11 \$156 million. Another big piece you will see in
12 2012, if you remember the fixed component of the
13 CTC was fully paid off. So, beginning in 2012
14 you will see a drop of all of the fixed pieces of
15 the CTC with a partial offset. That's when we
16 were allowed to collect the \$190 million for the
17 deferral.

18 And, then, again, in 2013 that \$190
19 million of the deferral actually comes off as well
20 as turns into a credit of, I believe, of \$18 or
21 \$19 million. On the commodity component of this,
22 it's truly just the commodity. All the commodity
23 gets flowed through to customers. We collect what
24 we pay for all of our commodity customers. So,
25 the fluctuation you see in there is purely that,

1 the fluctuation in the market for the commodity
2 customers.

3 ALJ STEGEMOELLER: That reflects mostly
4 fluctuations in the price of gas?

5 MS. DISE: Yes. I'm not a commodity
6 forecasting expert.

7 ALJ STEGEMOELLER: Fair enough. Thank
8 you.

9 And, finally, always close with a rate
10 design question.

11 ALJ AGRESTA: Can you send these two
12 charts as one document, or would it be simpler to
13 send them as two documents?

14 MS. DISE: I think we can send them as
15 one.

16 ALJ AGRESTA: A PDF.

17 MS. DISE: Yes, a PDF.

18 ALJ AGRESTA: We will mark this as 466.
19 467 will be the time-of-use calculations.

20 (Commission Exhibits 466 and 467 were
21 marked for identification.)

22 ALJ STEGEMOELLER: The question of a
23 solar customer being driven from SC-2ND to SC-2D
24 by virtue of crossing a 2,000 kilowatt threshold
25 or maybe not falling below the 2,000 kilowatt hour

1 threshold after installing the equipment. I guess
2 my question has to do with the seasonal aspect of
3 solar. The preliminary question is: Is the
4 rationale for the 2,000 kilowatt hour threshold
5 based on a system, a summer system peak and the
6 possibility that a customer crossing a threshold
7 might be coincident with the summer peak.

8 MS. DISE: No, because our delivery
9 rates are not time differentiated. We take all of
10 our costs when doing a normal cost of service
11 study and try to figure out the cost causation
12 between them, our service classes, our groups of
13 customers, similarly situated customers with like
14 usage. So it is based on what assets are there
15 for them on an annual basis all the time; what
16 they are going to use, basically. So, this
17 customer, this solar customer, though figures may
18 come down in the summer, they are still using the
19 same portion of the system in the off-months as
20 they did before. That's true of any seasonal
21 customer. When we look at some of our 2D
22 customers, whether they be ice cream parlors or
23 small ski resorts or whatever, they are still
24 charged on what portion of the system they used
25 that is there and available for them over months

1 of the year. Just because a few months a year
2 they may dip down and use something less than
3 that, the other months of the year they are still
4 using the same system.

5 ALJ STEGEMOELLER: Okay. Are they
6 paying a commodity charge?

7 MS. DISE: I don't know if the customer
8 is with us or with an ESCO. But in the months
9 they don't totally generate, they would have to,
10 yes.

11 ALJ STEGEMOELLER: I believe that that
12 is all of our questions. Do any other parties
13 have any questions for the panel?

14 (Negative response)

15 ALJ STEGEMOELLER: Very well. Excuse
16 me.

17 (ALJ conference held off the record:
18 11:53 a.m. - 11:54 a.m.)

19 ALJ STEGEMOELLER: Thank you. Our next
20 order of business is to put the exhibits into the
21 record.

22 ALJ AGRESTA: Okay. The judges are
23 going to move on our own motion to admit Exhibits
24 1 through 467. Exhibits 1 through 463 are set
25 forth on a Table of Prefiled Testimony, Exhibits

1 and Other Information to be Admitted into evidence
2 as Exhibits in Cases 12-G-0201 and 12-G-0202 which
3 was previously circulated to all of the parties.

4 Exhibit 464 is a stay-out premium
5 example provided today.

6 465 is an updated IR response to NY PULP
7 number 56.

8 Exhibit 466 is the bar charts breaking
9 out delivery, commodity, and surcharges.

10 Exhibit 467 will be some time-of-use
11 calculations still to be provided.

12 For the last four exhibits, if we could
13 get an electronic copy preferably in PDF format
14 submitted to us so we can add it to our electronic
15 system.

16 With that being said, is there any
17 objection to admission of any of the 467 exhibits?

18 Hearing none, then they are in evidence.

19 (Commission Exhibits 1-467 were received
20 in evidence.)

21 ALJ STEGEMOELLER: I think our last
22 order of business is to talk about any potential
23 briefing that is needed. We have already
24 discussed the ESCO issue. And, I think that on
25 that one, RESA has the opportunity to submit

1 reasons why the two items that we discussed should
2 not be adopted immediately by the Commission.
3 Anyone else who wants to opine on that in writing
4 is welcome to. I think we will set a seven-day
5 deadline, and I will send out an e-mail to that
6 effect.

7 Paul and I don't see any other issues
8 that we need submissions on, so I will throw it
9 out to the parties. Did anything happen today
10 that would cause anybody to think that they need
11 to submit further argumentation?

12 Not hearing anything, so we won't
13 arrange for anything. But, we will have that
14 opportunity with respect to the ESCO issue. I
15 will leave the question open just in case for,
16 say, another twenty-four hours if you suddenly
17 think: Oh, no, we really need to cover this
18 issue. You can let us know and we will put that
19 on the same seven-day deadline.

20 Is there any other business that anybody
21 has? Very well. I would like to personally thank
22 all of the parties for what was a very smooth
23 running case. Maybe you were screaming at each
24 other in the negotiating sessions, but I doubt it.
25 So, thank you very much. The hearing is

1 adjourned.

2 (The proceeding was concluded at
3 approximately 12:00 noon.)

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1 STATE OF NEW YORK)

SS:

2 COUNTY OF ALBANY)

3
4 I, BETH S. GOLDMAN, a Certified
5 Shorthand Reporter, Registered Professional
6 Reporter and Notary Public in and for the
7 County of Albany and the State of New York,
8 hereby certify that the proceedings recorded
9 hereinabove were recorded stenographically
10 by me and reduced to computer-generated
11 transcription.

12 I FURTHER CERTIFY that the foregoing
13 transcript of said proceedings is a true and
14 correct transcript stenographically recorded
15 at the time and place specified hereinbefore.

16 I FURTHER CERTIFY that I am not a
17 relative or employee, attorney or counsel
18 of any of the parties, nor a relative or
19 employee of such attorney or counsel, or
20 financially interested either directly or
21 indirectly in this action.

22 IN WITNESS WHEREOF, I have hereunto
23 set my hand.

24
25


BETH S. GOLDMAN
Certified Shorthand Reporter
Registered Professional Reporter
Notary Public

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