

In The Matter Of:

*Application of NTE Connecticut, LLC for a
Certificate of Environmental Compatibility*

*Continued Public Hearing
March 23, 2017*

*BCT Reporting LLC
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1 A p p e a r a n c e s:

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 Council Members:

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 SENATOR JAMES J. MURPHY, JR.,

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 Vice Chairman

6

 MICHAEL HARDER

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 LARRY P. LEVESQUE, ESQ.

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 DANIEL P. LYNCH, JR.

9

 ROBERT SILVESTRI

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 Council Staff:

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 MELANIE BACHMAN, ESQ.,

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 Executive Director and

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 Staff Attorney

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 MICHAEL PERRONE,

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 Siting Analyst

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 For NTE Connecticut, LLC:

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 Hartford, Connecticut 06103

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 BY: KENNETH C. BALDWIN, ESQ.

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 JAMES P. RAY, ESQ.

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1 A p p e a r a n c e s : (Cont'd.)

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3 For Not Another Power Plant and the Wyndham
4 Land Trust:

5 REID AND RIEGE, P.C.

6 One Financial Center

7 Hartford, Connecticut 06103

8 BY: JOHN BASHAW, ESQ.

9

10 For the Sierra Club, Connecticut Chapter:

11 SIERRA CLUB

12 50 F Street N.W.

13 Washington, D.C. 20001

14 BY: JOSHUA BERMAN, ESQ.

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16

17 For the Connecticut Fund for the Environment:

18 CONNECTICUT FUND FOR THE ENVIRONMENT

19 900 Chapel Street

20 Upper Mezzanine

21 New Haven, Connecticut 06510

22 BY: JOHN LOONEY, ESQ.

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1 THE CHAIRMAN: Good afternoon, ladies
2 and gentlemen. I'd like to call to order this
3 meeting of the Connecticut Siting Council today,
4 Thursday, March 23, 2017, at approximately 1 p.m.
5 My name is Robin Stein. I'm chairman of the
6 Connecticut Siting Council.

7 On March 2, 2017, the Council granted
8 NTE Connecticut, LLC's motion to reopen the
9 evidentiary record for the limited purposes of
10 introducing evidence related to the results of the
11 Forward Capacity Auction conducted by ISO New
12 England on February 6, 2017.

13 This evidentiary session is a
14 continuation of hearings held on October 20,
15 November 3, November 15th, December 15th, all of
16 2016; and January 10th, and January 26th of 2017.
17 It is held pursuant to the provisions of Title 16
18 of the Connecticut General Statutes, and of the
19 Uniform Administrative Procedure Act upon an
20 application from NTE Connecticut, LLC for a
21 Certificate of Environmental Compatibility and
22 Public Need for the construction, maintenance, and
23 operation of a 550-megawatt dual-fuel combined
24 cycle electric generating facility and associated
25 electrical interconnection switchyard located at

1 180 and 189 Lake Road in Killingly, Connecticut.
2 This application was received by the Council on
3 August 17, 2016.

4 A verbatim transcript will be made of
5 this hearing, and deposited with the Town Clerk's
6 offices in the Killingly, Pomfret, and Putnam Town
7 Halls for the convenience of the public.

8 We will proceed in accordance with the
9 prepared agenda, copies of which are available
10 over there at the table by the door.

11 We have a joint request from NAPP and
12 Wyndham Land Trust, Connecticut Fund for the
13 Environment, and the Sierra Club for a
14 supplemental administrative notice item, dated
15 March 16, 2017.

16 I'll ask our executive director,
17 Attorney Bachman, to comment.

18 MS. BACHMAN: Thank you, Mr. Chairman.
19 The grouped parties and the Connecticut Fund for
20 the Environment have requested that the Council
21 take administrative notice of the ISO filing with
22 FERC detailing the results of the Forward Capacity
23 Auction Number 11. And it is completely relevant
24 to the limited purpose of this proceeding, and
25 staff therefore recommends that this request be

1 granted.

2 THE CHAIRMAN: The Chair will entertain
3 a motion.

4 MR. SILVESTRI: So moved, Mr. Chairman.

5 MR. HARDER: Second.

6 THE CHAIRMAN: Motion and second.

7 All those in favor, signify by saying
8 aye.

9 THE COUNCIL: Aye.

10 THE CHAIRMAN: Opposed? Abstention?

11 (No response.)

12 THE CHAIRMAN: The motion carries.

13 Item 2, I have a second joint request
14 from NAPP, Wyndham Land Trust, and Sierra Club for
15 an additional administrative notice item, dated
16 March 21, 2017. NTE filed an objection to this
17 joint request, dated March 22, 2017.

18 Again, Attorney Bachman.

19 MS. BACHMAN: Thank you, Mr. Chairman.

20 The request from the grouped parties for
21 administrative notice is for a PowerPoint
22 presentation that was presented at the Planning
23 Advisory Committee meeting by ISO that was held
24 yesterday. It is a draft, and it was prepared in
25 contemplation of the future final Capacity,

1 Energy, Loads and Transmission Report that is to
2 come out in May. It is not relevant to the
3 results of the Forward Capacity Auction Number 11,
4 and therefore staff recommends that this request
5 be denied.

6 THE CHAIRMAN: The Chair will entertain
7 a motion to deny.

8 MR. SILVESTRI: Mr. Chairman, I'll move
9 to deny it.

10 MR. LYNCH: Second.

11 THE CHAIRMAN: Any discussion?

12 (No response.)

13 THE CHAIRMAN: All those in favor --
14 Mr. Harding.

15 MR. HARDER: Just a question. How is
16 it not relevant?

17 MS. BACHMAN: Well, first, it's a
18 draft. Second of all, it's actually being
19 prepared in anticipation of a larger report that
20 will be used for the next forward capacity
21 auction.

22 MR. HARDER: Okay. Thank you.

23 THE CHAIRMAN: We have a motion and
24 second.

25 All those in favor, signify by saying

1 aye.

2 THE COUNCIL: Aye.

3 THE CHAIRMAN: Opposed? Abstention?

4 (No response.)

5 THE CHAIRMAN: Motion carries.

6 I wish to call your attention to those
7 items shown on the hearing program marked as Roman
8 numerals I.D., Items 1 through 112.

9 Does the applicant or any party or
10 intervenor have any objection to the addition of
11 Item 29, the ISO's 2017 Regional Electricity
12 Outlook; Item 35, ISO's Internal Market Monitor
13 2015 Annual Markets Report; and Item 36, ISO's
14 State of the Grid 2017 Presentation that the
15 Council has administratively noticed? Is there
16 any objection?

17 (No response.)

18 THE CHAIRMAN: Hearing and seeing none,
19 the Council administratively notices these items.

20 MR. BERMAN: Can I please -- yeah, I do
21 object. Those items --

22 THE COURT REPORTER: Excuse me,
23 Attorney Berman, would you stand up?

24 MR. BERMAN: Yes. Sorry. I actually
25 do object to those being administratively noticed.

1 If the Council is not going to take administrative
2 notice of ISO New England's most current load
3 forecasts, which bear directly on the supplemental
4 testimony that was submitted by Mr. Shortlidge,
5 which speaks to what is going to happen to this
6 plant in the forthcoming FCA 12, this is the most
7 current information that's pertinent to that. The
8 documents that the Council is proposing to
9 administratively notice have no bearing on FCA 11
10 results, which my understanding was the limited
11 purpose for which the evidentiary record in this
12 proceeding was reopened. So actually I do object
13 to those documents coming in.

14 If ISO New England -- these are draft,
15 but the Council is fully able to interpret and
16 handle in an appropriate matter draft documents,
17 and these are the most current projections. In a
18 certain sense, all load forecasts are draft load
19 forecasts, right, because, you know, yes, there
20 will be a final FCA -- I'm sorry, there will be a
21 final CELT report in May, but then, you know, ISO
22 New England will continue to revise and update its
23 projections for the future.

24 I guess I have trouble understanding
25 how the Council would administratively notice

1 several documents which have nothing to do with
2 the FCA 11 results, but would deny administrative
3 notice to a document which actually has great
4 bearing on the interpretation of these results, as
5 per the testimony of Mr. Shortlidge.

6 THE CHAIRMAN: Ms. Bachman.

7 MS. BACHMAN: Certainly. Thank you,
8 Mr. Chairman.

9 Starting with Item Number 29th, which
10 is the 2017 Regional Electricity Outlook, it is a
11 final document. It generally covers ISO's plan
12 for 2017. It assists in the Regional System Plan
13 development, and it's a final document.

14 Item Number 35, ISO's Internal Market
15 Monitor from 2015, if you look at the
16 administrative notice item that the Sierra Club
17 and the grouped parties had asked to be
18 administratively noticed, there is testimony from
19 the Internal Market Monitor specific to Forward
20 Capacity Auction Number 11.

21 And the State of the Grid 2017
22 presentation is also not a draft, and is also ISO,
23 as it every year presents the information through
24 their committees and all of their reports in
25 preparation for the Regional System Plan and the

1 CELT, C-E-L-T report, that is to come out in May.

2 So the information in the
3 administrative notice item that was the second
4 administrative notice item that was requested is
5 draft. That information is certainly subject to
6 change. It was just presented yesterday at the
7 Planning Advisory Committee meeting. And
8 unfortunately, Mr. Perrone and myself weren't able
9 to attend that meeting, so we're not sure what the
10 discussion was about, but certainly it is open for
11 comment from all of the regional stakeholders.

12 Mr. Chairman, I would just recommend
13 that the objection be overruled, unless Attorney
14 Baldwin or Attorney Ray would like to comment.

15 THE CHAIRMAN: I would like to -- also,
16 I want to continue this hearing, and I would
17 overrule the objection, and accept these
18 administrative documents for what they're worth.
19 And unless somebody strenuously objects to my
20 ruling, I'd like to move ahead.

21 And your objection is noted for the
22 record.

23 We'll now begin with the appearance of
24 the Applicant, NTE Connecticut, LLC, to swear in
25 their new witness, and verify their new exhibit

1 marked as Roman numeral II, Item B, 31 on the
2 hearing program.

3 And Attorney Bachman, will you please
4 begin by swearing in the applicant's witness, Mr.
5 Shortlidge?

6 MR. BALDWIN: Mr. Chairman, I'd like to
7 present Seth Shortlidge. Mr. Shortlidge is the
8 president and CEO of NTE Energy Services Company,
9 and he's prepared to be sworn.

10 S E T H S H O R T L I D G E,

11 called as a witness, being first duly sworn
12 by Ms. Bachman, was examined and testified on
13 his oath as follows:

14 E T H A N P A T E R N O,

15 M I C H A E L B R A D L E Y,

16 called as witnesses, having been previously
17 duly sworn, were examined and continued to
18 testify on their oaths as follows:

19 MR. BALDWIN: Mr. Chairman, I would
20 also, just for the record purposes, remind Mr.
21 Bradley and Mr. Paterno that in this proceeding
22 they are still under oath as previously sworn.

23 We have one new exhibit to offer,
24 Mr. Chairman. It's listed in the hearing program
25 as NTE Exhibit Number 31. It is supplemental

1 testimony issued by Mr. Shortlidge, and attached
2 to that testimony is a copy of Mr. Shortlidge's
3 resume. And we offer that now for identification
4 purposes, subject to verification.

5 DIRECT EXAMINATION

6 MR. BALDWIN: Mr. Shortlidge, did you
7 prepare, or assist in the preparation, of the
8 information contained in what is listed in the
9 hearing program as NTE Exhibit 31, which is your
10 supplemental testimony and resume?

11 THE WITNESS (Shortlidge): I did.

12 MR. BALDWIN: And is the information
13 contained in that exhibit correct? Do you have
14 any modifications to offer at this time?

15 THE WITNESS (Shortlidge): It is
16 correct, and I have no modifications.

17 MR. BALDWIN: Thank you. And
18 therefore, the information is true and accurate to
19 the best of your knowledge. Is that correct?

20 THE WITNESS (Shortlidge): It is.

21 MR. BALDWIN: And do you adopt that
22 information as your testimony in this proceeding?

23 THE WITNESS (Shortlidge): I do.

24 MR. BALDWIN: Mr. Chairman, I offer it
25 as a full exhibit.

1 THE CHAIRMAN: Thank you.

2 Does any party or intervenor object to
3 the admission of the applicant's exhibit?

4 MR. BASHAW: Excuse me. We do not
5 object to the introduction of the exhibit. Rather
6 than pose this objection continuously, I'll just
7 kind of get it out front here. We do object to
8 testimony provided by either Mr. Paterno or
9 Mr. Bradley. This is for the limited purpose of
10 addressing the FCA 11 and the supplemental
11 testimony, prefile testimony that was provided by
12 Mr. Shortlidge. This is not an opportunity for
13 Mr. Paterno and Mr. Bradley to now provide new
14 direct testimony on this particular subject. No
15 problem with Mr. Shortlidge providing the
16 testimony. He's provided his advance testimony
17 ahead of time for us to review. But to allow Mr.
18 Paterno and Mr. Bradley to testify as well in
19 support of it is, again, beyond the scope of what
20 this is supposed to be about, and would constitute
21 direct testimony for which they have not
22 themselves filed any prefile testimony for this
23 hearing.

24 So on that basis we would object. I
25 just want to state it as a generic objection,

1 rather than do it continuously throughout the
2 process.

3 THE CHAIRMAN: I'm going to first say
4 that the exhibit will be entered as part of the
5 record.

6 (Applicant's Exhibit II-B-31: Received
7 in evidence - described in index.)

8 THE CHAIRMAN: And I can be corrected
9 if I'm mistaken, but I assume that those two
10 gentlemen that you mentioned are not here to give
11 direct testimony, but only here to provide
12 information in response to any questions that Mr.
13 Shortlidge cannot answer. We also are not
14 interested in extending or expanding this portion
15 of the hearing, and I believe that Attorney
16 Baldwin has made that clear to his people.

17 MR. BALDWIN: We have, Mr. Chairman.
18 And again, Mr. Bradley and Mr. Paterno are here.
19 Given their role in the prior proceedings, we
20 thought that if the Council did have some
21 questions regarding the FCA 11 auction that were
22 better answered by Mr. Bradley or Mr. Paterno,
23 they'd be here. If at the end of the day no one
24 has any questions for either of them, then so be
25 it. But we wanted to make them available so that,

1 again, we could be as efficient today as possible
2 and make sure that this was the last hearing on
3 this docket. Thank you.

4 THE CHAIRMAN: So with that, I'm going
5 to, I guess, overrule the continuous objection, if
6 that's what you're calling it.

7 So we'll now begin with
8 cross-examination of Mr. Shortlidge by
9 Mr. Perrone, the staff.

10 MR. PERRONE: Thank you, Mr. Chairman.

11 CROSS-EXAMINATION

12 MR. PERRONE: In the ISO New England
13 press release, dated February 9th, ISO notes that
14 no new large generators cleared in the auction,
15 that is FCA 11. My understanding is that for
16 interconnection purposes, ISO defines large
17 generators as generators greater than 20
18 megawatts. Is that correct?

19 THE WITNESS (Paterno): I believe that
20 is correct, yes.

21 MR. PERRONE: So is it correct to say
22 that KEC is a large generator and did not clear
23 FCA 11?

24 THE WITNESS (Shortlidge): That is
25 correct. We withdrew before the auction was

1 complete.

2 MR. PERRONE: Did the auction have six
3 rounds of competitive bidding?

4 THE WITNESS (Shortlidge): I believe
5 so, subject to check.

6 MR. PERRONE: How many rounds did NTE
7 participate in?

8 THE WITNESS (Shortlidge): Five.

9 MR. PERRONE: And what caused NTE to
10 participate in five and not all six?

11 THE WITNESS (Shortlidge): Our minimum
12 allowed bid was substantially below the level
13 where round five ended. At the end of round five,
14 I asked my team whether we were certain that we
15 could obtain all necessary permits in order to
16 build the facility and have a start date that met
17 up with the obligations that we would be taking
18 under the ISO. My team informed me that they
19 could not, with absolute certainty, tell me that
20 we would obtain all the permits necessary to
21 proceed in adequate time.

22 MR. PERRONE: So your concern at that
23 time was if you had cleared FCA 11 and received a
24 CSO, that NTE might not have been able to achieve
25 commercial operation for June 2020?

1 THE WITNESS (Shortlidge): We certainly
2 didn't have enough flex in the system to be able
3 to do that. It was an extraordinarily hard
4 decision. And now that I know the clearing price,
5 I certainly second guessed myself but -- no, that
6 was the reason for the decision.

7 MR. PERRONE: Just to back up slightly.
8 Before participating in the auction, did NTE file
9 a new capacity qualification package with ISO?

10 THE WITNESS (Shortlidge): It did.

11 MR. PERRONE: Does that package include
12 a critical path schedule?

13 THE WITNESS (Shortlidge): It does.

14 MR. PERRONE: At the time of the
15 auction, February 6th, how did your permitting
16 status square up with your critical path schedule?

17 THE WITNESS (Shortlidge): We were
18 falling behind.

19 MR. PERRONE: So is it fair to say that
20 on or about February 6th, your permitting status
21 or timeline was no longer compatible with the
22 critical path schedule?

23 THE WITNESS (Shortlidge): It was very
24 very very tight at that point. We had not
25 received our tentative determination under our air

1 permit. These proceedings, we had not received
2 the, whatever, the draft permit that this board
3 issues, or draft order. We had not signed a CEBA
4 with the town at that point. So yes, it was
5 tight.

6 MR. PERRONE: And this information
7 about the timeline being tight, that didn't come
8 up before bidding in the auction at all?

9 THE WITNESS (Shortlidge): Oh, it
10 absolutely did. And the reason why, and your
11 decisions regarding participation in each round,
12 are directly related to a risk analysis. So if
13 you can assume that the amount of revenue you'll
14 receive will give you the opportunity to pay
15 contractors more to expedite schedules, will give
16 you flex in the system that allows you to handle
17 delays, as you get closer and closer to your
18 minimum bid, you have less and less ability to
19 manage delays through additional revenue.

20 MR. PERRONE: So on page 4 of the
21 supplemental testimony, dated February 13th,
22 approximately line 9 and 10, it states, "We also
23 believe the clearing price in FCA will bring
24 increased financial pressure on those facilities
25 that ISO identified as being at risk of retirement

1 potentially accelerating their scheduled
2 retirement."

3 Is what you're saying there related to
4 the clearing prices, how it was \$7.03 in FCA 10,
5 and it declined to \$5.30 for FCA 11, and that
6 decline would potentially affect the revenues for
7 capacity?

8 THE WITNESS (Shortlidge): That's
9 exactly right. And as you look forward, were NTE
10 to have all its permits, and were we to have bid
11 our minimum amount, we would have cleared the
12 auction, which would have resulted in one of those
13 facilities not clearing the auction.

14 MR. PERRONE: In the testimony there
15 was concerns about the timing and schedule, which
16 we've discussed, but also cost uncertainties tied
17 to permitting. Is this because the total
18 permitting costs have not yet been realized, and
19 if the project is approved, NTE would be in a
20 better position to participate in FCA 12 after you
21 have final permitting numbers?

22 THE WITNESS (Shortlidge): Absolutely.
23 For instance, based on the air permit, for
24 instance, we might be required to place additional
25 pollution control equipment on the plant. That's

1 an unknown at this point that we have to consider
2 as a risk factor.

3 MR. PERRONE: Also in the testimony it
4 reiterates NTE's intention to participate in the
5 annual reconfiguration auction and/or bilateral
6 process. Is the ARA where participants buy and
7 sell capacity supply obligations and adjust their
8 positions?

9 THE WITNESS (Bradley): Yes, that's
10 correct.

11 MR. PERRONE: So in light of not
12 clearing FCA 11, is it correct to say that you
13 don't currently have a position to adjust?

14 THE WITNESS (Bradley): That's correct,
15 we do not.

16 MR. PERRONE: So would NTE's only
17 option to participate in the ARA or the bilateral
18 for the 2020/2021 capacity commitment period,
19 would your only option be to buy a CSO from
20 another participant?

21 THE WITNESS (Bradley): I believe we
22 could offer our capacity into both the bilateral
23 process and the annual reconfiguration process,
24 which occur in 2018 for FCA 11.

25 MR. PERRONE: So you could offer your

1 capacity, and if some additional capacity is
2 needed, it could be selected?

3 THE WITNESS (Bradley): Yes, that's
4 correct.

5 MR. PERRONE: So it doesn't necessarily
6 have to come from another participant, it could be
7 if ISO is seeking additional capacity?

8 THE WITNESS (Bradley): That's correct.
9 If ISO is seeking additional capacity, or a
10 participant who had already had a capacity award
11 through the auction was short capacity, then they
12 could pick up that capacity as well.

13 MR. PERRONE: And just general
14 timelines on the ARA, there would be a 2018 one, a
15 2019, and a 2020?

16 THE WITNESS (Bradley): I believe that
17 is correct. I have the schedule right here. The
18 bilateral auction for ARA number one is in April
19 of 2018. The annual reconfiguration auction
20 number one is in June of '18. The second
21 bilateral auction would be in May of '19. The
22 second annual reconfiguration would be in August
23 of '19. The third and final bilateral process
24 would be in December of '19. And the third and
25 final annual reconfiguration auction would be in

1 March of '20. And that's per the ISO New England
2 published schedule for FCA 11.

3 MR. PERRONE: Thank you. And lastly,
4 this is a general question. In the ISO filing to
5 FERC, Appendix A, of course, has the items that
6 received CSOs. And I looked for the at-risk
7 generation in here. And I don't know if you know
8 the answer to this, but, for example, Yarmouth,
9 which is four units, 1 through 4, units 1 and 2
10 showed zero megawatts across the board. Does that
11 mean there's just the CSO for units 3 and 4, and 1
12 and 2 are they essentially retired?

13 THE WITNESS (Paterno): It very well
14 could be an excellent indication of them retiring,
15 certainly. And zero megawatts across the board
16 would be, as you look at that table, if you have
17 an FCA qualified amount, which is how much they
18 could offer into the auction, and then zero
19 megawatts for the calendar months of January
20 through December would indicate that they did not
21 receive a CSO. In the case of Yarmouth, that
22 would most likely be because they submitted a
23 dynamic delist bid below the \$5.50 per kWm
24 threshold indicating they withdrew from the
25 auction, and a strong indication that the owner,

1 NextEra, intends to retire those facilities.

2 MR. PERRONE: But the units that have a
3 non-zero megawatt, those would be a CSO and they
4 would participate?

5 THE WITNESS (Paterno): That is
6 correct.

7 MR. PERRONE: Thank you. That's all I
8 have.

9 THE CHAIRMAN: Thank you.
10 We'll now have questions from the
11 Council members.

12 Senator Murphy?

13 SENATOR MURPHY: Thank you,
14 Mr. Chairman.

15 Not being an expert in this bidding
16 process, and what have you, explain to me why it
17 is you go there, and there are six rounds, and you
18 participate in one, two, three, four and five, and
19 at that point these timeline considerations and
20 cost uncertainties suddenly loom up and you drop
21 out?

22 THE WITNESS (Shortlidge): That's a
23 very good question. This is a descending clock
24 auction --

25 SENATOR MURPHY: At least I got a

1 compliment. But, hey, I just don't understand.

2 To me you're either there, or you're not there.

3 THE WITNESS (Shortlidge): Absolutely.

4 So this is the way that the auction works. It's a

5 little different than the traditional auction.

6 It's called the descending clock auction. So

7 every round has a minimum bid associated with it.

8 So in round one let's call it \$16 to

9 \$14. So you say, Yes, I can handle 16 to 14.

10 Round two, 14 to 12, and so on and so forth.

11 Round five ended at 5.50, and we said round five

12 we're fine going down to 5.50, we're happy. You

13 have 15 minutes in between each period to say okay

14 are you in; are you out. The next round would

15 have represented our -- actually I don't know if

16 it was the next round -- the following round would

17 have represented our minimum bid number.

18 So every time after every round I'd ask

19 the team, okay, understanding all of the

20 permitting uncertainties and all of the other

21 uncertainties, do you feel that we have adequate

22 contingency in the bid to address those

23 uncertainties. Every round the team said yes. We

24 got to the end of round five. I said, okay, this

25 is the next round, do we have adequate

1 contingency, do you guys feel comfortable that we
2 can address anything that can arise in this
3 proceeding, the permitting proceeding, addressing
4 the town's needs, addressing the citizens near the
5 plant's needs, addressing anything that may occur,
6 do we have adequate contingency to stay in for
7 this entire round. My team said no, and I said,
8 then we're not going to bid it.

9 SENATOR MURPHY: Why was their thinking
10 different at the end of the fifth round in
11 comparison to the fourth?

12 THE WITNESS (Shortlidge): Because the
13 amount of contingency, the amount of overage. So
14 our minimum bid, the delta between what we would
15 have received in revenue and our minimum bid
16 amount, kept on shrinking. So after the end of
17 round five, we had a decent amount of contingency
18 but not enough that people felt very confident
19 that we could continue. I personally am a
20 conservative person. I take these obligations
21 very seriously. And unless my team can tell me
22 that we can absolutely address any contingency, I
23 did not feel comfortable staying in the auction.

24 SENATOR MURPHY: Well, being kind of
25 simple minded in these things, it seems to me

1 you're talking in dollars and cents. And I don't
2 understand what the contingency has to do with
3 when I think of this timeline as to whether or not
4 you're going to be able to meet your deadline for
5 performing.

6 THE WITNESS (Shortlidge): Absolutely.
7 So -- excuse me.

8 SENATOR MURPHY: And the cost
9 uncertainties, I would assume you should have had
10 them figured in beforehand.

11 THE WITNESS (Shortlidge): Absolutely.
12 And we did. So, for instance --

13 SENATOR MURPHY: So what you're telling
14 me is that the bids were not what you expected
15 them to be, and that which was proffered wasn't
16 really what you expected it to be, and the numbers
17 came in low?

18 THE WITNESS (Shortlidge): Actually the
19 bids were what we expected them to be. In fact,
20 the clearing price that actually occurred was very
21 close. And was my crystal ball to have been
22 clear, because remember each round represents a \$2
23 spread or close to \$2 spread, we would have
24 cleared, and we would have been successful had we
25 stayed in and had a very successful project.

1 Now, the classic example that I want to
2 point out to you is, for instance, we have binding
3 bids for the construction of the facility. Those
4 binding bids represent the amount of dollars that
5 we would need for our minimum bid to be able to
6 comply. Now, if I go to that construction
7 contractor and I say, Okay, we've had a permitting
8 overrun, instead of giving you 36 months, for
9 instance, we need to get this project built in 30
10 months, he's going to say, Great, but I've got to
11 hire 200 more people. That 200 more people is
12 going to increase my cost. That's an unknown.

13 SENATOR MURPHY: So basically, though,
14 you really have to shorten it up, that it's a
15 contingency that's a deadline that you should have
16 thought of beforehand, at least the way I look at
17 it, or your target was a year too early?

18 THE WITNESS (Shortlidge): We
19 certainly --

20 SENATOR MURPHY: That's how --

21 THE WITNESS (Shortlidge): We certainly
22 had an aggressive target. It's a target that our
23 team felt that it could meet. When you get down
24 to very exacting numbers and you need to be
25 perfect --

1 SENATOR MURPHY: There's no such thing
2 as perfect in this thing.

3 THE WITNESS (Shortlidge): Trust me, if
4 I felt that there was perfect in this world, we
5 wouldn't be sitting here today.

6 THE CHAIRMAN: The only perfect are the
7 UConn women, but they're not --

8 SENATOR MURPHY: They miss a shot from
9 time to time.

10 I think you've sufficiently answered my
11 question. I just don't understand if you had to
12 drop out why you were ever there. That's my -- I
13 just have problems coming to grip with that.

14 But I'll leave it at that,
15 Mr. Chairman.

16 THE CHAIRMAN: I feel the same way.

17 Mr. Lynch, go ahead.

18 MR. LYNCH: Just to follow up a little
19 bit on Senator Murphy. I understand through each
20 round you have a set minimum bid that you're
21 looking for. And with a little wiggle room
22 involved in each, as the auction goes I guess it's
23 going up, and how do you determine that -- I heard
24 your answer to Senator Murphy, but if you could
25 just -- I think I understand it. Then, again, if

1 you could just elaborate a little bit more?

2 THE WITNESS (Shortlidge): Sure. I'll
3 give you the description of what happened on that
4 Monday morning. So every time -- we have a very
5 complex financial model. I've got a couple of
6 great financial analysts who run the model. I've
7 got my head of engineering. I've got Mr. Bradley
8 who is thinking about commercial issues. I've got
9 Mr. Eves, who you've all met, who is thinking
10 about the development time frame. We're all
11 sitting there. And on each round of bidding, I go
12 around the room and I say, Okay, guys, are we
13 still comfortable? And each round everybody said
14 yes. We got to the end of the final round, and
15 there were a couple of ums, and a couple of
16 maybes, and at that point when I hear "ums" and
17 "maybes," then that -- just to give you exact
18 numbers, that round ended at 5.50. So we had bid
19 5.50 at that point, and we were very comfortable
20 at 5.50. The next round, I believe, ended at 4?

21 THE WITNESS (Bradley): The range in
22 the next round was 5.50 to \$4.

23 THE WITNESS (Shortlidge): That's
24 right. So I asked the team are we comfortable
25 between 5.50 and 4. And they said yes at a

1 variety of numbers in there we are very
2 comfortable; at 4 we're very uncomfortable. And
3 at that point I said, all right, then, we've got
4 to pull. And then I woke up the next morning to
5 find out it cleared at 5.29.

6 MR. LYNCH: Now I understand. Thank
7 you.

8 THE CHAIRMAN: Mr. Silvestri.

9 MR. SILVESTRI: Thank you,
10 Mr. Chairman. So 5.50 would have been okay?

11 THE WITNESS (Shortlidge): We bid it,
12 and it was fine.

13 MR. SILVESTRI: 5.30 would have been
14 okay as well, if you stayed in?

15 THE WITNESS (Shortlidge): I would have
16 been very comfortable.

17 MR. SILVESTRI: So the auction
18 concluded at a lower price than the previous, say,
19 three annual auctions, and it was noted with
20 sufficient resources to meet the electricity
21 demand in 2020 to 2021. 35,835 megawatts were
22 procured to meet what ISO saw as a capacity target
23 of 34,075 megawatts. My math gives me a delta
24 there of 1,760 surplus. How does the surplus
25 factor into what NTE was looking at?

1 THE WITNESS (Shortlidge): Remember
2 that there is the concept of a dynamic delist. So
3 there are certain plants where at certain bid
4 levels the ISO says you are no longer competitive,
5 the new entrant is now more competitive than you.
6 And remember, we're talking about plants that are
7 35 to 50 years old, inefficient units, that are at
8 the end of their life stage. We know that there
9 are approximately 6,000 megawatts of those units
10 out there. Had our crystal balls been absolutely
11 clear, had we stayed in, we would have cleared,
12 and 500 megawatts of those units would no longer
13 be here. You would have taken dirtier units off
14 the grid, you would have added a more efficient
15 unit, and you would have also reduced the cost of
16 electricity for the ratepayers in New England.

17 MR. SILVESTRI: So if I understand that
18 correctly, the 1,760 megawatt surplus would stay?

19 THE WITNESS (Shortlidge): Absolutely.

20 MR. SILVESTRI: It would just be that
21 NTE would be in, but somebody else would be out.
22 Is that correct?

23 THE WITNESS (Shortlidge): That is
24 correct.

25 MR. SILVESTRI: Yet whoever is in was

1 able to meet a lower cost or willing to stay in at
2 a lower cost, I guess, and take that risk?

3 THE WITNESS (Shortlidge): Remember
4 that those are units that are currently operating,
5 so there is no risk to them. The sole risk is
6 that they break down.

7 MR. SILVESTRI: All right. If I go
8 back in time, as I mentioned with the previous
9 auctions, FCA 8, if I have my numbers right, it
10 was \$15 for new, and seven dollars and 025 cents
11 for existing. That dropped down in FCA 9 to a
12 system-wide number of \$9.55, which then went down
13 to \$7.03 for FCA 10, and then finally to \$5.30
14 with FCA 11. The trend is decreasing somewhat
15 rapidly from what I see. And I know you mentioned
16 crystal balls. What do you see for crystal balls
17 coming up for anything down the road with
18 auctions?

19 THE WITNESS (Shortlidge): I believe
20 that that's reflective, that the system planning
21 is working. What you're doing is you're obtaining
22 megawatts at the most efficient rate. As you look
23 forward, you're going to see that cost delta, that
24 cost drop, but increasing strain on existing units
25 and make new entrants, like us, more competitive,

1 forcing us to enter the grid at the most
2 competitive part, realizing savings for
3 ratepayers, and realizing the entire benefit of
4 the system planning process, which is to obtain
5 the most efficient megawatts on the grid at the
6 lowest cost for ratepayers.

7 MR. SILVESTRI: If I then go back to
8 Appendix B2, that's "Bravo" 2, of your submittal
9 with Figure 3-2, the projection at that point was
10 that a total cleared capacity would be about
11 35,500 megawatts, which you almost picked right on
12 the nose, with a clearing price of \$6.19. And it
13 was also mentioned in that appendix that KEC is
14 projected to clear the auction at that price.

15 What type of price was that? Was that
16 the minimum price that KEC was looking at?

17 THE WITNESS (Shortlidge): No, it was
18 not.

19 MR. SILVESTRI: Was that just a
20 projection to say we think it's going to drop from
21 the 15, to the 9.55, to 7.03, down to 6? Is that
22 where that number actually came from?

23 THE WITNESS (Shortlidge): Ethan does a
24 wonderful job projecting these things. I have a
25 lot of faith in him, but I don't have that much

1 faith. So our minimum bid was substantially below
2 that number and, as I testified, we pulled at
3 5.50, which is below that number. That is just
4 simply Ethan's estimate of where the market was
5 going to clear.

6 MR. SILVESTRI: So the megawatt meaning
7 was a closer guess than what the megawatt dollars
8 would clear at?

9 THE WITNESS (Shortlidge): And I think
10 the reasoning behind that is that the dynamic
11 delists did not occur at the rate that we thought
12 that they would.

13 MR. SILVESTRI: One last question for
14 you. ISO noted that there were a number of
15 generators that are out there that I guess did not
16 participate in the auction but they're still
17 available to provide megawatts. Am I saying that
18 correctly?

19 THE WITNESS (Shortlidge): This is one
20 where I'm turning it over to the experts.

21 THE WITNESS (Paterno): I don't know if
22 I saw that. Do you recall what context you read
23 that in?

24 MR. SILVESTRI: No. But for the sake
25 of time, let's move on. And if I do find it, I'll

1 ask the Chairman to go back to it.

2 THE WITNESS (Paterno): Okay. And
3 apologies. It just doesn't come to me right away.

4 MR. SILVESTRI: Thank you, Mr.
5 Chairman.

6 THE CHAIRMAN: Mr. Harder?

7 MR. HARDER: Just one question to
8 clarify something you mentioned in response to a
9 question or a comment, I guess, from
10 Mr. Silvestri. I think he had said or made a
11 comment that while you made the decision to drop
12 out after the fifth round, the other bidders were
13 comfortable enough to stay in. And I think you
14 said something to the effect of that was because
15 the only risk for them was if something breaks
16 down. Did you mean by that that you were the only
17 bidder for a new facility?

18 THE WITNESS (Shortlidge): At that
19 point we were the only bidder for a new facility
20 that is still in the auction at 5.50.

21 MR. HARDER: Okay. Thank you. That's
22 all I have.

23 THE CHAIRMAN: Mr. Silvestri.

24 MR. SILVESTRI: Mr. Chairman, I found a
25 follow-up. What ISO had was that no large

1 resource here retired in FCA 11. A few small oil
2 generators delisted during the auction, meaning
3 they've dropped out of the capacity market for one
4 year, but could still sell energy during that time
5 and compete again in future auctions. I'm not
6 sure how that fits actually into the bidding and
7 was hoping you might be able to explain that
8 aspect to me.

9 THE WITNESS (Paterno): So this ties a
10 little bit to Mr. Perrone's earlier question. I
11 believe they're talking about the Yarmouth units,
12 which are obviously up in Yarmouth, Maine.
13 They're owned by NextEra Energy, which used to be
14 FPL. What those facilities did is they submitted
15 a dynamic delist bid below \$5.50, and removed
16 themselves from the auction. So they no longer
17 had a capacity supply obligation, so no longer a
18 requirement to participate in the energy market.
19 That means it's an option for them to do so. So
20 if NextEra does not decide to retire those
21 facilities, which is a big unknown, they could
22 still offer those into the energy market. They
23 just would not be counted on as a capacity
24 resource to meet peak electricity demand per the
25 FCA parameters.

1 MR. SILVESTRI: So if I could clarify
2 that for my purposes. So they wouldn't be
3 included in the 35,835 that cleared?

4 THE WITNESS (Paterno): That's correct.

5 MR. SILVESTRI: So they wouldn't also
6 be included in the 1,760 megawatt surplus, but
7 they could become additional surplus?

8 THE WITNESS (Paterno): If NextEra
9 doesn't decide to retire them. I mean,
10 historically when we look back at how retirements
11 have manifested themselves, most of the time, but
12 not all, a facility has withdrawn from the
13 auction, similar to what happened with the
14 Yarmouth units, and then the owner subsequently
15 announced I'm going to retire these facilities.
16 So typically you see that event happen first with
17 the auction, and then followed by the retirement
18 announcement.

19 MR. SILVESTRI: Thank you. Thank you,
20 Mr. Chairman.

21 THE CHAIRMAN: Mr. Levesque.

22 MR. LEVESQUE: Is the state air permit
23 among the last you'd be able to obtain in your
24 estimation?

25 THE WITNESS (Shortlidge): Yes. We're

1 hoping that we will see a tentative determination
2 shortly, and then have it finalized in the next 60
3 to 90 days.

4 MR. LEVESQUE: Thank you.

5 THE CHAIRMAN: Mr. Lynch.

6 MR. LYNCH: Just one point of
7 clarification. In your question from Mr. Perrone
8 you stated that -- and follow-up to Mr. Levesque's
9 question here, that one of the reasons that you
10 dropped out of the auction in round five, I guess
11 it is, was because you weren't sure you'd get all
12 the proper permits, and then in questioning from
13 Senator Murphy, you said that the bidding price
14 was a factor too. How did both of those come into
15 your decision?

16 THE WITNESS (Shortlidge): I assume
17 that we will receive all the permits. Because if
18 we don't, then we can't build the plant, and we
19 can't serve --

20 MR. LYNCH: My question really is,
21 which one of those was a basic factor, or more
22 important factor, the pricing, or not having the
23 permits?

24 THE WITNESS (Shortlidge): Not having
25 the permits, and a concern regarding what

1 conditions might be imposed as a result of those
2 permits.

3 MR. LYNCH: Thank you. Thank you,
4 Mr. Chairman.

5 THE CHAIRMAN: I have a question. It
6 dates back to one of the prior hearings, I think,
7 so I guess it's the Chairman's prerogative to
8 revisit. Maybe all I need is a yes or no. But
9 I'm pretty sure that in one of our earlier
10 hearings that the question was asked, would you go
11 ahead irregardless of the results of the ISO
12 auction, and I believe the answer was yes. So
13 somebody there may either tell me that I dreamt
14 that up, or what; but if that was the case, then
15 my question is, why don't you go ahead anyway?

16 THE WITNESS (Shortlidge): Your memory
17 is spot on, and that was our answer. And our
18 intent is to continue to develop the project. We
19 believe that it still has a need in New England.
20 We will be participating in FCA 12, assuming that
21 we receive the necessary permits. The way I talk
22 to my team about it is that this is a lot like the
23 real estate crisis of 2007 and 2008, where we know
24 that there is a lot of troubled loans out there.
25 We don't know when they're going to collapse.

1 Here we know that there are a lot of troubled
2 assets out there. We know that there are a lot of
3 generators out there that, by the basic laws of
4 physics, have to fall away. And nothing changes
5 those laws of physics. And just because we
6 withdrew from this auction does not change my
7 belief in the necessity of this project, nor our
8 need to move forward with it.

9 Oh, and also I should state we would be
10 very content with the condition of this Council
11 that we obtain a capacity support obligation from
12 the New England ISO prior to starting construction
13 of the facility.

14 THE CHAIRMAN: That was going to be my
15 question is, what are you asking the Council to
16 do? I mean --

17 THE WITNESS (Shortlidge): We would ask
18 the Council to approve our application and
19 condition it upon our receipt of a capacity supply
20 obligation from the ISO.

21 THE CHAIRMAN: So that serves to
22 confuse me, because you admitted in prior
23 testimony you would go ahead irregardless of ISO's
24 determination, and now we're being asked to
25 conditionally approve based on whether or not in

1 the next auction ISO approves it. So I'm having
2 trouble following that. And I'm also, based on
3 the information that one of our Council members
4 provided, what's --

5 THE WITNESS (Shortlidge):

6 Mr. Chairman, I would be excited to move forward
7 with this project without that condition.

8 However, if it is necessary to address concerns
9 from this Council associated with whether or not
10 there is a requirement by the ISO that this plant
11 be built, we would be willing to accept that
12 condition.

13 THE CHAIRMAN: Well, I guess that's not
14 for a debate here; it's for the Council to
15 ultimately decide. But what I was trying to say
16 is that given the way the -- whatever it's
17 called -- the auction price has been declining
18 over the years, despite the law of physics, it
19 seems that some of these older plants were very
20 willing and able to stay in the process even at
21 these low numbers. So I'm not -- I'm having
22 trouble being as optimistic as you are about what
23 the results are going to be in the next one.

24 THE WITNESS (Shortlidge): Remember
25 that the auction clearing price occurred at \$5.30.

1 We were very comfortable being at least one digit
2 below that. That means that had the auction
3 continued, had we had a perfect UConn women's
4 ability to call the shot, we would be sitting here
5 with an obligation, and one of those older units
6 would have been taken off the grid.

7 THE CHAIRMAN: Any other questions,
8 either staff or --

9 SENATOR MURPHY: I have nothing.

10 THE CHAIRMAN: -- members?

11 (No response.)

12 THE CHAIRMAN: So now
13 cross-examination. I understand that there's no
14 representative from the town here. Is that
15 correct?

16 (No response.)

17 THE CHAIRMAN: So we'll go to the
18 grouped parties. We'll decide how or who is going
19 to --

20 MR. BASHAW: Yes, I'll handle that.

21 THE CHAIRMAN: I guess you can sit next
22 to Mr. Perrone.

23 MR. BASHAW: Good afternoon, Council,
24 Mr. Shortlidge. My name is John Bashaw with Reid
25 and Riege. I'm representing Not Another Power

1 Plant and the Wyndham Land Trust, also speaking on
2 behalf of what's referred to as the "grouped
3 parties" here.

4 Mr. Shortlidge, you obviously are
5 familiar with NTE's application to this Council.
6 Correct?

7 THE WITNESS (Shortlidge): I am.

8 MR. BASHAW: And that's the one that
9 was submitted in August of 2016?

10 THE WITNESS (Shortlidge): Yes. And if
11 I recall, makes up a huge piece of my bookshelf.

12 MR. BASHAW: All of our bookshelves.

13 And so you obviously are aware that the
14 gentleman to your right, at least Mr. Paterno,
15 anyway, of PA Consulting Group, was commissioned
16 by NTE, retained to prepare an analysis of need,
17 and an economic and environmental impact study?

18 THE WITNESS (Shortlidge): He was.

19 MR. BASHAW: And that's Exhibit B to
20 the application. Correct?

21 THE WITNESS (Shortlidge): Subject to
22 check, I will accept that.

23 MR. BASHAW: I don't know if you have
24 that exhibit in front of you. If you don't, I
25 have a copy. If you could take a look at page 3,

1 the executive summary? And this is the --

2 THE WITNESS (Paterno): The second
3 report.

4 MR. BASHAW: This is the second report,
5 yes. There is an addendum in the front. It's not
6 the addendum that I'm referring to. It's the
7 report itself.

8 Are you there?

9 THE WITNESS (Shortlidge): Yes.

10 MR. BASHAW: And if you look at that
11 page 3, and if you look in paragraph three, you
12 will see that PA performed modeling to determine
13 if NTE would clear FCA 11. Do you see that?

14 THE WITNESS (Shortlidge): That's
15 correct.

16 MR. BASHAW: In fact, PA used a
17 proprietary, what they called a proprietary FCM
18 simulation model for the purpose of projecting a
19 clearing price for FCA 11. Is that correct?

20 THE WITNESS (Shortlidge): Absolutely.

21 MR. BASHAW: And that modeling did
22 predict that NTE would clear FCA 11. Correct?

23 THE WITNESS (Shortlidge): It did.

24 MR. BASHAW: And it predicted a
25 clearing price of \$6.19 per kilowatt month?

1 THE WITNESS (Shortlidge): It did, and
2 even though Ethan is wrong, we still paid his
3 bill.

4 MR. BASHAW: I'm sure he's very pleased
5 with that.

6 But the actual clearing price was far
7 below that, it was \$5.30?

8 THE WITNESS (Shortlidge): It was.

9 MR. BASHAW: So his modeling was not
10 correct?

11 THE WITNESS (Shortlidge): No.

12 MR. BASHAW: Now, you're here today
13 because NTE failed to clear the auction. Correct?

14 THE WITNESS (Shortlidge): No. I'm
15 here today because NTE withdrew from the auction.

16 MR. BASHAW: Well, what's the
17 difference between failing to clear and to
18 withdraw, isn't the result the same?

19 THE WITNESS (Shortlidge): The result
20 may be the same. The business logic is different.
21 Withdrawing means that you made an affirmative
22 decision to take the bid out. Clearing or not
23 clearing is that the auction cleared at a certain
24 price, and that your minimum bid would not have
25 cleared that price. In this case our minimum bid,

1 as approved by the ISO, would have absolutely
2 cleared this.

3 MR. BASHAW: But the clear fact is if
4 you had cleared the auction and/or not withdrawn,
5 you wouldn't be here today?

6 THE WITNESS (Shortlidge): That's
7 correct.

8 MR. BASHAW: And I'm sure after having
9 reviewed the testimony -- and you know this
10 anyway, I'm sure -- that the purpose for you
11 entering that auction was to obtain a capacity
12 obligation for the June 1, 2020 to the May 31,
13 2021 capacity commitment period?

14 THE WITNESS (Shortlidge): That's
15 correct.

16 MR. BASHAW: And you, of course, know
17 that testimony has already been provided to this
18 Commission that energy providers that clear that
19 auction, or don't withdraw from it, have an
20 enforceable contractual obligation to provide
21 capacity for that time period?

22 THE WITNESS (Shortlidge): That is
23 absolutely correct.

24 MR. BASHAW: And conversely, an energy
25 provider that does not clear, or withdraws, does

1 not have any capacity obligation for that time
2 period?

3 THE WITNESS (Shortlidge): That's
4 correct.

5 MR. BASHAW: So today NTE does not have
6 any capacity obligation for the time period
7 covered by FCA 11?

8 THE WITNESS (Shortlidge): That's
9 correct, nor do we have an obligation to provide
10 that capacity.

11 MR. BASHAW: And I believe there was
12 mention here today that there was an additional
13 1,760 megawatts of capacity that cleared FCA 11 in
14 excess of the minimum reliability needs
15 established by ISO. Correct?

16 THE WITNESS (Shortlidge): That's
17 correct.

18 MR. BASHAW: And you were not part of
19 that excess capacity because you had withdrawn?

20 THE WITNESS (Shortlidge): That's
21 correct.

22 MR. BASHAW: So it's fair to say that
23 until NTE clears one of the FCAs, if you build
24 your proposed dual-fuel facility with a quick
25 ramp-up, you will have no legal obligation to

1 provide capacity?

2 THE WITNESS (Shortlidge): We will have
3 no legal obligation until we have a required
4 obligation under the ISO.

5 MR. BASHAW: Do you have any basis to
6 disagree with any of the statements that Mr.
7 Paterno or Mr. Bradley provided previously to this
8 Council?

9 MR. BALDWIN: Any? Do you want to
10 clarify which ones you're talking about?

11 MR. BASHAW: Sure. I'd be happy to.

12 Are you aware that both Mr. Bradley and
13 Mr. Paterno testified that 2,000 megawatts of
14 capacity in Connecticut and 6,000 megawatts of
15 capacity in New England was at risk and not might
16 clear FCA 11?

17 THE WITNESS (Shortlidge): I agree
18 completely with that statement.

19 MR. BASHAW: And isn't it true that
20 those units that were identified by Mr. Bradley
21 and Mr. Paterno as being at risk and potentially
22 not clearing FCA 11 indeed cleared FCA 11?

23 THE WITNESS (Shortlidge): They did,
24 and they will now be one year older.

25 MR. BASHAW: But they now have

1 enforceable capacity obligations for 2020, whereas
2 you do not?

3 THE WITNESS (Shortlidge): That is
4 correct. And should they fail to deliver, they
5 will have to pay damages; but also, should they
6 fail to deliver, the lights in the state will go
7 out.

8 MR. BASHAW: But as we sit here today,
9 they have capacity obligations, and they cleared
10 the auction?

11 THE WITNESS (Shortlidge): They did.

12 MR. BASHAW: In your prefile testimony
13 on page 4, line 9, there's a statement that
14 begins, it says, "We also believe the clearing
15 price in FCA 11 will bring increased financial
16 pressure on those facilities that ISO-NE has
17 identified as being at risk of retiring,
18 potentially accelerating their scheduled
19 retirement."

20 My question for you is simple. The
21 word "we," does that include Mr. Bradley and Mr.
22 Paterno?

23 THE WITNESS (Shortlidge): It does.

24 MR. BASHAW: If you go back to -- do
25 you have the application here, by any chance?

1 MR. BALDWIN: No.

2 MR. BASHAW: I'm going to read a
3 statement from the application because I hadn't
4 brought the full application myself. I'm just
5 going to ask you whether you agree or disagree
6 with the statement.

7 The statement in the application, it's
8 in Section 3.2, just for the record is,
9 "Therefore, capacity resources that clear the FCA
10 are, by definition, needed for reliability." Do
11 you disagree with that statement?

12 THE WITNESS (Shortlidge): No.

13 MR. BASHAW: And therefore you wouldn't
14 disagree with a statement that Mr. Bradley
15 provided -- and this is obviously subject to you
16 checking -- but it's on page 302 of the November
17 3, 2016 transcript. And the quote is, "The ISO
18 clearly states that clearing the forward capacity
19 auction is an indication of need for the region."
20 And you don't disagree with that statement either?

21 THE WITNESS (Shortlidge): I don't, but
22 I also don't agree with the alternative that there
23 are other -- and I believe Mr. Bradley testified
24 to this, subject to check -- that there are many
25 other indications of need.

1 THE WITNESS (Bradley): Yes, I can
2 clarify that.

3 MR. BASHAW: The question was just
4 simply whether he agreed or disagreed with that
5 statement, and he agrees with it.

6 THE WITNESS (Shortlidge): I agree.

7 MR. BASHAW: Now, before the auction
8 began, which was held on February 6, 2017, am I
9 correct?

10 THE WITNESS (Shortlidge): Yes.

11 MR. BASHAW: And before that auction
12 began, you state in your prefile testimony on page
13 2, line 13, that NTE had not secured, "certain
14 critical permits, approvals and agreements for the
15 project." And I'm simply asking if that is a
16 correct reading of your testimony?

17 THE WITNESS (Shortlidge): That was a
18 correct reading.

19 MR. BASHAW: So as you entered the
20 auction, the "critical permits, approvals and
21 agreements" that you mentioned in your testimony
22 you had not received?

23 THE WITNESS (Shortlidge): That's
24 correct.

25 MR. BASHAW: And you went through five

1 rounds of the auction, as I understand your
2 testimony?

3 THE WITNESS (Shortlidge): That's
4 correct.

5 MR. BASHAW: And I take it you didn't
6 wait to withdraw on the fifth round because you
7 suddenly realized you didn't have these permits,
8 approvals or agreements?

9 THE WITNESS (Shortlidge): That's
10 correct.

11 MR. BASHAW: And so you entered the
12 auction knowing that you didn't have these
13 permits, approvals and agreements or critical
14 permits and approvals. Correct?

15 THE WITNESS (Shortlidge): Yes.

16 MR. BASHAW: And you had no
17 anticipation of receiving them during the auction.
18 Correct?

19 THE WITNESS (Shortlidge): That's
20 correct.

21 MR. BASHAW: But you withdrew at the
22 fifth round?

23 THE WITNESS (Shortlidge): We did.

24 MR. BASHAW: So, in fact, if the
25 clearing price had been certainly \$6.19 a kilowatt

1 month, you would have bid, you would not have
2 withdrawn?

3 THE WITNESS (Shortlidge): In fact, we
4 did.

5 MR. BASHAW: And you did bid. And so
6 you were willing to proceed without having the
7 permits, approvals that you had mentioned were so
8 critical at \$6.19?

9 THE WITNESS (Shortlidge): That's
10 correct, because we would have had enough
11 contingency at that point to address any of the
12 comments that had been provided by any of the
13 counterparties.

14 MR. BASHAW: And, in fact, I think you
15 testified today you were down to \$5.50?

16 THE WITNESS (Shortlidge): Yes.

17 MR. BASHAW: So the reason why you
18 withdrew and didn't clear the auction is because
19 the price was too low?

20 THE WITNESS (Shortlidge): No, because
21 we did not have enough contingency in the price,
22 as it existed, to address any potential delays or
23 conditions that could be applied by the permits.

24 MR. BASHAW: And these are things that
25 you did not anticipate prior to going into the

1 auction?

2 THE WITNESS (Shortlidge): We always
3 operate on a worst-case scenario, so we always
4 assume that everything that can occur will occur.
5 So that any permit will have conditions that we're
6 not expecting, that we will have delays, and
7 everything else. As we get to the lower level to
8 round six of the auction, at that point when you
9 look at our worst case scenarios and at the bottom
10 round at the bottom levels of that pricing, yes,
11 we would have had a tougher time complying with
12 the supply obligation.

13 MR. BASHAW: I have no further
14 questions.

15 THE CHAIRMAN: Attorney Berman, do you
16 have any cross-examination?

17 MR. BERMAN: Good afternoon.

18 THE WITNESS (Shortlidge): Good
19 afternoon.

20 MR. BERMAN: I just have one question
21 about something you testified to earlier. I
22 believe, and you can correct me if I'm mistaken, I
23 believe you testified earlier that the auction
24 clearing price was very close to what NTE
25 projected. Did I hear you correctly?

1 THE WITNESS (Shortlidge): No, you did
2 not hear me correctly. What I might have
3 testified to is that had we decided to stay in, it
4 was significantly above what our minimum bid was.

5 MR. BERMAN: Okay. I guess I'll go
6 back and look at the transcript.

7 MR. LYNCH: Mr. Berman, can you keep
8 your voice up?

9 MR. BERMAN: My apologies.

10 THE CHAIRMAN: Connecticut Fund for the
11 Environment, Mr. Looney?

12 MR. LOONEY: I have no questions.

13 MR. RAY: May we ask a brief question
14 on redirect, Mr. Chairman?

15 THE CHAIRMAN: Sure.

16 REDIRECT EXAMINATION

17 MR. RAY: What hopefully is a simple
18 question is, there was mention made of the
19 modeling predictions from PA and the \$6.19. Why
20 do you believe that the actual auction clearing
21 price was lower than projected?

22 THE WITNESS (Shortlidge): Because many
23 of the older units ended up staying in, and I will
24 editorialize right now because of the results of
25 the past election and the belief that our new

1 president may go easier on them on environmental
2 regulations than I would like.

3 THE CHAIRMAN: You just ruined my day
4 but --

5 THE WITNESS (Shortlidge): He ruined
6 many of mine, too.

7 MR. RAY: And there was a question or a
8 comment from Senator Murphy regarding -- I think
9 the comment was perhaps you were in too early.
10 What does the fact that they stayed in do to your
11 projections going forward?

12 THE WITNESS (Shortlidge): As I stated,
13 had we bid our minimum bid, we would have replaced
14 one. We would have taken a dirty plant off the
15 system. We would have enhanced system
16 reliability, and we would have cleaned up the
17 environment.

18 MR. RAY: Can you explain why you said
19 had you stayed in, you would be replacing an older
20 unit? Can you explain why that would have been
21 the case?

22 THE WITNESS (Shortlidge): By
23 definition, \$5.29 was the marginal point at which
24 the last megawatt pulled, or the last old unit
25 that they needed to delist delisted. As we've

1 talked about, no units delisted. Had we gone
2 below that point, those units would have
3 started -- we now know exactly where that marginal
4 line stands, and we would have pushed them off the
5 grid.

6 MR. RAY: When you say that point, that
7 \$5.29, can you explain why, had it gone below that
8 point, those units would have had to get out?

9 THE WITNESS (Shortlidge): Because of
10 the dynamic delist function, each unit has a
11 dynamic delist number. We know that at 5.29 the
12 market cleared, which, by definition, means that
13 the next round of delists occurred at 5.29.

14 MR. RAY: So had it gone below \$5.29 --
15 explain what the dynamic delist number is.

16 THE WITNESS (Shortlidge): The dynamic
17 delist number is the number at which an older unit
18 is required to retire, and then it's replaced by a
19 cheaper, more efficient unit. So at that marginal
20 level, had we bid below that, we would have
21 cleaned one of those older units out.

22 MR. RAY: Nothing further. Thank you,
23 Mr. Chairman.

24 THE CHAIRMAN: Before closing this
25 hearing, the Connecticut Siting Council announces

1 that briefs and proposed findings of fact may be
2 filed with the Council by any party or intervenor
3 no later than April 24th of this year 2017. The
4 submission of briefs or findings of fact are not
5 required by the Council, rather we leave it to the
6 choice of the parties and intervenors.

7 Anyone who has not become a party or
8 intervenor, but who desires to make his or her
9 views known to the Council, may file written
10 statements with the Council within 30 days of the
11 date hereof.

12 The Council will issue draft findings
13 of fact, and thereafter parties and intervenors
14 may identify errors or inconsistencies between the
15 Council's draft findings of fact and the record.
16 However, no new information, no new evidence, no
17 argument, no reply briefs without our permission,
18 will be considered by the Council.

19 Again, copies of the transcript of the
20 hearing will be filed with the Town Clerk's
21 offices in Killingly, Pomfret, and Putnam Town
22 Halls.

23 And I hereby declare the hearing
24 adjourned. Thank you all for your participation,
25 and get home safely.

1 (Whereupon, the witnesses were excused,
2 and the above proceedings adjourned at 2:08 p.m.)
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CERTIFICATE

I hereby certify that the foregoing 60 pages are a complete and accurate computer-aided transcription of my original stenotype notes taken of the Council Meeting in Re: DOCKET NO. 470, APPLICATION OF NTE CONNECTICUT, LLC FOR A CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY AND PUBLIC NEED FOR THE CONSTRUCTION, MAINTENANCE AND OPERATION OF A 550-MEGAWATT DUAL-FUEL COMBINED CYCLE ELECTRIC GENERATING FACILITY AND ASSOCIATED ELECTRICAL INTERCONNECTION SWITCHYARD LOCATED AT 180 AND 189 LAKE ROAD, KILLINGLY, CONNECTICUT, which was held before ROBERT STEIN, Chairman, at Ten Franklin Square, New Britain, Connecticut, on March 23, 2017.

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Lisa L. Warner, L.S.R., 061
Court Reporter

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I N D E X

WITNESSES ETHAN PATERNO

PAGE 12

MICHAEL BRADLEY

SETH SHORTLIDGE

EXAMINERS:

Mr. Perrone

Senator Murphy

Mr. Lynch

Mr. Silvestri

Mr. Harder

Mr. Levesque

Mr. Lynch

The Chairman

Mr. Bashaw

Mr. Berman

Mr. Ray

APPLICANT EXHIBITS

(Received in evidence)

EXHIBIT	DESCRIPTION	PAGE
II-B-31	Supplemental testimony of Seth Shortlidge, dated February 13, 2017	15