

**New Hampshire Electric Cooperative, Inc.  
Before the  
New Hampshire Public Utilities Commission**

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**Stranded Cost Charge**

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**November 12, 2009**

1 Q: PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

2 My name is Brenda C. Inman and my business address is New Hampshire Electric  
3 Cooperative, Inc., 579 Tenney Mountain Highway, Plymouth, NH 03264.

4 Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

5 I have been employed by New Hampshire Electric Cooperative, Inc. since 1982  
6 and currently hold the position of Financial Services Manager. In this position my  
7 responsibilities include preparation of rate filings and other documentation filed with  
8 the NHPUC and overseeing the operations of the finance and consumer billing  
9 departments. Prior to my current position, I held the position of Financial Analyst  
10 where my responsibilities included preparation of rate filings and other  
11 documentation filed with the NHPUC, financial forecasting and analysis, and  
12 miscellaneous other projects for the Cooperative

13 Q: PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

14 I graduated from Plymouth State College in 1982 with an AS in Accounting. I  
15 have attended various courses and seminars.

16 Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE A REGULATORY COMMISSION?

17 Yes.

18 Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

19 The purpose of my testimony is to explain New Hampshire Electric Cooperative's  
20 (NHEC's) proposal for its Stranded Cost Charge for all bills rendered as of January  
21 1, 2010. Please refer to Attachment BCI-1 for detail of the Stranded Cost Charge  
22 proposed.

23

24

25 Q: BY WHAT PERCENTAGE WILL NHEC'S AVERAGE REVENUE / KWH CHANGE ON  
26 JANUARY 2010 IF THE COOPERATIVE'S PROPOSAL IS APPROVED?

1           If there were no other changes to the Cooperative's rates, the Cooperative's  
2           proposal to decrease its Stranded Cost Charge will cause the Cooperative's average  
3           revenue/kWh to decrease 0.02%. Please reference Attachment BCI-2 for the various  
4           rate changes by class for Stranded Cost. Please note that Attachment BCI-2 does  
5           not include any of the Cooperative's anticipated non-jurisdictional rate changes for  
6           January 1, 2010.

7   Q: WHAT EFFECT WILL THE COOPERATIVE'S PROPOSAL HAVE ON AN AVERAGE  
8   RESIDENTIAL RATEPAYER'S MONTHLY BILL?

9           If there were no other changes to the Cooperatives rates, the Cooperative's  
10          proposal to decrease its Stranded Cost Charge will cause an average residential  
11          ratepayer's monthly bill, with usage of 500 kWh to decrease by \$0.01 from \$97.47 to  
12          \$97.46. The Cooperative does anticipate other non-jurisdictional rate changes to  
13          occur on January 1, 2010 that will likely result in an increase to the average  
14          residential ratepayer's monthly bill to approximately \$97.54. The increase in the  
15          non-jurisdictional rates is primarily driven by a decrease in forecasted kWh sales for  
16          2010.

17   Q: PLEASE EXPLAIN THE CALCULATION OF THE PROPOSED STRANDED COST CHARGE.

18          Please refer to Attachment BCI-1. The Cooperative proposes a Stranded Cost  
19          Charge of 1.502¢ per kWh effective January 1, 2010 for all members served at the  
20          Cooperative's retail tariff rates. The charge is calculated as the total stranded costs  
21          for the period divided by the forecast sales, inclusive of ski area load, for the same  
22          period. Each year the forecasted sales reflect "weather normalization" of historical  
23          sales adjusted for billing days along with projected number of customers and usage  
24          per customer. The actual stranded costs and stranded cost recoveries will continue to  
25          be reconciled monthly.

26   Q: PLEASE DESCRIBE THE COSTS INCLUDED IN THE STRANDED COST CHARGE FOR THE  
27   YEAR 2010.

28          The Stranded Cost Charge includes the amortization of the Seabrook regulatory  
29          asset in accordance with PUC approval in Docket DR 98-097, the Cooperative's  
30          Revised Compliance Filing. This regulatory asset was established on July 1, 2000

1 when the Sellback Agreement terminated. In Docket DR 98-097 the Commission  
2 authorized the establishment of a regulatory asset for Seabrook Stranded Costs equal  
3 to the outstanding debt of approximately \$103 million less an approximation for the  
4 sale value of the plant net of any required payment to dispose of the Cooperative's  
5 decommissioning liability. The Commission also approved the restructuring of the  
6 Cooperative's Seabrook debt to completely pay it off within twelve years,  
7 substantially reducing the period the Cooperative would otherwise require Stranded  
8 Cost recovery. Under the methodology established in Docket DR 98-097, the  
9 Cooperative annually increases the regulatory asset for interest accrued and reduces  
10 it for debt service payments and for the debt service coverage requirement recovery.  
11 The debt service payment and the debt service coverage requirement recovery are  
12 booked as amortization expenses. The loan agreement between the Cooperative and  
13 its lender, National Rural Utilities Cooperative Financing Corporation ("CFC"),  
14 require that the Cooperative maintain a Debt Service Coverage ratio of at least 1.15  
15 (average best two out of three years). The Commission approved that the  
16 Cooperative amortizes and recovers additional amounts sufficient to allow it to meet  
17 that requirement in addition to recovery of the scheduled debt service payment itself.

18 The Stranded Cost Charge also includes the amortization of a regulatory asset  
19 associated with the termination of NHEC's power contract with PSNH in accordance  
20 with PUC approval in Docket DR 98-097. The Cooperative finances the  
21 Termination Payment with a loan from CFC. The Cooperative records the  
22 Termination Payment as a regulatory asset and amortizes it according to its  
23 scheduled debt service payments and related debt service coverage requirement  
24 recovery using a similar methodology as that used for the Seabrook debt-related  
25 Stranded Costs. The Settlement (Termination) Agreement is a comprehensive  
26 agreement between the Cooperative and PSNH which resolved the many outstanding  
27 disputes between the two parties and allowed the Cooperative and its members to  
28 enjoy the benefits of electric supply competition. In accordance with the Settlement  
29 Agreement, the Amended Partial Requirements Agreement ("APRA"), the wholesale  
30 power supply contract between the Cooperative and PSNH terminated effective  
31 January 1, 2000. The Cooperative paid PSNH \$18,000,000 which together with the  
32 rest of the Settlement, satisfies all stranded cost claims of PSNH against the  
33 Cooperative.

1           There is a continual reduction in stranded cost as a result of the Cooperative's debt  
2           service payments.

3  
4           Q: GIVEN THE CONTINUAL REDUCTION IN NHEC'S STRANDED COST BY  
5           VIRTUE OF ITS DEBT SERVICE PAYMENTS, WHY IS THIS YEAR'S PROPOSED  
6           RATE REDUCTION NOT LARGER?

7           The Cooperative's proposed Stranded Cost Charge of 1.502¢ per kWh is 0.0003¢  
8           per kWh lower than the current rate of 1.505¢ per kWh. The stranded cost portion  
9           of the rate continues to decline in keeping with NHEC's debt service payments.  
10          However, kWh sales are the key factor affecting the size of the reduction. The  
11          forecasted kWh sales for 2010 are decreasing approximately 4.3% from 2009  
12          budgeted sales. Also, as shown on attachment BCI-1, the under-recovery balance  
13          going into 2010 is larger than expected due to 2009 expected kWh sales being down  
14          4.1% compared to budget.

15  
16          Q: IN THE COURSE OF NHEC'S PREVIOUS STRANDED COST CHARGE ADJUSTMENT  
17          PROCEEDINGS COMMISSION STAFF RAISED A QUESTION CONCERNING NHEC BOARD  
18          AUTHORIZATION FOR THE PROPOSED RATE CHANGE. PLEASE ADDRESS THAT  
19          QUESTION IN THE CONTENT OF THIS FILING.

20          In docket DE 07-121 Commission Staff raised a question concerning whether or  
21          not the record in that proceeding needed to contain documentation of a NHEC Board  
22          of Directors' resolution or other express authorization for the proposed Stranded  
23          Cost Charge Adjustment. As I understand it, the Staff's question arose out of some  
24          uncertainty concerning the role of NHEC's Board of Directors with regard to rate  
25          changes for those of NHEC's rates which remain subject to Commission jurisdiction.  
26          NHEC, through its counsel, provided Staff with a letter which answered the question.  
27          I have attached a copy of that letter to my testimony as BCI-3. The explanation set  
28          out in BCI-3 is equally applicable to the proposed Stranded Cost Charge adjustment  
29          in this docket as it was to past years' changes.

30          Q: PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR ATTACHMENTS.

1 The attachments are as follows:

2 **BCI-1: 2010 Stranded Cost Charge.** This schedule provides the calculation  
3 of the proposed Stranded Cost Charge beginning January 1, 2010.

4 **BCI-2: NHPUC Report of Proposed Changes ("Bingo Sheet").** This  
5 schedule compares current revenues to those revenues that would be  
6 generated if the proposed Stranded Cost Charge included in this  
7 testimony were approved.

8 **BCI-3: December 13, 2007 Letter.**  
9

10 Q: DOES THIS CONCLUDE YOUR TESTIMONY?

11 Yes, it does.

**Attachment BCI –1**

**2010 Stranded Cost Charge Schedule**

New Hampshire Electric Cooperative, Inc.  
Stranded Cost Recovery  
2010 Forecast

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*Stranded Cost Summary*

	January 2010 <u>Forecast</u>	February 2010 <u>Forecast</u>	March 2010 <u>Forecast</u>	April 2010 <u>Forecast</u>	May 2010 <u>Forecast</u>	June 2010 <u>Forecast</u>	July 2010 <u>Forecast</u>	August 2010 <u>Forecast</u>	September 2010 <u>Forecast</u>	October 2010 <u>Forecast</u>	November 2010 <u>Forecast</u>	December 2010 <u>Forecast</u>
Stranded Cost Recovery Beginning Balance	\$539,815	\$1,735,015	\$663,116	(\$227,747)	\$1,229,256	\$477,110	(\$227,774)	\$1,098,159	\$21,397	(\$840,515)	\$604,060	(\$147,655)
Stranded Costs	\$2,417,346	\$0	\$0	\$2,312,782	\$0	\$0	\$2,218,271	(\$106,653)	\$0	\$2,220,041	\$0	\$1,102,252
Stranded Cost Recoveries	<u>\$1,225,281</u>	<u>\$1,074,885</u>	<u>\$891,463</u>	<u>\$857,115</u>	<u>\$754,498</u>	<u>\$705,216</u>	<u>\$893,537</u>	<u>\$971,652</u>	<u>\$860,819</u>	<u>\$775,141</u>	<u>\$752,324</u>	<u>\$956,192</u>
System Revenue Adjustments												
Net Recovery This Month	\$1,192,065	(\$1,074,885)	(\$891,463)	\$1,455,667	(\$754,498)	(\$705,216)	\$1,324,734	(\$1,078,306)	(\$860,819)	\$1,444,901	(\$752,324)	\$146,060
Ending Balance before Interest	\$1,731,880	\$660,131	(\$228,347)	\$1,227,920	\$474,758	(\$228,106)	\$1,096,960	\$19,854	(\$839,422)	\$604,386	(\$148,264)	(\$1,595)
Interest	<u>\$3,135</u>	<u>\$2,986</u>	<u>\$600</u>	<u>\$1,336</u>	<u>\$2,352</u>	<u>\$333</u>	<u>\$1,200</u>	<u>\$1,543</u>	<u>(\$1,093)</u>	<u>(\$326)</u>	<u>\$609</u>	<u>(\$206)</u>
Stranded Cost Recovery Ending Balance	<u>\$1,735,015</u>	<u>\$663,116</u>	<u>(\$227,747)</u>	<u>\$1,229,256</u>	<u>\$477,110</u>	<u>(\$227,774)</u>	<u>\$1,098,159</u>	<u>\$21,397</u>	<u>(\$840,515)</u>	<u>\$604,060</u>	<u>(\$147,655)</u>	<u>(\$1,801)</u>

MONTHLY INTEREST CALCULATION

A) Average balance for month	\$1,135,847	\$1,197,573	\$217,385	\$500,087	\$852,007	\$124,502	\$434,593	\$559,006	(\$409,013)	(\$118,065)	\$227,898	(\$74,625)
B) Annualized interest rate - set the rate on this page	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
C) Interest	\$3,135	\$2,986	\$600	\$1,336	\$2,352	\$333	\$1,200	\$1,543	(\$1,093)	(\$326)	\$609	(\$206)

*Rate Calculation*

Stranded Cost Charge:		
Forecast recovery balance 12/31/09	\$539,815	
Forecast Stranded Costs for 2010	<u>\$10,164,039</u>	
Total Stranded Costs to be recovered for 2010	\$10,703,854	
Forecast kWh Sales for 2010	<u>713,446,427</u> kWh	
Stranded Cost Charge before interest	\$0.01500 /kWh	
Interest	<u>\$0.00002</u> /kWh	
Proposed Stranded Cost Charge	<table border="1"><tr><td>\$0.01502 /kWh</td></tr></table>	\$0.01502 /kWh
\$0.01502 /kWh		

New Hampshire Electric Cooperative, Inc.  
Stranded Cost Recovery  
2010 Forecast

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**Stranded Costs:**

	January 2010 <u>Forecast</u>	February 2010 <u>Forecast</u>	March 2010 <u>Forecast</u>	April 2010 <u>Forecast</u>	May 2010 <u>Forecast</u>	June 2010 <u>Forecast</u>	July 2010 <u>Forecast</u>	August 2010 <u>Forecast</u>	September 2010 <u>Forecast</u>	October 2010 <u>Forecast</u>	November 2010 <u>Forecast</u>	December 2010 <u>Forecast</u>
Amortization of Termination Payment												
Amortize Debt Service Payment including	\$508,695	\$0	\$0	\$509,865	\$0	\$0	\$507,211	\$0	\$0	\$507,626	\$0	\$0
Add'l Payments for DSC												
Seabrook												
Amortize Debt Service Payment	\$1,908,651	\$0	\$0	\$1,802,917	\$0	\$0	\$1,711,059	\$0	\$0	\$1,712,415	\$0	\$0
Amortize Add'l Payments for DSC												\$1,102,252
Less: CFC Patron Capital Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$106,653)	\$0	\$0	\$0	\$0
Operating Costs Net Of Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Seabrook Stranded Costs	\$1,908,651	\$0	\$0	\$1,802,917	\$0	\$0	\$1,711,059	(\$106,653)	\$0	\$1,712,415	\$0	\$1,102,252
Total Stranded Costs:	<u>\$2,417,346</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,312,782</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,218,271</u>	<u>(\$106,653)</u>	<u>\$0</u>	<u>\$2,220,041</u>	<u>\$0</u>	<u>\$1,102,252</u>

New Hampshire Electric Cooperative, Inc.  
Stranded Cost Recovery  
2010 Forecast

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<i>Stranded Cost Recovery:</i>	January 2010 <u>Forecast</u>	February 2010 <u>Forecast</u>	March 2010 <u>Forecast</u>	April 2010 <u>Forecast</u>	May 2010 <u>Forecast</u>	June 2010 <u>Forecast</u>	July 2010 <u>Forecast</u>	August 2010 <u>Forecast</u>	September 2010 <u>Forecast</u>	October 2010 <u>Forecast</u>	November 2010 <u>Forecast</u>	December 2010 <u>Forecast</u>
Total kWh Sales	81,560,215	71,549,152	59,339,805	57,053,405	50,222,767	46,942,376	59,477,836	64,677,551	57,299,988	51,596,847	50,078,040	63,648,446
Stranded Cost Charge (all kWh)	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>	<u>\$0.01502</u>
Stranded Cost Recovery	<u>\$1,225,281</u>	<u>\$1,074,885</u>	<u>\$891,463</u>	<u>\$857,115</u>	<u>\$754,498</u>	<u>\$705,216</u>	<u>\$893,537</u>	<u>\$971,652</u>	<u>\$860,819</u>	<u>\$775,141</u>	<u>\$752,324</u>	<u>\$956,192</u>
Net Stranded Cost Recovery	<u>\$1,225,281</u>	<u>\$1,074,885</u>	<u>\$891,463</u>	<u>\$857,115</u>	<u>\$754,498</u>	<u>\$705,216</u>	<u>\$893,537</u>	<u>\$971,652</u>	<u>\$860,819</u>	<u>\$775,141</u>	<u>\$752,324</u>	<u>\$956,192</u>

**Attachment BCI –2**

**“Bingo Sheet”  
Stranded Cost**

**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION  
REPORT OF PROPOSED RATE CHANGES**

**RATES EFFECTIVE January 1, 2010**

**(Stranded Cost Charge Rate change)**

Rate or Class of Service	Effect of Proposed Change	Annual Number of Bills	SALES OF ELECTRIC ENERGY			
			Estimated Annual Revenue		Proposed Change	
			Current Rates	Proposed Rates	Amount	%
B - Basic	Increase (Decrease)	859,584	89,669,673	89,655,618	(14,055)	-0.02%
BC - Basic Controlled Water Heating	Increase (Decrease)	64,044	7,389,647	7,388,436	(1,211)	-0.02%
BW - Basic Uncontrolled Water Heating	Increase (Decrease)	5,460	111,326	111,311	(15)	-0.01%
BWC - Basic Control Water - Separate Meter	Increase (Decrease)	1,488	40,162	40,156	(7)	-0.02%
LB -Large Basic	Increase (Decrease)	852	961,903	961,724	(179)	-0.02%
OPB - Basic Storage Heating (Storage Heating/Dual Fuel)	Increase (Decrease)	18,204	1,251,865	1,251,554	(311)	-0.02%
TOD- Basic Time-Of-Day (Time-Of-Day)	Increase (Decrease)	<u>264</u>	<u>\$64,845</u>	<u>\$64,834</u>	<u>(\$12)</u>	-0.02%
<b>Total Basic Service</b>	<b>Increase(Decrease)</b>	<b>949,896</b>	<b>\$99,489,421</b>	<b>\$99,473,632</b>	<b>(\$15,789)</b>	<b>-0.02%</b>
B3- Basic 3 Phase ( <50 kw)	Increase (Decrease)	9,600	5,947,350	5,946,368	(982)	-0.02%
LB3-Large Basic 3 Phase (>=50 <150 kw)	Increase (Decrease)	2,064	7,004,779	7,003,516	(1,263)	-0.02%
IND - Industrial (>=150 kw)	Increase (Decrease)	552	6,541,817	6,540,552	(1,264)	-0.02%
LBC3/INDC - 3 Phase Controlled	Increase (Decrease)	12	64,145	64,132	(13)	-0.02%

\1 Includes a small # of General Class members

**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION  
REPORT OF PROPOSED RATE CHANGES**

RATES EFFECTIVE January 1, 2010

**(Stranded Cost Charge Rate change)**

Rate or Class of Service	Effect of Proposed Change	Annual Number of Bills	SALES OF ELECTRIC ENERGY			
			Estimated Annual Revenue		Proposed Change	
			Current Rates	Proposed Rates	Amount	%
TOD3- 3 Phase Time-Of-Day	Increase (Decrease)	120	116,759	116,736	(23)	-0.02%
LBI3-Large Basic 3 Phase Interruptible	Increase (Decrease)	<u>12</u>	<u>\$27,505</u>	<u>\$27,499</u>	<u>(\$5)</u>	<u>-0.02%</u>
<b>Total Large Basic - 3 Phase Service</b>	<b>Increase (Decrease)</b>	<b>12,360</b>	<b>\$19,702,356</b>	<b>\$19,698,805</b>	<b>(\$3,551)</b>	<b>-0.02%</b>
P - Primary	Increase (Decrease)	276	6,438,127	6,436,870	(1,257)	-0.02%
<b>Total Primary Service</b>	<b>Increase (Decrease)</b>	<b>276</b>	<b>\$6,438,127</b>	<b>\$6,436,870</b>	<b>(\$1,257)</b>	<b>-0.02%</b>
<b>Outdoor Lighting</b>	<b>Increase (Decrease)</b>	<b>68,580 1/</b>	<b>\$1,018,411</b>	<b>\$1,018,293</b>	<b>(\$118)</b>	<b>-0.01%</b>
<b>TOTAL RETAIL SALES ON STANDARD RATES</b>		<b>1,031,112</b>	<b>\$126,648,315</b>	<b>\$126,627,600</b>	<b>(\$20,715)</b>	<b>-0.02%</b>
Special Contracts - Ski Areas	Increase (Decrease)	<u>72</u>	<u>3,689,922</u>	<u>3,688,919</u>	<u>(1,004)</u>	<u>-0.03%</u>
<b>TOTAL RETAIL SALES OF ELECTRIC ENERGY</b>		<b><u>1,031,184</u></b>	<b><u>\$130,338,238</u></b>	<b><u>\$130,316,518</u></b>	<b><u>(\$21,719)</u></b>	<b><u>-0.02%</u></b>

Brenda C. Inman  
Financial Services Manager  
New Hampshire Electric Cooperative, Inc.

1/ Number of Lights

**Attachment BCI –3**

**December 13, 2007 Letter  
Stranded Cost**

DEVINE  
MILLIMET

ATTORNEYS AT LAW

December 13, 2007

MARK W. DEAN  
603.226.1000  
F 603.226.1001  
MDEAN@DEVINEMILLIMET.COM

*Via Electronic Transmission Only*

Ms. Suzanne Amidon  
NH Public Utilities Commission  
21 South Fruit Street  
Suite 10  
Concord, NH 03301-2429

Re: DE 07-121 - NHEC's Stranded Costs Filing

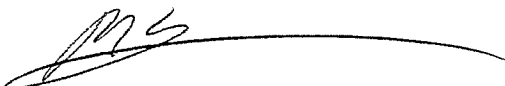
Dear Suzanne:

I am writing to follow up on our telephone conversation concerning a question posed by the NH Public Utilities Commission ("PUC") Staff to the New Hampshire Electric Cooperative, Inc. ("NHEC") in its recent stranded cost docket.

As I understand it, Staff is under the impression that NHEC's by-laws, board policies, or other internal "rules" or practices require that the NHEC Board of Directors expressly authorize any NHEC rate-related proposal or request prior to its filing with the PUC. As I indicated on the phone, no such requirement exists. In situations such as those presented by NHEC's November, 2007 stranded cost charge filing, where the rate-related proposal is merely an annual updating of an existing cost recovery mechanism, utilizing a previously approved formula or methodology, NHEC's policies and practices would not require a specific board resolution to authorize the PUC filing. In such circumstances, the Board is aware that the annual filing is being made and is aware of the nature of the proposed rate change. In any event, for jurisdictional matters, it is the PUC's order, without necessity for further ratification by the NHEC Board, which governs NHEC's rates.

I hope this explanation clarifies any uncertainty. Please let me know if you have any further questions.

Very truly yours,



Mark W. Dean  
MWD:tmp

{C0034639.1}

DEVINE, MILLIMET  
& BRANCH  
PROFESSIONAL  
ASSOCIATION

43 NORTH MAIN STREET  
CONCORD  
NEW HAMPSHIRE  
03301

T 603.226.1000  
F 603.226.1001  
DEVINEMILLIMET.COM

MANCHESTER, NH  
ANDOVER, MA  
CONCORD, NH  
NORTH HAMPTON, NH