

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
2012 STRANDED COST RECOVERY CHARGE RATE CHANGE
Docket No. DE 11-XXX

1 **Q. Please state your name, business address and position.**

2 A. My name is Robert A. Baumann. My business address is 107 Selden Street, Berlin,
3 Connecticut. I am Director, Revenue Regulation & Load Resources for Northeast
4 Utilities Service Company (NUSCO). NUSCO provides centralized services to the
5 Northeast Utilities (NU) operating subsidiaries, including Public Service Company of
6 New Hampshire (PSNH), The Connecticut Light and Power Company, Yankee Gas
7 Services Company and Western Massachusetts Electric Company.

8 **Q. Have you previously testified before the Commission?**

9 A. Yes. I have testified on numerous occasions before the Commission.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
12 the necessary approvals to set the average Stranded Cost Recovery Charge (SCRC)
13 rate that will take effect January 1, 2012.

14 **Q. Please describe the components of the SCRC and their application to this rate**
15 **request.**

16 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-
17 F and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549,

1 defined PSNH's stranded costs and categorized them into three different parts (i.e., Part
2 1, 2 and 3). Part 1 is composed of the RRB Charge which is calculated to recover the
3 principal, net interest, and fees related to Rate Reduction Bonds. Part 2 costs are
4 "ongoing" stranded costs consisting primarily of the over-market value of energy
5 purchased from independent power producers (IPPs) and the amortization of payments
6 previously made for IPP buy-downs and buy-outs as approved by the Commission. In
7 addition, the SCRC has a return component, consisting primarily of the stipulated return
8 on deferred taxes related to securitized stranded costs. The return is a credit to
9 customers which reduces the overall SCRC level. Part 3 costs, which were primarily the
10 amortization of non-securitized stranded costs, were recovered in June 2006.

11 On June 13, 2011, PSNH filed testimony and schedules requesting a mid-term
12 adjustment to its average SCRC rate effective July 1, 2011 through December 31, 2011
13 as \$0.0109 per kWh. Order No. 25,241 issued in Docket No. DE 10-256, granted
14 PSNH's request for a new SCRC rate of 1.09 ¢/kWh for the period July 1, 2011 through
15 December 31, 2011.

16 **Q. Please describe the detailed support for the calculation of the average SCRC rate**
17 **provided in Attachments RAB-1 and RAB-2.**

18 A. Attachment RAB-1, pages 1 through 3, provides a summary of 2012 cost information
19 related to Part 1 and Part 2 costs, amortization of securitized assets and ongoing cost
20 activity. Pages 4 through 7 provide the detailed cost information by month related to
21 Part 1, amortization of securitized assets and Part 2, ongoing costs. Attachment RAB-2,
22 Pages 1 through 7 provide the detailed cost and revenue components relating to the
23 2011 SCRC reconciliation.

1 **Q. Is PSNH currently proposing a specific SCRC rate at this time?**

2 A. No, we are not. Attachment RAB-1 provides a preliminary rate calculation; however,
3 prior to the anticipated hearing in December 2012, PSNH plans to update the SCRC rate
4 for changes attributable to IPP over-market costs and will include an update of 2011
5 actual data. This update will be consistent with the market price assumptions embedded
6 in the Energy Service (ES) update and will be filed at the same time as the 2012 ES rate
7 update. The preliminary 2012 SCRC rate provided in this filing is 1.16 cents per kWh
8 and is 0.07 cents per kWh higher than the current rate of 1.09 cents per kWh.

9 **Q. What are the major reasons for the SCRC rate increase?**

10 A. The primary reasons for the SCRC rate increase effective January 1, 2012 are (1) a
11 lower prior period over-recovery (\$0.4 million) versus the over-recovery reflected in the
12 current SCRC rate (\$2.4 million) increased the rate by \$2 million and (2) the increase in
13 ongoing costs due to lower ADIT credits pertaining to the Rate Reduction Bonds (\$1.9
14 million).

15 **Q. Does PSNH plan to minimize cost deferrals for the SCRC through a mid-term
16 adjustment?**

17 A. If a rate adjustment is deemed necessary, PSNH could file a petition for such a change
18 in a manner and on schedule consistent with the modifications to the Energy Service
19 Rate. The Commission could revisit the SCRC rate in an abbreviated investigation.
20 PSNH would submit actual and estimated data on a date specified by the Commission to
21 allow the parties and Staff sufficient time to address the need for an interim adjustment
22 during the 2012 SCRC year.

1 **Q. Does PSNH require Commission approval of this rate by a specific date?**

2 A. Yes, PSNH would need final approval of the proposed SCRC rate by December 29,
3 2011, in order to implement the new rate for service rendered on and after January 1,
4 2012. Therefore, PSNH requests that the Commission commence a proceeding so that
5 the procedural schedule can be set to review this filing and approve the SCRC rate in a
6 timely manner.

7 **Q. Does this conclude your testimony?**

8 A. Yes, it does.