

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 21, 2012 - 9:13 a.m.
Concord, New Hampshire



RE: DE 12-159
PUBLIC SERVICE OF NEW HAMPSHIRE:
Transmission Cost Recovery Mechanism.

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:
Sarah B. Knowlton, Esq.
Michael Hall, Esq.

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.

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

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 STEPHEN R. HALL

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1 P R O C E E D I N G

2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in DE 12-159, which is Public Service Company of
4 New Hampshire's Transmission Cost Adjustment Mechanism.
5 On June 4th, 2012, PSNH filed a petition for approval of a
6 new Transmission Cost Adjustment Mechanism rate, for
7 effect on or after July 1st, 2012, which indicated an
8 increase from the current rate. And, on June 6th, we
9 issued an order of notice calling for a hearing for this
10 morning.

11 So, let's begin with appearances please.

12 MS. KNOWLTON: Good morning,
13 Commissioners. I'm Sarah Knowlton, from Public Service
14 Company of New Hampshire. And, with me today is my
15 colleague, Michael Hall, who is at the far right end of
16 the table, to my right, and he's also in the Legal
17 Department at the Company.

18 CHAIRMAN IGNATIUS: It's going to be
19 confusing with a Michael and a Steve, but we'll see if we
20 can keep up. Thank you.

21 MR. HALL: Dad always liked him better.

22 (Laughter.)

23 MS. AMIDON: Good morning. Suzanne
24 Amidon, for Commission Staff. With me today is Steve

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[WITNESS PANEL: Baumann~Hall]

1 Mullen. He is the Assistant Director of the Electric
2 Division.

3 CHAIRMAN IGNATIUS: Good morning. Is
4 there anything to take up on procedural matters before we
5 begin?

6 (No verbal response)

7 CHAIRMAN IGNATIUS: All right. Seeing
8 none, Ms. Knowlton.

9 MS. KNOWLTON: Thank you. The Company
10 calls Mr. Baumann and Mr. Hall.

11 (Whereupon **Robert A. Baumann** and
12 **Stephen R. Hall** were duly sworn by the
13 Court Reporter.)

14 MS. KNOWLTON: Good morning, gentlemen.

15 WITNESS BAUMANN: Good morning.

16 WITNESS HALL: Good morning.

17 **ROBERT A. BAUMANN, SWORN**

18 **STEPHEN R. HALL, SWORN**

19 **DIRECT EXAMINATION**

20 BY MS. KNOWLTON:

21 Q. Mr. Baumann, I'll start with you. If you would please
22 state your full name for the record.

23 A. (Baumann) My name is Robert Baumann.

24 Q. By whom are you employed, Mr. Baumann?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) I am employed by Northeast Utilities Service
2 Company.

3 Q. And, what is your position with the Company?

4 A. (Baumann) I am Director of Revenue Regulations for
5 Northeast Utilities Service Company.

6 Q. In that position, what are your job responsibilities?

7 A. (Baumann) I have overall responsibility for PSNH
8 revenue requirement calculations, as well as related
9 revenue requirement calculations for all of our other
10 operating subsidiaries of Northeast Utilities.

11 MS. KNOWLTON: I'd like to propose that
12 we mark for identification as "Exhibit 1" the testimony --
13 actually, it's two pieces of testimony, one from Mr.
14 Baumann and one from Mr. Hall, which the Company has
15 previously filed.

16 CHAIRMAN IGNATIUS: This is on the
17 June 12, 2012 filing?

18 MS. KNOWLTON: That's right.

19 CHAIRMAN IGNATIUS: So marked as
20 "Exhibit 1" for identification.

21 (The document, as described, was
22 herewith marked as **Exhibit 1** for
23 identification.)

24 BY MS. KNOWLTON:

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1 Q. Mr. Baumann, do you have that testimony in front of
2 you?

3 A. (Baumann) Yes.

4 Q. And, is the portion of Exhibit 1 that's your testimony
5 and the attachments, was that prepared by you or under
6 your direction?

7 A. (Baumann) Yes, it was.

8 Q. Do you have any corrections to that testimony?

9 A. (Baumann) No.

10 Q. If I were to ask you the questions that are in your
11 testimony today, would the answers be the same?

12 A. (Baumann) Yes.

13 Q. Would you please provide a general overview of that
14 testimony.

15 A. (Baumann) Well, our testimony outlines the proposed
16 rate for July 1, 2012. And, within the testimony, we
17 talk about an increase in the rate from 1.189 cents per
18 kilowatt-hour to 1.359 cents per kilowatt-hour. The
19 primary reason for the increase is noted in the
20 testimony and in the numbers as increased RNS revenue
21 requirements in the forecasted billing period.

22 Also, within our rate calculation, we
23 have requested approval of not only the proposed rate,
24 but of also the 2011 actual costs and recoveries that

1 are also presented in the filing.

2 Q. Mr. Hall, good morning.

3 A. (Hall) Good morning.

4 Q. Would you please state your full name for the record.

5 A. (Hall) Stephen R. Hall.

6 Q. And, by whom are you employed?

7 A. (Hall) Public Service of New Hampshire.

8 Q. And, what is your position with PSNH?

9 A. (Hall) I'm Rate and Regulatory Services Manager.

10 Q. In that position, what do your job responsibilities
11 entitle?

12 A. (Hall) I'm responsible for docket management, tariff
13 and rate administration, and pricing and rate design.

14 Q. Do you have the document that's been marked for
15 identification as "Exhibit 1" before you?

16 A. (Hall) Yes, I do.

17 Q. And, if you would turn to that portion of Exhibit 1
18 that contains your prefiled direct testimony.

19 A. (Hall) I'm there.

20 Q. Was that prepared by you or under your direction?

21 A. (Hall) Yes.

22 Q. Do you have any clarifications or corrections to that
23 testimony today?

24 A. (Hall) No.

1 Q. If I were to ask you the questions contained in your
2 testimony now, would the answers be the same?

3 A. (Hall) Yes.

4 Q. And, would you provide the Commission with just a
5 general overview of your testimony.

6 A. (Hall) Certainly. The purpose of my testimony is to
7 calculate the base component of the transmission charge
8 for Rate B customers, and to show the allocation of the
9 remaining transmission charge costs to all of the other
10 classes. The reason there's a need for a separate
11 allocation is that the -- in a 2007 rate case, the
12 parties agreed on a specific type of rate design for
13 Rate B, that basically said "the base component of Rate
14 B transmission costs would be allocated on the basis of
15 the Rate B class contribution to system peak." So,
16 what my testimony does is it shows that allocation. It
17 allocates costs and calculates the Rate B base
18 component. And, it then calculates the Rate B
19 incremental component and the transmission costs that
20 get allocated to all of the other classes, which are
21 ultimately used to calculate individual rates and
22 charges.

23 Q. And, have you done any calculation of those individual
24 rates and charges by customer class?

1 A. (Hall) Yes.

2 MS. KNOWLTON: I propose that we mark
3 for identification two more documents. As "Exhibit 2", a
4 document entitled "Retail Revenue by Rate Case and
5 Unbundled Component", which is a three-page document.

6 CMSR. HARRINGTON: It's dated "April 16,
7 2012"?

8 MS. KNOWLTON: I'm sorry? Yes.

9 CMSR. HARRINGTON: Dated "April 16th,
10 2012"?

11 MS. KNOWLTON: The "18th, 2012", is what
12 I see in the upper left-hand corner.

13 CMSR. HARRINGTON: Oh. Okay. I was
14 look at the title of the document. Okay.

15 CHAIRMAN IGNATIUS: We have a couple
16 different dates. So, at the top left is "06/18/2012"?

17 WITNESS HALL: Yes.

18 CHAIRMAN IGNATIUS: So marked.

19 (The document, as described, was
20 herewith marked as **Exhibit 2** for
21 identification.)

22 MS. KNOWLTON: And, as "Exhibit 3", a
23 one-page double-sided document, that's entitled "Public
24 Service Company of New Hampshire Rate Changes Proposed for

1 Effect on July 1st, 2012 Percentage Change in each Rate
2 Component".

3 CHAIRMAN IGNATIUS: So marked.

4 (The document, as described, was
5 herewith marked as **Exhibit 3** for
6 identification.)

7 BY MS. KNOWLTON:

8 Q. Mr. Hall, do you have those two exhibits before you?

9 A. (Hall) Yes, I do.

10 Q. And, were each of these prepared by you?

11 A. (Hall) They were prepared under my direction.

12 Q. Under your direction, okay. Would you please, starting
13 with Exhibit 2, walk us through what the rate impact of
14 the proposed change in the transmission rate would be
15 by customer class.

16 A. (Hall) Sure. I want to step back and give a brief
17 introduction to clarify something that you said
18 earlier.

19 Q. Sure.

20 A. (Hall) These two exhibits don't show the specific rates
21 and charges by class. Rather, the specific rates and
22 charges that we're proposing for each rate component is
23 in Attachment SRH-1 to my testimony, under the
24 "Proposed Rates Effective 07/01/2012" column. And,

1 that shows all of the individual rate components, both
2 energy and demand charges.

3 What Exhibits 2 and 3 show is a summary
4 of the results of those individual pricing components.
5 And, Exhibit 2 expresses transmission costs, by class,
6 in cents per kilowatt-hour. And, we do it in cents per
7 kilowatt-hour to, basically, just provide information
8 on the approximate average cost on a per kilowatt-hour
9 basis. It's something that people recognize as a
10 common way to refer to average costs, even though, for
11 the larger classes, we don't bill on a cents per
12 kilowatt-hour basis.

13 The first page of Exhibit 2 shows the
14 average cents per kilowatt-hour, by class, for
15 transmission, under the "Transmission" column, based on
16 rates that are in effect today, and that have been in
17 effect since April 16, 2012. The second page shows
18 similar information under the "Transmission" column,
19 average cents per kilowatt-hour, by class, for the
20 proposed TCAM average rate level. And, the third page
21 of Exhibit 2 shows the difference between the first two
22 pages, the change in average cents per kilowatt-hour,
23 by class, for transmission costs.

24 Exhibit 3 is another representation of

[WITNESS PANEL: Baumann~Hall]

1 that information, except that it shows percentage
2 amounts. The first page of Exhibit 3, under the
3 "Transmission" column, shows the change by rate class,
4 in percentage terms, to the transmission rates that
5 we're proposing. The second page of Exhibit 3 shows
6 the impact of that change by rate component on an
7 overall rate basis, or an overall bill amount basis.
8 And, if you look at the second page of Exhibit 3,
9 you'll see that the percentages are much lower.
10 They're in the 1 percent range, approximately, as
11 compared to the percentages on Page 1 of Exhibit 3.
12 And, that's because the denominator of the equation
13 used in the second page is total revenue level.
14 Whereas, in the first page, the denominator of the
15 equation is just the revenue from the transmission
16 component in rates.

17 MS. KNOWLTON: The Company would make
18 the witnesses available for cross-examination at this
19 time.

20 CHAIRMAN IGNATIUS: Thank you. Ms.
21 Amidon.

22 MS. AMIDON: Thank you. Good morning.

23 WITNESS HALL: Good morning.

24 **CROSS-EXAMINATION**

{DE 12-159} {06-21-12}

1 BY MS. AMIDON:

2 Q. Mr. Baumann, I'll begin with a question for you. You
3 indicated that the calculations include the actual 2011
4 costs, is that right?

5 A. (Baumann) Yes.

6 Q. And, for that period, did the Company have an
7 overrecovery or is that an estimated overrecovery?

8 A. (Baumann) Well, the actual costs for 2011 actually were
9 lower than estimated. Primarily, due to the final 2011
10 true-up of RNS costs to actual. ISO trues that up, and
11 we get a true-up factor in the month of May of 2012 for
12 2011. That factor this year was a credit of over
13 \$6 million.

14 Q. Okay. And, so, this is information that you pretty
15 much get after or close to the end of the period, the
16 billing period?

17 A. (Baumann) Yes. And, that's why we're always real tight
18 on filing the new rates, because we want to have that
19 true-up, because it's often, at times, very
20 significant.

21 Q. All right. Thank you. You also indicated that the
22 rate was increasing due to the "increased RNS revenue
23 requirement", is that right?

24 A. (Baumann) Yes. That's correct.

[WITNESS PANEL: Baumann~Hall]

1 Q. Do you have any information on any detail that -- for
2 that increase? I know that the testimony indicates
3 there's some -- it's due to more in PTF transmission
4 facilities. Do you have any detail beyond that?

5 A. (Baumann) Yes. I talked to transmission people
6 yesterday. Basically, it's driven, to a large part, in
7 the overall build-out of transmission reliability
8 projects in New England. Specifically, the two
9 projects that came on line this year was the "NEEWS
10 Project", that's N-E-E-W-S, which is the New England
11 East-West Solutions, that is -- that was built by
12 Northeast Utilities, or is being -- pieces are being
13 built by Northeast Utilities. The other piece was
14 Central Maine Power Reliability Project, was a very
15 large project as well. That there may have been some
16 CWIP in the previous rates, but now there's a full
17 revenue requirement of those two large projects. And,
18 that's really the two main drivers of the increase.

19 MS. AMIDON: Thank you. One moment
20 please.

21 (Atty. Amidon conferring with Mr.
22 Mullen.)

23 BY MS. AMIDON:

24 Q. Okay. I have a question for you, Mr. Hall, as well.

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[WITNESS PANEL: Baumann~Hall]

1 If you look at the -- I think it's the next to the last
2 page of Exhibit 1, where you have -- you've illustrated
3 the delta in the current rates, as opposed to the
4 proposed rates. And, if you look at, from Lines -- I
5 guess it's Lines 15 through 25, it depicts increases of
6 "14.47 percent". Do you see where I'm --

7 A. (Hall) Yes.

8 Q. And, then, just for the record, it's Attachment SRH-3.
9 Then, if we look at "Rate B Base Component", which, at
10 Line 31 and Line 32, there is a significant decrease,
11 "32.26 percent".

12 A. (Hall) Uh-huh.

13 Q. Could you explain why there's such a big difference in
14 these two trends? In other words, one going up and
15 then one with a significant decrease like that?

16 A. (Hall) Sure. It is a result of the way costs are
17 allocated to the base component, as compared to what we
18 call the "incremental component" and all other rates.
19 As I indicated earlier, we allocate costs to the base
20 component based on an agreement we reached in a
21 settlement in a 2007 rate case. And, basically, what
22 we do to allocate costs to the base component is look
23 at the Rate B class contribution to system peak, and
24 take that proportion and allocate costs accordingly.

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1 Now, if you look at Attachment SRH-2,
2 Page 1, Line 5. You see a base component ratio of a
3 little over one half of 1 percent, "0.52188 percent".
4 And, that calculation is shown on the next page. On
5 the next page, we basically show the Rate B
6 contribution by month, and we compare that to total
7 PSNH contribution to system peak by month. And, the
8 ratio of the two is 0.52188 percent. That's what that
9 amount is or is projected to be for the 12 months
10 ending June 30th, 2012.

11 If you went to last year's calculation,
12 and looked at the same exhibit, you would see a larger
13 base component ratio. Specifically, last year it was
14 0.54824 percent. Now, we're talking maybe two to
15 three-hundredths of a percent difference. So, you
16 might be scratching your head saying "well, why does
17 that make such a difference?"

18 The reason that has a large impact is
19 that, when it comes to Rate B customers, we're talking
20 a very small amount of load. So, even if we change the
21 allocation of transmission costs to that class by a
22 very small amount, when you divide it by a small amount
23 of load, you're going to get a significantly different
24 result.

[WITNESS PANEL: Baumann~Hall]

1 In this case, the base component that
2 we're proposing in 2012 is "21 cents" per kilowatt.
3 Last year, the corresponding number was "31 cents" per
4 kilowatt. So, what we're looking at is, basically, a
5 decrease from about 30 cents per kilowatt, to about 20
6 cents a kilowatt, and that's about a 33 percent
7 decrease. So, we're talking small numbers. And,
8 that's the reason that we're seeing such a large
9 percentage decrease.

10 The second contributing factor is that,
11 in the calculation of the base component, again, if you
12 focus your attention on Attachment SRH-2, Page 1. On
13 Line 9, you see a "Base Component Reconciliation" of
14 negative "283,990". That's an overrecovery. What that
15 means is that, in the last 12-month period, actually,
16 the 12 months ending June 30th, 2012, we're projecting
17 that we're going to over recover our base component
18 revenue by "\$283,990".

19 If you went to last year's exhibit, and
20 looked at the corresponding number, it would be an
21 overrecovery of "\$154,278". Again, the difference
22 between the two, \$130,000 annually, doesn't seem like a
23 whole lot. But, when you're dividing it by a very
24 small load level, it makes a big difference. So, for

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[WITNESS PANEL: Baumann~Hall]

1 those reasons, we've seen what, in percentage terms, is
2 a significant drop in base component of Rate B.

3 If you go back to SRH-3 where we
4 started, and you asked me about Lines 15 to 25. And,
5 it shows a "14.47 percent" rate increase on average.
6 If you look at Line 20 and Line 23, you see the
7 incremental component of Rate B. And, as you can see,
8 the incremental component is allocated in the same
9 proportion as the allocation to all other rate classes.
10 Which, again, goes back to that settlement in the 2007
11 rate case. So, we're allocating the incremental
12 portion the same way. What we're seeing is, there was
13 such a large drop in the base component, that it has a
14 pretty significant overall impact on Rate B overall
15 rate level.

16 MS. AMIDON: Thank you.

17 WITNESS HALL: My pleasure.

18 MS. AMIDON: With your permission, Mr.
19 Mullen has some questions for the witnesses.

20 CHAIRMAN IGNATIUS: That's fine.

21 MS. AMIDON: Thank you.

22 MR. MULLEN: Good morning.

23 WITNESS HALL: Good morning.

24 BY MR. MULLEN:

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[WITNESS PANEL: Baumann~Hall]

1 Q. Mr. Hall, I just want to follow up on the discussion we
2 just had about the percentage of Rate B contribution to
3 system peak.

4 A. (Hall) Uh-huh.

5 Q. If you turn to SRH-2, Page 1. And, I believe you were
6 discussing the percentage that's shown on Line 5?

7 A. (Hall) Yes.

8 Q. Which is "0.52188 percent"?

9 A. (Hall) Yes.

10 Q. And, you said, if you compare that to last year or the
11 prior year, I believe, if I wrote it down correctly,
12 was "0.54824 percent"?

13 A. (Hall) Yes.

14 Q. Okay. That doesn't appear anywhere in this filing,
15 correct?

16 A. (Hall) Correct. What that amount was, what that
17 0.54824 percent was, was a projection of the Rate B
18 contribution to system peak, as compared to PSNH's
19 contribution to system peak, that ratio, projected for
20 the 12 months ending in June of 2011.

21 Q. So, that would have been in last year's TCAM filing on
22 this similar SRH-2, Page 1?

23 A. (Hall) Yes.

24 Q. So, by comparison, if I turn to SRH-2, Page 4, --

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[WITNESS PANEL: Baumann~Hall]

1 A. (Hall) That's exactly where I was going.

2 Q. Okay. Am I correct, this is the actual for that
3 period, and the number -- and the 0.44303 that's shown
4 on Line 19, that's the actual for the period, which is
5 different than the prior percentage that we talked
6 about, the "0.54824", which was the calculated, based
7 on some estimates at the time?

8 A. (Hall) Yes. The "0.54824 percent" was based on actual
9 data for ten months, and projected data for the last
10 two months. Now, what happened was, the actual data
11 for the last two months turned out to be significantly
12 different than what was originally projected.

13 Q. And, --

14 A. (Hall) I'm sorry.

15 Q. -- I was going to say, with the actual being lower,
16 that would have contributed to the overcollection?

17 A. (Hall) Again, you're anticipating where I'm going. The
18 large overrecovery that I was talking about earlier,
19 the "\$283,990", is the result of the actual ratio being
20 0.44 percent, instead of 0.54 percent. Less costs were
21 actually allocated to the Rate B base component.

22 Q. Thank you.

23 A. (Hall) You're exactly right.

24 Q. Mr. Baumann, if you could turn to RAB-2 -- excuse me,

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[WITNESS PANEL: Baumann~Hall]

1 RAB-1, Page 1a. And, I'm looking at Line 18, labeled
2 "Retail Megawatt-Hour Sales".

3 CMSR. HARRINGTON: Excuse me. What page
4 are you on on RAB-1?

5 MR. MULLEN: I'm on Attachment RAB-1,
6 Page 1a.

7 CMSR. HARRINGTON: 1-8?

8 CHAIRMAN IGNATIUS: "a".

9 MR. MULLEN: "1a".

10 CMSR. HARRINGTON: "1a". Oh, okay.

11 Thank you.

12 BY MR. MULLEN:

13 Q. And, if I compare the sales figures in the two columns,
14 it looks as though you're expecting a decrease in total
15 sales over the next 12 months, is that correct?

16 A. (Hall) That's the numbers, yes.

17 Q. Do you know offhand if that's any one particular rate
18 class or, in general, what's driving that?

19 A. (Hall) I don't know offhand. I would speculate it
20 might be overall decrease. But, certainly, the
21 business class has been decreasing faster in the past
22 than the residential. But I don't know specifics.

23 Q. Okay. And, just one other question. If you could just
24 turn to the next page, Attachment RAB-1, page 2. And,

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1 I'm looking at "Note 2", which also corresponds to Line
2 47. The first part of that note indicates that there's
3 "revenue credits [associated with the] Hydro-Quebec
4 revenues with the Hydro-Quebec support contract through
5 December 2012". Why aren't there any beyond
6 December 2012?

7 A. (Hall) Well, at this point, we have not negotiated
8 and/or entered into any agreements to sell -- those
9 revenue credits are a sale of the capacity use of the
10 line. We have had those type of agreements in the
11 past. But, at this point, we really haven't started to
12 negotiate for the second half of the TCAM year, or the
13 2013 portion. So, without a contract and without even
14 the negotiations in progress, we decided not to put in
15 a revenue forecast at this time.

16 Q. But, in next year's proceeding, when there is a
17 reconciliation of that particular period, it's possible
18 that there will be some additional revenue showing for
19 some of those months?

20 A. (Hall) Yes. If we were to enter into a contract, which
21 would probably be late in the fall, next year, when we
22 reconcile the actual costs, additional revenues, if
23 they appeared, would show, in effect, as an
24 overrecovery, and would be returned with carrying

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1 costs, the cost of capital, to customers, in the next
2 TCAM rate.

3 MR. MULLEN: Thank you. I have no other
4 questions.

5 CHAIRMAN IGNATIUS: Thank you.
6 Commissioner Harrington, questions?

7 CMSR. HARRINGTON: Yes, just a couple of
8 questions. Well, I haven't seen you guys in so long I
9 almost forgot what you looked like.

10 WITNESS HALL: It's a pleasure to see
11 you again, sir.

12 WITNESS BAUMANN: Wait till this
13 afternoon, you'll want to get rid of us.

14 BY CMSR. HARRINGTON:

15 Q. I notice on here, we're looking at about an over 14
16 percent increase in transmission costs -- or, effect on
17 rates, I should say. And, this has been a trend that
18 has been going on for sometime over the last four or
19 five years, is that correct?

20 A. (Baumann) Yes.

21 Q. And, so, as a percentage of bills, transmission cost
22 has become from -- is substantially higher than it was,
23 say, five or six years ago?

24 A. (Baumann) Yes. We've seen a gradual, steady increase.

{DE 12-159} {06-21-12}

[WITNESS PANEL: Baumann~Hall]

1 I would say we are in a period now of almost, you know,
2 more of a leveling -- levelizing effect. I know, if my
3 memory serves me, I know that the TCAM rate at one
4 point was about 1.5 cents. There were some under
5 recoveries in there. And, certainly, those over and
6 under recoveries swing the rate.

7 But I think your characterization that
8 we have gone through a period of growth in the rate is
9 very accurate. But I think we're into a more of a
10 levelizing time period at this point.

11 Q. I guess my point being that what's going on in the
12 transmission world is more important to ratepayers on a
13 cost basis or a rate basis than it was in the past?

14 A. (Baumann) Oh, yes. Certainly.

15 Q. And, just a couple of quick questions on that. On Page
16 4 of your testimony, Mr. Baumann, you talk about
17 "reliability costs". And, this is a question I just
18 don't know the answer to, and maybe you do. In the
19 middle of that page, it starts on (3), it talks about
20 "Reliability costs include...such as Black Start".
21 Now, the ISO has made a major change to their Black
22 Start Program just this past year, where they have gone
23 from more smaller plants to fewer large plants. Do you
24 have any idea of the cost impact that will be in the

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1 future, when that gets fully implemented, or is it just
2 too early to tell?

3 A. (Baumann) Well, in that -- in that particular case --
4 well, I think it's fair to say that the reliability
5 costs are going up. In fact, I think, if you look at
6 RAB-1, 1a, you see about a -- I'll wait till you get
7 there. Again, it's "1 alpha". Line six, the
8 "Reliability" costs, go from about 4.3 million to 5.4
9 projected. That is primarily due to increase in Black
10 Start and VAR support. It's about a 50/50 increase. I
11 note the ISO is changing their compensation formulas
12 for Black Start. And, that is showing about a 4 to
13 500,000 increase next year, and then we're also seeing
14 an increase for VAR support. That's really more a
15 trend. VAR support can really fluctuate, depending on
16 loads. We have always used historic 12-month averages,
17 which is what we've used here. And, they were up from
18 last year about 4 or 500,000. So, that accounts for
19 your million dollar increase in that forecasted cost.

20 Q. So, you're projecting a increase, let's just say, on
21 the Black Start, because of the change in mechanism for
22 this period?

23 A. (Baumann) Yes.

24 Q. Okay. And, then, one final question. In Page 3 of

[WITNESS PANEL: Baumann~Hall]

1 your testimony, you talk about the "wholesale
2 transmission costs are as follows:" And, you mention
3 "Regional Network Service (RNS) costs", and the
4 increase in those being the biggest driver towards the
5 14 percent. So, would you agree then, in the present
6 proceeding that's being done down at FERC now, where
7 it's looking at the return on equity for transmission
8 projects, that if FERC were to grant a lower return on
9 equity, that that would give a cost/benefit to Public
10 Service's ratepayers?

11 A. (Baumann) Yes. That would give not only PSNH, but the
12 region as well.

13 CMSR. HARRINGTON: All right. Thank
14 you. That's all the questions I had.

15 CHAIRMAN IGNATIUS: Commissioner Scott,
16 questions?

17 CMSR. SCOTT: No questions.

18 CHAIRMAN IGNATIUS: All right. I have
19 just a couple.

20 BY CHAIRMAN IGNATIUS:

21 Q. The TCAM rate used to be assigned entirely to the
22 distribution rate, TCAM charges were assigned to
23 distribution, and that changed a couple of years ago
24 through a settlement approval at the Commission?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Hall) Yes. Prior to the time rates were fully
2 unbundled, both transmission and distribution costs
3 were recovered through one rate component.

4 Q. Under the system now in effect, how do transmission
5 charges get picked up for those people who have gone to
6 a competitive supplier?

7 A. (Hall) Transmission rates, like distribution and
8 stranded cost charges, are nonbypassable. So,
9 customers get billed those costs regardless of where
10 they purchase their energy.

11 Q. All right. So, the TCAM mechanism assigns a charge
12 that will go -- it's separately identified, but it's
13 still collected on the distribution volume?

14 A. (Hall) Yes. It's collected based on metered
15 kilowatt-hours and kilowatts of demand, the customers'
16 consumption.

17 Q. Then, why is the forecasted sales information
18 important? This is looking, if you wanted to look, but
19 it's not necessary, I suppose, Mr. Baumann, your
20 Attachment 1, Page 1a, has the retail sales. Why is
21 that significant to the discussion, if it's on the
22 throughput that's charged on the distribution
23 calculation?

24 A. (Hall) Yes. The forecasted sales that Mr. Baumann uses

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[WITNESS PANEL: Baumann~Hall]

1 is a forecast of total delivery sales, total
2 kilowatt-hour sales that customers consume, regardless
3 of where they get their energy supply. Mr. Baumann
4 calculates an average cents per kilowatt-hour for
5 transmission costs. That information is then used by
6 people in my area to calculate specific prices. So, we
7 take his average cents per kilowatt-hour cost that he
8 calculates on RAB-1, Page 1a, and we then come up with
9 individual rates and charges. First, we allocate costs
10 to the base component of Rate B, and then we allocate
11 costs to all other classes. But the starting point for
12 us is the average cents per kilowatt-hour that he uses.

13 Q. So, the retail megawatt-hour sales is not PSNH's retail
14 sales, it's total projected sales through your system?

15 A. (Hall) Yes. I want to make sure we're talking the same
16 thing. Two kinds of sales; delivery sales and energy
17 sales. Delivery sales are kilowatt-hours that all
18 customers consume, and those are the sales to which
19 nonbypassable charges are applied. Energy sales, for
20 PSNH's customers, is just those customers taking Energy
21 Service from PSNH. That's the Energy Service rate.
22 So, I just wanted to make sure that we were on the same
23 page with regard to "total sales" versus "system
24 sales".

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1 Q. That's helpful.

2 A. (Hall) I think, by "system sales, you mean what I refer
3 to as "delivery sales".

4 Q. Well, on the exhibit, and, Mr. Baumann, this is your
5 exhibit, Line 18 uses the phrase "Retail Megawatt-Hour
6 Sales", and you show a forecasted decrease. Is that
7 the total system sales?

8 A. (Baumann) Yes.

9 Q. All right.

10 A. (Hall) Yes.

11 Q. And, so, the decrease that you're projecting, you said
12 it was "probably coming from the business class", and I
13 think I mistakenly assumed that has nothing to do with
14 migration, but it does not?

15 A. (Hall) No.

16 A. (Baumann) No, it does not.

17 Q. So, what do you -- what accounts for that projected
18 drop in total system sales?

19 A. (Baumann) It's really -- really a drop in the two
20 forecasts that we used. Last year, we had a forecast
21 for the year, and then this year we have a new one.
22 The forecasting people who model all these sales
23 numbers have, you know, have forecasts that decrease.
24 I don't know specifically why that would be. I kind of

[WITNESS PANEL: Baumann~Hall]

1 -- I like to speculate sometimes, but I would guess it
2 would be more in the business side, as opposed to the
3 residential side. But I'm not really sure. With all
4 the conservation efforts ongoing, that may not be a
5 good assumption. But I don't have any detail as to why
6 the forecast went down slightly.

7 Q. Well, I had assumed that we were -- had seen a real
8 drop-off with the slowdown in the economy, and that
9 ever hopeful that things will be turning up. And, so,
10 the reduced number was of a concern. Do you think it
11 may have to do with more efficiency programs in place
12 that are doing what they're supposed to do?

13 A. (Baumann) Yes. I would have to check with the Load
14 Forecasting/Sales Forecasting Group that puts that
15 together. I would speculate that they would have a
16 pretty good handle on what that's the result of. But I
17 don't know offhand.

18 CHAIRMAN IGNATIUS: Okay. Well, you
19 don't need to do it for this case. I'm just curious. Any
20 time we can get a sense of what's going out there in the
21 business community, it's good to know. I think that was
22 it for me. Any other questions? Commissioner Scott.

23 BY CMSR. SCOTT:

24 Q. I was going to not ask this question, but, before I

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1 assume something, I figure I better ask the question.
2 Obviously, a couple days ago you were before us, and a
3 lot of the questioning from the Bench on the ES rate
4 was how the Company is working to reduce the cost to
5 ratepayers. I assume, for transmission costs, by and
6 large, this is really a pass-through, but I want to ask
7 the question anyways. Are there opportunities for the
8 Company, the utility, to reduce transmission costs
9 ultimately that are passed through to the ratepayers?

10 A. (Baumann) If you're referring to a proposal to lengthen
11 the time of recovery of current costs, in this
12 particular case, we actually have over recoveries, so
13 -- which are reducing costs. In the ES case, we
14 actually had over recoveries, again, they were
15 flattening the ES rate, much more significant. We have
16 never proposed any type of alternative rate paths for
17 transmission. We've always done it over the larger
18 rates, similar to what we're doing this year. You
19 know, we proposed it in the ES, we did not propose it
20 in the SCRC, nor are we proposing it here in TCAM.

21 Q. Thank you for that. I was more or less thinking of
22 smoothing the rate impact, more of actions that the
23 Company could take to reduce these costs ultimately?

24 A. (Baumann) Well, I think, you know, we have --

[WITNESS PANEL: Baumann~Hall]

1 certainly, we have control over our transmission,
2 Northeast Utilities' transmission projects, and to
3 cost-effectively build them and put them into service.
4 But a lot of these costs are regional costs. And, so,
5 you're relying on the other utilities to use good
6 utility practice, you know, to produce the best
7 transmission at the, you know, most reasonable rate.

8 So, it's -- I hesitate to say "it's out
9 of our control", but, since it's regional projects that
10 are controlled by other companies, you know, we have
11 limited -- limited abilities, except for our
12 transmission projects.

13 CMSR. SCOTT: That's fair enough. Thank
14 you.

15 CHAIRMAN IGNATIUS: All right. Thank
16 you. I think -- oh, I'm sorry. Any redirect?

17 MS. KNOWLTON: I don't have any
18 redirect. Thank you.

19 CHAIRMAN IGNATIUS: Then, you're
20 excused. Thank you very much.

21 WITNESS HALL: Thank you.

22 CHAIRMAN IGNATIUS: Anything further,
23 before closings?

24 (No verbal response)

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1 CHAIRMAN IGNATIUS: Seeing nothing, --

2 MS. KNOWLTON: Actually, I propose that
3 the exhibits be moved into evidence.

4 CHAIRMAN IGNATIUS: That's a good idea.
5 Yes. Unless there's any objection, we'll strike the
6 identification, make them full exhibits.

7 (No verbal response)

8 CHAIRMAN IGNATIUS: Thank you for the
9 reminder.

10 Also, on exhibits, can I ask in the
11 future, don't resubmit anything, but I think we have a
12 rule, or we used to have a rule, that required sequential
13 numbering. Sometimes people do it through a Bates stamp
14 or hand number it, so that we -- it's just a lot easier to
15 flip to "Page 23", instead of, you know, "RAB 4-3". So,
16 in future submissions, try to remember that, it would be
17 helpful with these kinds of dockets that have a lot of
18 attachments to them. Thank you.

19 MS. KNOWLTON: Will do.

20 CHAIRMAN IGNATIUS: Ms. Amidon.

21 MS. AMIDON: Thank you. Staff has
22 reviewed the filing. And, we have determined that the
23 Company has calculated the overall cost and the resulting
24 rates consistent with the terms of the Settlement

1 Agreement approved by the Commission. And, therefore, we
2 would recommend that the Commission approve the Petition.

3 CHAIRMAN IGNATIUS: Ms. Knowlton.

4 MS. KNOWLTON: Thank you. The proposed
5 rate of 1.359 cents per kilowatt-hour is based on two
6 components: A forecast average retail transmission rate
7 that would take effect on July 1st, 2012 for a 12-month
8 period, as well as the reconciliation of actual
9 transmission costs and recoveries based on calendar Year
10 2011.

11 As the testimony demonstrates, that rate
12 has been calculated consistent with the
13 Commission-approved Settlement for the Transmission Cost
14 Adjustment Mechanism. And, as Mr. Hall has testified, the
15 allocation has changed, and has also been calculated
16 consistent with the Commission-approved Settlement in the
17 last distribution rate case.

18 So, given that, the Company requests
19 that the Commission approve the rate and issue an order,
20 so that it may take effect July 1st. Thank you.

21 CHAIRMAN IGNATIUS: Thank you. And, we
22 are mindful of the July 1 effective date, and looking for
23 a couple of days to get all of these rate changes in
24 effect prior to, and we will do everything we can to

1 accommodate that.

2 If there's nothing else, we will take it
3 under advisement and adjourn the hearing. Thank you.

4 (Whereupon the hearing ended at 9:56
5 a.m.)

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