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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 21, 2007 - 10:05 a.m.
Concord, New Hampshire

RE: DE 06-125
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
Proposed Default Energy Services and
Default Energy Service Rate.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:
Gerald M. Eaton, Esq.

Reptg. Freudenberg-NOK:
Nicholas J. Lazos, Esq.

Reptg. Constellation NewEnergy, Inc.:
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.

Court Reporter: Steven E. Patnaude, CCR

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| 1 | I N D E X | | |
| 2 | | | PAGE NO. |
| 3 | WITNESS PANEL: | ROBERT A. BAUMANN | |
| 4 | | RICHARD C. LABRECQUE | |
| 5 | Direct examination by Mr. Eaton | | 6 |
| 6 | Cross-examination by Ms. Hatfield | | 12 |
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| 10 | E X H I B I T S | | |
| 11 | EXHIBIT NO. | D E S C R I P T I O N | PAGE NO. |
| 12 | 5 | PSNH Initial Filing Containing | 9 |
| 13 | | a recalculated Default Energy | |
| 14 | | Service Rate for July through | |
| 15 | | December 2007, including the | |
| 16 | | Testimony of Robert A. Baumann, | |
| 17 | | including attachments (05-18-07) | |
| 18 | 6 | PSNH's response to Data Request | 10 |
| 19 | | NSTF-02, Q-STAFF-003-FO1, providing | |
| 20 | | recalculation of the requested rate | |
| 21 | | based upon actual data updated | |
| 22 | | through May 2007 | |
| 23 | | | |
| 24 | CLOSING STATEMENTS BY: | | |
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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning.
3 We'll open the hearing in docket DE 06-125. On May 18,
4 2007, Public Service Company of New Hampshire filed a
5 petition requesting a reduction to the Company's Default
6 Energy Service rate from the current rate of 8.59 cents
7 per kilowatt-hour to 7.88 cents effective with bills
8 rendered on or after July 1. PSNH states that there has
9 been a decrease in the current market prices from the
10 level used to forecast the current rate, and that, coupled
11 with other operational issues, have lowered ES costs and
12 create an overrecovery of \$27.1 million. Order of notice
13 was issued on May 31 setting the hearing for this morning.

14 Can we take appearances please.

15 MR. EATON: For Public Service Company
16 of New Hampshire, my name is Gerald M. Eaton. Good
17 morning.

18 CHAIRMAN GETZ: Good morning.

19 CMSR. MORRISON: Good morning.

20 CMSR. BELOW: Good morning.

21 CHAIRMAN GETZ: Mr. Lazos, would you
22 like to make an appearance please?

23 MR. LAZOS: Good morning. My name is
24 Nicholas Lazos. I'm here representing Freudenberg-NOK,

{DE 06-125} (06-21-07)

1 General Partnership.

2 CHAIRMAN GETZ: Good morning.

3 CMSR. MORRISON: Good morning.

4 CMSR. BELOW: Good morning.

5 MS. KNOWLTON: Good morning. Sarah

6 Knowlton, with the McLane law firm, here for Constellation

7 NewEnergy.

8 CHAIRMAN GETZ: Good morning.

9 CMSR. MORRISON: Good morning.

10 CMSR. BELOW: Good morning.

11 MS. HATFIELD: Good morning,

12 Commissioners. Meredith Hatfield, for the Office of

13 Consumer Advocate, representing residential ratepayers.

14 And, with me is Ken Traum, Assistant Consumer Advocate.

15 CMSR. BELOW: Good morning.

16 CMSR. MORRISON: Good morning.

17 CHAIRMAN GETZ: Good morning.

18 MS. AMIDON: Good morning. Suzanne

19 Amidon, for Commission Staff. And, with me today is Steve

20 Mullen, who is a Utility Analyst with the Electric

21 Division.

22 CMSR. MORRISON: Good morning.

23 CMSR. BELOW: Good morning.

24 CHAIRMAN GETZ: Good morning.

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1 Constellation had earlier intervened and been granted
2 intervention. That's correct, Ms. Knowlton?

3 MS. KNOWLTON: Yes.

4 CHAIRMAN GETZ: And, Mr. Lazos's
5 Petition to Intervene on behalf of Freudenberg was filed
6 by a letter dated June 1. Is there any objection to the
7 Freudenberg Petition to Intervene?

8 MR. EATON: No.

9 MS. AMIDON: No.

10 CHAIRMAN GETZ: Okay. Then, recognizing
11 that there are no objections, and that Freudenberg has
12 identified rights, duties, privileges, immunities, other
13 interests affected by this proceeding, we'll grant the
14 intervention. I expect, Mr. Eaton, you have a panel of
15 witnesses?

16 MR. EATON: Yes. First of all,
17 procedurally, in the Commission's order, previous order in
18 this case, they asked Public Service Company to submit
19 information quarterly on migration of customers, which we
20 have done. And, they also asked Constellation, the Staff
21 and PSNH to come up with a proposal to have competitive
22 suppliers submit information on migration in the future,
23 to assist PSNH in its planning, in setting an estimated
24 rate and also planning power supplies. We have not

[Witness panel: Baumann|Labrecque]

1 finished that negotiation, although a proposal has been
2 circulated with Constellation, the Staff, and PSNH, and a
3 copy of that's been provided to the OCA. But we will
4 endeavor to get a proposal to the Commission shortly, and
5 hope that that doesn't delay a decision in this case.

6 CHAIRMAN GETZ: Okay. Thank you.

7 MR. EATON: And, I do have a panel of
8 witnesses. I'd like to call Mr. Robert Baumann and
9 Mr. Richard Labrecque to the stand.

10 CHAIRMAN GETZ: Is there anything else
11 we need to address, before we hear from the witnesses?

12 MS. AMIDON: No.

13 CHAIRMAN GETZ: Please proceed.

14 (Whereupon Robert A. Baumann and Richard
15 C. Labrecque was duly sworn and
16 cautioned by the Court Reporter.)

17 ROBERT A. BAUMANN, SWORN

18 RICHARD C. LABRECQUE, SWORN

19 DIRECT EXAMINATION

20 BY MR. EATON

21 Q. Mr. Baumann, could you please state your name.

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

23 Q. For whom are you employed?

24 A. (Baumann) I'm employed by Northeast Utilities Service

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[Witness panel: Baumann|Labrecque]

1 Company.

2 Q. And, what is your position and your duties?

3 A. (Baumann) I'm the Director of Revenue Regulation and
4 Load Resources. I'm responsible for revenue
5 requirement calculations for Public Service Company of
6 New Hampshire, as well as all revenue recovery issues
7 related to any of the system wide company recovery
8 mechanisms for both CL&P, the Connecticut Light & Power
9 Company, Western Massachusetts Electric Company, and
10 Public Service Company of New Hampshire.

11 Q. Have you previously testified before this Commission?

12 A. (Baumann) Yes.

13 Q. Mr. Baumann, would you look at a document that has a
14 date of "May 18, 2007". It's a letter from me to the
15 Executive Director and Secretary, and has this document
16 number on it. Do you recognize that document?

17 A. (Baumann) Yes.

18 Q. And, could you please describe it?

19 A. (Baumann) Well, that document was the original filing
20 for the Energy Service rate to be effective July 1,
21 2007. And, it contains supporting testimony of myself,
22 as well as supporting attachments and exhibits and
23 calculations that supported an initial Energy Service
24 rate of 8.59 cents per kilowatt-hour.

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[Witness panel: Baumann|Labrecque]

- 1 Q. Is the 8.59 cents per kilowatt-hour the current rate or
2 the rate that we are requesting?
- 3 A. (Baumann) Good question. Sorry. I misspoke there.
4 The current rate is 8.59 cents per kilowatt-hour. The
5 requested rate in the letter is 7.88 cents per
6 kilowatt-hour.
- 7 Q. Mr. Labrecque, could you please state your name for the
8 record.
- 9 A. (Labrecque) Richard C. Labrecque.
- 10 Q. For whom are you employed?
- 11 A. (Labrecque) Northeast Utilities Service Company.
- 12 Q. What is your position and what are your duties?
- 13 A. (Labrecque) I'm a Principal Engineer in the Wholesale
14 Power Contracts Department. I assist in various
15 procurement activities for the operating companies,
16 including the procurement of supplemental power and
17 capacity for PSNH. I also assist in the forecasting of
18 the Energy Service expenses.
- 19 Q. What role did you have in preparing the document that
20 Mr. Baumann has described?
- 21 A. (Labrecque) I prepared the attached technical
22 statement.
- 23 Q. Mr. Labrecque, have you previously testified before the
24 Commission?

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[Witness panel: Baumann|Labrecque]

1 A. (Labrecque) Yes.

2 Q. Now, I'll ask each of you, is the information that you
3 provided for the May 18th filing in this proceeding
4 true and accurate to the best of your knowledge and
5 belief?

6 A. (Labrecque) Yes.

7 Q. Mr. Baumann?

8 A. (Baumann) Yes. There was a subsequent update of actual
9 May data in another document. But the May 18th filing
10 included an estimate for May of 2007, which was
11 subsequently updated.

12 MR. EATON: Mr. Chairman, could we have
13 the May 18th document marked as "Exhibit 5" for
14 identification?

15 CHAIRMAN GETZ: Be so marked.

16 (The document, as described, was
17 herewith marked as Exhibit 5 for
18 identification.)

19 BY MR. EATON

20 Q. Mr. Baumann, would you take out a Data Request NSTF Set
21 2, Q-STAFF-003, Follow-up 01. Do you have that?

22 A. (Baumann) Yes, I do.

23 Q. Could you please describe that document.

24 A. (Baumann) This document, as I just mentioned, built off

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[Witness panel: Baumann|Labrecque]

1 of Exhibit 5 by updating May's 2007 data from
2 forecasted to actual when it was available. And, in a
3 sense, we recalculated the requested Energy Service
4 rate with the May actual data, and it decreased the
5 proposed rate from 7.88 cents per kilowatt-hour to 7.83
6 per kilowatt-hour.

7 Q. And, is this document accurate to the best of your
8 knowledge and belief?

9 A. (Baumann) Yes.

10 Q. And, our requested rate for the Energy Service charge
11 is what?

12 A. (Baumann) 7.83 cents per kilowatt-hour.

13 MR. EATON: Could we have this document
14 marked as "Exhibit 6" for identification?

15 CHAIRMAN GETZ: So marked.

16 (The document, as described, was
17 herewith marked as Exhibit 6 for
18 identification.)

19 BY MR. EATON

20 Q. Mr. Baumann, could you or Mr. Labrecque summarize the
21 changes that took place and why the rate is decreasing
22 from 8.59 cents to 7.83 cents?

23 A. (Baumann) I'll answer that generally. The decrease is
24 really -- it was as a result of a reduced energy

[Witness panel: Baumann|Labrecque]

1 requirement, which was impacted by migration of
2 customers to choice, as well as milder weather at the
3 end of 2006 and into 2007. And, really, that reduction
4 in energy requirements allowed the Company to utilize
5 -- or, not utilize more costly alternatives on the
6 margin, which lowered our overall costs, and therefore
7 our overall rates, and created overrecoveries that are
8 now being funneled back into this requested rate today.

9 Q. Do you have anything to add to that, Mr. Labrecque?

10 A. (Labrecque) No.

11 Q. Do you have anything to add to your testimony, Mr.
12 Baumann?

13 A. (Baumann) No.

14 MR. EATON: Thank you. The witnesses
15 are available for cross-examination.

16 CHAIRMAN GETZ: Mr. Lazos, do you have
17 questions for the panel?

18 MR. LAZOS: I have no questions. Thank
19 you, Mr. Chairman.

20 CHAIRMAN GETZ: Ms. Knowlton?

21 MS. KNOWLTON: I have no questions.
22 Thank you.

23 CHAIRMAN GETZ: Ms. Hatfield.

24 MS. HATFIELD: Thank you.

[Witness panel: Baumann|Labrecque]

1 CROSS-EXAMINATION

2 BY MS. HATFIELD

3 Q. Mr. Baumann, do you know how much the reduction in
4 Energy Service, what that impact is on the average
5 residential bill?

6 A. (Baumann) Well, I don't have an exact calculation.
7 But, if the rate goes from 8.59 to 7.83, that's a
8 reduction of 0.76 cents. And, if an average
9 residential bill is 16 cents -- do you want a percent
10 or an actual dollar amount?

11 Q. Whichever figure you have.

12 A. (Baumann) Actual residential bill, 14 cents. No one is
13 yelling at me. Somewhere around five and a half cents
14 -- five and a half percent. And, if an average --
15 average 630 kilowatt-hours, 630 times 0.76, that's
16 about a -- make sure I get my decimal placed right here
17 -- yes, it's about \$4.80 per month.

18 Q. And, I think Mr. Hall testified in the previous hearing
19 on the Stranded Cost Recovery Charge that, when taken
20 with the other adjustments that the Company is
21 proposing, it actually is a slight increase overall,
22 but taken with the Stranded Cost Charge and the
23 Transmission Cost Charge that we'll hear this
24 afternoon, that when those are combined with the

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[Witness panel: Baumann|Labrecque]

1 distribution rate change on July 1st, and with the
2 Energy Service reduction, in total, it's a small
3 increase for the average customer?

4 A. (Baumann) That's correct.

5 MS. HATFIELD: Thank you.

6 CHAIRMAN GETZ: Ms. Amidon.

7 MS. AMIDON: I'm going to turn questions
8 over to Mr. Mullen.

9 MR. MULLEN: Good morning.

10 WITNESS BAUMANN: Good morning.

11 BY MR. MULLEN

12 Q. You mentioned one of the reasons that the rate is going
13 down was due to a "reduced energy requirement that was
14 in part due to migration". Could you just tell me
15 what's the current status, in terms of, say, roughly
16 how many customers or what total load right now is
17 being served by competitive suppliers?

18 A. (Labrecque) Yes. Let's say, it started the year at
19 somewhere in the range of 40 megawatts. It escalated
20 rather quickly, with an opportunity in which, you know,
21 market prices were reduced, up to a quantity of about
22 125 megawatts, based on a peak demand. You know,
23 that's essentially the peak hour of the year, the
24 customers that had migrated would be in the ballpark of

[Witness panel: Baumann|Labrecque]

1 about 125 megawatt-hours. As of the latest update, you
2 know, sometime yesterday, about 40 megawatts have
3 returned. So, we're looking at in the 85 range today.
4 And, it's, you know, it changes daily at this point.

5 Q. What's 85 megawatts compared to your total load?

6 A. (Labrecque) Oh, I think the 125, when you put a load
7 profile on it and shape it month by month, it was in
8 the, say, 9 percent range of total sales. So, let's
9 say maybe we're down now to around -- maybe around 5 to
10 6 percent.

11 Q. And, do you know -- do you have any indication beyond
12 the current 85, whether any other customers plan to
13 come back or --

14 A. (Labrecque) I have no information there.

15 Q. Okay. Let me shift to the Schiller plant, in terms of
16 the revenues related to the Schiller plant. And, I
17 believe, if we look at Exhibit 6, and I believe it
18 would be Page 5 of 8. It's also labeled as "Attachment
19 RAB-2, Page 3". Let me know when you're there.

20 A. (Baumann) I'm there.

21 Q. And, the Schiller plant has certain -- the wood portion
22 of the plant has certain revenues that are associated
23 with it that offset the costs, is that correct?

24 A. (Baumann) Yes, that's correct.

[Witness panel: Baumann|Labrecque]

- 1 Q. And, what kind of revenues are those? What types of
2 revenues are those?
- 3 A. (Baumann) Well, they're revenues related to the sale of
4 RECs.
- 5 Q. How about -- are there any tax credits?
- 6 A. (Baumann) Yes. In effect, the revenues you see here
7 are in excess of the target level that was assumed for
8 both the RECs and the Production Tax Credits. So,
9 these are -- these are in excess of that. And, yes,
10 there would be, 50 percent of the Production Tax
11 Credits would also be in there. But the majority of
12 those revenues are as a result of REC, REC revenues.
- 13 Q. Now, you say those are in excess of I think the targets
14 that were established back in the proceeding to approve
15 the Schiller plant?
- 16 A. (Baumann) Correct.
- 17 Q. And, even at that time, there -- Production Tax Credits
18 weren't part of the financial picture at the time, is
19 that correct?
- 20 A. (Baumann) Yes, I believe the analysis was really based
21 more on the RECs.
- 22 Q. Okay. So, basically, what's happening now, in terms of
23 the actual RECs that you're getting and the Production
24 Tax Credit revenues, we're seeing a benefit in excess

[Witness panel: Baumann|Labrecque]

1 of what was originally estimated at the time that the
2 project was being considered?

3 A. (Baumann) Yes. In excess of the target, which was I
4 think a conservative estimate at the time. So, yes, it
5 is in excess of that.

6 MR. MULLEN: I have no further
7 questions.

8 CMSR. BELOW: I do have a couple
9 questions.

10 BY CMSR. BELOW

11 Q. Mr. Baumann, if you turn to Page 2 of 8 in Exhibit 5
12 and 6, at Line 25, the Energy Service underrecovery in
13 the newest estimate has increased from 27.1 million to
14 about 29.1 million. Is that due primarily to the
15 higher than previously projected sales in the month of
16 May?

17 A. (Baumann) It's due to the month of May, yes.
18 Primarily, what we saw in the month of May, we actually
19 saw lower production O&M costs. So, it was less of an
20 energy-driven change than it was a -- what I call a
21 non-energy piece.

22 Q. And, can you tell me what the current updated proposed
23 Energy Service rate, 7.83 per kilowatt-hour, what would
24 that be absent the return of the overrecovery on Line

[Witness panel: Baumann|Labrecque]

1 25?

2 A. (Baumann) So, you're saying, "what would be the rate be
3 if we kind of stripped out all the overrecoveries?"

4 Q. Right. Or, in other words, but for the overrecovery,
5 what would the 8.59 decrease by?

6 A. (Baumann) I believe the 7.83 would be in the -- using
7 the basic fundamental assumptions, would be about 8.7
8 cents, if you took out the overrecoveries.

9 Q. Well, maybe you're going back to Line 20, 22 as well,
10 the 2006 overrecovery?

11 A. (Baumann) Yes, I'm --

12 Q. Netting them both out?

13 A. (Baumann) Yes. I'm kind of creating a rate as if that
14 was not impacted by the outside overrecoveries, if you
15 will.

16 Q. It would be about 8.7?

17 A. (Baumann) That's correct.

18 CMSR. BELOW: Okay. That helps.

19 Thanks.

20 WITNESS BAUMANN: You're welcome.

21 CHAIRMAN GETZ: Do you have redirect,

22 Mr. Eaton?

23 MR. EATON: No, your Honor.

24 CHAIRMAN GETZ: Is there anything

1 further for these witnesses?

2 (No verbal response)

3 CHAIRMAN GETZ: Hearing nothing, then
4 you're excused. Thank you, gentlemen. Are there other
5 witnesses to be proffered this morning?

6 MS. HATFIELD: No.

7 MS. AMIDON: No.

8 CHAIRMAN GETZ: Then, is there any
9 objection to striking identifications and entering the
10 exhibits as full exhibits?

11 (No verbal response)

12 CHAIRMAN GETZ: Hearing no objections,
13 they will be admitted as full exhibits. Are there other
14 procedural matters to address, before we provide the
15 opportunity for closing statements?

16 (No verbal response)

17 CHAIRMAN GETZ: Hearing nothing, then
18 we'll begin with you, Mr. Lazos. Do you have a closing
19 statement?

20 MR. LAZOS: Yes. Thank you, Mr.
21 Chairman. I do have a statement to make on behalf of
22 Freudenberg-NOK. First, I would like to thank the
23 Commission for this opportunity for Freudenberg to appear
24 and to address the issues that it has. Also, I'd like to

1 thank the PUC Staff and the Consumer Advocate's office,
2 who have been very helpful to me as I try to deal with the
3 unusual procedures, or that I'm not used to dealing with,
4 and helping me along here.

5 Freudenberg-NOK has a very specific
6 concern, which came to light pretty much this year. In
7 fact, it came to light as a result of the two petitions
8 that were filed by PSNH recently, dealing with the
9 reduction in service rates and also the increase in
10 transmission rates. A little background, Freudenberg-NOK,
11 General Partnership, is a manufacturer of auto parts.
12 It's an international company. It has very significant
13 operations in North America. And, it also has a number of
14 large manufacturing facilities in the State of New
15 Hampshire. It's one of the largest employers in New
16 Hampshire, and is also a very significant user of
17 electricity because of its manufacturing processes.

18 The Company has never -- has always
19 used, except for its Ashland plant, has always used Public
20 Service Company as its source of power. And, even after
21 the deregulation and other actions that began over ten
22 years ago, it had never been able to utilize an
23 alternative power provider, until last May. Probably, as
24 a result, at the heels of the increase that was requested

1 by Public Service Company at that time, Freudenberg was
2 able to contract with a third party provider, and, over
3 the next 12 months, was able to receive a significant
4 benefit, in terms of lower rates. And, as I said, that is
5 the first time that's ever happened.

6 Ironically, as a result of the request
7 for reduction in rates by Public Service Company,
8 Freudenberg has actually shifted back to Public Service
9 Company for its power needs. And, it probably is one of
10 the companies referenced just a few minutes ago dealing
11 with the migration issue. However, even though
12 Freudenberg will receive a benefit of lower rates going
13 forward, at least for the next six months, the process and
14 the -- and its experience in the market has given it --
15 has caused great concern at the Company.

16 Freudenberg monitors and supervises its
17 energy needs very carefully, because, frankly, it's a
18 manufacturer in the Northeast, which is becoming a more
19 and more rare animal that we'd like it to be. And, the
20 concern is that the credit for the overrecovery, which
21 Commissioner Below has just asked a question about, may
22 skew the market and create a situation where the
23 artificial -- what we perceive is an artificially low rate
24 over the next six months will retard the development of

1 the competitive market in New Hampshire, and also retard
2 the ability of other power producers, power suppliers to
3 enter the market.

4 The specific concern is the way that
5 this credit is going to be distributed to the customers.
6 Right now, Public Service has requested that the -- that
7 the overrecovered credit be distributed to the customers
8 on a bills-rendered basis, which is contained in your
9 previous order. And, the sense of the company,
10 Freudenberg, is that that has an unhappy effect of
11 requiring Freudenberg to be tied to Public Service going
12 forward in order to receive the benefit of an overpayment
13 that apparently it made over the last six months. So, two
14 effects. One is, you have a theoretically artificially
15 low rate going forward. And, two, in order for a customer
16 to benefit or recover that overpayment, it is tied to
17 Public Service Company going forward.

18 Nothing that I'm testifying about this
19 morning is new to the parties present. We have raised
20 these issues, we raised these issues for the first time at
21 the technical session relating to these petitions, and we
22 also had an informal meeting last week with Public Service
23 Company, Constellation, and the Consumer Advocate and the
24 PUC Staff to discuss these issues in detail.

1 So, what we request the Commission to do
2 is to consider the alternative -- an alternative way of
3 distributing this credit, especially to -- specifically to
4 large users of power. And, what we propose is that Public
5 Service be required to determine the amount of a credit on
6 a monthly basis and to return that credit to the user in
7 the next immediate bill. And, that would eliminate this,
8 this irregular up-and-down situation, which we perceive as
9 a threat to the competitive environment in the state, and
10 also would allow power users, on the scale of Freudenberg
11 and others like it, to be able to monitor and adjust their
12 power needs and purchases based on more current
13 information and more reliable information. It's pretty
14 obvious right now that these significant swings in rates
15 have -- create a very difficult market for power users to
16 adjust to.

17 So, that's really the gist of our
18 request. We understand, to be frank, we jumped into this
19 process pretty much at the end, rather than at the
20 beginning. And, as I said, that was precipitated largely
21 by the experience that Public Service -- that Freudenberg
22 has had recently with outside purchases and in this most
23 recent petition. So, therefore, we, you know, we
24 understand that this is a quick process and that the goal

1 is to have a new rate by June 1 [July 1?]. But our view
2 is that this is a very important issue that needs to be
3 addressed. You know, clearly, Freudenberg's goal here is
4 to create a competitive market as much as possible in the
5 State of New Hampshire, and one that has a lot more
6 alternatives for it to utilize other providers. And,
7 frankly, our sense is that -- is that this --
8 Freudenberg's ability to purchase power at a lower rate
9 over the last 12 months may have precipitated Public
10 Service's request to reduce rates. And, that's,
11 obviously, one of the great benefits of the competitive
12 market. And, our concern is that this substantial
13 reduction may eliminate those benefits in the future.

14 Freudenberg has a serious problem. Its
15 costs are high in the Northeast. It has operations all
16 over the world, and especially in North America and
17 Mexico. And, it, like most manufacturers, is concerned
18 about cost pressures, and ultimately its need to consider
19 moving its operations out of the state. If that were to
20 happen, and as we disclosed to the parties last week,
21 Freudenberg is already beginning to move some of its
22 employees from Laconia to Mexico, its operations in
23 Mexico. So, migration out of the state, not just off the
24 Grid, is a major concern for Freudenberg, because,

1 frankly, its people here in this state would like to stay
2 in the state. So, ultimately, a competitive market is
3 important to New Hampshire. It's important to the
4 manufacturing, for manufacturing jobs, and for the
5 manufacturers.

6 So, therefore, we believe that this
7 Commission has the power, under the deregulation statute,
8 the restructuring statute, to basically request the Staff
9 to investigate and report on the status of the competitive
10 market in the State of New Hampshire and its future. You
11 know, frankly, from Freudenberg's perspective, we don't
12 believe that the goals of the restructuring statute to
13 create an open and reliable competitive market has been
14 reached in New Hampshire for a lot of reasons. And, we
15 request that the Commission, in its current orders,
16 indicate its interest and direct the Staff to begin those
17 investigations.

18 If the Commission is not willing to do
19 so, Freudenberg is considering and has the intent of
20 filing a petition to begin the review of those issues.
21 This afternoon I'll also testify on the transmission rate
22 increase, which we believe also has an impact on the
23 competitive market here in New Hampshire. And, also, in
24 the process there also appears to be creating a

1 substantial increase in rates. In the case of residential
2 rates, it's essentially eliminated the benefit of the
3 reduction. Although, large power producers under this
4 proposal we understand are actually going to receive a
5 relatively significant percentage benefit.

6 So, our request is two parts. One is,
7 the Commission consider the method of distributing the
8 credit so as to reduce its impact on competitors. And,
9 two, that the Commission investigate and review the status
10 of the competitive market and its future in New Hampshire.
11 And, that's the close of my -- I also have this testimony
12 in writing, which I'd like to submit into the record as
13 well. I have some copies here. And, we'll also submit it
14 electronically. I wasn't able to do so before today,
15 because this -- I was working on this early this morning.
16 And, again, we thank the Commission for this opportunity
17 to be heard.

18 CHAIRMAN GETZ: Ms. Knowlton.

19 MS. KNOWLTON: Thank you, Chairman Getz.
20 Constellation NewEnergy greatly appreciates the
21 opportunity to participate in this docket. It takes no
22 position on PSNH's filing, but looks forward to working
23 with the parties on the proposal that Mr. Eaton referenced
24 regarding the sharing of information with the Commission,

1 and ultimately with PSNH, regarding the amount of
2 competitive loads.

3 CHAIRMAN GETZ: Thank you. Ms.
4 Hatfield.

5 MS. HATFIELD: Thank you, Mr. Chairman.
6 The OCA is certainly sympathetic to Freudenberg's request
7 to have monthly true-ups for the largest customers. And,
8 we think that that might eliminate some of the concerns
9 that the OCA has raised in the past with respect to
10 gaming. We think it might be appropriate in this case to
11 have the Commission direct the parties and Staff to work
12 on these issues in advance of the Company's next filing,
13 for January 1st rate changes.

14 However, we do want to say that, if a
15 different system was developed, so that larger customers
16 could see more frequent pricing changes, as do customers
17 of some of the other distribution companies, that the OCA
18 would want to ensure that any cost to provide that type of
19 pricing would be passed on only to C&I customers, and that
20 residential customers wouldn't have to pay for those
21 costs. And, we do not have any objections to PSNH's
22 request with respect to the underlying filing.

23 CHAIRMAN GETZ: Actually, Ms. Hatfield,
24 can I follow up? Mr. Lazos, as I understood it, was

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1 suggesting that large users get credits back on a monthly
2 basis for overrecoveries. You address the issue in terms
3 of "true-ups", which I assume goes to the issue of
4 reciprocity, that, in the event of underrecoveries, that
5 the opposite effect would occur, that there would be a
6 truing up from the other direction. Is that a fair
7 interpretation of what you mean by "true-up"?

8 MS. HATFIELD: That is. And, I think
9 that, clearly, that would be a major issue that the
10 parties would have to discuss, about how that type of a
11 system would work.

12 CHAIRMAN GETZ: Thank you. Ms. Amidon.

13 MS. AMIDON: Thank you. With respect to
14 Freudenberg's request, we believe that it's raised too
15 late in this docket to deal with in any way that would be
16 administratively efficient, and would note that it also
17 impacts the rights and interests of other parties who did
18 not have notice to such an issue being raised in this
19 docket. And, finally, I think would require Staff doing
20 some investigation as to the practicality of the Company
21 being able to meet those requirements. So, we would
22 respectfully recommend that the Commission defer any
23 action on Freudenberg's request.

24 With respect to the petition itself, the

1 Staff has investigated the petition and conducted
2 discovery. We believe that the adjustment in the Energy
3 Service rate is supported by the documentation provided by
4 the Company, and have no objection to the petition being
5 approved by the Commission.

6 CHAIRMAN GETZ: Thank you. Mr. Eaton.

7 CMSR. BELOW: Could I ask a question,
8 Ms. Amidon. As I heard Freudenberg's request, it was
9 along the lines of looking at this between now and the
10 next filing, not -- I don't think they were proposing
11 going to monthly true-ups immediately. Is Staff's concern
12 that, I mean, is your stated concern that it's not --
13 there isn't time to consider such changes for July 1,
14 versus there isn't time to consider the proposal to look
15 at it between now and the next filing?

16 MS. AMIDON: Well, I think it requires
17 an investigation. I understood his request to have some
18 language in the order that the Commission would be issuing
19 by the end of this month. Right. I mean, there's plenty
20 of opportunity to look at it later. But my concern is
21 that, with respect to the orderly process of this
22 proceeding and getting the order out in time for July 1
23 effective bills for PSNH, that the Commission defer that.

24 CMSR. BELOW: Okay.

1 CHAIRMAN GETZ: Mr. Eaton.

2 MR. EATON: Thank you, Mr. Chairman.

3 This Commission is aware we have explored the issue of
4 more recent price changes in the past. And, unlike the
5 other distribution companies that contract for all of
6 their power, Public Service Company generates a good deal
7 of its power and has seasonal costs which vary, depending
8 upon when we schedule maintenance outages at our plants.
9 For instance, those are usually scheduled for the spring
10 or the fall, and that low cost generation is replaced with
11 higher cost generation that we purchase from the market.
12 So, having more recent or more timely price changes would
13 allow customers to leave the system and not pay for those
14 high cost periods, and come back when the periods are low.

15 In the case of Freudenberg, they're
16 coming back from a year of not contributing to the
17 overrecovery, and getting all the benefit of the
18 underrecovery. As Mr. Lazos told the Commission,
19 Freudenberg left PSNH in May of last year. So, the
20 accumulated overrecovery of 2006 and the overrecovery of
21 the first half of 2007 will be flowed back to them, even
22 though they did not contribute to it. That's the way the
23 system works now, and it's all part of this conundrum
24 we've been talking about, as far as migration, and what to

1 do and what not to do. We're not in favor of the proposal
2 to flow back the overrecovery on a monthly basis. We
3 think it would be very cumbersome. It has a lot of
4 intricacies, such as I mentioned about our seasonal O&M
5 costs.

6 So, we'll be happy to work with the
7 parties and discuss this before our annual filing, but it
8 may have some -- some technical problems as well, as far
9 as how we could do this. We agree with your question to
10 the Consumer Advocate, that it would have to work both
11 ways. That, if credits get passed through on a timely
12 basis, so would any underrecoveries and surcharges would
13 have to be collected as well. But it presents a lot of
14 problems, not the least of which is billing problems and
15 keeping track of this and having actual numbers and a way
16 to adjust customers' bills.

17 As far as the rate is concerned, we're
18 pleased that the rate is going down, and that we hope the
19 Commission will approve the requested 7.83 cents per
20 kilowatt-hour.

21 CHAIRMAN GETZ: Okay. Is there anything
22 else to address this morning?

23 (No verbal response)

24 CHAIRMAN GETZ: All right. Then,

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1 hearing nothing, we will close the hearing, take the
2 matter under advisement. Thank you.

3 (Hearing ended at 10:47 a.m.)

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