

**THE STATE OF NEW HAMPSHIRE**  
**BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**  
**PREPARED TESTIMONY OF ROBERT A. BAUMANN**  
**2009 STRANDED COST RECOVERY CHARGE RATE CHANGE**  
**Docket No. DE 08-114**

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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, Connecticut.  
3           I am Director, Revenue Regulation & Load Resources for Northeast Utilities Service Company  
4           (NUSCO). NUSCO provides centralized services to the Northeast Utilities (NU) operating  
5           subsidiaries, including Public Service Company of New Hampshire (PSNH), The Connecticut  
6           Light and Power Company, Yankee Gas Services Company and Western Massachusetts Electric  
7           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 to provide an overview of PSNH's Stranded Cost Recovery  
12           Charge (SCRC) filing that supports a proposed SCRC rate effective August 1, 2009. This request  
13           for an August 1, 2009 effective date is consistent with our request for an Energy Service (ES) rate  
14           change that is also being filed today under Docket No. DE 08-113. This filing will be updated in  
15           about four weeks for actual May 2009 results. The forecasted market prices which impact the

1 over market IPP costs will be updated only if there are material changes. At that time,  
2 Mr. Stephen R. Hall will also provide calculations related to the individual stranded costs prices  
3 by class. This filing will be submitted concurrently with an updated ES rate filing.

4 **Q. What is PSNH requesting in this proceeding?**

5 A. In this proceeding, PSNH is requesting that the Commission approve a mid-term adjustment to  
6 the average SCRC rate for all customers effective August 1, 2009. This rate, as calculated today,  
7 consistent with the concurrent ES rate filing requires an increase in the current SCRC rate of  
8 0.98¢/kWh to a rate of 1.14¢/kWh. This SCRC rate was based on actual results through April  
9 2009 and an updated forecast for the remainder of 2009. PSNH is proposing the SCRC rate  
10 change to take effect August 1, 2009 consistent with its proposal of ES rate change, as well as the  
11 Transmission Cost Adjustment Mechanism (TCAM) which will be filed in June 2009 to coincide  
12 with the proposed effective date of the Temporary Distribution rate change in Docket No.  
13 DE 09-035. While the ES, SCRC and TCAM are not directly related to PSNH's request for  
14 temporary rates, PSNH proposes to make all rate changes effective August 1, 2009 to avoid  
15 frequent rate changes and customer confusion, and to provide for rate stability.

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

17 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F and  
18 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549, defined PSNH's  
19 stranded costs and categorized them into three different parts (i.e., Part 1, 2 and 3). Part 1 is  
20 composed of the RRB Charge which is calculated to recover the principal, net interest, and fees  
21 related to Rate Reduction Bonds. Part 2 costs are "ongoing" stranded costs consisting primarily  
22 of the over-market value of energy purchased from independent power producers (IPPs) and the

1 amortization of payments previously made for IPP buy-downs and buy-outs as approved by the  
2 Commission. In addition, the SCRC has a return component, consisting primarily of the  
3 stipulated return on deferred taxes related to securitized stranded costs. The return is a benefit to  
4 customers which reduces the overall SCRC level. Part 3 costs, which were primarily the  
5 amortization of non-securitized stranded costs, were recovered fully in June 2006.

6 Pursuant to Order No. 24,923 issued in Docket No. DE 08-114, PSNH is currently billing an  
7 average SCRC rate of 0.98¢/kWh which was made effective for the period January 1, 2009  
8 through December 31, 2009.

9 **Q. Please describe the detailed support for the calculation of the average SCRC rate provided**  
10 **in Attachment RAB-1.**

11 A. Attachment RAB-1, pages 1-3, provides a summary of 2009 cost information related to Part 1 and  
12 Part 2 costs, amortization of securitized assets and ongoing cost activity. Pages 4 through 7  
13 provide the detailed cost information by month related to Part 1 and Part 2 costs.

14 **Q. Describe what has transpired during the SCRC period beginning January 1, 2009.**

15 A. The current average SCRC rate of 0.98¢/kWh became effective on January, 2009. Since that  
16 time, there has been an increase in the above market portion of the IPP valuation caused by a  
17 decrease in current market prices compared to the market prices used to estimate the above-  
18 market costs included in the rate. This change increased the SCRC costs by approximately  
19 \$3.8 million. In addition, actual and updated sales decreased from the originally forecasted level,  
20 resulting in lower SCRC revenues of about \$1 million. Together, these two changes are the  
21 primary reason for the increase in the updated SCRC rate.

1    **Q.     How are PSNH's mandated purchased power obligations from IPPs valued in the SCRC?**

2    A.     The over-market portion of purchases from the IPPs is considered to be a stranded cost and is  
3           recovered as Part 2 cost through the SCRC. The market value of the IPP is reflected in the  
4           Energy Service rate, which PSNH is proposing to decrease on August 1, 2009 in a concurrent  
5           filing made under separate cover. This treatment is consistent with the Restructuring Settlement  
6           and the Commission's Order in Docket No. DE 02-166.

7    **Q.     Does the Commission need to make a determination at this time of the prudence of the costs**  
8           **incurred since January 1, 2009?**

9    A.     No. Those issues will be addressed in the Stranded Cost Recovery Charge reconciliation which  
10          has traditionally been filed in early May following the calendar year when those costs were  
11          incurred and collected.

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

13   A.     Yes. Due to the number of rate components that will change, PSNH requests approval of the  
14          proposed SCRC rate early in the week of July 27 to allow sufficient time to test thoroughly and  
15          bill on our regular schedule without delaying billing for service rendered as of August 1, 2009.  
16          Therefore, PSNH requests that the Commission reopen this proceeding so that the procedural  
17          schedule can be set to review this filing and approve the SCRC rate in a timely manner.

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

19   A.     Yes, it does.