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STATE OF NEW HAMPSHIRE

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PUBLIC UTILITIES COMMISSION

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4

December 4, 2008 - 10:10 a.m.
Concord, New Hampshire

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RE: DE 08-114
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
Petition for Adjustment of Stranded Cost
Recovery Charge.

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

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Connie Fillion, Clerk

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

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Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Kenneth E. Traum, Asst. Consumer Advocate
Office of Consumer Advocate

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

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

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I N D E X

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RICHARD C. LABRECQUE

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{DE 08-114} {12-04-08}

1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in docket DE 08-114.
4 Have I got that order correct? Okay. On September 12,
5 2008, Public Service Company of New Hampshire filed a
6 petition for adjustment of its Stranded Cost Recovery
7 Charge. We issued an order on September 22nd that set a
8 prehearing conference that was held on October 6. And,
9 subsequently, a procedural schedule was issued approving
10 the hearing on the merits for this morning.

11 Can we take appearances please.

12 MR. EATON: For Public Service Company
13 of New Hampshire, my name is Gerald M. Eaton. Good
14 morning.

15 CHAIRMAN GETZ: Good morning.

16 CMSR. MORRISON: Good morning.

17 CMSR. BELOW: Good morning.

18 MS. HATFIELD: Good morning,
19 Commissioners. Meredith Hatfield, from the Office of
20 Consumer Advocate, on behalf of residential consumers.
21 And, with me is Ken Traum from the Office.

22 CHAIRMAN GETZ: Good morning.

23 CMSR. MORRISON: Good morning.

24 CMSR. BELOW: Good morning.

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1 MS. AMIDON: Good morning. I'm Suzanne
2 Amidon, for the Commission Staff. And, with me today is
3 Steve Mullen, who is the Assistant Director of the
4 Electric Division.

5 CHAIRMAN GETZ: Good morning.

6 CMSR. MORRISON: Good morning.

7 CMSR. BELOW: Good morning.

8 CHAIRMAN GETZ: Is there anything we
9 need to address before we hear from the Company's
10 witnesses?

11 (No verbal response)

12 CHAIRMAN GETZ: Hearing nothing, then,
13 Mr. Eaton.

14 MR. EATON: I'd like to call to the
15 stand Robert A. Baumann and Richard Labrecque.

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

19 ROBERT A. BAUMANN, SWORN

20 RICHARD C. LABRECQUE, SWORN

21 DIRECT EXAMINATION

22 BY MR. EATON:

23 Q. Mr. Baumann, will you please state your name for the
24 record.

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[WITNESS PANEL: Baumann|Labrecque]

- 1 A. (Baumann) My name is Robert Baumann.
- 2 Q. For whom are you employed and what is your title?
- 3 A. (Baumann) I am employed by Northeast Utilities Service
- 4 Company. I'm the Director of Revenue Regulation and
- 5 Load Resources.
- 6 Q. And, what are your responsibilities?
- 7 A. (Baumann) I am responsible for revenue requirement
- 8 filings for Public Service Company of New Hampshire, as
- 9 well as other revenue requirement filings in
- 10 Connecticut Light & Power Company and Western
- 11 Massachusetts Company.
- 12 Q. Have you previously testified before the Commission?
- 13 A. (Baumann) Yes.
- 14 Q. Do you have in front of you a document that's dated
- 15 September 12th, 2008, a cover letter from myself to
- 16 Debra Howland, and the subject matter is "PSNH Petition
- 17 for Adjustment of Stranded Cost Recovery Charge"?
- 18 A. (Baumann) It's dated December 2nd?
- 19 Q. No. I was looking at a September 12th filing.
- 20 A. (Baumann) Oh, excuse me.
- 21 Q. The original filing.
- 22 A. (Baumann) Yes, I do.
- 23 Q. And, what is that document?
- 24 A. (Baumann) That document is the initial filing in this

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[WITNESS PANEL: Baumann|Labrecque]

1 docket, 08-113, for the -- or, excuse me, 114, for the
2 stranded cost recovery rate to be in place in the year
3 2009.

4 Q. And, there is -- is there testimony from you in that
5 document?

6 A. (Baumann) Yes.

7 Q. And that there are supporting schedules behind that?

8 A. (Baumann) Yes.

9 Q. Do you adopt that today as your testimony as of
10 September 12th, 2008?

11 A. (Baumann) Yes.

12 MR. EATON: Could we have that marked
13 for identification as "Exhibit 1" please.

14 CHAIRMAN GETZ: So marked.

15 (The document, as described, was
16 herewith marked as Exhibit 1 for
17 identification.)

18 BY MR. EATON:

19 Q. Mr. Baumann, now could you turn to a document that's
20 dated "December 2nd".

21 A. (Baumann) I have that.

22 Q. And, can you tell me what that document is?

23 A. (Baumann) This is the revised Stranded Cost Recovery
24 Charge rate that the Company is requesting to become

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[WITNESS PANEL: Baumann|Labrecque]

1 effective on January 1st, 2009. And, it updates the
2 data from the original filing in September to reflect
3 the latest known conditions.

4 Q. And, is that true and accurate to the best of your
5 knowledge and belief?

6 A. (Baumann) Yes.

7 Q. Do you wish to make any changes to those schedules?

8 A. (Baumann) No.

9 MR. EATON: Could we have the
10 December 2nd document marked as "Exhibit 2" for
11 identification.

12 CHAIRMAN GETZ: So marked.

13 (The document, as described, was
14 herewith marked as Exhibit 2 for
15 identification.)

16 BY MR. EATON:

17 Q. Mr. Labrecque, could you please state your name for the
18 record.

19 A. (Labrecque) Richard C. Labrecque.

20 Q. For whom are you employed and what is your position?

21 A. (Labrecque) I'm employed by Northeast Utilities Service
22 Company. I'm a Principal Engineer in the Wholesale
23 Power Contracts Department.

24 Q. And, have you testified before the Commission?

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[WITNESS PANEL: Baumann|Labrecque]

- 1 A. (Labrecque) Yes.
- 2 Q. And, were you asked to prepare an updated exhibit
- 3 showing the sales forecast for 2009?
- 4 A. (Labrecque) Yes.
- 5 Q. And, do you have that in front of you?
- 6 A. (Labrecque) Yes, I do.
- 7 Q. Would you please describe that document.
- 8 A. (Labrecque) This document compares the sales forecast
- 9 for both the SCRC rate and the Default Energy Service
- 10 rate. At the bottom of the page is the forecast that
- 11 was used when we submitted our initial filing, in both
- 12 dockets, on September 12th. The top half of the page
- 13 is the sales forecast, the current updated sales
- 14 forecast that was used for the December 2nd filings.
- 15 In the middle of the page is a description of the net
- 16 change and the relative change, both by class and in
- 17 total. You will see total -- total SCRC sales, which
- 18 would be the first block total of "8,026,239
- 19 megawatt-hours", is approximately 3 percent lower in
- 20 this December 2nd filing than in the September 12th
- 21 filing.
- 22 Q. All customers pay the Stranded Cost Recovery Charge,
- 23 regardless of whether they buy their power from PSNH or
- 24 from competitive suppliers, is that correct?

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[WITNESS PANEL: Baumann|Labrecque]

1 A. (Labrecque) Correct.

2 Q. So, for the purposes of this hearing, that "Total
3 Retail Sales" block is the relevant change that took
4 place from the estimate made on September 12th, to the
5 estimate made on December 2nd?

6 A. (Labrecque) That's correct.

7 MR. EATON: Could we have this marked as
8 Exhibit 3 for identification?

9 CHAIRMAN GETZ: So marked.

10 (The document, as described, was
11 herewith marked as Exhibit 3 for
12 identification.)

13 BY MR. EATON:

14 Q. Mr. Baumann, could you please explain the Company's
15 filing and its requested rate.

16 A. (Baumann) Sure. We are currently charging an SCRC rate
17 of 0.65 cents per kilowatt-hour. The requested rate
18 today is 0.98 cents per kilowatt-hour, which is overall
19 about a 2.3 percent increase in overall rates to PSNH
20 customers. That increase -- About half of that
21 increase is the result of a one-time credit that was
22 being refunded in 2008 related to some balance sheet
23 liability accounts. There were some Clean Air Act
24 credits that were going back I think were the majority

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[WITNESS PANEL: Baumann|Labrecque]

1 of those credits. Those were refunded in the 2008
2 rate, which actually decreased that rate. And, that's
3 about half the increase.

4 About a quarter of the increase is due
5 to the setting of the market rate, the market price for
6 IPPs. That market price has dropped, therefore, the
7 above market price and costs associated with IPPs has
8 increased for SCRC. There's an opposite reaction in
9 the Energy Service rate. But, for this rate in
10 particular, it would actually drive costs up and drive
11 the rate up. And, then, the third reason for the
12 increase was the fact that the sales base that we are
13 now dividing our costs by is lower than it was in the
14 six month billing rate July through December 2008,
15 which is the rate that is currently being billed today.

16 So, those are really the three reasons
17 that are driving the rate up.

18 Q. Thank you. Gentlemen, do you have anything to add to
19 your testimony?

20 A. (Baumann) No.

21 A. (Labrecque) No.

22 MR. EATON: The witnesses are available
23 for cross-examination.

24 CHAIRMAN GETZ: Thank you. Ms.

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[WITNESS PANEL: Baumann|Labrecque]

1 Hatfield.

2 MS. HATFIELD: Thank you, Mr. Chairman.

3 Good morning, gentlemen.

4 WITNESS BAUMANN: Good morning.

5 WITNESS LABRECQUE: Good morning.

6 CROSS-EXAMINATION

7 BY MS. HATFIELD:

8 Q. Can you tell me when the sales forecast was done for

9 the September 12th preliminary filing?

10 A. (Labrecque) That was done in April.

11 Q. And, would you attribute most of the sales decrease to

12 the state of the economy?

13 A. (Labrecque) There's two, two key factors. The most

14 significant is the revised set of economic inputs that

15 went into the revised forecast that was prepared, I

16 believe, in August. The second factor is the price

17 elasticity models in the forecast. The more current

18 forecast incorporated a slightly higher rate estimate

19 for 2009 than had been used in the prior forecast. So,

20 that price elasticity component also played a role in

21 the decrease.

22 MS. HATFIELD: Thank you. I have no

23 further questions.

24 CHAIRMAN GETZ: Ms. Amidon.

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[WITNESS PANEL: Baumann|Labrecque]

1 MS. AMIDON: Thank you. I'm going to
2 turn this over to Mr. Mullen.

3 MR. MULLEN: Good morning.

4 BY MR. MULLEN:

5 Q. Regarding your discussion of the change related to the
6 impact in the over market IPPs, do you expect, in the
7 next few years, any large IPP contracts to come off or
8 have most of the large ones already come off?

9 A. (Labrecque) I believe most of the large ones have
10 already come off. I apologize for not having exact
11 information. There may be one additional eight to ten
12 megawatt IPP coming off in the next couple years. I'm
13 just not positive. But the biggest drops have already
14 occurred.

15 Q. Now, regarding the SCRC rate in total, there's
16 basically just Part 1 and Part 2 left, correct?

17 A. (Baumann) Yes.

18 Q. So, as we look out the next few years, is there
19 anything in either one of those two parts that you
20 expect to drop off or is it pretty much going to be the
21 major -- the major variable over the next few years is
22 going to just be the over market portion of IPPs?

23 A. (Baumann) When you say the "major variable", yes. As
24 IPPs decrease, that will decrease the rate. The

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[WITNESS PANEL: Baumann|Labrecque]

1 majority of the costs in this rate are at this point
2 the Rate Recovery Bond costs.

3 Q. And, those end when?

4 A. (Baumann) 2013, I think. Yes, 2013.

5 Q. And, there's nothing with those that would change
6 drastically between now and 2013?

7 A. (Baumann) Correct.

8 MR. MULLEN: I have nothing further.

9 MS. AMIDON: Thank you.

10 BY CMSR. BELOW:

11 Q. Well, just to clarify on the reason for the higher
12 calculations you did compared to September 12th. One
13 factor seems to be there was a greater amount of under
14 recovery for the prior period. And, is that
15 attributable -- what's that attributable to? Declining
16 sales or more above-market IPP costs or a combination
17 of both?

18 A. (Baumann) It was just about an even combination of
19 both.

20 Q. Okay. And, you're saying that this most recent sales
21 forecast that was filed just two days ago was actually
22 based on a forecast done in August?

23 A. (Labrecque) It's either August or September. It's in
24 that time frame. I don't know the exact date.

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[WITNESS PANEL: Baumann|Labrecque]

1 Q. And, do you know how sales have been most recently,
2 say, the months of October and November, compared to
3 what had been this year's forecast?

4 A. (Labrecque) I had a discussion with the sales
5 forecasting people yesterday, and I believe that the
6 trend is still down year over year. I think -- I think
7 I was told, on a weather-normalized basis, it's still
8 about 1 percent lower year over year. So, actuals are
9 coming in lower.

10 Q. And, is that consistent with your forecast for 2009 or
11 do you expect a possible revision to that forecast?

12 A. (Labrecque) I don't believe they're scheduled to do an
13 official revision to that until next March or April,
14 when we start next year's cycle.

15 CMSR. BELOW: Okay. That's all.

16 CHAIRMAN GETZ: Redirect, Mr. Eaton?

17 MR. EATON: No thank you, Mr. Chairman.

18 CHAIRMAN GETZ: Okay. Then, the
19 witnesses are excused. Thank you. I take it there are no
20 other witnesses, that's correct?

21 (No verbal response)

22 CHAIRMAN GETZ: Any objections to
23 striking identifications and admitting the exhibits into
24 evidence?

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1 (No verbal response)

2 CHAIRMAN GETZ: Hearing no objection,
3 they will be admitted into evidence. Is there anything
4 else we need to address before opportunity for closings?

5 (No verbal response)

6 CHAIRMAN GETZ: Hearing nothing, then,
7 Ms. Hatfield.

8 MS. HATFIELD: Thank you, Mr. Chairman.
9 The OCA has no objection to PSNH's filing for its Stranded
10 Cost Recovery Charge for 2009. Thank you.

11 CHAIRMAN GETZ: Thank you. Ms. Amidon.

12 MS. AMIDON: Thank you. Staff has
13 reviewed the filing and the updates, and recommends that
14 the Commission approve the petition for the Stranded Cost
15 Recovery Charge for 2009 as filed with the revision.

16 CHAIRMAN GETZ: Thank you. Mr. Eaton.

17 MR. EATON: Thank you, Mr. Chairman.
18 The Company has made its filing in the normal course, and
19 with the same calculations it's done in the past. And, we
20 request that the Commission approve the 0.98 cents per
21 kilowatt-hour rate for effect on January 1st, 2009. Thank
22 you.

23 CHAIRMAN GETZ: Okay. Thank you. Then,
24 we will close the hearing, take the matter under

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1 advisement, and see you in half an hour.

2 (Whereupon the hearing ended at 10:27

3 a.m.)

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