

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF MICHAEL L. SHELNITZ
2013 DEFAULT ENERGY SERVICE RATE CHANGE
MID-TERM ADJUSTMENT EFFECTIVE JULY 1, 2013
Docket No. DE 12-292

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

2 A. My name is Michael L. Shelnitz. My business address is 107 Selden Street, Berlin,
3 Connecticut. I am Team Lead, Revenue Requirements – PSNH for Northeast Utilities
4 Service Company (NUSCO) which provides centralized services to the Northeast
5 Utilities (NU) operating subsidiaries Public Service Company of New Hampshire
6 (PSNH), The Connecticut Light and Power Company, Yankee Gas Services Company
7 and Western Massachusetts Electric Company.

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

10 A. No, I have not. The ES and SCRC mid-year rate adjustment filings are the first time I
11 am sponsoring testimony before the Commission.

12
13 **Q. Please describe your educational background.**

14 A. I graduated from Northeastern University in Boston, Massachusetts in 1986 with a
15 Bachelor of Science degree in Toxicology. In 1990, I earned a Master's Degree in
16 Business Administration with a Specialization in Accounting from the University of
17 Connecticut.

18

19

1 **Q. Please describe your professional experience.**

2 A. Upon graduation, I worked in public accounting for 5 years with Price Waterhouse, LLC,
3 after which I joined Northeast Utilities as an analyst in the Fuel Accounting and Recovery
4 Department. Since joining Northeast Utilities I have held positions of increasing
5 responsibility through my current position as Team Lead, Revenue Requirements –
6 PSNH. As part of my experience, I have sponsored technical statements before the
7 Commission and I have testified in numerous proceedings before the Connecticut Public
8 Utilities Regulatory Authority. I am registered as a Certified Public Accountant (CPA) in
9 the State of Connecticut.

10

11 **Q. What are your current responsibilities?**

12 A. I am currently responsible for the calculation of revenue requirements for PSNH, as well
13 as the filings associated with PSNH's Energy Service charge, the Stranded Cost
14 Recovery Charge and the Transmission Cost Adjustment Mechanism. Additionally, I am
15 responsible for certain accounting activities performed by Northeast Utilities Service
16 Company, including ISO-NE billing and standard offer billing for some of Northeast
17 Utilities' operating companies.

18

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

20 A. The purpose of my testimony is to provide a detailed overview of PSNH's request for a
21 mid-term adjustment to decrease the current Default Energy Service (ES) rate effective
22 on July 1, 2013.

23

24

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

2 A. In this proceeding, PSNH is requesting the Commission approve a mid-term adjustment
3 to the non-Scrubber portion of the ES rate for all customers effective July 1, 2013. This
4 rate adjustment would decrease the current ES non-Scrubber rate from 8.56 cents per
5 kWh to 8.00 cents per kWh, based on actual results through March 2013 and the most
6 current forecast of PSNH's costs of providing such power for the remainder of 2013.
7 These results indicate that PSNH would over-recover its ES costs as of December 31,
8 2013 absent a change to the rate. In addition, the temporary Scrubber rate of 0.98 cents
9 per kWh approved in Docket No. DE 11-250 would continue unchanged resulting in the
10 total ES rate changing from the current 9.54 cents per kWh to 8.98 cents per kWh.
11 PSNH is proposing the ES rate change to take effect July 1, 2013 consistent with its
12 concurrent proposal to change the SCRC. In addition, in early June 2013, PSNH will file
13 its proposal to change the Transmission Cost Adjustment Mechanism (TCAM) effective
14 July 1, 2013 and also file updated ES and SCRC rates. The detailed calculations
15 supporting the proposed ES rate can be found in Attachments MLS-1 and MLS-2 to this
16 testimony.

17

18 **Q. What caused the projected ES over-recovery?**

19 A. The primary causes of the projected ES over-recovery are reductions in New Hampshire
20 Renewable Portfolio Standard (RPS) costs in 2012 and 2013 and expected refunds to
21 customers resulting from Regional Greenhouse Gas Initiative (RGGI) auctions in 2013.
22 Specifically, the 2012 actual ES under-recovery includes an accrued level of RPS
23 expense in the amount of \$19.111 million. However, in 2013 it was determined that RPS
24 expense for 2012 would only be \$9.812 million. The difference of \$9.299 million has
25 been included as an adjustment to 2013 costs in the month it is expected to be recorded

1 on PSNH's general ledger. The cause of the lower RPS cost for 2012 is the
2 Commission's Order in Docket No. DE 13-021 that significantly reduced the Class III
3 (existing biomass) percentage from 6.5% to 1.4% for 2012. Additionally, for RPS related
4 to 2013 this Order reduced the Class III percentage to 1.5% and delayed the
5 implementation of the Class I - Thermal requirement by one year. As a result of these
6 changes for 2013, a downward adjustment in the amount of \$9.005 million was
7 necessary for 2013 RPS costs when compared to the amount included in rates at
8 January 1, 2013. That amount was \$19.217 million as shown on Attachment RAB-1,
9 Page 1, dated 12/12/2012 in Docket No. DE 12-292 and the new forecast for 2013 is
10 \$10.212 million.

11
12 With respect to the RGGI auction refund amount, PSNH has included \$8.818 million as
13 an estimate of RGGI auction revenues in excess of \$1 per allowance associated with
14 2013 quarterly auctions in March, June, September and December to be refunded to
15 PSNH's default service customers based on PSNH's proportional share of default
16 service kWh sales relative to the total of such kWh sales in New Hampshire on a
17 frequency no longer than every six months, consistent with Order No. 25,471 in Docket
18 No. DE 12-362. The total of the these lower costs and refunds is partially offset by a
19 reduction in ES revenues resulting from additional migration above the amount forecast
20 for 2013 and included in the January 1, 2013 ES rate calculation.

21
22 **Q. Please provide the historic and current ES rates.**

23 A. The table below outlines ES rates in effect from May 1, 2001 to the present for
24 residential, small general service customers (Group 1) and large commercial and
25 industrial customers (Group 2).

1

Date of Service

May 2001 - January 2003	(a)	4.40 cents per kWh
February 2003 - January 2004	(b)	4.60/4.67
February 2004 - July 2004		5.36
August 2004 - January 2005		5.79
February 2005 - July 2005		6.49
August 2005 - January 2006		7.24
February 2006 - June 2006		9.13
July 2006 - December 2006		8.18
January 2007 - June 2007		8.59
July 2007 - December 2007		7.83
January 2008 – June 2008		8.82
July 2008 – December 2008		9.57
January 2009 – July 2009		9.92
August 2009 – December 2009		9.03
January 2010 – June 2010		8.96
July 2010 – December 2010		8.78
January 2011 – June 2011		8.67
July 2011 – December 2011		8.89
January 2012 – April 15, 2012		8.31
April 16, 2012 – June 2012	(c)	8.75
July 2012 – December 2012	(c)	7.11
January 2013 – June 2013	(c)	9.54

- (a) Set by statute for all retail customers.
- (b) Small C&I and residential rate set by statute (4.60 cents).
Large C&I rate set on forecasted costs (4.67 cents).
- (c) This rate includes 0.98 cents per kWh for Merrimack Scrubber costs approved in the temporary rates Order 25,346 in Docket No. DE 11-250.

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Initially, Energy Service rates were set by statute. Beginning in February 2003, the

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Energy Service rate for large commercial and industrial customers (Group 2) was based

4

on PSNH's forecast of "actual, prudent and reasonable costs" (4.67 cents). Beginning in

1 February 2004, the Energy Service rate for all retail customers was based on a forecast
2 of PSNH's "actual, prudent and reasonable costs."
3
4

5 **Q. Please provide an overview of how the Energy Service cost recovery mechanism**
6 **works.**

7 A. PSNH recovers the cost of supplying energy to customers who choose to receive energy
8 from PSNH through the ES rate. The ES rate is forecasted and reconciled once actual
9 costs are known. ES reconciliation amounts are deferred and applied to future ES rate
10 recoveries per the Commission's order and findings in Docket No. DE 05-164, Order
11 No. 24,579, dated January 20, 2006.
12

13 **Q. When will PSNH provide an update to the proposed ES rate?**

14 A. The values in this filing will be updated in about five weeks to reflect actual results for
15 April and May 2013. In addition, if there are any other significant changes, such as a
16 significant change to the forecasted forward market prices from those used in developing
17 this rate or significant changes in customer migration, then PSNH will also update its
18 rate for these changes.
19

20 **Q. Are the costs that PSNH has included in this ES rate filing consistent with the past**
21 **ES filings?**

22 A. Yes. ES costs contain the generation asset revenue requirements, entitlements and
23 purchased power obligations, including the cost of fuel used in generation. In addition,
24 ES costs include the costs and revenues from market purchases and sales, ISO-NE
25 expenses and revenues, RPS, RGGI, and IPP power values at market prices. Finally,

1 ES costs include non-fuel operation and maintenance costs (O&M), depreciation,
2 property taxes and payroll taxes, uncollectible costs attributable to ES, and a return on
3 the net generation investment. All of these costs exclude any impact of the Merrimack
4 Scrubber costs which are being recovered as temporary rates pursuant to Order No.
5 25,346 in Docket No. DE 11-250.

6
7 **Q. Please discuss the level of migration assumed in this filing.**

8
9 A. The level of migration assumed in PSNH's filing is 45.6%, which is higher than the
10 42.5% used to set the 2013 rate in December 2012. This value represents the actual
11 current migration level on PSNH's system at the end of March 2013.

12
13 **Q. How are PSNH's mandated purchased power obligations (IPPs) valued in
14 calculating the ES rate?**

15 A. PSNH includes IPP generation as a source of power to meet PSNH's load requirements,
16 and that power is valued based on projected market costs (energy and capacity). The
17 over-market portion of purchases from the IPPs are treated as a stranded cost and
18 recovered through the Stranded Cost Recovery Charge. This treatment is consistent
19 with the Restructuring Settlement and the Commission's Order in Docket No. DE 02-
20 166. As market prices decrease, the ES costs decrease and there is a corresponding
21 increase to the SCRC rate for the same time period. As market prices increase, the ES
22 costs increase and there is a corresponding decrease to the SCRC rate for the same
23 time period. To properly match the recovery of IPP costs, PSNH will also concurrently
24 file for a change in the SCRC rate effective July 1, 2013.

25

1 **Q. Has PSNH included the information on Wood IPP costs required by Order No.**
2 **25,305 in Docket No. DE 11-184?**

3 A. Yes. The detail of purchases by contract for 2013, actual and forecasted, is shown on
4 page 7 of Attachment MLS-2 which reflects both the “market” and “over market” costs.
5 The market costs are summarized and reflected on MLS-2, page 3 of the ES rate while
6 the over market costs are reflected in the SCRC rate.

7

8 **Q. Please describe the detailed support for the calculation of the ES rate.**

9 A. Attachment MLS-2 provides detailed cost and revenue components relating to PSNH's
10 generating costs, and also provides a breakdown of market purchases and sales. Page
11 3 of the attachment provides further detail relating to the PSNH generation and
12 purchased power for the period January 1, 2013 through December 31, 2013. Page 4
13 provides further detail on the forecasted market value of IPP generation. Page 5
14 provides a breakdown of Fossil/Hydro Operation and Maintenance costs. Page 6
15 provides a detailed calculation of the return on Fossil/Hydro investment and Page 7
16 provides the detailed breakdown of the Wood IPP purchases.

17

18 **Q. Does the Commission need to make a determination at this time of the**
19 **prudence of the costs incurred since January 1, 2013?**

20 A. No. Prudence will be addressed in the Energy Service Charge reconciliation which has
21 traditionally been filed in early May following the calendar year when those costs were
22 incurred and collected.

23

24 **Q. Does PSNH propose to implement the new Energy Service rate on a service-**
25 **rendered basis?**

1 A. Yes, consistent with the practice for similar past adjustments.

2

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

4 A. Yes. Due to the number of rate components that will change, PSNH requests approval
5 of the proposed ES rate by Thursday, June 27 to allow sufficient time to test thoroughly
6 and bill on our regular schedule without delaying billing for service rendered as of July 1,
7 2013 (a Monday). Therefore, PSNH requests that the Commission reopen this
8 proceeding so that the procedural schedule can be set to review this filing and approve
9 the ES rate in a timely manner.

10

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

12 A. Yes, it does.