

THE STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ERIC H. CHUNG
2014 STRANDED COST RECOVERY CHARGE RATE CHANGE
Docket No. DE 13-XXX

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

2 A. My name is Eric H. Chung. My business address is 1 NSTAR Way, Westwood, MA
3 02142. My position is Director of Revenue Requirements for Massachusetts and New
4 Hampshire at Northeast Utilities.

5 **Q. Have you previously testified before the Commission?**

6 A. No, this is my first time testifying before the Commission.

7 **Q. Please describe your educational background.**

8 A. I have a Bachelor of Arts in physics with honors from Harvard University, as well as a
9 Master's of Business Administration in finance and economics from the University of
10 Chicago Booth School of Business.

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

12 A. I was appointed to my current position at Northeast Utilities in August 2013, and I have
13 over fifteen years of related management consulting and industry experience, with most
14 of my career dedicated to the power and utilities sectors. From May 2011 to August
15 2013, I was a Senior Manager in the Power Utilities Advisory practice at Ernst and
16 Young LLP. From July 2009 to April 2011, I worked for PacifiCorp, a vertically-
17 integrated electric utility based in Portland, OR serving approximately 1.7 million

1 customers across six states in the Western U.S. At PacifiCorp, my primary role was
2 Director of Environmental Policy and Strategy, and I also held leadership roles in
3 PacifiCorp's Transmission and Corporate Finance departments. I have also served as
4 an Associate Partner in the Utilities practice at Oliver Wyman, a Senior Engagement
5 Manager in the Power practice at Strategic Decisions Group, and a Senior Programmer
6 Analyst at Goldman Sachs.

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

8 A. I am currently responsible for all regulatory activity affecting the financial requirements of
9 Northeast Utilities' operating companies located in Massachusetts and New Hampshire.

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

11 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
12 the necessary approvals to set the average Stranded Cost Recovery Charge (SCRC)
13 rate that will take effect January 1, 2014.

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

16 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-
17 F and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549,
18 defined PSNH's stranded costs and categorized them into three different parts (i.e., Part
19 1, 2 and 3). Part 1 is composed of the RRB Charge, which is calculated to recover the
20 principal, net interest, and fees related to Rate Reduction Bonds. These Rate Reduction
21 Bonds were fully amortized at May 1, 2013. Part 2 costs are "ongoing" stranded costs

1 consisting primarily of the over-market value of energy purchased from independent
2 power producers (IPPs) and the amortization of payments previously made for IPP buy-
3 downs and buy-outs as approved by the Commission. In addition, the SCRC has a
4 return component, consisting primarily of the stipulated return on deferred taxes related
5 to securitized stranded costs. The return is a credit to customers which reduces the
6 overall SCRC level. Part 3 costs, which were primarily the amortization of non-
7 securitized stranded costs, were fully recovered as of June 2006.

8 On June 12, 2013, PSNH filed testimony and schedules requesting a mid-term
9 adjustment to its average SCRC rate effective July 1, 2013 through December 31, 2013
10 as 0.127 cents per kWh. Order No. 25,532, issued in Docket No. DE 12-291, granted
11 PSNH's request for a new average SCRC rate of 0.127 cents per kWh for the period
12 July 1, 2013 through December 31, 2013.

13 **Q. Please describe the detailed support for the calculation of the average SCRC rate**
14 **provided in Attachments EHC-1 and EHC-2.**

15 A. Attachment EHC-1, pages 1 through 3, provides a summary of 2014 cost information
16 related to Part 1 and Part 2 costs, amortization of securitized assets and ongoing cost
17 activity. Pages 4 through 7 provide the detailed cost information by month related to
18 Part 1, amortization of securitized assets and Part 2, ongoing costs. Attachment EHC-2,
19 Pages 1 through 7 provide the detailed cost and revenue components relating to the
20 2013 SCRC reconciliation.

1 **Q. Is PSNH currently proposing a specific SCRC rate at this time?**

2 A. No, it is not. Attachment EHC-1 provides a preliminary rate calculation; however, prior to
3 the anticipated hearing in December 2013, PSNH plans to update the SCRC rate
4 calculation for changes attributable to IPP over-market costs and will include an update
5 of 2013 actual data. This update will be consistent with the market price assumptions
6 embedded in the Energy Service (ES) update and will be filed at the same time as the
7 2014 ES rate update. The preliminary 2014 average SCRC rate provided in this filing is
8 0.38 cents per kWh and is 0.253 cents per kWh higher than the current rate of 0.127
9 cents per kWh.

10 **Q. What are the major reasons for the SCRC rate increase?**

11 A. The increase in the SCRC rate effective January 1, 2014 from the current rate is
12 primarily due to: (1) the current SCRC rate included an \$8.6 million credit for Final
13 Disposition of RRB Reserves and the proposed 2014 rate does not include any such
14 credit; and (2) the current SCRC rate included a \$4.7 million credit for DOE Litigation
15 Proceeds, while the 2014 rate includes \$1.4 million.

16 **Q. Does PSNH plan to minimize cost deferrals for the SCRC through a mid-term
17 adjustment?**

18 A. Yes. If a rate adjustment is deemed necessary, PSNH could file a petition for such a
19 change in a manner and on a schedule consistent with the modifications to the Energy
20 Service rate. The Commission could revisit the SCRC rate in an abbreviated
21 investigation. PSNH would submit actual and estimated data on a date specified by the

1 Commission to allow the parties and Staff sufficient time to address the need for an
2 interim adjustment during the 2014 SCRC year.

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

4 A. Yes, PSNH would need final approval of the proposed SCRC rate by December 26,
5 2013, in order to implement the new rate for service rendered on and after January 1,
6 2014. Therefore, PSNH requests that the Commission commence a proceeding so that
7 the procedural schedule can be set to review this filing and approve the SCRC rate in a
8 timely manner.

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

10 A. Yes, it does.