

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 16, 2013 - 10:05 a.m.
Concord, New Hampshire

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RE: DE 13-274
PUBLIC SERVICE OF NEW HAMPSHIRE:
*Petition for Adjustment to Stranded
Cost Recovery Charge.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:
Matthew J. Fossum, Esq.

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
Stephen Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.

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

ORIGINAL

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WITNESS PANEL: ERIC H. CHUNG
MICHAEL SHELNITZ

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CHAIRMAN IGNATIUS: I'd like to open the hearing in Docket DE 13-274. This is PSNH's Stranded Cost Recovery Charge docket. We had a filing September 27th, 2013, that was updated on December 12th, 2013. And, by a Commission letter of November 4th, we scheduled a hearing for this morning.

So, let's begin first with appearances.

MR. FOSSUM: Good morning, Commissioners. Matthew Fossum, for Public Service Company of New Hampshire.

CHAIRMAN IGNATIUS: Good morning.

MS. CHAMBERLIN: Good morning. Susan Chamberlin, Consumer Advocate, for the residential ratepayers. And, with me today is Stephen Eckberg.

CHAIRMAN IGNATIUS: Good morning.

MS. AMIDON: Good morning. Suzanne Amidon, for Commission Staff. And, at the Bench with me today -- or, at the table with me today is Steve Mullen, the Assistant Director of the Electric Division.

CHAIRMAN IGNATIUS: Good morning. We do not have any intervenors in this docket, unless there's anyone who's here seeking to participate today?

(No verbal response)

[WITNESS PANEL: Chung~Shelnitz]

1 CHAIRMAN IGNATIUS: Appears not. I see
2 a couple of people seated, ready to go. So, is it, by
3 agreement, that we begin with a panel from the Company
4 witnesses?

5 MR. FOSSUM: Yes.

6 CHAIRMAN IGNATIUS: All right. Then,
7 anything to take up before we begin with testimony?

8 (No verbal response)

9 CHAIRMAN IGNATIUS: It doesn't appear
10 any. Then, why don't you go ahead, Mr. Patnaude, to swear
11 the witnesses, and then Mr. Fossum.

12 (Whereupon **Eric H. Chung** and
13 **Michael Shelnitz** were duly sworn by the
14 Court Reporter.)

15 **ERIC H. CHUNG, SWORN**

16 **MICHAEL SHELNITZ, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. FOSSUM:

19 Q. Good morning. Formalities first. Mr. Chung, if you
20 could state your name and place of employment and
21 responsibilities for the record please.

22 A. (Chung) My name is Eric Chung. I am Director of
23 Revenue Requirements for New Hampshire and
24 Massachusetts at Northeast Utilities. I am based

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[WITNESS PANEL: Chung~Shelnitz]

1 primarily in Westwood, Massachusetts.

2 Q. And, in your position with Northeast Utilities, do you
3 provide certain services to Public Service Company of
4 New Hampshire?

5 A. (Chung) Yes, I do. I oversee the regulatory activity
6 related to financial requirements affecting Public
7 Service of New Hampshire.

8 Q. And, so, you are familiar with the terms of this filing
9 that's presented to the Commission this morning?

10 A. (Chung) Yes, I am.

11 Q. And, have you previously testified before this
12 Commission?

13 A. (Chung) I have not.

14 Q. Let's hope it's a good first experience then.

15 CHAIRMAN IGNATIUS: I guess, well, we'll
16 see, won't we?

17 BY MR. FOSSUM:

18 Q. And, Mr. Shelnitz, if you can state your name and place
19 of employment and your responsibilities for the record
20 please.

21 A. (Shelnitz) Sure. My name is Michael Shelnitz. I am
22 Team Leader for PSNH revenue requirements, employed by
23 Northeast Utilities Service Company. My
24 responsibilities are primarily regarding calculating

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1 the Energy Service and Stranded Cost Recovery
2 calculations for the Company.

3 Q. Thank you. Now, Mr. Chung, did you, back on September
4 27, 2013, submit prefiled testimony in this proceeding?

5 A. (Chung) Yes, I did.

6 Q. And, that was some testimony regarding the Stranded
7 Cost Charge, with various attachments and calculations?

8 A. (Chung) That's correct.

9 MR. FOSSUM: And, so, for the record, I
10 would mark as the first exhibit for identification would
11 be the September 27th filing in this docket.

12 CHAIRMAN IGNATIUS: So marked. This
13 would be marked for identification as "Exhibit 1"?

14 MS. DENO: Yes.

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

18 BY MR. FOSSUM:

19 Q. And, Mr. Chung, could you just very briefly summarize
20 the terms of that, and, please, and I do mean "very
21 briefly", since the Commissioners have certainly had it
22 before them.

23 A. (Chung) Sure. On September 27th, 2003 [2013?], we
24 filed with the Commission an SCRC rate of 0.38 cents

1 per kilowatt-hour. And, the primary changes of that
2 rate, versus the July 2013 rate, were in two
3 categories; the final disposition of rate reduction
4 bonds, changing the credit amount contained in the
5 SCRC, and the second was reduction in the credit for
6 DOE litigation proceeds. Those were the two primary
7 factors that led to the September 27th filing of 0.38
8 cents per kilowatt-hour.

9 Q. Thank you. And, on December 12th, 2013, did you file a
10 technical update in this docket?

11 A. (Chung) Yes. However, I should clarify that. The
12 December 12th filing did not explicitly, in the
13 technical statement, reference this rate. However, the
14 exhibits did update the rate that we calculated for the
15 SCRC.

16 Q. Thank you for that clarification. Oh, and I apologize,
17 I should have asked this previously with regard to your
18 initial September testimony. Is that -- do you have
19 any changes or corrections to that testimony today?

20 A. (Chung) No, I do not.

21 Q. And, that testimony is true and accurate to the best of
22 your knowledge and belief today?

23 A. (Chung) Yes, it is.

24 Q. Thank you. And, apologize for having missed that.

[WITNESS PANEL: Chung~Shelnitz]

1 CHAIRMAN IGNATIUS: That's all right.
2 And, just a clarification. I think I must have misheard
3 you. On the September 27th, 2013 filing, the cover letter
4 says that it's requesting a "0.39 cents per kilowatt-hour"
5 charge, and you had just said it was requesting a "0.38
6 cents" charge?

7 MR. FOSSUM: Commissioner, if I may
8 address that. That issue also came up at the prehearing
9 conference on this matter, and identified that that was my
10 error in drafting the cover letter. The correction should
11 -- the correct proposed rate at that time was 0.38.

12 CHAIRMAN IGNATIUS: Thank you.

13 BY MR. FOSSUM:

14 Q. As to the technical update, do you have any changes or
15 corrections to that technical update?

16 A. (Chung) I do not.

17 MR. FOSSUM: Then, I would offer the
18 technical update as the next exhibit for identification,
19 Exhibit 2. And, if I may approach the Bench, I have
20 updated versions of the technical update with page
21 numbers, because the page numbers were omitted from the
22 original filing. I represent that the -- I distributed
23 copies of it to Staff and the OCA. The only difference
24 between this document and the document previously filed is

[WITNESS PANEL: Chung~Shelnitz]

1 the inclusion of page numbers.

2 CHAIRMAN IGNATIUS: And, so, this is the
3 Joint Technical Statement of Mr. Chung and Mr. White that
4 you're referring to as a "technical update"?

5 MR. FOSSUM: Yes. That is correct.

6 CHAIRMAN IGNATIUS: All right.

7 MS. AMIDON: So, madam Chairman, just
8 for clarification. That filing, that "technical update"
9 was filed in both dockets, just for your information.
10 And, the Technical Statement really is applicable only to
11 the Energy Service rate request that we will be addressing
12 later today.

13 CHAIRMAN IGNATIUS: Thank you.

14 MR. FOSSUM: But, as Mr. Chung said, we
15 did want to identify there are schedules attached
16 regarding an update to the Stranded Cost Charge.

17 BY MR. FOSSUM:

18 Q. And, with that, I would ask Mr. Chung, is there --

19 CHAIRMAN IGNATIUS: Well, let's first
20 mark that as "Exhibit 2".

21 MR. FOSSUM: Thank you.

22 CHAIRMAN IGNATIUS: And, that's the
23 updated version of the update, the corrected one that you
24 just distributed, which is dated December 12th.

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[WITNESS PANEL: Chung~Shelnitz]

1 (The document, as described, was
2 herewith marked as **Exhibit 2** for
3 identification.)

4 MR. FOSSUM: Thank you.

5 BY MR. FOSSUM:

6 Q. And, with that, I would ask Mr. Chung, could you very
7 briefly discuss what is shown in that technical update,
8 as opposed to or as compared to what had been presented
9 in the September 27th filing?

10 A. (Chung) Yes. The SCRC rate has been updated to 0.35
11 cents per kilowatt-hour. In other words, it's a slight
12 decrease of 0.03 cents per kilowatt-hour. And, that is
13 attributable to higher market prices yielding a
14 reduction in the over-market value of the IPPs. So,
15 aside from that small change, there are no other
16 updates to the SCRC.

17 MR. FOSSUM: Thank you. And, with that,
18 the witnesses are available for cross.

19 CHAIRMAN IGNATIUS: Thank you. Before
20 we begin that, though, can you help me with Mr. Shelnitz's
21 role in testimony today? I mean, it's not Mr. White who
22 filed the technical statement, and I don't know if someone
23 is adopting filings or what additional things Mr. Shelnitz
24 will be testifying to?

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[WITNESS PANEL: Chung~Shelnitz]

1 MR. FOSSUM: No. Mr. White is not up
2 there, and Mr. Shelnitz is not intending to adopt the
3 Technical Statement on his behalf. We had been informed,
4 prior to the start of the hearing, that there would be
5 some questions about a data response that had been
6 prepared in this proceeding. Mr. Shelnitz was the witness
7 on that data response, and has been made available to
8 answer any further questions on that data response.

9 As for purposes of the stranded cost and
10 the technical update, Mr. Chung is responsible for the
11 entirety of the technical update for this docket.

12 CHAIRMAN IGNATIUS: All right. And, is
13 that acceptable to the other participants, that
14 Mr. Shelnitz testify, even though he didn't prefile? I
15 see positive nods.

16 MS. AMIDON: Yes. And, it is Staff that
17 had requested Mr. Shelnitz be available to address a data
18 response in connection with this docket, the 13-274
19 docket.

20 CHAIRMAN IGNATIUS: Great. All right.
21 Then, let's continue. Ms. Chamberlin, do you have
22 questions?

23 MS. CHAMBERLIN: I have no questions.

24 CHAIRMAN IGNATIUS: All right.

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[WITNESS PANEL: Chung~Shelnitz]

1 Ms. Amidon, questions?

2 MS. AMIDON: Okay. Thank you. The
3 reason that we asked Mr. Shelnitz to be available is he
4 provided a response to a data request identified as Tech
5 Session 1-1. And, I have copies of that. And, once I
6 distribute the copies, which I would like to mark for
7 identification as "Exhibit 3", then Mr. Mullen would like
8 to address the questions with Mr. Shelnitz. So, I will
9 distribute the copies I have of this response.

10 CHAIRMAN IGNATIUS: Thank you.

11 (Atty. Amidon distributing documents.)

12 CHAIRMAN IGNATIUS: So, we'll mark this
13 for identification as "Exhibit 3".

14 (The document, as described, was
15 herewith marked as **Exhibit 3** for
16 identification.)

17 MS. AMIDON: Thank you.

18 MR. MULLEN: Good morning.

19 WITNESS SHELNITZ: Good morning.

20 **CROSS-EXAMINATION**

21 BY MR. MULLEN:

22 Q. I'd like to refer you to what's just been marked as
23 "Exhibit 3", which is the Company's response to Tech
24 1-1, dated November 25th.

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1 A. (Shelnitz) I have it.

2 Q. And, the subject matter of this is, as it says there,
3 are certain costs or refunds associated with some
4 Yankee nuclear units. Could you just briefly describe
5 what types of costs or refunds are included in this
6 filing?

7 A. (Shelnitz) Sure. These are refunds of costs related to
8 decommissioning and other obligations related to the
9 eventual closure of those Yankee facilities.

10 Q. Okay. So, if we look -- if we look on Page 2 of 3 of
11 this response, --

12 A. (Shelnitz) Yes.

13 Q. -- there are some numbers here. The third line of the
14 calculations, there are some numbers for "PSNH refund",
15 and two of them have a year of "2013", one "2014", and
16 one "2015". The footnotes all indicate where those
17 amounts are included in this filing, correct?

18 A. (Shelnitz) Yes.

19 Q. And, the one for 2015, of course, would not be included
20 yet?

21 A. (Shelnitz) Correct. That will be in the future.

22 Q. If you turn the page, Page 3 of 3, could you describe
23 what's shown on this page?

24 A. (Shelnitz) Sure. I'd like to just step back one

1 second, and explain that the refunds were going to be
2 provided in two different forms. There were going to
3 be some direct refunds, cash refunds, that would come
4 back, as well as some future reductions in the monthly
5 charges that PSNH would receive for these
6 decommissioning and closure costs. So, what is shown
7 on this page are the reductions in those future monthly
8 costs that PSNH was going to be charged, as opposed to
9 what is on Page 2, which were actual refunds that will
10 come to the Company.

11 Q. And, as I look on Page 3, there's been some changes in
12 the obligations to the various units. Could you
13 describe those briefly.

14 A. (Shelnitz) Sure. I believe, annually, PSNH receives a
15 new forecast of what those future decommissioning and
16 other closure costs will be from the units themselves.
17 So, in this instance, we have received a new estimate,
18 a new forecast of what those costs will be, as well as
19 notification of what the monthly reductions were going
20 to be as a result of the litigation settlement or
21 proceeds. So, that's what's being shown here, is the
22 combination of the change in the future forecast, as
23 well as the reduction in monthly costs resulting from
24 the litigation.

1 Q. So, it appears here, as a result of all of this, the
2 obligations for Connecticut Yankee and Yankee Atomic
3 have decreased, and Maine Yankee has, in fact,
4 increased?

5 A. (Shelnitz) Yes.

6 Q. And, I believe, on Page 1 of this response, you stated
7 that these obligations are really factored into
8 calculating rate base for stranded costs?

9 A. (Shelnitz) Yes. That's correct.

10 Q. Now, the schedules themselves don't include a rate base
11 calculation, is that correct?

12 A. (Shelnitz) That is correct.

13 Q. But they do show the return on the rate base?

14 A. (Shelnitz) The schedules?

15 Q. For instance, if I'm looking at Attachment EHC-1,
16 Page 7, which is Page 29 of 36?

17 A. (Shelnitz) That's correct.

18 Q. So, if I refer you to, say, Line 14 and -- Lines 14 and
19 15, those are returns on any items that are in the rate
20 base calculation, for stranded costs?

21 A. (Shelnitz) Yes.

22 Q. Okay. So, my point there was, if somebody was looking
23 for a rate base calculation, they wouldn't see it in
24 here. But what they would see is the return that gets

[WITNESS PANEL: Chung~Shelnitz]

1 factored into the revenue requirement for stranded
2 costs?

3 A. (Shelnitz) That's correct.

4 Q. And, related to Part 2, and this could be for either
5 one of you, would I be correct in saying Part 2 really
6 right now consists of three, is it three main items?
7 One would be the deferred contract obligations for the
8 Yankees, another would be the unamortized portion of
9 some IPP buyouts and buydowns, and the third would be
10 the over-market portion of IPP contracts, is that
11 correct?

12 A. (Shelnitz) That's correct.

13 MR. MULLEN: All right. Thank you.

14 WITNESS SHELNITZ: You're welcome.

15 MR. MULLEN: I have nothing further.

16 CHAIRMAN IGNATIUS: Anything else from
17 Staff?

18 MS. CHAMBERLIN: Commissioner, if I may?
19 I'm sorry.

20 CHAIRMAN IGNATIUS: Let me just make
21 sure, any other questions from Staff?

22 MS. AMIDON: No. Thank you.

23 CHAIRMAN IGNATIUS: All right.

24 Ms. Chamberlin.

[WITNESS PANEL: Chung~Shelnitz]

1 MS. CHAMBERLIN: I just had one.

2 CHAIRMAN IGNATIUS: That's fine.

3 BY MS. CHAMBERLIN:

4 Q. Where did the 5 percent share come from? PSNH is
5 allocated a 5 percent share.

6 A. (Shelnitz) That is PSNH's ownership percentage in those
7 units. So, that goes back many years to when the
8 plants were initially built.

9 MS. CHAMBERLIN: Thank you.

10 CHAIRMAN IGNATIUS: Commissioner Scott,
11 questions?

12 CMSR. SCOTT: Sure. You've kind of
13 already covered it, but I just want to make sure I'm
14 clear.

15 BY CMSR. SCOTT:

16 Q. So, the change in -- from the prehearing conference to
17 now, from the 0.38 cents per kilowatt-hour to 0.35
18 cents per kilowatt-hour, again is, if I understood
19 right, is due to the change in the differential
20 expected between the above-market for the IPP contracts
21 and market prices?

22 A. (Shelnitz) That's correct.

23 Q. Okay. And, how do you, I don't want to hear the
24 detail, I suppose, but what's your projection based on

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[WITNESS PANEL: Chung~Shelnitz]

1 that, I guess?

2 A. (Shelnitz) Well, I believe it's based on the latest
3 price forecast we have for energy, which I know will
4 probably come up in the session on ES. Rick White
5 usually puts together a price forecast, and then
6 incorporates that into his model for determining what
7 PSNH's generation costs will be. And, this is another
8 item that I believe comes out of that.

9 CMSR. SCOTT: Okay. Well, I'll hang
10 fire on that, then. Okay. Thank you. That's all I have.

11 BY CHAIRMAN IGNATIUS:

12 Q. This may be just be a good time for an update. The
13 Burgess Plant, Biopower Plant, in Berlin, is now in a
14 sort of final testing and start-up phase, is that
15 correct?

16 A. (Shelnitz) That is my understanding, yes.

17 Q. And, do you have an expectation of when it will be
18 fully operational?

19 A. (Shelnitz) Again, I believe Rick White would have that
20 information. I don't have that information.

21 Q. All right. Also, on the Vermont Yankee situation, how
22 involved is PSNH in the planning for decommissioning
23 and any of the work required for shutting down the
24 plant? Do you have any role? Or, just you have your

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[WITNESS PANEL: Chung~Shelnitz]

1 5 percent share, but, other than that, the
2 decision-making is in other people's hands?

3 A. (Shelnitz) I can't -- I don't know the answer to that.
4 I'm sorry.

5 A. (Chung) I don't have any knowledge of that either.

6 Q. All right.

7 MR. FOSSUM: I'm sorry, Commissioner,
8 were you asking about "Vermont Yankee"?

9 CHAIRMAN IGNATIUS: Yes. Oh, am I
10 wrong?

11 MR. FOSSUM: Because, just for clarity,
12 this is -- the Yankees that are covered here are
13 Connecticut Yankee, Yankee Atomic, and Maine Yankee, not
14 the Vermont Yankee plant.

15 CHAIRMAN IGNATIUS: Thank you for that
16 clarification. The one Yankee I was talking about was the
17 wrong Yankee.

18 CMSR. SCOTT: Those damn Yankees.

19 (Laughter.)

20 CHAIRMAN IGNATIUS: Well, no wonder you
21 didn't have an answer. Do you have any ownership share in
22 Vermont Yankee?

23 WITNESS CHUNG: Not that I'm aware of.

24 CHAIRMAN IGNATIUS: And, Mr. White is

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[WITNESS PANEL: Chung~Shelnitz]

1 shaking his head "no".

2 WITNESS SHELNITZ: No.

3 CHAIRMAN IGNATIUS: Okay. Good. Thank
4 you. Then, I should stop before I muddle things up any
5 further.

6 (Laughter.)

7 CHAIRMAN IGNATIUS: Thank you. Any
8 redirect?

9 MR. FOSSUM: No thank you.

10 CHAIRMAN IGNATIUS: Then, you're
11 excused. Thank you. We'll let you get settled, and then
12 we'll have an opportunity for any closing comments. Is
13 there any objection to striking the identification of the
14 three exhibits?

15 (No verbal response)

16 CHAIRMAN IGNATIUS: Seeing none, we will
17 do so. And, all of these dockets interweave. We'll be
18 doing the next phase of it starting at 11 o'clock this
19 morning. And, does the Company have a sheet that kind of
20 brings all the different projected changes into one? Will
21 we be seeing that at one of the later hearings?

22 MR. FOSSUM: Yes. And, I apologize. I
23 had intended to make the Commission aware. Yes, we have
24 prepared that. And, we thought it best to introduce it in

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1 the second hearing. But it is consistent with the prior
2 hearings and filings, yes, we have that document prepared.

3 CHAIRMAN IGNATIUS: Good. That's fine.
4 Just it's helpful, when we finally put all the pieces
5 together to see how they interrelate.

6 All right. Then, any final issues
7 before closings?

8 (No verbal response)

9 CHAIRMAN IGNATIUS: Seeing nothing,
10 then, Ms. Chamberlin, comments?

11 MS. CHAMBERLIN: I have nothing to add
12 to the presentation. We don't object to the filing as
13 updated.

14 CHAIRMAN IGNATIUS: All right. Thank
15 you. Ms. Amidon?

16 MS. AMIDON: Thank you. Staff has
17 reviewed the filing and the underlying calculations, both
18 in the initial filing and in the update. And, we have
19 concluded that the Company has calculated the adjustment
20 to the Stranded Cost Charge in the same manner as it has
21 done in the past. And, we have no objection to this
22 Petition, as updated.

23 CHAIRMAN IGNATIUS: Thank you.
24 Mr. Fossum.

1 MR. FOSSUM: Thank you. As Staff has
2 just noted, PSNH has calculated its proposed Stranded Cost
3 Rate consistent with prior practice, and submits that the
4 resulting proposed rate is just and reasonable and
5 consistent with its integrated resource planning process.

6 Accordingly, PSNH would request that
7 this stranded cost rate be approved at the rate proposed
8 in the December 12th update filing, and would ask that any
9 order on it be issued in sufficient time to permit the new
10 rate to go into effect on January 1st. Thank you.

11 CHAIRMAN IGNATIUS: Thank you. And,
12 thank you for the reminder on the effective date that's
13 requested on all of these. Then, we will take this under
14 advisement. And, we will reconvene at 11:00 with docket
15 DE 12-275 -- 13-275. Thank you.

16 **(Whereupon the hearing was adjourned at**
17 **10:29 a.m.)**