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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 18, 2014 - 11:43 a.m.
Concord, New Hampshire

NHPUC DEC22'14 PM 1:27

RE: DE 14-347
PUBLIC SERVICE CO. OF NEW HAMPSHIRE:
*Petition to Amend Assessment
Collection Method.*

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
David K. Wiesner, Esq.
Thomas C. Frantz, Director/Electric Division

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

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Petition to Amend Assessment Collection Method, including Testimony of Christopher J. Goulding, with attachments (12-03-14)	5
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P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: All right. Good
3 morning. We're going to open the hearing in Docket DE
4 14-347. This is Public Service Company of New Hampshire's
5 Petition to amend its assessment method. Under Senate
6 Bill 324 passed during the 2014 legislative session, all
7 amounts assessed to electric distribution utilities are to
8 be collected through their distribution rates, with the
9 exception of the sum of \$10,000 required to be collected
10 from the utility's energy service or default service
11 customers. The legislation also provides that the
12 Commission shall by order establish rate recovery
13 mechanisms for each electric distribution utility that
14 adjust annually to recover any change in the utility's
15 annual assessment.

16 PSNH has made a filing, a proposal to
17 change its collection method to meet the requirements of
18 the statute, and we are here today to consider that
19 filing.

20 Before we go any further, let's take
21 appearances.

22 MR. FOSSUM: And, good morning,
23 Commissioners. Matthew Fossum, for Public Service Company
24 of New Hampshire.

[WITNESS: Goulding]

1 MS. CHAMBERLIN: Susan Chamberlin,
2 Consumer Advocate. With me today is Jim Brennan.

3 MR. WIESNER: Dave Wiesner, representing
4 Commission Staff. With me is Tom Frantz, Director of the
5 Electric Division.

6 CHAIRMAN HONIGBERG: Mr. Fossum, I think
7 you have some exhibits?

8 MR. FOSSUM: Yes, Commissioners. This
9 morning, and as will be explained later, we will have
10 three exhibits. The first will be the Company's initial
11 filing of December 3rd, 2014. There will be Exhibit 2,
12 which has been provided to the Clerk and Commissioners, it
13 will be a set of schedules that will be explained. And,
14 Exhibit 3 is another set of schedules that will be
15 explained. For the others who have been, Staff and OCA,
16 Exhibit 2 would be the one labeled "Calculation of Monthly
17 Distribution Rates for Effect January 2015 Reflecting an
18 Average Increase of 0.039 cents" at the top. It's a
19 two-page exhibit.

20 (The documents, as described, were
21 herewith marked as **Exhibit 1, Exhibit 2,**
22 and **Exhibit 3,** respectively, for
23 identification.)

24 CHAIRMAN HONIGBERG: And, I understand

[WITNESS: Goulding]

1 Mr. Goulding is going to be your witness. Does anybody
2 anticipate any other witnesses this morning?

3 MS. CHAMBERLIN: No.

4 CHAIRMAN HONIGBERG: Okay. Thank you.
5 Mr. Goulding has already taken the stand. Mr. Patnaude.

6 (Whereupon **Christopher J. Goulding** was
7 duly sworn by the Court Reporter.)

8 **CHRISTOPHER J. GOULDING, SWORN**

9 **DIRECT EXAMINATION**

10 BY MR. FOSSUM:

11 Q. Mr. Goulding, could you state your name, your position,
12 and your responsibilities for the record please.

13 A. My name is Christopher John Goulding. I'm employed by
14 Northeast Utilities as the Manager of Revenue
15 Requirements for Public Service Company of New
16 Hampshire. My responsibilities, I'm responsible for
17 the coordination and implementation of revenue
18 requirement calculation for PSNH and the calculation of
19 Energy Service Charge, Stranded Cost Recovery Charge,
20 TCAM, and Alternative Default Energy rate.

21 Q. And, Mr. Goulding, did you file prefiled testimony in
22 this matter back on December 4th [3rd?]?

23 A. I did.

24 Q. And, was that testimony prepared by you or under your

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[WITNESS: Goulding]

1 direction?

2 A. Yes.

3 Q. And, do you have any corrections or updates to that
4 testimony today?

5 A. No, I do not.

6 Q. And, if you were asked the same questions today that
7 you were asked -- that are in that testimony, will your
8 answers remain the same?

9 A. Yes.

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

12 A. Yes.

13 CHAIRMAN HONIGBERG: Just for the
14 record, I'd note that the filing is "December 3rd", rather
15 than "December 4th".

16 MR. FOSSUM: Oh. My apologies. It is
17 December 3rd.

18 BY MR. FOSSUM:

19 Q. With that, Mr. Goulding, could you very briefly explain
20 what it is that the Company is requesting in that
21 December 3rd filing, what has been marked as
22 "Exhibit 1" for identification?

23 A. Yes. So, in June, there was a law that was passed,
24 Senate Bill 324, and approved by the Governor, that

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[WITNESS: Goulding]

1 required the assessments for a utility -- for
2 Commission assessments for utilities to all be
3 collected through distribution rates, with the
4 exception of a portion to remain in the Energy Service
5 rate. So, what we have done is we've incorporated that
6 law change into our -- into our Energy Service filing
7 by removing any assessment that was in our Energy
8 Service filing, with the exception of \$10,000. And, we
9 moved all those costs of the PUC assessment into our
10 distribution rates.

11 Q. Now, when you say "all those costs", what costs are you
12 referring to?

13 A. Annually, we receive an assessment bill from the Public
14 Service Company of New Hampshire -- or, Public Utility
15 Commission. We've, and historically have charged or
16 collected 29.8 percent of those, of that bill through
17 distribution rates, 61.9 percent through Energy Service
18 rates, and 8.3 percent through the TCAM. So, for the
19 most recent bill effective July 1st, we've, which was
20 \$4.15 million -- \$4.159 million, we included \$10,000 in
21 Energy Service rate, and we've moved the
22 differential -- or, the remainder to be collected
23 through distribution rates, with the exception of the
24 portion that was already in distribution rates of

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[WITNESS: Goulding]

1 roughly \$1,017,000.

2 Q. So, if I could just follow your calculation through,
3 there was, because of the way PSNH historically
4 calculated or historically broke down its assessment,
5 there was already approximately a million dollars
6 recovered --

7 A. Yes.

8 Q. -- through distribution rates?

9 A. I'm sorry, yes. If you look at the top in CJG-1,
10 Page 1, it might be a little clearer. So, for the --
11 Line 4, "Fiscal Year 2014 Assessment", that will be the
12 one that -- of the assessment that run from July 1st,
13 '13 to June 30, 2014. The total bill was
14 3.413 million. And, 1,017,000 was collected through
15 distribution rates; 2,113,000 through Energy Service
16 rates; and 283,000 through the TCAM. And, the change
17 that we made is, for Fiscal Year 2015, consistent with
18 the senate bill that was passed, is we moved all of the
19 money out of the TCAM -- or, all the assessment money
20 out of the TCAM. We left \$10,000 in the Energy
21 Service. And, the remainder we are collecting through
22 distribution. But, since we are already collecting
23 1,017,000 through distribution, we needed to adjust the
24 rate by the differential between the 4.149 million and

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[WITNESS: Goulding]

1 1.017 million, which resulted in an adjustment to
2 distribution rates amount -- a distribution rate
3 adjustment amount of 3.132 million.

4 Q. Staying with that Attachment CJG-1, Page 1, over in the
5 "Total" column, it appears that the total amount of the
6 assessment has changed year over year. Could you
7 explain the reason for that.

8 A. As part of the Senate Bill, there is now an imputed
9 energy supplier assessment that has been included in
10 our assessment amount, and that amount for 2000 -- for
11 Fiscal Year 2015 was approximately \$1.1 million. So,
12 the majority of the increase is due to the new
13 calculation of the allocation of the assessment.

14 Q. So, just to sum up then, referring back to -- or,
15 continuing with CJG-1, Page 1, by your calculation, is
16 it correct to say there at the bottom that the average
17 rate change is -- would be a "0.039 cents" change?

18 A. That's correct. That's what the average rate change
19 would be.

20 Q. And, Mr. Goulding, I'd like you to turn your attention
21 to what's been marked for identification as "Exhibit
22 2". Could you explain what is on that exhibit please.

23 A. Okay. So, if you look on the second line, under the
24 bold, it says "Current Revenue Level effective July

[WITNESS: Goulding]

1 1st, 2014". And, it's 4.309 cents per kWh. And, how
2 that was calculated was we took the 2000 -- took the
3 2009 test year sales, times the current rates in effect
4 to develop the -- and then we divided by the total
5 kilowatt-hours to come up with the average cents per
6 kWh. And, then, we had our adjustment amount that we
7 calculated on CJG-1, Page 1, of 0.039 cents. Which
8 would result, if you add that to the average rate, you
9 get a proposed revenue level effective January 1st,
10 2015, an average cents per kWh of 4.348 cents. And,
11 then, if you take the 4.348 cents, and divide it by the
12 current revenue level cents per kWh of 4.309, you get a
13 multiplier of 1.009051.

14 So, we then took that multiplier and we
15 multiplied it by the current rates in effect to get
16 the -- to get the change in the current rates to the
17 new rates, to incorporate the 0.039 cents average
18 distribution rate adjustment.

19 Q. So, if I can restate that then. You calculated an
20 adjustment factor, and then adjusted all of the rates
21 by that factor. Is that correct?

22 A. That's accurate.

23 Q. And, there's a second page to Exhibit 2. Could you
24 explain what is demonstrated on that page please.

[WITNESS: Goulding]

1 A. The second page is just going into the -- it gets into
2 all the other rates. So, for the "Outdoor Lighting
3 Rate OL", yes, the current rates are in effect. Those
4 are also multiplied by that multiplier of 1.009051 to
5 come up with the proposed rates.

6 Q. Thank you. And, Mr. Goulding, if you could turn your
7 attention to what has been marked for Exhibit -- marked
8 as "Exhibit 3" for identification.

9 A. Okay.

10 Q. And, could you briefly explain what this exhibit shows?

11 A. This Exhibit 3, Page 1, shows the percent change in
12 each rate component. There's three rate changes that
13 we are proposing for January 1st, Distribution rate
14 change, SCRC rate change, and Energy Service rate
15 change. So, for this filing, I'll focus on the
16 Distribution rate change. If you take the test year
17 revenues or test year sales, multiply it by the -- all
18 the different rates, you come up with a revenue level.
19 And, if you take the test year revenues and multiply
20 them by the proposed rates, you come up with a revenue
21 level. And, the differential between those two revenue
22 levels results in increases in different sectors,
23 roughly 0.91 percent.

24 And, then, all the way to the right, you

[WITNESS: Goulding]

1 have, incorporating all of the rate component changes,
2 you have a total revenue impacts by sector. And,
3 stepping back to the "Total Delivery Service" -- "Total
4 Delivery Service" column, there's a -- with all of our
5 adjustments, well, with our Distribution and SCRC
6 adjustment, there's a 5.01 percent increase for
7 residential customers in their delivery service portion
8 of their bill, and 0.91 percent of that is attributable
9 to the distribution rate change that we propose today.

10 Q. Thank you. Could you then explain what is shown on the
11 second page of Exhibit 3.

12 A. Yes. So, on Page 2 of Exhibit 3, this is the "rates
13 change as a percentage of total revenue for each
14 class". So, it's, looking at the "Residential" --
15 let's look at the "Residential" class, we had a
16 distribution rate change of 0.31 percent. That's
17 looking at the total change as a percent of the bill.
18 So, if you incorporate our Distribution, SCRC and --
19 into those changes, we have a 2.24 percent change in
20 our total delivery service portion of our bill, 0.31
21 percent of it is attributable to the distribution rate
22 change that we're proposing today.

23 Q. And, the final page, could you explain what's shown
24 there please.

[WITNESS: Goulding]

1 A. The final page is a "Residential Service Rate Typical
2 Bill Comparison". And, it has monthly usage for
3 residential customers on the side. We have the "625
4 kilowatt-hours" bolded as a typical residential
5 customer. And, their rate effective July 1st, 2014,
6 using -- or, their bill costs, using 625 kilowatt-hours
7 effective July 1st, 2014 would be \$111.15. With all
8 the rate changes that we proposed for September 1st,
9 the SCRC rate change, the Energy Service rate change,
10 and the Distribution rate change, their bill, using the
11 same usage on January 1st, 2015, would be \$118.33,
12 which would be an increase of \$6.83, or additionally an
13 increase of 6.13 percent.

14 Q. Thank you. Mr. Goulding, the Company's filing mentions
15 a reconciling mechanism. Is the Company proposing a
16 specific reconciling mechanism at this time?

17 A. No, we are not.

18 Q. So, what is the Company proposing for a reconciliation
19 process for any potential changes to the assessment
20 over time?

21 A. Our thoughts would be, if the assessment increases or
22 decreases, and it was significant enough to drive a
23 rate change, we would seek an adjustment in the future
24 to the Distribution rate effective, again, for

[WITNESS: Goulding]

1 January 1st of next year. If it's not significant
2 enough to drive a rate change, we would probably still
3 make a filing just to document the change in the
4 assessment, and that we were not requesting a rate
5 change.

6 Q. Could the Company, in the future, would the Company
7 potentially propose a tracking mechanism for this item
8 specifically?

9 A. Yes. The Company could propose that. I would -- I
10 think that would be proposed as part of a general rate
11 case.

12 Q. And, is it your testimony that the rates that are
13 proposed to be amended for this filing, and as shown on
14 Exhibit 2 for identification, are just and reasonable
15 rates and appropriate?

16 A. Yes.

17 MR. FOSSUM: Thank you. With that, he
18 is available for cross.

19 CHAIRMAN HONIGBERG: Ms. Chamberlin.

20 MS. CHAMBERLIN: Thank you.

21 **CROSS-EXAMINATION**

22 BY MS. CHAMBERLIN:

23 Q. Looking at the change in the assessment methodology in
24 isolation, the new methodology will result in a rate

[WITNESS: Goulding]

1 decrease for the energy service customers, correct?

2 A. That's correct.

3 Q. Because some of that assessment is now going into the
4 distribution rate?

5 A. That's correct.

6 Q. And, in fact, most of it is going into the distribution
7 rate?

8 A. Yes. All but \$10,000.

9 Q. Right. And, in terms of this filing, how will it be
10 accounted for in the distribution rate? I mean, do you
11 have a line item for it or how will that show up in
12 your books?

13 A. It will just be included as part of the distribution
14 component. There's no separate -- separate charge that
15 will be charged for it on our bill.

16 Q. Right. But in -- so, it won't show up on the customer
17 bill. But, in your internal accounting, where will it
18 show up? And, how will you account for it in the
19 Distribution rate?

20 A. It would all be booked as distribution revenues. It
21 wouldn't be -- the revenue associated with this
22 adjustment wouldn't be carved out.

23 Q. Okay. And, the possibility is, in your next rate
24 filing, it could be carved out or it could have a

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[WITNESS: Goulding]

1 tracking mechanism?

2 A. Yes. If we came in, if we -- my thought would be, if
3 we have a -- next time we come up in for a rate case,
4 we would possibly propose to have a separate mechanism
5 that carves out this component.

6 Q. And, it sounded like, from your earlier testimony, that
7 sometimes the adjustment is so small that it doesn't
8 need a rate change to be accounted for?

9 A. Right. This is the most significant one, because the
10 process is changing. We went from having a million
11 dollars collected in our distribution rates, to now
12 having \$4.1 million. Historically, the assessment
13 amount hasn't changed that much from year to year. So,
14 I'm not sure -- it would have to change fairly
15 significantly to drive a change in the actual rate.

16 Q. And, in terms of total amount, from what you were
17 assessed last year to what you were assessed under this
18 new methodology, can you tell me the different amounts?

19 A. So, last year, for 2014 assessment, we were assessed
20 \$3.4 million. For this year, under the new
21 methodology, for Fiscal Year 2015, we were assessed
22 \$4.159 million.

23 Q. Okay. So, that's less than a million dollar increase?

24 A. Yes. Seven hundred thousand -- roughly, \$750,000

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[WITNESS: Goulding]

1 increase.

2 Q. And, that's a result of the legislation that changed
3 this allocation, correct?

4 A. Yes.

5 MS. CHAMBERLIN: Thank you. That's all
6 I have.

7 CHAIRMAN HONIGBERG: Mr. Wiesner.

8 MR. WIESNER: Mr. Goulding, good
9 morning.

10 WITNESS GOULDING: Good morning.

11 BY MR. WIESNER:

12 Q. You testified that a future change in the level of a
13 Commission's assessment might not even be material
14 enough to drive a rate filing by the Company. Has the
15 Company made any estimate of the likelihood, based on
16 projections, the likelihood that such a rate change
17 would be sought in the future?

18 A. No.

19 Q. Okay. And, is it fair to say that the earliest that
20 such a rate change would be considered would be
21 following the issuance of the Commission's assessment
22 invoice for the next fiscal year, which I believe
23 occurs in July or August of each year?

24 A. Yes. That would be the plan, to calculate it after we

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[WITNESS: Goulding]

1 receive that assessment, and then determine if we need
2 to make a rate filing for a rate change effective
3 January 1st again.

4 Q. And, in the absence of a reconciling process or other
5 annual rate adjustment mechanism, would it be possible
6 for the Company merely to file for a proposed
7 distribution rate change next year that is similar to
8 this current filing?

9 A. Sorry, I didn't follow that.

10 Q. I'm sorry. If a rate change is warranted by a change
11 in the level of the Commission's assessment, the
12 Company could make a filing merely along the lines of
13 what is before the Commission today?

14 A. Yes.

15 Q. A change to base Distribution rates?

16 A. Yes.

17 Q. Even without a separate reconciling or tracking
18 mechanism?

19 A. Yes.

20 MR. WIESNER: Okay. Thank you. That's
21 all I have.

22 CHAIRMAN HONIGBERG: Commissioner Scott.

23 COMMISSIONER SCOTT: Thank you.

24 BY COMMISSIONER SCOTT:

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[WITNESS: Goulding]

1 Q. Would you agree with the statement, it appears to me
2 that this filing is -- or, let me back up, I apologize.
3 The statute change that this filing is implementing
4 didn't really provide the utilities with a lot of --
5 there's not a lot of discretion here in how you
6 implement this. Is that a fair statement?

7 A. Right. I read the law to say that you move it from
8 your -- it all needs to be collected through
9 distribution rates. So, since we have it in Energy
10 Service, we would have to collect it through
11 Distribution rates. And, I believe there was something
12 in it that said "the Commission would establish a
13 mechanism to recover the changes that come from this
14 law." I might have summarized that not exactly
15 precise, but something along those lines.

16 Q. And, would you agree -- is it your assertion that this
17 change fully implements that new statute change?

18 A. Yes. It addresses the statute change.

19 COMMISSIONER SCOTT: Okay. Thank you.
20 That's all I have.

21 CHAIRMAN HONIGBERG: I have no
22 questions. Mr. Fossum, do you have any further questions
23 for Mr. Goulding?

24 MR. FOSSUM: I do not.

[WITNESS: Goulding]

1 CHAIRMAN HONIGBERG: Thank you,
2 Mr. Goulding.

3 WITNESS GOULDING: Thank you.

4 CHAIRMAN HONIGBERG: You can return to
5 your seat. There are no other witnesses, correct?

6 MS. CHAMBERLIN: Right.

7 CHAIRMAN HONIGBERG: And, there's no
8 objection to striking the identification from the exhibits
9 that have been offered? Sounds good?

10 *(Ms. Chamberlin nodding in the*
11 *affirmative.)*

12 CHAIRMAN HONIGBERG: Ms. Chamberlin.

13 MS. CHAMBERLIN: Thank you. This filing
14 implements a legislative policy change. And, as pointed
15 out by Commissioner Scott, there's not a lot of
16 discretion. However, I believe that the Distribution rate
17 is the appropriate place for these assessment costs, as
18 those are the customers who benefit from the costs being
19 incurred to implement regulation. So, I accept the
20 Company's proposal.

21 CHAIRMAN HONIGBERG: Mr. Wiesner.

22 MR. WIESNER: Staff believes that the
23 Company's proposed modification of its assessment
24 collection method represents a reasonable means of

1 effecting the Senate Bill 324 amendments to RSA 363-A.
2 And, Staff agrees that the Company's calculations and
3 proposed Distribution rate increases are reasonable and
4 appropriate adjustments in order to comply with the new
5 statutory requirements.

6 I'll note that, in the Company's
7 Petition, it appeared that they were requesting that the
8 Commission establish a reconciling process that would
9 adjust annually to recover any change in its annual
10 assessment in the future. However, the Company has not
11 proposed a specific reconciling mechanism for the
12 Commission's consideration, and we don't believe the
13 adjustment issue would even be relevant until the middle
14 of next year at the earliest. And, I also note
15 Mr. Goulding's testimony that any change is quite likely
16 to be so insignificant, let's say, that it might not even
17 drive a proposed rate increase filing.

18 Therefore, Staff recommends that the
19 Commission not take any action at this time to establish a
20 reconciling mechanism, but permit the Company to make a
21 filing for a rate increase or decrease as warranted by
22 future changes in the level of the Commission's
23 assessment.

24 CHAIRMAN HONIGBERG: Thank you.

1 Mr. Fossum.

2 MR. FOSSUM: Thank you. The Company
3 appreciates the support of the OCA and the Staff relative
4 to this filing and what the Company has proposed. The
5 statute that was passed this past -- passed this past year
6 does state that "assessment amounts shall be collected
7 through the company's distribution rates", and so that is
8 what the Company has proposed to do.

9 We believe that the rate change that is
10 proposed is just and reasonable and appropriate, and
11 effectuates the purposes of the statute.

12 Mr. Wiesner was correct, the Company is
13 not at this time proposing some sort of specific automatic
14 or regular reconciling mechanism. It may do so in the
15 future. But, for now, believes that a simple change to
16 the distribution rates is sufficient to comply with the
17 requirements of the law. Thank you.

18 CHAIRMAN HONIGBERG: Thank you all. I
19 don't think we have anything further. And, we'll take
20 this matter under advisement.

21 **(Whereupon the hearing was adjourned at**
22 **12:09 p.m.)**

23

24