

1 STATE OF NEW HAMPSHIRE
2 PUBLIC UTILITIES COMMISSION

3

4 November 28, 2007 - 9:11 a.m.
5 Concord, New Hampshire

6

RE: DE 07-097
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
Petition for Adjustment of Stranded Cost
Recovery Charge.

9

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

12

Connie Fillion, Clerk

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

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

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

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Court Reporter: Steven E. Patnaude, CCR

I N D E X

	PAGE NO.
WITNESS: ROBERT A. BAUMANN	
Direct examination by Mr. Eaton	4
Cross-examination by Ms. Hatfield	10
Cross-examination by Ms. Amidon	12
Cross-examination by Mr. Mullen	14
Interrogatories by Cmsr. Below	17

* * *

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Petition for Adjustment of SCRC (09-07-07)	6
2	Updated filing of the Adjustment to the SCRC (11-21-07)	8
3	Testimony of Steven E. Mullen (11-09-07)	13

* * *

CLOSING STATEMENTS BY:

Ms. Hatfield 18

Ms. Amidon 19

Mr. Eaton 19

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

2 CHAIRMAN GETZ: Okay. Good morning.

3 We'll open the hearing in docket DE 07-097. On
4 September 7, 2007, Public Service Company of New Hampshire
5 filed with the Commission a petition to adjust its
6 Stranded Cost Recovery Charge for effect with bills
7 rendered on or after January 1, 2008. An order of notice
8 was issued on September 14 scheduling a prehearing
9 conference that was held on October 9th. Subsequently, a
10 secretarial letter approving a procedural schedule was
11 issued, resulting in a hearing this morning.

12 Can we take appearances please.

13 MR. EATON: Good morning. My name is
14 Gerald M. Eaton, representing Public Service Company of
15 New Hampshire.

16 (Brief off-the-record comment regarding
17 microphones.)

18 CHAIRMAN GETZ: Okay. Good morning.

19 MS. HATFIELD: Good morning,
20 Commissioners. Meredith Hatfield, from the Office of
21 Consumer Advocate, on behalf of residential ratepayers.
22 And, with me is Ken Traum, Assistant Consumer Advocate.
23 And, we are the one with the loud microphone.

24 CHAIRMAN GETZ: Good morning.

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 CMSR. MORRISON: Good morning.

2 CMSR. BELOW: Good morning.

3 MS. AMIDON: Suzanne Amidon, for
4 Commission Staff. And, with me today is Steve Mullen, who
5 is a analyst with the Electric Division, and he is the
6 principal analyst on this docket.

7 CMSR. BELOW: Good morning.

8 CMSR. MORRISON: Good morning.

9 CHAIRMAN GETZ: Good morning. How would
10 you like to proceed, Mr. Eaton?

11 MR. EATON: I would like to call to the
12 stand Mr. Robert Baumann.

13 (Whereupon Robert A. Baumann was duly
14 sworn and cautioned by the Court
15 Reporter.)

16 ROBERT A. BAUMANN, SWORN

17 DIRECT EXAMINATION

18 BY MR. EATON:

19 Q. Good morning, Mr. Baumann.

20 A. Good morning.

21 Q. Would you please state your name for the record.

22 A. My name is Robert Baumann.

23 Q. What is -- For whom are you employed and what is your
24 position?

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 A. I'm the Director of Revenue Regulation & Load Resources
2 for Northeast Utilities Service Company. And, we
3 supply finance or both financial support to all of the
4 operating companies in Northeast Utilities, one of
5 which is Public Service Company of New Hampshire.

6 Q. Have you previously testified before this Commission?

7 A. Yes.

8 Q. And other commissions in New England?

9 A. Yes.

10 Q. Mr. Baumann, do you have in front of you a package that
11 has a September 7th cover letter from me to the
12 Executive Director and Secretary that is "Petition for
13 Adjustment of Stranded Cost Recovery Charge"?

14 A. Yes, I do.

15 Q. And, what does that package represent?

16 A. That package represents the Company's initial filing of
17 the Stranded Cost Recovery Charge for 2008. And, it
18 was an initial filing, it has been updated
19 subsequently, which I'm sure we'll get to. But it
20 represented our best estimate at the time of what the
21 2008 SCRC rate would be proposed to be set at.

22 MR. EATON: Mr. Chairman, I wonder if
23 that could be marked as "Exhibit 1" for identification?

24 CHAIRMAN GETZ: Be so marked.

{DE 07-097} (11-28-07)

[Witness: Baumann]

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

4 BY MR. EATON:

5 Q. Mr. Baumann, what did PSNH initially calculate the
6 Stranded Cost Recovery Charge to be?

7 A. The initial rate that was proposed in Exhibit 1 was a
8 little under a penny, it was 0.88 cents per
9 kilowatt-hour, which is down from the currently billed
10 rate of 1.4 cents or 1.43 cents per kilowatt-hour.

11 Q. Do you have any corrections to make to that testimony
12 or the attachments to it?

13 A. No, I do not.

14 Q. Now, I wonder if you have in front of you a package,
15 again with a cover letter from myself to the Executive
16 Director and Secretary, dated November 21st, 2007,
17 containing the docket number of DE 07-097?

18 A. Yes, I do.

19 Q. And, what is that package?

20 A. This is the revised filing, again, this is a
21 November 21st package, where we revised the proposed
22 SCRC rate for 2008 down to 0.72 cents, from the
23 initially proposed 0.88 cents per kilowatt-hour.

24 Q. And, are the attachments and exhibits contained true

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 and accurate to the best of your knowledge and belief?

2 A. Yes, they are.

3 Q. Do you have any corrections to make to them?

4 A. Well, just one. Attached to that package, it's the

5 last six pages, I believe, five or six pages, there is

6 a -- there is a "Technical Statement of Richard

7 Labrecque and Robert Baumann", it's a three-page text

8 statement and a couple -- a two-page attachment to

9 that. That really is more Energy Service related.

10 And, when we get into the Energy Service issue later on

11 today, that will be part of the Energy Service docket.

12 The reason it was filed here, really for only one

13 reason. What we'll see today is that we have a

14 transfer of some credits from the Energy Service rate

15 proposal to the SCRC rate proposal, which is -- it's

16 actually Item 3, on Page 1 of 3 of that attachment.

17 Other than that, this document really doesn't have

18 anything to do, if you will, with the SCRC charge. But

19 that's why it was initially attached to it.

20 Q. There's also a technical statement from, later on in

21 that same document, that you and Mr. Hall sponsor.

22 And, that again has to do quite a bit with the ES rate,

23 but explains what?

24 A. Yes, you're correct. There is also that second, last

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 two-page document. And, again, the only tie it has to
2 the SCRC rate is the transfer of those credits,
3 proposed transfer from ES to SCRC.

4 MR. EATON: Mr. Chairman, could we have
5 this document marked as "Exhibit 2" for identification.

6 CHAIRMAN GETZ: So marked.

7 (The document, as described, was
8 herewith marked as Exhibit 2 for
9 identification.)

10 BY MR. EATON:

11 Q. Could you briefly explain what changes took place
12 between the initial filing and the rate that PSNH is
13 requesting today.

14 A. Sure. Maybe I'll even step back one step further. The
15 current rate, as I mentioned, was 1.43 cents per
16 kilowatt-hour, which is currently being billed for
17 SCRC. The reason that has dropped to the first revised
18 rate of 0.88 cents is primarily two reasons. One, we
19 had an expiration of three large wood rate orders
20 during the '07/'08 time period, which significantly
21 lowered the costs that needed to be recovered in the
22 SCRC. And, secondly, at the end of January 2008, we
23 will completely pay off the Rate Reduction Bond, or
24 RRB2, which was a \$50 million bond, which again will

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 have a significant impact to lower SCRC rates. So,
2 that was the initial filing that proposed to drop the
3 rate from 1.3 -- 1.43 cents to 0.88 cents.

4 Since then, we've revised the 0.88
5 cents, which was filed in Exhibit 1, down to 0.72 cents
6 in Exhibit 2, and the drop in that rate is really
7 related to the transfer of certain net obligations that
8 PSNH had proposed to be refunded back to customers in
9 the Energy Service rate. And, subsequently, we have
10 changed that proposal and have included most of those
11 net obligations in the Stranded Cost Recovery Charge
12 rate that we're now proposing in Exhibit 2. That was
13 about -- net about \$11.7 million decrease in the SCRC
14 costs to be recovered from customers in 2008.

15 Q. Do you have anything to add to your testimony, Mr.
16 Baumann?

17 A. No.

18 MR. EATON: Thank you. The witness is
19 available for cross-examination.

20 CHAIRMAN GETZ: Thank you. Ms.
21 Hatfield.

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

23 CROSS-EXAMINATION

24 BY MS. HATFIELD:

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 Q. Mr. Baumann, I understand that, in the Energy Service
2 case that follows this case, will be discussing in
3 detail those items that you just referred to as being
4 transferred from Energy Service in your original
5 proposal to stranded costs. But I'm wondering, would
6 you mind just giving us a brief overview of those items
7 that I think you said total "\$11.7 million"?
8 A. Sure. I won't rely on my memory here, just to be safe.
9 There are a couple of items. The first most
10 significant item -- well, let me back up. These items
11 were originally proposed to be part of the Energy
12 Service Charge, because they were generation-related
13 items. One of the large items was a -- we call a
14 "deferred revenue", it was actually an overrecovery of
15 Clean Air Act costs in the former FPPAC proceedings,
16 and the balance remained on the books and was
17 anticipated to be given back when the generation was
18 sold in New Hampshire. That never transpired. And,
19 you know, we're all familiar with the path that the
20 legislation took in New Hampshire to not sell the
21 generating units. And, at a certain point, we felt
22 that it was time to kind of clean up the balance sheet
23 and to refund these dollars back to customers with
24 appropriate carrying costs. We again proposed to put

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 them in the Energy Service Charge, because we thought
2 they were generation-related. We've had -- We had
3 technical discussions with the parties throughout this
4 proceeding, and we concluded that it would be
5 appropriate to put those credits back through the
6 Stranded Cost Recovery Charge, so that all customers
7 would get the benefit, as opposed to just the Energy
8 Service customers getting the benefit. And, because of
9 the fact that they weren't directly related to 2008
10 generation costs that, in theory, would be what would
11 be recovered in the Energy Service rate. So, the Clean
12 Air Act deferred revenues was a very large piece.
13 There were also some SO2 allowances reserved for C&LM,
14 which were also in the original ES filing. They have
15 been transferred out of there, but we, through
16 discussions with the Staff and OCA, those items would
17 be part of the C&LM bucket, if you will.

18 There was also a small item that
19 actually was a charge. It was some former McLane dam
20 costs that had been deferred, a very small amount, that
21 represented monies that, again, kind of an offset to
22 the large credits. They were also part of the total,
23 total 12 million or \$11.7 million that ultimately is
24 being requested to be refunded as a credit through the

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 SCRC today.

2 Q. Mr. Baumann, the 0.72 number that you described as your
3 current request for Stranded Cost Recovery Charge, is
4 that an average rate? And, my question is, are the
5 rates actually slightly different among the different
6 classes of customers at PSNH?

7 A. I believe, subject -- well, first of all, yes, it's an
8 average rate. And, I think, subject to check, Mr. Hall
9 is the rate expert here, but I think there is a slight
10 difference between classes.

11 MS. HATFIELD: Thank you. No further
12 questions.

13 CHAIRMAN GETZ: Ms. Amidon.

14 MS. AMIDON: Thank you. Good morning,
15 Mr. Baumann.

16 WITNESS BAUMANN: Good morning.

17 BY MS. AMIDON:

18 Q. In Exhibit Number 2, you do reference at, it's not
19 paginated, but at RAB-2, Page 1, there is a reference,
20 when you discuss the Clean Air Act costs, the McLane
21 Dam costs, and the SO2 allowances to the testimony of
22 Steven Mullen of Staff. I think that may be six pages
23 in?

24 A. Yes, I have the page.

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 Q. Okay. And, in fact, Mr. Mullen did file testimony
2 making a recommendation that those costs, which PSNH
3 characterized as "net obligations" be moved from the
4 Energy Service Charge to the SCRC, is that correct?

5 A. Yes. I kind of gave a brief summary. But, certainly,
6 we had made the proposal to keep them in the Energy
7 Service rate, and what precipitated the discussion and
8 dialogue and ultimate compromise, if you will, and
9 agreement was Mr. Mullen's testimony.

10 MS. AMIDON: I ask these questions by
11 way of requesting that we mark for identification
12 Mr. Mullen's testimony that was filed on November 9th as
13 "Exhibit 3". Mr. Mullen is, obviously, here and available
14 for cross-examination, but I would like this testimony to
15 be part of the record.

16 CHAIRMAN GETZ: Any objection?

17 (No verbal response)

18 CHAIRMAN GETZ: Hearing no objection, it
19 will be marked as "Exhibit 3".

20 (The document, as described, was
21 herewith marked as Exhibit 3 for
22 identification.)

23 MS. AMIDON: Thank you. And, Mr. Mullen
24 does have some questions with respect to the November 21st

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 update.

2 MR. MULLEN: Good morning, Mr. Baumann.

3 WITNESS BAUMANN: Good morning.

4 MR. MULLEN: Just a couple of questions.

5 BY MR. MULLEN:

6 Q. One, in going from your initial estimate of the 0.88
7 cent rate to the current calculation of the 0.72 cent
8 rate, you did state that the majority of that change
9 has to do with the moving of the net obligations from
10 the ES filing to the SCRC filing. Also, was there
11 anything else that happened in there that also affected
12 the rate? I'm referring specifically to IPP costs.
13 Let me put it this way: Has the market price of the
14 IPP costs changed? And, if so, did that impact the
15 SCRC filing?

16 A. Yes, certainly. Any time we update an SCRC filing,
17 concurrent with an ES filing, there has to be a
18 matching, if you will, of the total costs for IPP.
19 And, the amount of IPP costs in the SCRC filing would
20 be the above-market value for IPPs, and the Energy
21 Service would have the market value. Certainly, as we
22 update filings, and in this situation I believe the
23 market price -- the markets actually went up, the
24 Energy Service market price for IPPs would have gone up

[Witness: Baumann]

1 slightly. And, therefore, the above-market price of
2 IPPs in the SCRC would go down. Does that get to where
3 you wanted to go?

4 Q. Yes. And, I have another question related to that.
5 PSNH has also recently filed a couple of contracts with
6 two of the Pinetree wood-fired IPPs. In terms of that,
7 and we'll discuss this a little bit more when we get to
8 the ES case later this morning, some of those -- those
9 IPP contracts now are going to be moved from being
10 considered -- those IPP costs are now going to be moved
11 from being considered IPPs costs to what's referred to
12 in the ES filing as some of your "known purchases"?

13 A. That's correct.

14 Q. So, by doing that, was there also a shift out of the
15 IPP category here for SCRC purposes? In terms of the
16 over-market portion of IPP costs, now, since those are
17 going to be considered "known purchases" for purposes
18 of Energy Service, does that mean now that there's less
19 above-market IPP costs in this filing because of that
20 shift?

21 A. And, it's highlighted in another tech statement, the
22 IPP energy capacity expense actually has a net decrease
23 of over 17 million. But then there is a smaller net
24 increase in the "purchase power" line item for the

[Witness: Baumann]

1 Energy Service rate. So, when we get into the Energy
2 Service rate, yes, you see a net increase in the
3 "purchased power" line, much of which deals with the
4 two new IPP projects that were previously forecasted as
5 short-term projects or /IPP projects.

6 Q. Okay, one other question. You mentioned earlier that
7 the Rate Reduction Bonds related to the buyout of the
8 Whitefield IPP contract. Those bonds will be paid off
9 at the end of January of '08?

10 A. That's correct.

11 Q. And, it's my recollection that related to the Rate
12 Reduction Bonds is all sorts of -- there's maybe five
13 or so different type of subaccounts that are related to
14 those Rate Reduction Bonds, and they all serve their
15 various purposes to help with the AAA rating and all
16 that. When those bonds are paid off, what happens with
17 the balances in those subaccounts?

18 A. In general, again, you're right, those subaccounts are
19 reserve accounts that were part of all the credit
20 enhancements related to the RRBs. And, to the extent
21 the customer paid into those balances, and there were I
22 believe four out of five of those accounts were
23 customer-funded accounts, then those amounts, after the
24 Rate Reduction Bonds are paid off, would be finalized,

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 and those credits would flow back to customers. I
2 believe there was one of the subaccounts, which I think
3 it's called a "capital account", that's funded through
4 equity/shareholders of North -- of PSNH, which would
5 not flow back through. But I believe the lion share of
6 the dollars would certainly flow back through. If the
7 customers funded them, then it's certainly customer
8 money, and the funds would be a credit to the future
9 rates.

10 MR. MULLEN: Thank you. I have nothing
11 further.

12 MS. AMIDON: We're all set. Thank you.

13 BY CMSR. BELOW:

14 Q. Well, just to clarify I think maybe one point. The
15 \$540,000 of SO2 allowances that are going to be
16 credited or that Mr. Mullen described as to be applied
17 to current C&LM programs, which was the original target
18 of the funds, is it safe to characterize that they
19 would -- that you're proposing that those be a credit
20 into the current Core Energy Efficiency Programs?

21 A. Yes, I believe that's consistent with the testimony.

22 CMSR. BELOW: Okay. Thank you.

23 CHAIRMAN GETZ: Anything further, Mr.
24 Eaton?

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 MR. EATON: We have no redirect.

2 CHAIRMAN GETZ: Hearing nothing else,
3 then the witness is excused. Thank you, Mr. Baumann.
4 And, I take it, Ms. Amidon, that the revised testimony or
5 the revised filing by the Company obviates Mr. Mullen
6 testifying orally today?

7 MS. AMIDON: Yes. We don't, because
8 they satisfied his concerns, the concerns he addressed in
9 his testimony, I don't think he needs to testify. He's
10 available for examination if the Commissioners would like
11 to ask him any questions regarding his testimony.

12 CHAIRMAN GETZ: Okay. Well, is there
13 anything else then, before we strike the identifications
14 and allow the opportunity for closing statements?

15 (No verbal response)

16 CHAIRMAN GETZ: Hearing nothing, then, I
17 assume there's no objections to striking identifications,
18 they will be entered as full exhibits in this proceeding.
19 And, we'll give opportunity for closing. Ms. Hatfield.

20 MS. HATFIELD: Thank you, Mr. Chairman.
21 The OCA supports PSNH's updated filing of November 21st.
22 And, we appreciate the Company's willingness to work with
23 the parties to move the credits that they discussed from
24 the Energy Service filing into the Stranded Cost filing.

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 And, we specifically appreciate the Company's willingness
2 to place the \$540,000 into the Home Energy Assistance
3 Program within the Electric Core Programs. Thank you.

4 CHAIRMAN GETZ: Thank you. Ms. Amidon.

5 MS. AMIDON: Thank you. With its
6 November 21st filing, PSNH addressed all the issues that
7 Staff raised in its testimony. And, therefore with the
8 amended figures in that November 21st filing, we support
9 the petition and ask the Commission to give its approval.

10 CHAIRMAN GETZ: Thank you. Mr. Eaton.

11 MR. EATON: Thank you. We would urge
12 the Commission to adopt the recommendation of 0.72 cents
13 per kilowatt-hour for the SCRC and for calendar year 2008.
14 Just to add a little bit to what Attorney Hatfield said,
15 we came up with 540,000 because that was -- remained from
16 the period when the revenue from these SO2 allowances that
17 were sold used to fund Conservation and Load Management
18 Programs. And, so, therefore, that portion, that's why,
19 and there was many more dollars, but that portion was
20 carved out and sent to the Core Energy Efficiency
21 Programs, because it represented the pre-2001 amounts.
22 So, just to clarify the record of why we came up with that
23 number. And, we urge the Commission to approve the rate
24 requested in the November 21st filing, Exhibit 2.

{DE 07-097} (11-28-07)

[Witness: Baumann]

1 CHAIRMAN GETZ: All right. Is there
2 anything else?

3 (No verbal response)

4 CHAIRMAN GETZ: Hearing nothing, then
5 we'll close this hearing.

6 (Whereupon the hearing ended at 9:38
7 a.m.)

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