

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
MID-TERM ADJUSTMENT EFFECTIVE JULY 1, 2011
2011 STRANDED COST RECOVERY CHARGE
RATE CHANGE
Docket No. DE 10-256

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

2 A. My name is Robert A. Baumann. My business address is 107 Selden Street, Berlin,
3 Connecticut. I am Director, Revenue Regulation & Load Resources for Northeast
4 Utilities Service Company (NUSCO). NUSCO provides centralized services to the
5 Northeast Utilities (NU) operating subsidiaries, including Public Service Company of
6 New Hampshire (PSNH), The Connecticut Light and Power Company, Yankee Gas
7 Services Company and Western Massachusetts Electric Company.

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

9 A. Yes. I have testified on numerous occasions before the Commission.

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

11 A. The purpose of my testimony is to provide a detailed overview of PSNH's request for a
12 mid-term adjustment to decrease the current Stranded Cost Recovery (SCRC) rate
13 effective on July 1, 2011.

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

2 A. In this proceeding, PSNH is requesting that the Commission approve a mid-term
3 adjustment to the average SCRC rate for all customers effective July 1, 2011. This rate,
4 as calculated today, consistent with the concurrent ES rate filing requires a decrease in
5 the current SCRC rate of 1.17¢/kWh to a rate of 1.10¢/kWh. This SCRC rate was based
6 on actual results through March 2011 and an updated forecast for the remainder of
7 2011. PSNH is proposing the SCRC rate change to take effect July 1, 2011 consistent
8 with its simultaneous proposal to change the ES rate. In addition, in early June 2011,
9 PSNH will also file its proposal to change the Transmission Cost Adjustment Mechanism
10 (TCAM) effective July 1, 2011 and will file the updated SCRC and ES rates.

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

13 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-
14 F and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549,
15 defined PSNH's stranded costs and categorized them into three different parts (i.e., Part
16 1, 2 and 3). Part 1 is composed of the RRB Charge which is calculated to recover the
17 principal, net interest, and fees related to Rate Reduction Bonds. Part 2 costs are
18 "ongoing" stranded costs consisting primarily of the over-market value of energy
19 purchased from independent power producers (IPPs) and the amortization of payments
20 previously made for IPP buy-downs and buy-outs as approved by the Commission. In
21 addition, the SCRC has a return component, consisting primarily of the stipulated return
22 on deferred taxes related to securitized stranded costs. The return is a benefit to

1 customers which reduces the overall SCRC level. Part 3 costs, which were primarily the
2 amortization of non-securitized stranded costs, were recovered fully in June 2006.

3 Pursuant to Order No. 25,188 issued in Docket No. DE 10-256, PSNH is currently billing
4 an average SCRC rate of 1.17¢/kWh which was made effective for the period January 1,
5 2011 through December 31, 2011.

6 **Q. Please describe the detailed support for the calculation of the average SCRC rate**
7 **provided in Attachment RAB-1.**

8 A. Attachment RAB-1, pages 1-3, provides a summary of 2011 cost information related to
9 Part 1 and Part 2 costs, amortization of securitized assets and ongoing cost activity.
10 Pages 4 through 7 provide the detailed cost information by month related to Part 1 and
11 Part 2 costs.

12 **Q. Describe what has transpired during the SCRC period beginning January 1, 2011.**

13 A. The current average SCRC rate of 1.17¢/kWh became effective on January 1, 2011 for
14 the twelve-month period January through December 2011. The primary reason for the
15 recommended decrease in the rate to 1.10 cents is due to higher market prices which in
16 turn decreased the over-market portion of purchases from the IPPs included in the
17 SCRC.

18 **Q. How are PSNH's mandated purchased power obligations from IPPs valued in the**
19 **SCRC?**

20 A. The over-market portion of purchases from the IPPs is considered to be a stranded cost
21 and is recovered as Part 2 cost through the SCRC. The market value of the IPP is
22 reflected in the Energy Service rate, which PSNH is proposing to increase on July 1,

1 2011 in a concurrent filing made under separate cover. This treatment is consistent with
2 the Restructuring Settlement and the Commission's Order in Docket No. DE 02-166.

3 **Q. When will PSNH provide an update to the proposed SCRC Rate?**

4 A. The filing will be updated in about 5 weeks to reflect actual results for April and May
5 2011 and for any other significant changes.

6 **Q. Does the Commission need to make a determination at this time of the prudence
7 of the costs incurred since January 1, 2011?**

8 A. No. Those issues will be addressed in the Stranded Cost Recovery Charge
9 reconciliation which has traditionally been filed in early May following the calendar year
10 when those costs were incurred and collected.

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

12 A. Yes. Due to the number of rate components that will change, PSNH requests approval
13 of the proposed SCRC rate by June 28 to allow sufficient time to test thoroughly and bill
14 on our regular schedule without delaying billing for service rendered as of July 1, 2011.
15 Therefore, PSNH requests that the Commission reopen this proceeding so that the
16 procedural schedule can be set to review this filing and approve the SCRC rate in a
17 timely manner.

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

19 A. Yes, it does.