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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 21, 2010 - 10:09 a.m.  
Concord, New Hampshire

NHPUC JAN17'11 PM 3:05

RE: DE 10-256  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:  
Petition for Adjustment of Stranded Cost  
Recover Charge.

**PRESENT:** Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Kenneth E. Traum, Asst. Consumer Advocate  
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

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I N D E X

PAGE NO.

WITNESS: ROBERT A. BAUMANN

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E X H I B I T S

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1	PSNH Petition for Adjustment of Stranded Cost Recovery Charge (09-21-10)	6
2	Updated exhibits to the Testimony of Robert A. Baumann of the Petition for Adjustment of Stranded Cost Recovery Charge (12-16-10)	6

\* \* \*

CLOSING STATEMENTS BY:

Ms. Hatfield	13
Ms. Amidon	14
Mr. Eaton	14

## P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in docket DE 10-256. On September 22nd, 2010, Public Service Company of New Hampshire filed a petition for adjustment of its Stranded Cost Recovery Charge for effect with service rendered on and after January 1, 2011. An order of notice was issued on October 1. A prehearing conference was held on October 21. And, a secretarial letter was issued the following day setting the hearing for this morning.

Can we take appearances please.

MR. EATON: For Public Service Company of New Hampshire, my name is Gerald M. Eaton. Good morning.

CHAIRMAN GETZ: Good morning.

MS. HATFIELD: Good morning, Commissioners. Meredith Hatfield, for the Office of Consumer Advocate, on behalf of residential ratepayers. And, with me from the Office is Ken Traum.

CHAIRMAN GETZ: Good morning.

MS. AMIDON: Good morning, Commissioners. Suzanne Amidon, for Commission Staff. And, with me is Steve Mullen, who is the Assistant Director of the Commission's Electric Division.

[WITNESS: Baumann]

1 CHAIRMAN GETZ: Good morning. Are you  
2 ready to proceed, Mr. Eaton?

3 MR. EATON: Yes. We would like to call  
4 Robert Baumann to the stand.

5 (Whereupon *Robert A. Baumann* was duly  
6 sworn and cautioned by the Court  
7 Reporter.)

8 ROBERT A. BAUMANN, SWORN

9 DIRECT EXAMINATION

10 BY MR. EATON:

11 Q. Mr. Baumann, would you please state your name for the  
12 record.

13 A. My name is Robert Baumann.

14 Q. And, for whom are you employed?

15 A. I'm employed by Northeast Utilities Service Company,  
16 that provides services to all of our operating  
17 subsidiaries, financial and engineering and legal.  
18 And, I'm here today representing Public Service Company  
19 of New Hampshire.

20 Q. What is your position and what are your duties?

21 A. I am the Director of Revenue Regulation and Load  
22 Resources. And, my duties in New Hampshire are the  
23 calculation and support of all the revenue requirements  
24 associated with rate cases and the tracking mechanisms,

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[WITNESS: Baumann]

1 such as the Energy Service rate and the Stranded Cost  
2 Recovery Charge.

3 Q. Have you testified previously before this Commission?

4 A. Yes.

5 Q. Mr. Baumann, I'd like you to look at a document dated  
6 September 21st, 2010. With a subject matter "PSNH  
7 Petition for Adjustment of Stranded Cost Recovery  
8 Charge" on a letter that was signed on my behalf. Do  
9 you have that document?

10 A. Yes, I do.

11 Q. Would you please describe it.

12 A. This document is the initial filing for the 2011  
13 Stranded Cost Recovery Charge. We make an initial  
14 filing for both the ES charge and the SCRC charge.  
15 And, within this filing, we filed a preliminary rate  
16 for the SCRC of 1.18 cents per kilowatt-hour.

17 Q. Do you have any corrections to make to that filing?

18 A. No.

19 Q. And, if you were asked those questions on  
20 September 21st in your prefiled testimony, would you  
21 respond in the same way?

22 A. Yes.

23 Q. And, as of September 21st, is this true and accurate to  
24 the best of your knowledge and belief?

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[WITNESS: Baumann]

1 A. Yes.

2 MR. EATON: Could we have that marked as  
3 "Exhibit 1" for identification?

4 CHAIRMAN GETZ: So marked.

5 (The document, as described, was  
6 herewith marked as **Exhibit 1** for  
7 identification.)

8 BY MR. EATON:

9 Q. Now, Mr. Baumann, would you look at another document.  
10 It has a cover letter dated December 16th, 2010, signed  
11 by Mr. Hall on my behalf, and with the docket number in  
12 the subject line. Would you describe that document.

13 A. This is our updated document to the proposed SCRC rate  
14 for 2011. And, within that document, we have filed the  
15 associated stranded costs for 2011 as projected. And,  
16 that yields a rate of 1.17 cents per kilowatt-hour.

17 Q. And, is this document true and accurate to the best of  
18 your knowledge and belief?

19 A. Yes.

20 MR. EATON: I'd like that document  
21 marked as "Exhibit 2" for identification.

22 CHAIRMAN GETZ: So marked.

23 (The document, as described, was  
24 herewith marked as **Exhibit 2** for

{DE 10-256} {12-21-10}

[WITNESS: Baumann]

1 identification.)

2 BY MR. EATON:

3 Q. Mr. Baumann, would you briefly summarize your testimony  
4 and the requested rate that PSNH is asking for in this  
5 hearing.

6 A. Well, the current SCRC rate is 1.20 cents per  
7 kilowatt-hour. And, we are requesting a very slight  
8 decrease to that rate of 1.17 cents per kilowatt-hour.  
9 The original testimony, as filed on September 21st,  
10 summarized it well, in that the decrease, slight  
11 decrease that we're requesting here today, was due to  
12 the prior year under-recovery, which is going away.  
13 So, we had an under-recovery in 2010, and that actually  
14 is a slight over-recovery in 2011. And, that was  
15 partially offset by lower market prices, which, in  
16 turn, increased the over-market portion of purchases  
17 for IPPs. The third item that has decreased the rate  
18 slightly is a slight increase in the projected sales  
19 levels in 2011 from 2010, which would then -- a larger  
20 denominator would yield a slightly lower SCRC rate.

21 So, those are really the two, the two  
22 reasons why the rate's going down with an offset with  
23 the market price and the above-market IPPs.

24 Q. Do all customers pay the Stranded Cost Recovery Charge?

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[WITNESS: Baumann]

1 A. Yes.

2 Q. Do you have anything to add to your testimony?

3 A. No.

4 MR. EATON: The witness is available for  
5 cross-examination.

6 CHAIRMAN GETZ: Thank you. Ms.

7 Hatfield?

8 MS. HATFIELD: We have no questions.

9 Thank you.

10 CHAIRMAN GETZ: Ms. Amidon?

11 MS. AMIDON: I'm going to defer to Mr.

12 Mullen.

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

14 WITNESS BAUMANN: Good morning.

15 BY MR. MULLEN:

16 Q. If you take a look at RAB-1, Page 1, in both Exhibit 1  
17 and Exhibit 2. You had mentioned earlier that there  
18 was, when you compared 2010 to 2011, there was a slight  
19 increase in the total sales. Even if I look at the  
20 Exhibit 1 that was filed in September and Exhibit 2  
21 that was filed in December, there's, if you look at  
22 Line 5, I think it's approximately a little bit more  
23 than 22,000 megawatt-hour increase in sales. Do you  
24 see that?

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[WITNESS: Baumann]

1 A. Yes, from the September to the November update -- or,  
2 December update.

3 Q. Overall, what is PSNH seeing in terms of its overall  
4 sales, in terms of a trend now? Is it flat? Is it  
5 going up a lot? Is it -- how would you describe it?

6 A. I think I would describe at this point, we updated our  
7 forecast in November, the internal company forecast.  
8 There was a slight increase in that forecast of load  
9 requirements and, therefore, sales. I'm not sure if I  
10 can -- if we could say that it's something that's -- I  
11 think it's probably indicative of the market now that  
12 has hopefully stabilized, and that there might be some  
13 economic recovery and an increase in sales. But it's  
14 very slight. So, it's, you know, it's hard to --  
15 certainly hard to judge what's going to happen next  
16 year.

17 Q. Do you have any information about how, say, your  
18 industrial sales look, compared to, say, residential?  
19 Is one going one way and one going another way?

20 A. I don't have -- I don't have that type of information  
21 with me.

22 Q. In Exhibit 2, on the same page, the "1.17 cents per  
23 kilowatt-hour" rate that's shown, that's an average  
24 rate, is that correct?

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[WITNESS: Baumann]

1 A. Yes.

2 Q. So, the actual rate that will apply to the various  
3 classes of customers will differ?

4 A. Yes.

5 Q. And, consistent with prior SCRC hearings, the actual  
6 breakdown amongst the classes will be filed when the  
7 Company files its compliance filing in this case?

8 A. Yes.

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

11 CMSR. BELOW: Good morning, Mr. Baumann.

12 WITNESS BAUMANN: Good morning.

13 BY CMSR. BELOW:

14 Q. Could you remind us in what year the Part 1 Rate  
15 Reduction Bonds are expected to be paid off?

16 A. The Part 1 bonds I believe are supposed to be paid off  
17 in the middle of 2012.

18 Q. So, in the filing following this one, there will be a  
19 major adjustment for that?

20 A. In 2012, yes. Yes, sir.

21 CMSR. BELOW: Okay. That's all.

22 CMSR. IGNATIUS: Thank you. Good  
23 morning, Mr. Baumann.

24 WITNESS BAUMANN: Good morning.

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[WITNESS: Baumann]

1 BY CMSR. IGNATIUS:

2 Q. Can you help me understand something that was just  
3 brought up between the questions of Mr. Eaton and Mr.  
4 Mullen? You had stated that "everyone pays the SCRC  
5 charge"?

6 A. Yes. It's a non-bypassable charge on the customers'  
7 bills.

8 Q. Then, there was discussion with Mr. Mullen about sales  
9 forecasts and in your latest projections that a slight  
10 increase in retail sales. If this is paid by everyone,  
11 independent of whether or not they are taking retail  
12 supply from you, what's the import of those forecast  
13 numbers in these calculations?

14 A. I'm sorry, what's the -- did you say "what's the --  
15 import"?

16 Q. The import. Why is that a significant question in  
17 retail sales, if this is a charge that's independent of  
18 whether or not you're a sales customer or you migrated  
19 and are only taking delivery?

20 A. Well, the total projected sales are the denominator in  
21 the average rate calculation. So, as we -- if costs  
22 were to remain relatively the same, and they are --  
23 they are very close to what they were last year, as  
24 sales projections increase, then the overall rate per

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[WITNESS: Baumann]

1 kilowatt-hour drops slightly. It's a mathematical  
2 function of the sales as the denominator.

3 Q. And, I may be misunderstanding something in the  
4 conversation here, so let's take it back a step. If  
5 you have a customer who has migrated and is taking  
6 competitive supply, they still pay this charge as part  
7 of a non-bypassable charge, correct?

8 A. Correct.

9 Q. So, their rate is still the 1.17 cents per  
10 kilowatt-hour?

11 A. On average, yes, that would be the same rate.

12 Q. Then, help me again understand why the forecasted  
13 retail sales lead you to that mathematical conclusion  
14 of 1.17, if it's a rate that's independent of whether  
15 or not you receive retail supply?

16 A. Well, the SCRC rate is predicated on total projected  
17 sales, and that's for all customers, non-bypassable  
18 sales. So, to the extent those are projected to be  
19 greater than, say, the previous year's sales levels,  
20 that puts automatic downward pressure on the SCRC rate.  
21 Because, again, mathematically, if you increase the  
22 number of sales to spread the stranded costs over, on a  
23 per unit basis it will decrease the rate. Whoever is  
24 using those increased sales will pay slightly more per

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[WITNESS: Baumann]

1 -- slightly more in SCRC charges. If it was just one  
2 customer that was causing the rate increase -- the  
3 sales increase, then that customer would bear more of  
4 the non-bypassable burden, if you will, of the stranded  
5 costs.

6 CMSR. IGNATIUS: All right. Thank you.

7 WITNESS BAUMANN: You're welcome.

8 CHAIRMAN GETZ: Anything further, Mr.

9 Eaton?

10 MR. EATON: Nothing on redirect. Thank  
11 you.

12 CHAIRMAN GETZ: Then, the witness is  
13 excused. Thank you.

14 Is there any objection to striking the  
15 identifications and admitting the exhibits into evidence?

16 (No verbal response)

17 CHAIRMAN GETZ: Hearing no objection,  
18 they will be admitted into evidence. Is there anything we  
19 need to address before opportunity for closings?

20 (No verbal response)

21 CHAIRMAN GETZ: Hearing nothing, then,  
22 Ms. Hatfield.

23 MS. HATFIELD: Thank you, Mr. Chairman.  
24 The OCA has no objection to PSNH's filing for the 2011

1 Stranded Cost Recovery Charge.

2 CHAIRMAN GETZ: Thank you. Ms. Amidon.

3 MS. AMIDON: Thank you. Staff has  
4 reviewed the filing. And, the Company has calculated its  
5 estimated 2011 average Stranded Cost Recovery Charge, as  
6 it has and consistent with prior proceedings. And, we  
7 would recommend the Commission approve it.

8 CHAIRMAN GETZ: Thank you. And, Mr.  
9 Eaton.

10 MR. EATON: Thank you, Mr. Chairman.  
11 The Company has computed the Stranded Cost Recovery Charge  
12 in the customary way, with the correct costs being  
13 included. And, we believe the estimate is as accurate as  
14 we can make it. There's the opportunity for an adjustment  
15 on July the 1st, if costs or sales turn out to be  
16 different. But we would request that the Commission  
17 approve the charge of 1.17 cents per kilowatt-hour as  
18 being just and reasonable. Thank you.

19 CHAIRMAN GETZ: Okay. Thank you. Then,  
20 we'll close the hearing and take the matter under  
21 advisement.

22 (Whereupon the hearing ended at 10:25 a.m.)  
23  
24