

**THE STATE OF NEW HAMPSHIRE**  
**BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**  
**PREPARED TESTIMONY OF ROBERT A. BAUMANN**  
**2011 DEFAULT ENERGY SERVICE RATE CHANGE**  
**MID-TERM ADJUSTMENT EFFECTIVE JULY 1, 2011**  
**Docket No. DE 10-257**

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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 increase the current Default Energy Service (ES) rate effective  
13 on July 1, 2011.

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

15 A. In this proceeding, PSNH is requesting the Commission approve a mid-term adjustment  
16 to the ES rate for all customers effective July 1, 2011. This rate adjustment would

1 increase the current ES rate slightly from 8.67 cents per kWh to 8.74 cents per kWh,  
2 based on actual results through March 2011 and the most current forecast of PSNH's  
3 costs of providing such power for the remainder of 2011. PSNH is proposing the ES rate  
4 change to take effect July 1, 2011 consistent with its simultaneous proposal to change  
5 the SCRC. In addition, in early June 2011, PSNH will also file its proposal to change the  
6 Transmission cost Adjustment Mechanism (TCAM) effective July 1, 2011 and also file  
7 the updated ES and SCRC rates. The detailed calculations supporting the proposed ES  
8 rate can be found in Attachments RAB-1 and RAB-2 to this testimony.

9 **Q. Please provide the historic and current ES rates.**

10 A. The table below outlines ES rates in effect from May 1, 2001 to the present for  
11 residential, small general service customers (Group 1) and large commercial and  
12 industrial customers (Group 2).

**Date of Service**

May 2001 - January 2003	(a) 4.40 cents per kWh
February 2003 - January 2004	(b) 4.60/4.67
February 2004 - July 2004	5.36
August 2004 - January 2005	5.79
February 2005 - July 2005	6.49
August 2005 - January 2006	7.24
February 2006 - June 2006	9.13
July 2006 - December 2006	8.18
January 2007 - June 2007	8.59
July 2007 - December 2007	7.83
January 2008 – June 2008	8.82
July 2008 – December 2008	9.57
January 2009 – July 2009	9.92
August 2009 – December 2009	9.03
January 2010 – June 2010	8.96
July 2010 – December 2010	8.78
January 2011 – June 2011	8.67

- (a) Set by statute for all retail customers.
- (b) Small C&I and residential rate set by statute (4.60 cents).  
Large C&I rate set on forecasted costs (4.67 cents).

1 Initially, Energy Service rates were set by statute. Beginning in February 2003, the  
2 Energy Service rate for large commercial and industrial customers (Group 2) was based  
3 on PSNH's forecast of "actual, prudent and reasonable costs" (4.67 cents). Beginning in  
4 February 2004, the Energy Service rate for all retail customers was based on a forecast  
5 of PSNH's "actual, prudent and reasonable costs."

6 **Q. Please provide an overview of how the Energy Service cost recovery mechanism**  
7 **works.**

8 A. PSNH recovers the cost of supplying energy to customers who choose to receive energy  
9 from PSNH through the ES rate. The ES rate is forecasted and reconciled once actual  
10 costs are known. ES reconciliation amounts, beginning in February 2006, are deferred

1 and applied to future ES rate recoveries per the Commission's order and findings in  
2 Docket No. DE 05-164, Order No. 24,579, dated January 20, 2006.

3 **Q. Describe what has transpired during the ES period beginning January 1, 2011.**

4 A. The current ES rate of 8.67 cents per kWh began on January 1, 2011 for the twelve  
5 month period, January – December 2011. The 0.07 cents per kWh recommended  
6 increase in the rate to 8.74 is primarily due to slightly higher market prices.

7 **Q. When will PSNH provide and update to the proposed ES rate?**

8 A. The values in this filing will be updated in about five weeks to reflect actual results for  
9 April and May 2011. In addition, if there are any other significant changes, such as a  
10 significant change to the forecasted forward market prices from those used in developing  
11 this rate or significant changes in customer migration, then PSNH will also update its  
12 rate for these changes. At that time we will provide further detail to support this  
13 requested rate change and provide an updated Technical Statement.

14 **Q. Are the costs that PSNH has included in this ES rate filing consistent with the past  
15 ES filings?**

16 A. Yes. ES costs contain the generation asset revenue requirements, entitlements and  
17 purchased power obligations, including the cost of fuel used in generation. In addition,  
18 ES costs include the costs and revenues from market purchases and sales, ISO-NE  
19 expenses and revenues, New Hampshire Renewable Portfolio Standard costs (RPS),  
20 Regional Greenhouse Gas Initiative costs (RGGI) and IPP power values at market  
21 prices. Finally, ES costs include non-fuel operation and maintenance costs (O&M),

1 depreciation, property taxes and payroll taxes, uncollectible costs attributable to ES, and  
2 a return on the net generation investment.

3 **Q. Please discuss the level of migration assumed in this filing.**

4 A. The level of migration assumed in PSNH's filing reflects the current actual level of  
5 approximately 32.2%, slightly higher than the 31.8% used to set the 2011 rate of 8.67  
6 cents per kWh. This value represents the actual current migration level on PSNH's  
7 system at the end of March 2011.

8 **Q. How is PSNH's mandated purchased power obligations (IPPs) valued in  
9 calculating the ES rate?**

10 A. PSNH includes IPP generation as a source of power to meet PSNH's load requirements,  
11 and that power is valued based on projected market costs (energy and capacity). The  
12 over-market portion of purchases from the IPPs are treated as a stranded cost and  
13 recovered through Part 2 of the Stranded Cost Recovery Charge. This treatment is  
14 consistent with the Restructuring Settlement and the Commission's Order in Docket DE  
15 02-166. As market prices increase, the ES costs increase and there is a corresponding  
16 decrease to the SCRC rate for the same time period. To properly match the recovery of  
17 IPP costs, PSNH will also simultaneously file for a change in the SCRC rate effective  
18 July 1, 2011.

19 **Q. Please describe the detailed support for the calculation of the ES rate.**

20 A. Attachment RAB-2 provides detailed cost and revenue components relating to PSNH's  
21 generating costs, and also provides a breakdown of market purchases and sales. Page  
22 3 of the attachment provides further detail relating to the PSNH generation and

1 purchased power for the period January 1, 2011 through December 31, 2011. Page 4  
2 provides further detail on the forecasted market value of IPP generation. Page 5  
3 provides a breakdown of Fossil/Hydro Operation and Maintenance costs and page 6  
4 provides a detailed calculation of the return on Fossil/Hydro investment.

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

7 A. No. Prudence will be addressed in the Energy Service Charge reconciliation which has  
8 traditionally been filed in early May following the calendar year when those costs were  
9 incurred and collected.

10 **Q. Does PSNH propose to implement the new Energy Service rate on a service-**  
11 **rendered basis?**

12 A. Yes.

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

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

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

21 A. Yes, it does.