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2 PUBLIC UTILITIES COMMISSION

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7
8 RE: DE 10-257
9 PUBLIC SERVICE CO. OF NEW HAMPSHIRE:
10 *Proposed Default Energy Service*
11 *Rate for 2011.*

12
13 PRESENT: Chairman Thomas B. Getz, Presiding
14 Commissioner Clifton C. Below
15 Commissioner Amy L. Ignatius

16 Sandy Deno, Clerk

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

19 Reptg. Residential Ratepayers:
20 Meredith Hatfield, Esq., Consumer Advocate
21 Kenneth E. Traum, Asst. Consumer Advocate
22 Office of Consumer Advocate

23 Reptg. PUC Staff:
24 Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.
Grant Siwinski, Electric Division

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

ORIGINAL

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 FREDERICK B. WHITE

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P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning.

We'll open the hearing in Docket 10-257. On May 4, 2011, Public Service Company of New Hampshire filed a request to adjust its Energy Service rate effective with service on or after July 1, 2011. And, at the time of its filing, PSNH estimated that the new rate would be 8.74 cents per kilowatt-hour, an increase from the current rate of 8.67 cents per kilowatt-hour. And, an order of notice was issued on May 10 setting the hearing for this morning.

So, 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. Meredith Hatfield, for the Office of Consumer Advocate, on behalf of residential ratepayers. And, I'm joined today by Ken Traum, who is here at his last hearing on behalf of the OCA as the Assistant Consumer Advocate, after 21 years of service. Good morning.

CHAIRMAN GETZ: Good morning. Ms. Amidon.

MS. AMIDON: Good morning. Suzanne

[WITNESS PANEL: Baumann~White]

1 Amidon, for Commission Staff. With me today is Steve
2 Mullen, who is the Assistant Director of the Electric
3 Division, he's to my left, and to his left is Grant
4 Siwinski, an Analyst with the Electric Division.

5 CHAIRMAN GETZ: Good morning.

6 MS. AMIDON: Thank you.

7 CHAIRMAN GETZ: I'll note for the record
8 that the affidavit of publication has been filed. So, Mr.
9 Eaton, are you ready to proceed?

10 MR. EATON: Yes, I am. I'd like to call
11 to the stand Mr. Robert A. Baumann and Mr. Frederick B.
12 White.

13 (Whereupon *Robert A. Baumann* and
14 *Frederick B. White* were duly sworn and
15 cautioned by the Court Reporter.)

16 ROBERT A. BAUMANN, SWORN

17 FREDERICK B. WHITE, SWORN

18 DIRECT EXAMINATION

19 BY MR. EATON:

20 Q. Mr. Baumann, would you please state your name for the
21 record.

22 A. (Baumann) My name is Robert A. Baumann.

23 Q. For whom are you employed?

24 A. (Baumann) I'm employed by Northeast Utilities Service

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[WITNESS PANEL: Baumann~White]

1 Company. Northeast Utilities Service Company is a
2 subsidiary of Northeast Utilities, and provides
3 services to all the operating companies of Northeast
4 Utilities, and one of which is Public Service Company
5 of New Hampshire.

6 Q. What is your position and what are your duties for
7 Northeast Utilities Service Company?

8 A. (Baumann) I'm the Director of Revenue Regulation and
9 Load Resources. And, my duties are to represent the
10 Company in revenue requirement filings in New
11 Hampshire, as well as in the other states that NU works
12 in.

13 Q. Have you testified before this Commission in the past?

14 A. (Baumann) Yes.

15 Q. Mr. White, would you please state your name for the
16 record.

17 A. (White) Frederick White.

18 Q. For whom are you employed?

19 A. (White) Northeast Utilities Service Company.

20 Q. What is your position and what are your duties with
21 that company?

22 A. (White) I'm a Supervisor in the Wholesale Power
23 Contracts Department. My primary duties include
24 analysis of the power supply requirements for purposes

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[WITNESS PANEL: Baumann~White]

1 of ES customers and calculations of associated costs
2 for the same.

3 Q. Have you previously testified before this Commission?

4 A. (White) Yes.

5 Q. Mr. Baumann, I show you a document that's dated
6 "May 4th, 2001" -- "2011", under a cover letter signed
7 by myself. Do you recognize that document?

8 A. (White) Yes.

9 Q. And, could you describe that for the record.

10 A. (Baumann) That is our initial filing in support of the
11 midterm rate change for Energy Service effective
12 July 1, 2011. And, in that filing, we filed supporting
13 work papers for a rate of 8.74 cents per kilowatt-hour,
14 which is a slight increase from the current rate that
15 is now being billed of 8.67 cents per kilowatt-hour.

16 Q. Are there any corrections to make to that testimony and
17 the attachments?

18 A. (Baumann) No.

19 Q. And, is it true and accurate to the best of your
20 knowledge and belief?

21 A. (Baumann) Yes.

22 MR. EATON: Mr. Chairman, I'd like the
23 testimony and the attachments to be marked as "Exhibit 5"
24 for identification in this proceeding.

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[WITNESS PANEL: Baumann~White]

1 CHAIRMAN GETZ: So marked.

2 (The document, as described, was
3 herewith marked as **Exhibit 5** for
4 identification.)

5 BY MR. EATON:

6 Q. Now, I show you a document, Mr. Baumann, that is
7 entitled "Joint Technical Statement of Robert A.
8 Baumann and Frederick R. [B.?] White", dated May 4th,
9 2011. Do you recognize that statement?

10 A. (Baumann) Yes.

11 Q. Was that prepared by you or under your supervision?

12 A. (Baumann) Yes, it was.

13 Q. And, is it true and accurate to the best of your
14 knowledge and belief?

15 A. (Baumann) Yes.

16 Q. Would you please describe what that document contains.

17 A. (Baumann) This is a fairly detailed document that the
18 Company submitted that updates or describes any major
19 changes in the cost components of the Company's ES
20 filing as proposed in our May filing, versus what we
21 had submitted last year, in December 2010, in support
22 of the rate that is currently in effect, that went into
23 effect on January 1st, 2011.

24 Q. And, for the purposes of making the record clear, Mr.

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[WITNESS PANEL: Baumann~White]

1 Baumann, I misspoke. Your attachments contain the
2 calculation of the rate. Are they attached to
3 Exhibit 5 or Exhibit 6?

4 CHAIRMAN GETZ: I think we may be
5 getting a little ahead. Was your intention earlier, Mr.
6 Eaton, was to mark the entire filing on May 4th as
7 "Exhibit 5"? That does include the Technical Statement.

8 MR. EATON: No, your Honor, just the
9 testimony, six pages of testimony as "Exhibit 5".

10 CHAIRMAN GETZ: Okay.

11 MR. EATON: And, I would propose for
12 "Exhibit 6" would be the Joint Technical Statement and the
13 attachments to that, to that Joint Technical Statement.

14 CHAIRMAN GETZ: Okay, we can do that.
15 Then, the Technical Statement and attachments will be
16 marked for identification as "Exhibit Number 6".

17 (The document, as described, was
18 herewith marked as **Exhibit 6** for
19 identification.)

20 BY MR. EATON:

21 Q. And, Mr. Baumann and Mr. White, is that Joint Technical
22 Statement and the attachments true and accurate as of
23 May 4th, 2011?

24 A. (Baumann) Yes.

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[WITNESS PANEL: Baumann~White]

1 A. (White) Yes.

2 Q. Now, Mr. Baumann, I'd like you to look at a document
3 under my cover letter dated "June 13th, 2011" in this
4 proceeding. It's entitled "Joint Technical Statement
5 of Robert A. Baumann and Frederick R. -- Frederick B.
6 White". Do you recognize that document?

7 A. (Baumann) Yes, I do.

8 Q. And, what -- could you describe it for the record?

9 A. (Baumann) This is an update to the Technical Statement
10 that was filed in May. And, it just -- it merely
11 describes the changes over about a month's time that
12 had taken place that are embedded in the calculations
13 for the final updated ES rate that we are proposing
14 today to put into effect. That rate is 8.89 cents,
15 compared to the 8.74 cents in the May 4th filing,
16 compared to the 8.67 cents, which is in rates today.

17 MR. EATON: And, just for the purposes
18 of the record, I'd like to mark just the Technical
19 Statement as "Exhibit 7" for identification.

20 CHAIRMAN GETZ: So marked.

21 (The document, as described, was
22 herewith marked as **Exhibit 7** for
23 identification.)

24 BY MR. EATON:

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[WITNESS PANEL: Baumann~White]

1 Q. And, Mr. Baumann, included in the package on June 13th
2 was a series of attachments, beginning with RAB-1, Page
3 1. Do you have that in front of you?

4 A. (Baumann) Yes.

5 Q. And, could you describe what that document contains?

6 A. (Baumann) Well, these are the detailed calculations and
7 supporting work papers in support of the proposed rate
8 of 8.89 cents per kilowatt-hour.

9 Q. And, were these schedules prepared by you and under
10 your supervision?

11 A. (Baumann) Yes.

12 Q. And, are they true and accurate to the best of your
13 knowledge and belief?

14 A. (Baumann) Yes.

15 MR. EATON: Could I have that document
16 marked as "Exhibit 8" for identification?

17 CHAIRMAN GETZ: So marked.

18 (The document, as described, was
19 herewith marked as **Exhibit 8** for
20 identification.)

21 BY MR. EATON:

22 Q. Mr. Baumann, could you please summarize your testimony
23 briefly, and the rate that the Company is requesting in
24 this proceeding?

[WITNESS PANEL: Baumann~White]

1 A. (Baumann) Well, as I said before, we are requesting an
2 8.89 cents per kilowatt-hour ES rate effective
3 July 1st, 2011, up from the current rate of 8.67 cents
4 per kilowatt-hour. The primary increase in the rate is
5 due to a slight increase in market prices, projected
6 market prices, which impact our market purchases and,
7 therefore, our costs.

8 As a secondary issue, that is somewhat
9 significant, is that there is a slight increase in the
10 migration levels assumed in our forecast for the
11 current proposed rate. That's not as significant as
12 the market increases, but it is probably the second
13 player that is causing the rate to go up. Again, the
14 overall rate's going up from 8.67 to 8.89 cents. It's
15 not a marked increase, but it certainly is an increase,
16 and it's really caused by those two items.

17 Q. Mr. Baumann or Mr. White, do you have anything to add
18 to your testimony?

19 A. (White) No.

20 A. (Baumann) No, sir.

21 MR. EATON: These witnesses are
22 available for cross-examination. Thank you.

23 CHAIRMAN GETZ: Thank you. Ms.
24 Hatfield.

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[WITNESS PANEL: Baumann~White]

1 MS. HATFIELD: Thank you, Mr. Chairman.
2 Good morning, gentlemen.

3 WITNESS WHITE: Good morning.

4 WITNESS BAUMANN: Good morning.

5 CROSS-EXAMINATION

6 BY MS. HATFIELD:

7 Q. Mr. Baumann, I believe you just testified that PSNH is
8 increasing or seeks to increase its Energy Service rate
9 to just under 8.9 cents on July 1st, is that correct?

10 A. (Baumann) Yes.

11 Q. Are you aware of what the current Energy Service rates
12 are today of the other electric utilities in the state?

13 A. (Baumann) No.

14 Q. Would you accept subject to check that, for Unitil, in
15 Docket DE 11-028, the Commission has approved a
16 six-month average small customer rate of 7 cents per
17 kilowatt-hour starting on May 1st of this year?

18 A. (Baumann) Subject to check, yes.

19 Q. And, would you accept subject to check that, for
20 National Grid, in DE 11-016, the Commission approved a
21 six month average small customer rate of 6.68 cents per
22 kilowatt-hour, starting on May 1st of this year?

23 A. Yes.

24 Q. And, would you also accept, subject to check, that the

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[WITNESS PANEL: Baumann~White]

1 New Hampshire Electric Co-op's basic power rate is
2 currently 7.8 cents per kilowatt-hour?

3 A. (Baumann) Okay.

4 Q. Would you please turn to your Attachment RAB-2, Page 2,
5 of the June 13th filing.

6 A. (Baumann) We're there.

7 Q. And, is that a chart that's titled "Public Service
8 Company of New Hampshire 2,011 Energy Service Rate
9 Calculation"?

10 A. (Baumann) Yes.

11 Q. On Line 32, do you see the description that says
12 "Retail Megawatt-Hour Sales"?

13 A. (Baumann) Yes.

14 Q. And, if we look at the "Total" column on the right, we
15 see a number just over 5.1 million, is that correct?

16 A. (Baumann) That's correct.

17 Q. So, that is the Company's estimated sales for 2011?

18 A. (Baumann) Yes, that's the total estimated Energy
19 Service sales.

20 Q. And, as we discussed in the prior hearing, there's a
21 difference between the Energy Service sales versus the
22 distribution sales, is that correct?

23 A. (Baumann) Yes. The distribution sales include all
24 customers, whether they choose to stay on the Energy

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[WITNESS PANEL: Baumann~White]

1 Service rate or whether they have migrated and chose to
2 go to a third party supply.

3 Q. Would my math be correct if I estimated that, for each
4 cent that a customer pays in the Energy Service rate,
5 the Company collects about \$51 million annually?

6 A. (Baumann) I could say "yes, subject to check", or I
7 could go check it.

8 Q. Well, if we look at that \$5.1 million retail
9 megawatt-hour sales figure, would you accept that as a
10 rough calculation?

11 A. (Baumann) Yes.

12 Q. If you refer please to Item C.7, which is on the second
13 page of your technical statement, filed on June 13th?

14 A. (Baumann) I'm there.

15 Q. At the end of that paragraph, you state that "The
16 amount of migration modeled in this update is as of the
17 end of May 2011 and is 34.8 percent." Do you see that?

18 A. (Baumann) Yes, I do.

19 Q. And, is that an increase from your last filing?

20 A. (Baumann) Yes, it is.

21 Q. Do you know if it's the highest migration rate that
22 you've experienced?

23 A. (Baumann) I think it is the highest rate that has been
24 in our filing. And, so, I think that's an accurate

1 statement, yes.

2 Q. Do I understand correctly that, for purposes of
3 planning the rest of the year, the Company used the May
4 actual migration and projected that out for the rest of
5 the year?

6 A. (White) That's correct.

7 Q. What happens if the migration is actually higher or
8 lower than that amount?

9 A. (Baumann) Well, if the migration is higher, you will
10 have less kilowatt-hours of Energy Service in actual
11 versus the forecast, and that would produce an
12 under-recovery. If the migration is lower, and you had
13 more kilowatt-hours in Energy Service in actual than in
14 forecast, then that would produce an over-recovery.

15 Q. And, when would the Company reconcile any of those over
16 or under-recoveries?

17 A. (Baumann) Well, we would -- we will be filing this fall
18 for a rate -- an Energy Service rate effective
19 January 1st of 2012. To the extent we saw that trend
20 and there was some actual data available, and there
21 will be more actual data available, it would be
22 reflected in the over/under for the rate effective
23 January 1st, 2012, for as much -- for as much as we
24 would see in actual, or it would be also embedded in

[WITNESS PANEL: Baumann~White]

1 the forecast as well.

2 Q. Mr. Baumann, do you have a copy of your response to a
3 Staff data request in this docket, Number 2-5?

4 A. (Baumann) Yes, I do.

5 MS. HATFIELD: Mr. Chairman, I'd like to
6 refer to this. So, I'd like to ask that it be marked as
7 an exhibit.

8 CHAIRMAN GETZ: Okay. We'll mark for
9 identification as "Exhibit Number 9" the response and
10 answer to Staff Data Request 5. And, it's Series 2.

11 (The document, as described, was
12 herewith marked as **Exhibit 9** for
13 identification.)

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

15 BY MS. HATFIELD:

16 Q. Mr. Baumann, if you look at the question, it refers --
17 it asks the Company to "provide calculations
18 demonstrating what the Energy Service rate would be
19 absent migration." Do you see that?

20 A. (Baumann) Yes.

21 Q. And, is it true that your response was provided at the
22 end of May?

23 A. (Baumann) Yes, May 6th -- it's dated May 16th, so, it
24 was probably filed very close to that date.

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[WITNESS PANEL: Baumann~White]

1 Q. Can you please explain your response?

2 A. (Baumann) The question asked for, again, an ES rate
3 with and without migration. What the response did was
4 look at this question on an annualized total one year
5 basis, to give you a good comparison of what an
6 annualized ES rate would be with and without migration.
7 And, what the -- the short of it is or what the
8 response says is that the -- that, if you had an
9 annualized rate of 8.71 cents per kilowatt-hour, with
10 an assumption for migration. And, then, you remove the
11 migration and assume no migration, the estimated amount
12 -- the ES rate would be 8.11 cents per kilowatt-hour.
13 So, the differential with and without migration, using
14 these assumptions, would be about six-tenths of one
15 cent.

16 Q. And, that response was based on your May 4th estimated
17 Energy Service rate, is that correct?

18 A. (Baumann) Yes.

19 Q. So, would that -- would those numbers change based on
20 your June 13th update, which is requesting approval of
21 the 8.89 cents?

22 A. I'm sure they would fluctuate somewhat. But, generally
23 speaking, I mean, we've always talked about migration
24 in, say, the last year or so, we had a migration docket

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[WITNESS PANEL: Baumann~White]

1 that is still open, and that the increase or the impact
2 on migration, once it got to about a third of the
3 customers, was roughly about a half a cent. And, these
4 numbers came out to about six-tenths of a cent. So, it
5 certainly was in the realm of expectation.

6 Q. And, previously, you agreed with me that one cent of
7 Energy Service revenue is about \$51 million, do you
8 recall that?

9 A. (Baumann) Yes.

10 Q. So, half of that is over \$25 million, is that right?

11 A. (Baumann) Yes.

12 Q. As an attachment to your response to Staff 2-5, you
13 provided some updated spreadsheets. Do you see those?

14 A. (Baumann) Yes.

15 Q. And, those look like updates or, I should say, reruns
16 of your attachments to your Tech Statement, starting at
17 RAB-2, Page 1, is that right?

18 A. (Baumann) In the work papers, yes.

19 Q. So, for example, if we look at the third page of what's
20 Exhibit 9, it says "Staff 2-5 Page 3 of 5", do you see
21 that?

22 A. (Baumann) Yes, I do.

23 Q. And, then, if we put next to it your Attachment RAB-2,
24 Page 1, filed on June 13th, they are similar documents

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[WITNESS PANEL: Baumann~White]

1 with different numbers, is that right?

2 A. (Baumann) RAB-2, Page 1?

3 Q. RAB-2, Page 1.

4 A. (Baumann) Correct. They're similar.

5 Q. Okay. And, the purpose of the attachment to the data
6 response was to try to show the monthly cost estimates
7 of Energy Service without migration?

8 A. (Baumann) Yes.

9 Q. So, if we look at them monthly, we can see the
10 differences in the monthly costs that you tried to
11 estimate with and without migration?

12 A. (Baumann) That is correct.

13 Q. So, for example, May 2011 estimate, with migration, is
14 10.14 cents per kilowatt-hour and May 2011, without
15 migration, is 7.91 cents per kilowatt-hour, for
16 example?

17 A. (Baumann) Correct.

18 Q. Mr. Baumann, you first raised this cost shifting issue
19 that's resulting from migration of PSNH's large
20 customers in September of 2009. Do you recall that?

21 A. (Baumann) Yes, I do.

22 Q. And, that was when you filed testimony in DE 09-180, in
23 September, when you sought approval for your 2010
24 Energy Service rate, is that right?

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[WITNESS PANEL: Baumann~White]

1 A. (Baumann) Subject to check, yes.

2 Q. So, the cost shifting has been occurring at least since
3 that time?

4 A. (Baumann) That's correct.

5 Q. Do you have copies of your responses to OCA data
6 requests with you?

7 A. (Baumann) Yes.

8 Q. Could you please look at OCA 2-10.

9 A. (Baumann) We're there.

10 Q. Could you please read the last sentence of your
11 response.

12 A. (White) "Incorporating generation forecasts in the May
13 2011 filing, Newington's annual capacity factor will be
14 5.6 percent."

15 Q. So, that is the estimate for Newington's capacity
16 factor for all of 2011?

17 A. (White) Yes.

18 Q. And, it's "5.6 percent" you just said?

19 A. (White) Yes.

20 Q. Is it true that the Company has been burning both oil
21 and gas at Newington Station?

22 A. (White) Yes.

23 Q. And, when PSNH burns gas at Newington, is it true that
24 the Company regularly deals with only one supplier?

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[WITNESS PANEL: Baumann~White]

1 A. (White) Yes. Our purchases have been made through one
2 supplier.

3 Q. Was that supplier chosen through a competitive bid
4 process?

5 A. (White) No. That supplier has been chosen through
6 working relationships over time.

7 Q. And, Newington has an oil inventory at this time, is
8 that right?

9 A. (White) Yes.

10 Q. In discovery, do you recall providing information about
11 the current inventory?

12 A. (White) I recall there was a data request that
13 addressed that. I don't recall which one. OCA 2,
14 Question 3, provided oil inventory at that point in
15 time.

16 Q. And, "at that point in time" was back in May, is that
17 right?

18 A. (White) Yes.

19 Q. And, at that time, the inventory was just over
20 14 million gallons, or just over 339,000 barrels of
21 oil?

22 A. (White) Correct.

23 Q. And, you estimated the value of that inventory at about
24 \$19 million?

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[WITNESS PANEL: Baumann~White]

1 A. (White) Yes.

2 Q. And, then, you projected that, by the end of the year,
3 that the inventory would be roughly
4 13.9 million gallons, or 331,000 barrels, is that
5 right?

6 A. (White) Yes.

7 Q. And, that the estimated value is roughly \$18.5 million?

8 A. (White) Yes.

9 Q. Mr. Baumann, if we could look at your Attachment RAB-2,
10 Page 6, of your June 13th filing.

11 A. (Baumann) We're there.

12 Q. And, this is a spreadsheet that is titled "Public
13 Service Company of New Hampshire 2011 Energy Service
14 Rate Calculation Fossil/Hydro Return on Rate Base", is
15 that right?

16 A. (Baumann) Yes.

17 Q. And, on Line 18, it shows "Fossil Fuel Inventory", do
18 you see that?

19 A. (Baumann) Yes, I do.

20 Q. And, is that included because the Company earns a
21 return on the inventory that it has?

22 A. (Baumann) Yes, that's correct.

23 Q. So, the Company is earning a return on the oil
24 inventory at Newington Station?

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1 A. (Baumann) Yes.

2 Q. And, the Company's authorized return on equity right
3 now is 9.8 percent, is that right?

4 A. (Baumann) Yes, it is.

5 Q. And, if we look at the bottom right of RAB-2, Page 6,
6 we see the total return, and that is \$42.8 million, is
7 that right?

8 A. (Baumann) That's correct.

9 Q. Mr. White, is it true that, generally, over the last
10 year or so, the capacity factors for your fossil plants
11 have been lower than in recent years?

12 A. (White) I would say they're, in 2010 and '11, they're a
13 bit lower than in previous years, particularly going
14 back several years.

15 Q. And, is that, in part, because those plants have been
16 uneconomic in more hours each year, as compared to
17 market prices?

18 A. (White) In part.

19 Q. Turning to your response to a Staff data request
20 related to insurance proceeds that you received for the
21 damage that occurred to the Merrimack turbine in 2008,
22 do you recall that response?

23 A. (Baumann) Yes, I do. Do I recall which one it is or --

24 Q. I believe it's Staff 2-6. Have all of the insurance

[WITNESS PANEL: Baumann~White]

1 proceeds that have been recovered, related both to the
2 damage to the turbine and replacement power costs, been
3 included in Energy Service rates?

4 A. (Baumann) Yes, they are all included, up-to-date, as to
5 what we had filed for recovery.

6 Q. And, do you expect any further recoveries from those
7 incidents?

8 A. (Baumann) Well, we have -- we have physically received
9 all of the insurance associated with the what I call
10 "non-fuel" portion of our insurance claims. We are
11 still awaiting some of the final sign-off on the fuel
12 portion of the replacement power costs. And, in our
13 filing, I think in the front sheet, there's about
14 3.2 million of credit that we have put into the filing
15 that we are expecting recovery of, hopefully by the end
16 of the year. The insurance company is wrapping up
17 their final audit of those numbers, and we're hopeful
18 to get that cash in the door by the end of the year, if
19 not sooner.

20 Q. And, Mr. Baumann, I was just recently reviewing your
21 filing in the 2010 reconciliation case, which is DE
22 11-094. Are you familiar with that testimony?

23 A. (Baumann) Yes.

24 Q. And, in that testimony, you state that there's an

[WITNESS PANEL: Baumann~White]

1 "Energy Service under-recovery for 2010 of
2 10.4 million." Do you recall that?

3 A. (Baumann) Yes, I do.

4 Q. When would those funds be recovered from customers?

5 A. (Baumann) To the extent some of that 10 million is in
6 -- that was 2010, a portion of that may have already
7 been included in the 2011 rates beginning in January.
8 And, then, a portion is also included in the rates that
9 we're proposing beginning in July. So, probably, a
10 lion's share of that will be in rates and recovered
11 over 2011. And, just as a caveat, and I don't have my
12 notes in front of me, but I've got them in my brain,
13 the 10 million over-recovery, about three of that was
14 due to timing of insurance. So, it was really a
15 7 million over-recovery. We had projected that we
16 would recover that 3 million in replacement power
17 insurance during the previous year; that didn't happen.
18 So, that produced an under-recovery of 3 million.
19 However, if you look at our sheets and our calculation,
20 we've included that credit in our rate calculation, in
21 our cost calculation. So, even though it looks like a
22 \$10 million under-recovery, it's really about a
23 7 million under-recovery, if you include the insurance,
24 which we did. But your question still stands and my

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[WITNESS PANEL: Baumann~White]

1 answer still stands, whether it's 10 million or 7, that
2 it's substantially being recovered in 2011.

3 Q. And, then, pending the outcome of the
4 reconciliation/prudence review case, there could be a
5 future adjustment if the Commission were to find that
6 any of those costs were imprudent, is that right?

7 A. (Baumann) That's correct.

8 MS. HATFIELD: Thank you, Mr. Chairman.
9 I have nothing further.

10 CHAIRMAN GETZ: Thank you. Ms. Amidon.

11 MS. AMIDON: Thank you. Good morning.

12 WITNESS BAUMANN: Good morning.

13 WITNESS WHITE: Good morning.

14 BY MS. AMIDON:

15 Q. I have for I believe it's Mr. Baumann, or maybe for
16 either of you, a couple of questions on the technical
17 statement, which has been marked for identification as
18 "Exhibit 7". And, if you look at Section C, Item 2,
19 you said "net costs" -- at the end of that sentence it
20 says "net costs were reduced by \$0.3 million due to
21 increased REC revenues." Could you explain what you
22 mean by "increased REC revenues"?

23 A. (White) This is referring, first of all, to the
24 forecast period June through December. And, the REC

[WITNESS PANEL: Baumann~White]

1 revenues are accrued to Schiller 5 wood generating
2 plant that earns Class I RECs. And, as an offset to
3 its fuel costs, it receives those REC revenues. So,
4 that's the net effect.

5 Q. But "increased REC revenues", why? Do you see the
6 prices for RECs going up in the forecast period?

7 A. (White) Yes. The forecasted market price, the market
8 quote for Class I RECs increase.

9 Q. And, do you know how much it increased by?

10 A. (White) A dollar ninety (\$1.90) per REC.

11 Q. Okay. Thank you. On the same section, Item 7, was
12 customer migration of the large customers the reason
13 for the decrease in sales forecasts that is stated
14 here?

15 A. (White) Increased migration of C&I customers.

16 Q. Okay. Is that the principal reason? Are there any
17 other reasons?

18 A. (White) That's the principal reason.

19 Q. Okay.

20 A. (White) For the decrease in ES sales, that would be the
21 increase in migration is the principal reason.

22 Q. Okay. Thank you. And, does the Company -- can the
23 Company tell us how the 34.8 percent migration rate
24 compares to the rate that the Company was experiencing

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[WITNESS PANEL: Baumann~White]

1 a year ago? Subject to check, would you agree that it
2 was 29.7 percent?

3 A. (White) Subject to check. I know it was 31.8 in our
4 December filing.

5 Q. I'm talking about the similar filing that was made in
6 the 2010 docket last year, the same time frames?

7 A. (White) Subject to check. I don't recall the figure.

8 Q. Okay. I thought I would just help you out there.

9 A. (White) Yes.

10 Q. If you go to the next page, at Item 12, there's a
11 forecast of forward electricity prices for delivery at
12 the Massachusetts Hub. This gave rise to a question.
13 I wanted to know how the Energy Service prices in this
14 -- or, costs in this filing compared to market prices,
15 have you looked at that?

16 A. (White) Overall ES costs?

17 Q. Correct.

18 A. (White) Generally, we have. These are for blocks of
19 power delivered to Massachusetts Hub for the forecast
20 period. These are quotes from brokers as of May 31st.

21 Q. Understood.

22 A. (White) Those processes are a component that go into
23 the calculation of ES costs.

24 Q. Okay. Well, the Consumer Advocate mentioned a

[WITNESS PANEL: Baumann~White]

1 comparison of the overall Energy Service rate that PSNH
2 proposes for the forthcoming period with the current
3 rates for residential customers for Unitil and for
4 Grid. So, the Energy Service component appears -- do
5 you agree that the Energy Service component in your
6 rate is higher than the Energy Service component in the
7 rates that those companies provided?

8 A. (White) Yes. Yes. Given the figures discussed
9 earlier, yes.

10 Q. Right. And, would you agree that, at the time that
11 those rates were approved, they were market-based?

12 A. (White) I would assume so.

13 MS. AMIDON: Okay. Thank you. Mr.
14 Chairman, as with the prior hearing, Mr. Mullen has some
15 additional questions. And, as we get started on that, I
16 have two additional data requests that Staff propounded,
17 Staff Data Request, Set 2, Number 3, and Set 2, Number 4,
18 which I would like to have marked for identification as an
19 exhibit, and I think that we're up to 10?

20 CHAIRMAN GETZ: Yes.

21 MS. AMIDON: And, I will turn the
22 questioning over to Mr. Mullen at this point.

23 CHAIRMAN GETZ: They will be so marked.

24 (The document, as described, was

[WITNESS PANEL: Baumann~White]

1 herewith marked as **Exhibit 10** for
2 identification.)

3 MR. EATON: For clarification, are those
4 two responses together as "Exhibit 10"?

5 MS. AMIDON: Correct.

6 MR. EATON: Thank you.

7 WITNESS BAUMANN: I'm sorry, I missed
8 those response numbers.

9 MS. AMIDON: Staff Set 2, Numbers 3 and
10 4.

11 WITNESS BAUMANN: Thank you.

12 MS. AMIDON: Do you have them? I can
13 provide you copies.

14 WITNESS BAUMANN: Oh, we have them.

15 MS. AMIDON: Okay.

16 WITNESS BAUMANN: Thank you.

17 MS. AMIDON: Thank you.

18 MR. MULLEN: Good morning.

19 WITNESS BAUMANN: Good morning.

20 WITNESS WHITE: Good morning.

21 BY MR. MULLEN:

22 Q. Looking at Exhibit 10, Mr. White, both of these
23 questions deal with the subject that Attorney Hatfield
24 was discussing earlier, on basically Newington Station.

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[WITNESS PANEL: Baumann~White]

1 If you look at the response to Set 2, Question Number
2 3, could you read the first sentence of that response
3 please.

4 A. (White) "Lower dispatch prices at Newington are based
5 on lower fuel (gas) prices and lower deliver basis
6 estimates between the December, 2010 and May, 2011
7 filings."

8 Q. Thank you. Now, could you clarify for me what you mean
9 by "lower delivery basis estimates"?

10 A. (White) Market gas prices are typically quoted at
11 pricing hubs throughout the country. And, we base our
12 forecasted gas prices for delivery to Newington Station
13 on a northern New Jersey pricing hub, plus a delivery
14 adder from that point to Newington Station. So, the
15 delivery basis is that component over the total cost
16 for getting it from northern New Jersey, a liquid
17 trading pricing point, to the Newington hub or the
18 Newington plant.

19 Q. So, the delivery basis is, really, what you're saying
20 is, the transportation cost to get it from the hub to
21 Newington?

22 A. (White) Correct.

23 Q. Okay. Thank you. Now, if you turn the page to the
24 response to Staff Set 2, Number 4, I'm going to attempt

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[WITNESS PANEL: Baumann~White]

1 to summarize the question, and see if you can attempt
2 to summarize the answer. The question was asking if
3 there were any changes to the planning assumptions used
4 for Newington Station, as compared to assumptions used
5 in the earlier part of this proceeding. Could you
6 please attempt to summarize the response down below and
7 just complain what, if anything, has changed with
8 regard to planning, in relation to Newington Station?

9 A. (White) Generally speaking, planning assumptions at
10 Newington Station have not changed since earlier parts
11 of this proceeding. We still evaluate the economics of
12 Newington given current market prices. And, for --
13 throughout this proceeding, gas has generally been the
14 more economic fuel choice; that assumption has not
15 changed. So, I guess, simply put, our planning
16 assumptions, our approach for the forecast and
17 operation of Newington has not changed.

18 I think the question went on to ask some
19 other correlated questions, and that's what probably
20 the bulk of the response addressed.

21 Q. Okay. Now, if we turn to Exhibit 7, which is your
22 Joint Technical Statement, the second page of that,
23 Item 3. And, there it says "Newington fuel expense
24 decreased by \$2.3 million reflecting decreased

[WITNESS PANEL: Baumann~White]

1 generation of 46 gigawatt-hours." Is that correct?

2 A. (White) Yes.

3 Q. Could you just explain generally what's happened, the
4 details behind that statement?

5 A. (White) This statement is addressing the changes from
6 our preliminary filing in May to this June filing.
7 And, what occurred over that time was that gas prices
8 increased approximately 7 percent, which is the fuel
9 source for Newington. Market prices increased about
10 4 percent. So, the net result is the cost to run the
11 plant increased more than the market prices in which it
12 sells into. So, the costs went up more than the value
13 of the energy it's selling into, so operations went
14 down. There was less generation.

15 Q. And, just to clarify, when you say "market prices", you
16 mean "energy prices"?

17 A. (White) Yes.

18 Q. And, if you turn the page to Item Number 10, this is a
19 slight amount of decrease in costs of \$13,000. And,
20 I'm not really interested so much in the amount of the
21 dollars, more so then if we could discuss generally the
22 relationship of your RGGI costs, if you compare, say,
23 what they are for coal versus Newington on oil or coal
24 versus Newington on gas. Is there a one-to-one

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[WITNESS PANEL: Baumann~White]

1 relationship between the various fuels or could you
2 explain the difference between the fuels?

3 A. (White) The recent data we have, looking at 2010 data,
4 which was -- included some oil and some gas generation,
5 the rates appear fairly similar between Newington on
6 blended fuels and coal. However, you might -- we're
7 having more generation on gas now. So, we'll be
8 analyzing that data, which will give us better
9 indication of the CO2 rates on gas only. You might
10 expect that it would be a somewhat lower rate.

11 Q. Just earlier you said "Newington on blended fuels".
12 Could you clarify what you meant by that?

13 A. (White) Well, what I really meant is, some days
14 operating on oil, some days operating on gas, there are
15 days where the fuels are blended in the furnace.

16 Q. Now, I'd like to refer to an exhibit from a prior
17 proceeding, of which I believe the Commission is taking
18 administrative notice. This was Exhibit Number 5 in
19 Docket DE 10-256. Do either one of you have that
20 there?

21 A. (Baumann) Yes, I think --

22 (Atty. Eaton handing document to the
23 witnesses.)

24 WITNESS BAUMANN: Yes, we now have it

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1 here.

2 BY MR. MULLEN:

3 Q. Now, I understand this was sponsored by Mr. Hall this
4 morning. But, I just want to, if you turn to the last
5 page of that exhibit, and you look at the column that
6 says "Energy Service".

7 A. (Baumann) That's correct.

8 Q. That shows a "1.39" percent as a percentage of overall
9 bills, assuming all customers are taking Energy
10 Service?

11 A. (Baumann) Yes.

12 Q. And, if you look at the "Total Revenue" column, it
13 shows the overall impact of all the proposed changes
14 for July 1st, of a decrease of "1.27" percent on a
15 total bill basis?

16 A. (Baumann) Yes.

17 Q. Now, for those customers who have chosen a competitive
18 supplier, they would not experience the impact that's
19 shown in the "Energy Service" column, correct?

20 A. (Baumann) The answer is "yes", assuming their Energy
21 Service rate from a third party supplier doesn't
22 change.

23 Q. I'll rephrase my question. They would not -- they
24 would not get the impact from PSNH of that "Energy

[WITNESS PANEL: Baumann-White]

1 Service" column?

2 A. (Baumann) That's correct.

3 Q. So, therefore, depending on what happens with their
4 rate from their competitive supplier, they may
5 experience something different than what's shown on
6 this sheet?

7 A. (Baumann) Certainly.

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

10 MS. AMIDON: Thank you, Mr. Chairman.

11 CHAIRMAN GETZ: Commissioner Below.

12 CMSR. BELOW: Yes, I have a couple of
13 questions.

14 BY CMSR. BELOW:

15 Q. If we look at what I believe is Exhibit 8, the Energy
16 Service calculations from 06/13, and look at RAB-2,
17 Page 2 -- or, Page 1 and 2, and we look across at Line
18 13, the "Fossil/Hydro O&M, Depreciation and Taxes", one
19 month stands out with a higher number, which is
20 September, is shown as "19.3 million". And, could you
21 just explain why it jumps so much higher for September?
22 Is that due to a planned outage, where there's extra
23 maintenance expense that's charged in that month?

24 A. (White) Subject to check, that would -- I assume that's

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[WITNESS PANEL: Baumann~White]

1 what it is. We have maintenance outages scheduled in
2 September. And, likely, that's the increased O&M
3 showing up in September.

4 Q. Because depreciation and taxes would be typically
5 spread out evenly over the year for each month, is that
6 correct?

7 A. (Baumann) Yes, that's correct.

8 Q. You accrue taxes monthly?

9 A. (Baumann) Yes, we do. And, depreciation rates are flat
10 as well.

11 Q. Right. Okay. Do you know if, either in this docket,
12 perhaps as a result of a data request, or otherwise,
13 you filed the typical migration report for -- that
14 shows May numbers specifically, by customer class,
15 kilowatt-hours, and percentage of migration?

16 A. (Baumann) We don't file it in this docket. But I
17 believe it's provided, you know, to the Commission.

18 MR. MULLEN: We get a quarterly filing
19 outside of the docket that shows monthly information.
20 However, the second quarter has not been filed yet.

21 CMSR. BELOW: Right. So, I'm wondering
22 if perhaps we could make a record request, since you're
23 using a May migration rate, to go ahead and provide the
24 May migration report? Although, I guess you'll be

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[WITNESS PANEL: Baumann~White]

1 providing the second quarter sometime in July. When would
2 that typically be filed?

3 WITNESS BAUMANN: Yes. Sometime in mid
4 July.

5 CMSR. BELOW: Mid July. But,
6 presumably, you already have the May numbers. So, could
7 we make that a record request?

8 CHAIRMAN GETZ: Do you have the May
9 numbers that you could file before the decision in this
10 case?

11 WITNESS BAUMANN: They should have the
12 May numbers. So, yes, certainly we could.

13 CHAIRMAN GETZ: Well, let's hold Exhibit
14 Number 11 for the response to that record request.

15 (Exhibit 11 reserved)

16 MR. MULLEN: Just to clarify, I don't
17 know if you also wanted April numbers with that as well,
18 to kind of --

19 CMSR. BELOW: Sure. I think that would
20 be helpful. That's all.

21 CHAIRMAN GETZ: Commissioner Ignatius.

22 CMSR. IGNATIUS: Thank you.

23 BY CMSR. IGNATIUS:

24 Q. Mr. Baumann, just to clarify something on the Joint

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[WITNESS PANEL: Baumann~White]

1 Technical Statement, actually, either of you. In
2 Section C, Section 5, this is in Exhibit 7, do you see
3 the last sentence of 5 says "Surplus sales increased 39
4 gigawatt-hours and revenues increased 1.7 million"?

5 A. (White) Yes.

6 Q. What does that refer to? What are "surplus sales"?

7 A. (White) When the generation level of our owned
8 resources or purchased resources exceed the load level
9 in any hour, that incremental amount is modeled as sold
10 into the energy market at the energy market price
11 assumptions.

12 Q. So, you're generating more than you actually need at
13 that point and selling into the Grid?

14 A. (White) Yes.

15 Q. Another clarification, on Exhibit 8, the calculations
16 of Mr. Baumann, "Vermont Yankee" appears, on Page 1
17 appears. And, what are the costs associated with
18 Vermont Yankee that you're identifying here? This is
19 at Line 20, on Page 1, and it's in other spreadsheets
20 as well.

21 A. (White) This is a purchased power agreement that PSNH
22 has for output from the Vermont Yankee Power Station.

23 Q. And, if things were to change with Vermont Yankee and
24 it no longer is authorized to generate electricity,

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[WITNESS PANEL: Baumann~White]

1 what would that mean for PSNH?

2 A. (White) The term of our agreement expires March 2012,
3 coincident with the current expiration date of their
4 license. So, we are not, at this point, planning to
5 purchase power from Vermont Yankee. So, whether they
6 continue to operate or not, it wouldn't impact our
7 planning assumptions in 2012.

8 Q. Thank you. Ms. Hatfield inquired about the oil
9 inventory at Newington, and that you have a dual fuel
10 capability. But the projections for use of oil was
11 fairly limited. And, so that, by the end of the year,
12 you still had -- it was \$14 million worth of oil on
13 hand, is that right?

14 A. (White) I think it was 18.5 was the estimate for end of
15 year.

16 Q. Can you help me understand your thinking about how much
17 oil to keep on hand? You said before that gas is the
18 preferred fuel, since it comes out less expensive,
19 consistently so. So, why do you calculate -- why do
20 you hold that level of oil on hand?

21 A. (White) When the system is stressed, the gas delivery
22 system, typically, in the winter period, when there's a
23 lot of heating demand for gas, in addition to gas
24 demand from power plants, the system becomes stressed

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[WITNESS PANEL: Baumann~White]

1 and it's not always -- you're not always able to get
2 gas or get gas at any reasonable price.

3 So, from a -- even just a backup
4 planning standpoint, we need to have oil on hand, for
5 instances where we want to run the plant, but we
6 couldn't get a gas supply at a reasonable price. So,
7 typically, arranging for oil deliveries could be, at a
8 minimum, two weeks, often longer than that. So,
9 without any on hand, and if conditions exist in the
10 market when you want to run the plant, if you don't
11 have oil on hand, you can't get it quickly. So, we
12 like to maintain a level of inventory that would allow
13 us to operate for a period of time, recognizing that,
14 if we couldn't get gas or oil, we wouldn't have use of
15 the plant otherwise. So, we maintain a level.

16 Q. Do you have a target amount that you keep on hand in
17 your planning protocol?

18 A. (White) Somewhere around three to four, three to five
19 weeks of generating is a rough estimate.

20 Q. And, how does that translate into quantities of oil?

21 A. (White) Well, off the top of my head I can't tell you
22 that. But it is less than the current inventory. The
23 current inventory is probably closer to six weeks of
24 full load operation on peak.

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[WITNESS PANEL: Baumann-White]

1 Q. So, why are you holding more than what your planning
2 would suggest is a reasonable amount to have on hand?

3 A. (White) The oil is in inventory. It was purchased with
4 the expectation that it would be burned for ES
5 customers. And, those procurements were made sometime
6 ago. Since it's been in inventory, gas prices have
7 dropped below the oil market. And, so, we have chosen
8 the lesser cost fuel in operating the plant, so that
9 oil inventory has remained. We still believe there's
10 value in having that inventory. So, we've investigated
11 selling it, rather than burning it in the power plant,
12 and haven't ruled that out. At this time, we're not
13 actively pursuing that.

14 Recent experience this past winter, when
15 circumstances did exist, as I described earlier, where
16 gas markets went very high, and we did burn oil at
17 Newington a fair amount over the winter. So, that
18 scenario could reoccur, and we're prepared for it.

19 Q. I have a question about the relationship between the
20 market and the migration figures. We're generally told
21 that, "as market prices increase, the migration
22 pressures are reduced on PSNH, because there's less
23 value to customers to go off the PSNH system." Is that
24 -- would you say that's a fair, very general statement?

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[WITNESS PANEL: Baumann~White]

1 A. (White) Yes. I would agree with that.

2 Q. We have today a situation where market prices have gone
3 up, are projected to go up, albeit a fairly small
4 increase, but an increase, and not a projection of
5 migration going down, but a projection of migration
6 remaining at the level it's at right now, was in May,
7 and what you said was the highest number you'd ever
8 used. Anything that would help to understand that
9 situation, which, at least based on the theory from a
10 moment ago, doesn't seem to match?

11 A. (White) Let me try it this way. Where our rate is
12 versus a market rate, as prices, market prices for
13 energy and other components go up, while the gap
14 between the ES rate and market rates we discussed
15 earlier, it may narrow, but there still exist an
16 economic incentive for customers to migrate. So, until
17 there's a significant enough market price increase, it
18 may not reverse.

19 Q. Do you have any expectation that the migration rate
20 will change and be even greater than the 34.8 that
21 you've used for these calculations?

22 A. (White) We don't forecast migration, because we don't
23 know where market prices are headed, we don't know
24 marketing plans of third party suppliers. We don't

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[WITNESS PANEL: Baumann~White]

1 know customers' behavior.

2 At this point, a large percentage of
3 industrial customers have migrated. There are not a
4 lot of them left to migrate. And, we've not seen any
5 real movement in residential customers migrating. We
6 don't want to unduly influence behavior by making an
7 assumption of where migration is headed, having that
8 affect the rate. That, on its own, could affect levels
9 of migration. If we assume a higher migration level,
10 it would drive the rate up, that might incent
11 migration. Likewise, if we assume it's going to
12 decrease, that would lower the rate, and might incent
13 people not to or to come back to ES.

14 CMSR. IGNATIUS: All right. That's
15 helpful. Thank you.

16 BY CHAIRMAN GETZ:

17 Q. Mr. White, a couple of follow-up questions on the oil
18 inventory issues. I believe you said that, and I guess
19 this would be for calendar year 2010, that the
20 Newington capacity factor was like "5.6 percent", is
21 that correct?

22 A. (White) That figure was an estimate for calendar year
23 2011.

24 Q. An estimate.

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[WITNESS PANEL: Baumann~White]

1 A. (White) Incorporating some actual operations with
2 forecasted operations.

3 Q. And, that's a combination of relying on oil and natural
4 gas, is that correct?

5 A. (White) Yes.

6 Q. So, then, presumably, the oil contribution to that is a
7 part of that. And, is it correct that the 2010 actuals
8 were in the neighborhood of 1 percent or so for the oil
9 capacity factor?

10 A. (White) I'm not sure. I don't know the answer to that.

11 Q. But, certainly, the oil number, capacity factor for oil
12 alone would be a number smaller than the 5.6 percent?

13 A. (White) Yes.

14 Q. And, you've chosen to use, rely on natural gas more,
15 because of the price advantage of natural gas versus
16 oil?

17 A. (White) That's correct.

18 Q. And, you also said that, given the 330,000 or so
19 barrels of oil in inventory now, that that would --
20 that that could fuel the station for about six weeks,
21 is that correct?

22 A. (White) Yes.

23 Q. And, then, if you use that annualized, that number, six
24 weeks out of 52, that would probably get you to about a

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[WITNESS PANEL: Baumann~White]

1 12 percent capacity factor?

2 A. (White) Sounds about right.

3 Q. So, all things being equal, projecting that out, you'd
4 have a number of years at an average usage that the
5 current oil inventory could support? Putting aside
6 some extreme cold weather situations that -- or some
7 wide fluctuation in gas prices that would drive you
8 away from natural gas?

9 A. (White) Yes, that's a fair analysis. Like I said, we
10 did experience opportunities to burn the oil this past
11 winter. And, concurrent with looking into selling that
12 oil into oil markets, rather than burning it, and those
13 opportunities perhaps softened our outlook for selling
14 it a bit. But it was advantageous to have it in
15 inventory at that time. And, --

16 Q. And, that gets back to your answer to Commissioner
17 Ignatius's question that, as a planning protocol,
18 you've concluded that having three to five weeks of oil
19 inventory on standby is a --

20 A. (White) Is about where we like to be. And, again, a
21 lot of that is based on being able to get additional
22 shipments. You need to have some on hand. If you were
23 to burn through it, you may not be able to get
24 replacement deliveries on a short notice.

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[WITNESS PANEL: Baumann~White]

1 CHAIRMAN GETZ: Okay.

2 CMSR. BELOW: May I follow up on
3 something?

4 BY CMSR. BELOW:

5 Q. Do you know if you have -- to what extent you have firm
6 transportation or not for gas at Newington?

7 A. (White) We do not have firm transportation for gas.
8 There's very little firm transportation for gas. But,
9 our usage is so intermittent, that that wouldn't make
10 economic sense for us.

11 Q. So, do you see your, in a sense, your oil, your dual
12 fuel capacity, your oil on-site stored, as being
13 something in lieu of firm transmission? I mean, it
14 sort of allows you to operate if transportation is not
15 available for gas, right?

16 A. (White) Absolutely. That's a strong incentive for
17 having oil inventory.

18 CMSR. BELOW: Okay. Thank you.

19 CHAIRMAN GETZ: Any redirect, Mr. Eaton?

20 MR. EATON: Yes, I have a couple of
21 questions.

22 REDIRECT EXAMINATION

23 BY MR. EATON:

24 Q. The Consumer Advocate, Attorney Hatfield, asked you

{DE 10-257} {06-23-11}

[WITNESS PANEL: Baumann-White]

1 questions about having a single supplier for natural
2 gas. And, then, you just mentioned that your use of
3 gas at Newington is "intermittent". Do all gas
4 suppliers serve a load like Newington on an
5 interruptible basis and, as you said, "intermittent"?

6 A. (White) Well, I think a lot of gas suppliers serve
7 combined cycle gas-fired generation, which would be a
8 large quantity used day after day. I think, perhaps
9 the point would be that there would be a smaller number
10 of suppliers willing to interact in the manner that we
11 typically do, where we want and request gas deliveries
12 on short-term notice.

13 Q. And, has this supplier been reliable in providing the
14 needs of Newington Station when you need gas?

15 A. (White) This supplier has been reliable. We've
16 developed a good working relationship. It's not
17 unusual that we're requesting gas deliveries late in
18 the afternoon for the next day, or even at midnight,
19 early morning hours, interacting with this supplier for
20 deliveries to Newington. When we get a dispatch order
21 from ISO-New England, to come on line at 10:00 the
22 following morning, we may not have secured a gas supply
23 at that point in time. We work with the supplier, and
24 that's worked out very well for us.

{DE 10-257} {06-23-11}

[WITNESS PANEL: Baumann~White]

1 Q. Concerning the oil inventory that's in the tank, do you
2 have an idea of the cost of that oil on a per barrel
3 basis and how that compares to what the current market
4 is for the same oil on a per barrel basis?

5 A. (White) I would say it's substantially below the
6 current market value of oil.

7 Q. Do you know when the last time was that PSNH purchased
8 oil for Newington?

9 A. (White) I don't know. I would -- I would say that the
10 bulk of the oil in inventory was purchased more than 12
11 months ago.

12 MR. EATON: Thank you. That's all I
13 have.

14 CHAIRMAN GETZ: Anything further for
15 these witnesses?

16 (No verbal response)

17 CHAIRMAN GETZ: Hearing nothing, then
18 you're excused. Thank you, gentlemen.

19 Is there any objection to striking
20 identifications and admitting the exhibits into evidence?

21 (No verbal response)

22 CHAIRMAN GETZ: Hearing no objection,
23 they will be admitted into evidence. Is there anything
24 else we need to address before opportunity for closings?

{DE 10-257} {06-23-11}

1 (No verbal response)

2 CHAIRMAN GETZ: Hearing nothing, then,
3 Ms. Hatfield.

4 MS. HATFIELD: Thank you, Mr. Chairman.
5 I would like to begin my closing by just very briefly
6 recognizing Ken Traum's service, both to state government
7 and to the OCA. As you know, he has been a public servant
8 for 32 years, and he has very ably represented residential
9 ratepayers at the Office of Consumer Advocate for the last
10 21 years. And, I think his service has been very well
11 recognized by a recent Citation from Governor Lynch, in
12 which the Governor said that "The State of New Hampshire
13 is fortunate to have Ken in our community, and that the
14 entire State of New Hampshire is grateful for his years of
15 hard work and exemplary service." So, I just wanted to
16 just take a moment and recognize that, as this is his last
17 hearing as Assistant Consumer Advocate. So, thank you for
18 allowing me to do that.

19 With respect to PSNH's request for an
20 increase in the Energy Service rate, the OCA cannot
21 support the proposed rate at this time. As was
22 demonstrated through cross-examination and in the
23 Company's filing, PSNH's rate is both over-market and is
24 also over the energy service rates of the other utilities

1 in the state, which means that PSNH ratepayers, who are on
2 Energy Service, we'll see residential customers, who don't
3 have a robust choice, are paying more than they need to.

4 We also heard that migration is still
5 shifting costs. And, one estimate of that cost is that
6 it's about half a cent of the rate, which we heard is over
7 \$25 million.

8 We believe that PSNH should be taking
9 very aggressive steps to reduce the cost of providing
10 Energy Service. Whether they run their plants even less
11 than they are now when they are over-market, do things
12 like reducing inventory at plants, both on the oil and
13 coal side, and even consider agreeing to forgo a portion
14 of their authorized return, especially in situations like
15 the one we just heard discussed, where the Company is
16 maintaining an inventory that is in excess of what their
17 typical planning would require.

18 We believe that the law requires that
19 PSNH must operate its generating fleets in the best
20 interest of customers, not shareholders. And, we are
21 concerned that that is not happening at this time.

22 We do appreciate both the Company and
23 Staff's work in this docket. It's always a quick
24 turnaround, and we appreciate their willingness to answer

1 all of our questions. Thank you.

2 CHAIRMAN GETZ: Thank you. Ms. Amidon.

3 MS. AMIDON: Thank you. Consistent with
4 Attorney Hatfield, I wanted to offer a statement regarding
5 Ken Traum's work for this state.

6 The Staff wants to express our
7 appreciation for Ken Traum's years of public service
8 representing the interests of residential ratepayers
9 before the Commission. Ken has not only brought
10 thoughtful analysis to issues, but has presented his
11 opinions in a cordial and professional manner. We wish
12 him well in his future endeavors, and hope that he will
13 keep in touch with his friends here at the PUC.

14 And, thank you for allowing me to make
15 that statement on the record.

16 With respect to this filing, Staff
17 reviewed the filing. We conducted discovery. And, we
18 believe that the Company has calculated the estimated
19 Energy Service rate, and consistent with prior practice
20 and Commission direction.

21 However, we are concerned that the
22 continued upward movement of migration has resulted in
23 higher rates than we would see otherwise. And, with that,
24 having said that, we also recognize that the Commission

1 will have an opportunity to review the actual operation of
2 the plants, the actual costs and revenues associated with
3 that, and other manners of the Company's procurement of
4 power and capacity, in the reconciliation filing that will
5 be for 2011, which will be filed next May.

6 And, that concludes our statement.

7 CHAIRMAN GETZ: Thank you. Mr. Eaton.

8 MR. EATON: Thank you, Mr. Chairman.

9 Public Service Company has calculated the proposed rate in
10 the customary manner. The costs reflect our best
11 estimates of what will be in effect for the remainder of
12 the year. And, as Attorney Amidon has just told you, it's
13 subject to the Commission's look in the next
14 reconciliation proceeding for 2010 costs. We request that
15 the Commission approve the proposed rate that was filed on
16 June 13th, 2011.

17 And, I would like to supplement my
18 closing statement with the following, if I can rise, and
19 not address the Commission, but address Mr. Traum:

20 Mr. Traum now leaves OCA, with a
21 remarkably grand dossier. Relax and joy, when you've left
22 their employ. Good luck and God's speed on your way.

23 MR. TRAUM: No "Paragraph B(K)"
24 references?

1 MR. EATON: No. And, I didn't sing.

2 MR. TRAUM: Thank you.

3 MS. AMIDON: Thank you.

4 CHAIRMAN GETZ: Opportunity for
5 rebuttal, Mr. Traum?

6 MR. TRAUM: No rebuttal. I just, you
7 know, I've certainly enjoyed my many years, you know,
8 working with, really, everybody in the utility arena.
9 And, I've certainly learned a lot, and have tried to
10 contribute as much as I can representing residential
11 ratepayers. And, I'd just like to thank everybody for
12 your kind comments.

13 CHAIRMAN GETZ: Well, then let me add
14 this, before we close. From a professional perspective,
15 on behalf of myself and Commissioner Below and
16 Commissioner Ignatius and Staff, that I want to
17 acknowledge your long service to the people of New
18 Hampshire. You've always conducted yourself consistent
19 with the highest professional standards, and have been a
20 zealous and effective advocate for residential customers.

21 And, from a personal perspective, we
22 will miss your insight and good humor and helping to put
23 us in a position to make better informed decisions. So,
24 thank you and best wishes, Ken.

1 MR. TRAUM: Well, thank you.

2 CHAIRMAN GETZ: Is there anything before
3 we close?

4 (No verbal response)

5 CHAIRMAN GETZ: Hearing nothing else,
6 then we'll close the hearing and take the matter under
7 advisement.

8 (Whereupon the hearing ended at 12:27
9 p.m.)

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