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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 23, 2011 - 1:36 p.m.  
Concord, New Hampshire

NHPUC JUL01 '11 PM 4:26

RE: DE 11-133  
PUBLIC SERVICE CO. OF NEW HAMPSHIRE:  
*Petition for Approval of New  
Transmission Cost Adjustment  
Mechanism (TCAM) Rate.*

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

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

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## E X H I B I T S

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1	Testimony of Robert A. Baumann, including attachments (06-13-11)	7
2	Testimony of Stephen R. Hall, including attachments	9
3	Document entitled "Appendix D PSNH Supply Resources Used to Serve Energy Service Requirement"	25
4	<b>RESERVED</b> (Record Request: Please provide the actual sales growth by class and in total from 2009 to 2010 and forecasted sales growth by class and total for 2012)	26

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P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good afternoon, everyone. We'll open the hearing in Docket DE 11-133. On June 9, 2011, Public Service Company of New Hampshire filed a petition for approval of a new Transmission Cost Adjustment Mechanism rate to be effective for service rendered on and after July 1, 2011. An order of notice also notes that, in addition to the TCAM rate, PSNH made filings regarding adjustments effective July 1 for midterm adjustments for the Stranded Cost Recovery Charge, to the Energy Service Charge, and also a request for recovery of certain wind storm expenses. We issued an order of notice on June 10 setting the hearing for this afternoon.

So, can we take appearances please.

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

CHAIRMAN GETZ: Good afternoon.

MS. AMIDON: Good afternoon. Suzanne Amidon, for Commission Staff. With me today is Steve Mullen, the Assistant Director of the Electric Division, and Grant Siwinski, an Analyst in the Electric Division.

CHAIRMAN GETZ: Good afternoon. Are you ready to proceed, Mr. Eaton?

[WITNESS PANEL: Baumann-Hall]

1 MR. EATON: Yes, we are. I would like  
2 to call Robert A. Baumann and Stephen R. Hall to the  
3 stand.

4 CHAIRMAN GETZ: Let me also note for the  
5 record that the affidavit of publication has been filed.

6 (Whereupon *Robert A. Baumann* and  
7 *Stephen R. Hall* were duly sworn and  
8 cautioned by the Court Reporter.)

9 ROBERT A. BAUMANN, SWORN

10 STEPHEN R. HALL, SWORN

11 DIRECT EXAMINATION

12 BY MR. EATON:

13 Q. Mr. Baumann, would you please state your name for the  
14 record.

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

16 Q. And, for whom are you employed?

17 A. (Baumann) I'm employed by Northeast Utilities Service  
18 Company, who supplies services to all the operating  
19 subsidiaries of Northeast Utilities, and one of which  
20 is Public Service Company of New Hampshire.

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

22 A. (Baumann) I'm the Director of Revenue Regulation and  
23 Load Resources. And, my responsibilities cover revenue  
24 requirement calculations and filings and support of

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[WITNESS PANEL: Baumann~Hall]

1 those filings for both PSNH and the other operating  
2 subsidiaries of Northeast Utilities.

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

4 A. (Baumann) Yes.

5 Q. Mr. Baumann, I place in front of you a document that's  
6 entitled the "Prepared Testimony of Robert A. Baumann  
7 Transmission Cost Adjustment Mechanism (TCAM) Docket  
8 Number DE 11-133". Do you recognize that document?

9 A. (Baumann) Yes.

10 Q. Could you please describe it for the record.

11 A. (Baumann) Well, this document outlines briefly the  
12 request that the Company has made for a change in the  
13 TCAM rate effective July 1, 2011. And, the document  
14 contains the supporting schedules for the proposed new  
15 rate.

16 Q. Was this document prepared by you or under your  
17 supervision?

18 A. (Baumann) Yes.

19 Q. Is there a need for any corrections to this document?

20 A. (Baumann) No.

21 Q. And, it's true and accurate to the best of your  
22 knowledge and belief?

23 A. (Baumann) Yes.

24 Q. And, you adopt it as your testimony today?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) Yes, I do.

2 MR. EATON: Could we have this 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. Mr. Hall, could you please state your name for the  
10 record.

11 A. (Hall) Stephen R. Hall.

12 Q. For whom are you employed?

13 A. (Hall) Public Service of New Hampshire.

14 Q. What is your position and what are your duties in that  
15 position?

16 A. (Hall) I'm Rate and Regulatory Services Manager. I'm  
17 responsible for regulatory relations, pricing and rate  
18 design, and rate and tariff administration.

19 Q. Have you previously testified before this Commission?

20 A. (Hall) Yes, I have.

21 Q. Did you prepare testimony for this proceeding?

22 A. (Hall) Yes.

23 Q. And, is that entitled "Prepared Testimony of Stephen R.  
24 Hall"?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Hall) Yes, it is.

2 Q. Was it filed with the Commission on June 13th, 2001  
3 [2011?]?

4 A. (Hall) Yes.

5 Q. Was this testimony prepared by you or under your  
6 supervision?

7 A. (Hall) Yes.

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

10 A. (Hall) Yes, it is.

11 Q. Are there any corrections you'd like to make to the  
12 testimony?

13 A. (Hall) No, there are none.

14 Q. Could you please describe what the testimony is about.

15 A. (Hall) Sure. My testimony takes the revenue  
16 requirements that Mr. Baumann determined and uses those  
17 revenue requirements to come up with transmission  
18 prices. And, in my testimony and attachments, I  
19 calculate the base transmission component and the  
20 incremental component, transmission costs are broken  
21 into two components pursuant to a settlement agreement  
22 in Docket DE 06-028. And, what my testimony does and  
23 attachments do is it goes through the calculation of  
24 the base component, calculates the incremental

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[WITNESS PANEL: Baumann-Hall]

1 component, and then Attachment SRH-1 contains  
2 individual rates and charges for all classes of service  
3 forward transmission prices.

4 MR. EATON: Mr. Chairman, could we have  
5 the document described by Mr. Hall marked as "Exhibit  
6 Number 2" for identification?

7 CHAIRMAN GETZ: So marked.

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

11 BY MR. EATON:

12 Q. Mr. Baumann, could you please summarize the Company's  
13 request in this proceeding.

14 A. (Baumann) The Company is requesting a decrease to the  
15 TCAM rate effective July 1st, 2011. The current rate  
16 is 1.501 cents per kilowatt-hour, and the proposed rate  
17 is 1.189 cents per kilowatt-hour. The primary driver  
18 for the decrease in the TCAM rate is a combination of  
19 an under-recovery that was being recovered in the 1.5  
20 cent current rate going away and an over-recovery that  
21 was just calculated and booked currently that is  
22 embedded in the 1.189 cent rate. And, the swing of a  
23 large under-recovery going away and taken out of rates  
24 and a large over-recovery being put into rates has

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[WITNESS PANEL: Baumann~Hall]

1           caused the swing in the TCAM rate to go down during the  
2           period.

3   Q.   And, Mr. Hall, do you have anything to add to your  
4           description of your testimony, as far as how the  
5           Company gets from Mr. Baumann's overall average rate to  
6           the individual customer rates that you compute?

7   A.   (Hall) No, I have nothing further.

8   Q.   Do you have anything further to add to your testimony,  
9           Mr. Baumann?

10  A.   (Baumann) No, I do not.

11                   MR. EATON: Thank you. Mr. Chairman,  
12           these witnesses are available for cross-examination.

13                   CHAIRMAN GETZ: Thank you. Ms. Amidon.

14                   MS. AMIDON: Thank you. Good afternoon.

15                                   **CROSS-EXAMINATION**

16  BY MS. AMIDON:

17  Q.   Mr. Baumann, I'm looking at Exhibit 1, at Page 7, where  
18           you talk about what you just discussed being the cause  
19           for the decrease in the rate. The over-recovery that  
20           was in the most recent period, is that correct, is now  
21           in part of the proposed rate?

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

23  Q.   Do you know what the causes were of that? Were it  
24           lower than forecasted costs or different sales that

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[WITNESS PANEL: Baumann-Hall]

1 factored into that over-recovery?

2 A. (Baumann) The over-recovery is really a function of the  
3 overall revenues recovered versus costs incurred for  
4 Northeast Utilities and then PSNH's share. And, I  
5 think I should probably take a minute here and just  
6 bring everybody's brainwaves back up, because we do  
7 transmission once a year, it's always a lot of fun.

8 Northeast Utilities has an overall  
9 revenue requirement. And, that is submitted to ISO-New  
10 England, and ISO-New England sets rates once a year for  
11 RNS, twice a year for LNS, but a regional rate, an RNS,  
12 Regional Network Service rate is set based on  
13 everyone's revenue requirements throughout New England,  
14 including Northeast Utilities, et al, PSNH, CL&P, and  
15 Western Mass. Electric. What happened this year that  
16 produced an over-recovery is that the load assumptions  
17 that were used to calculate those RNS rates that ISO  
18 had gave all the companies to charge, the load  
19 requirements in actual were lower than what -- excuse  
20 me, were higher than what was embedded in the previous  
21 rates. The RNS rate formula calls for actual calendar  
22 year FERC Form 1 load requirements to be part of the  
23 formulaic rates. To the extent they vary in what I  
24 call the "billing period", the period after the actual

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[WITNESS PANEL: Baumann~Hall]

1 year, they can produce over and under-recoveries.

2 What happened last year that produced  
3 this over-recovery is that the RNS -- excuse me, that  
4 the load, in actual, was higher than in the formula.  
5 That produced higher RNS revenues for all of the  
6 companies. That being said, the simple transmission  
7 rate formula is you take your total revenue  
8 requirements, exclude your RNS recoveries, and the  
9 remainder is your LNS recoveries or requirement.  
10 Because there were higher RNS recoveries during the  
11 measurement period, the LNS rates that had been charged  
12 over charged, in effect, the LNS customers. Now, LNS,  
13 Local Network Service, and those customers are the  
14 customers in, you know, the Northeast Utilities  
15 customers, in other words, CL&P, Western Mass., and  
16 PSNH.

17 So, in effect, the simple -- the simple  
18 explanation is, is that, because of the way the  
19 formulas are set up that are approved by FERC and  
20 administered by ISO, there were more RNS recoveries,  
21 which created less LNS recoveries that are necessary  
22 and created an over-recovery, which is being refunded  
23 back to PSNH, CL&P, and Western Mass. Electric. And,  
24 PSNH has their portion. That's, really, the essence of

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[WITNESS PANEL: Baumann-Hall]

1 the over-recovery and how it came about.

2 Q. Okay. I'm not sure I -- it's just a formulaic problem

3 then and not -- or were the load assumptions just too

4 optimistic or --

5 A. (Baumann) Well, no, the load assumptions were based on

6 a calendar year, it was probably calendar year 2009, --

7 Q. Okay.

8 A. (Baumann) -- because we went back. And, the FERC

9 formula says "use calendar year load". Come up with

10 your costs, divided by your load, you come up with a

11 rate. That's what you can use or charge for next year.

12 Well, that's fine, but you're charging it on a load --

13 on a load basis. So, if the load, in actual, is

14 higher, you really, in hindsight, don't need to charge

15 that much.

16 Q. Okay, now I get it.

17 A. (Baumann) From an RNS perspective. The total is the

18 same. I mean, PSNH and everybody else only is allowed

19 to collect their revenue requirements. And, to the

20 extent you get more recoveries, you have refunds. The

21 refunds take place in the LNS arena, because LNS is

22 kind of what's left, after you take total revenue

23 requirements, less RNS, you end up with LNS

24 requirements. And, if RNS does a lot better because of

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[WITNESS PANEL: Baumann~Hall]

1 just the formula and how it works, then the LNS has  
2 less requirements and, therefore, in this situation, it  
3 created a refund to the LNS customers, which are the  
4 local customers of Northeast Utilities.

5 Q. Understood. Thank you for that explanation.

6 A. (Baumann) Okay.

7 MS. AMIDON: Mr. Mullen has some  
8 additional questions he'd like to ask. Good afternoon.

9 WITNESS BAUMANN: Good afternoon.

10 BY MR. MULLEN:

11 Q. Following up on what you just said, any refunds or  
12 other true-ups then wouldn't happen through the RNS  
13 rate, they would happen through the LNS rate?

14 A. (Baumann) Right.

15 Q. Okay.

16 A. (Baumann) This is actually a -- this is a Tariff 21 LNS  
17 refund.

18 Q. So, then, if we turn to Attachment RAB-1, Page 5. And,  
19 if you refer to Footnote 1 on Line 46, that talks about  
20 the refund that you've been explaining. And, that is  
21 reflected up above on Line 9, in the column "May 2011"?

22 A. (Baumann) That's correct.

23 Q. So, similarly, for the prior period, where you mention  
24 that, instead of an over-recovery, there was an

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[WITNESS PANEL: Baumann-Hall]

1 under-recovery, if you turn back two pages to RAB-1,  
2 Page 3, similarly, there's a footnote on Line 46. And,  
3 again, that's reflected above on Line 9, and again in  
4 "May 2010" showing as a charge?

5 A. (Baumann) Yes.

6 Q. So, there was the opposite thing going on last year,  
7 and I imagine the load was -- probably went the other  
8 way?

9 A. (Baumann) Part of it was due to load, but I think I  
10 recall part, too, was -- part of it was due to expense  
11 estimates that came in different. This year was really  
12 driven more by load. But, you're essentially correct.

13 Q. And, if we turn back to RAB-1, Page 1a. And, looking  
14 at the various lines and the delta between from one  
15 period to the next, it appears that, for the most part,  
16 the cost lines have gone down, with the exception of  
17 RNS, and the "Revenue Credits" line, could you explain  
18 that?

19 A. (Baumann) These revenue credits are primarily the  
20 credits associated with the Hydro-Quebec facilities.  
21 If you recall, I think in the testimony, it talks about  
22 they're now -- these credits are now being -- they're a  
23 cost component in the TCAM. They used to be a cost  
24 component in the distribution rates. But, in the

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[WITNESS PANEL: Baumann~Hall]

1 settlement in 09-035, it was agreed by all parties that  
2 these credits would follow -- would be in TCAM,  
3 consistent with the support payments for Hydro-Quebec  
4 that are also in TCAM.

5 Q. And, how does PSNH get revenue from the HQ asset?

6 A. (Baumann) Well, we own an entitlement in that line.  
7 And, to the extent we can sell that entitlement and  
8 other people can use that line, they pay us revenues  
9 towards that use.

10 Q. Now, if you turn to RAB-1, Page 2, there's some further  
11 detail on Line 19 and continued on Line 47, regarding  
12 the "Revenue Credits". Associated with that, there's a  
13 Footnote 2 on Line 55. And, part of it says "Revenue  
14 credits include Hydro-Quebec (H-Q) revenues associated  
15 with the H-Q support contract through December 2011."  
16 Why are the revenues only forecasted through  
17 December 2011?

18 A. (Baumann) To the extent we have contractual  
19 commitments, we put those revenues in here. And, I  
20 believe our contractual commitments end at the end of  
21 2011. So, we didn't -- we didn't assume that there  
22 would be a market for these revenues. Some years we  
23 have more revenues than other years, but that that was  
24 our assumption going through here. We don't have a

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[WITNESS PANEL: Baumann~Hall]

1 contract going forward past that period of time.

2 Q. So, for this forecasted period, you're only putting  
3 what I'll call "known revenues". But it's possible  
4 that, for the period beginning January 2012 going  
5 forward, there will be additional revenues that just  
6 are not reflected here because there's no contract yet?

7 A. (Baumann) That's correct.

8 Q. Turning to Page 5 of your testimony, Mr. Baumann. The  
9 items you discuss on Lines 10 through 20, for the  
10 Commission's assessment, as well as the working capital  
11 associated with transmission costs, would you say that  
12 -- would I be correct to characterize it as these are  
13 instances of putting the costs in the proper bucket?

14 A. (Baumann) Yes. I think, essentially, that's what the  
15 settlement tried to do, is they split them and put them  
16 in the buckets. I mean, there was a lot of discussion  
17 during the settlement, and there will probably be going  
18 forward, that you can keep them altogether. But, in  
19 effect, the Commission's assessment, you know, you  
20 certainly work on transmission, as well as  
21 distribution, as well as the energy service. So, there  
22 was an allocation, and I believe that allocation was  
23 predicated on -- I think it was on revenues, and that's  
24 how we came up with the split.

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[WITNESS PANEL: Baumann~Hall]

1 Q. That's for the assessment?

2 A. (Baumann) Right.

3 Q. As for the working capital, prior to this filing,  
4 working capital associated with transmission costs was  
5 collected through the distribution rate, is that  
6 correct?

7 A. (Baumann) Right.

8 Q. So, now, what we've done is we've shifted those out of  
9 the distribution rate calculations and into the  
10 transmission rate calculations?

11 A. (Baumann) Yes.

12 Q. Mr. Hall, if you turn to SRH-2, Page 2, as well as  
13 Page 4.

14 A. (Hall) I'm there.

15 Q. Could you briefly explain what is shown on those pages?

16 A. (Hall) Sure. What these two pages show is these two  
17 pages calculate a ratio of the rate -- the coincident  
18 peak for Rate B customers, as compared to PSNH's  
19 coincident peak. And, by "coincident peak", I mean the  
20 peak coincident with the NU system peak. In the  
21 Settlement Agreement I referred to earlier, in the rate  
22 case, Docket 06-028, the parties agreed on a method of  
23 allocating costs to Rate B. And, what the parties  
24 agreed to do was to take Rate B, the customers' -- Rate

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[WITNESS PANEL: Baumann~Hall]

1 B customers' coincident demand at the time of the NU  
2 system peak for all 12 months, and divided by PSNH's  
3 total customer demand at the time of the NU system peak  
4 for all 12 months. Sum up those two 12 month numbers  
5 and come up with a ratio. That is the methodology used  
6 to allocate costs to Rate B customers under that  
7 settlement. So, what these two pages do that you  
8 referred to is look at two different time periods, two  
9 different reconciliation periods for the purpose of  
10 calculating that ratio.

11 Q. And, overall, whether I'm looking at Page 2 or Page 4,  
12 that ratio is fairly small?

13 A. (Hall) Yes. It's a fraction of a percent.

14 Q. Could you just briefly explain what "Rate B" is?

15 A. (Hall) Sure.

16 Q. And, what its purpose is?

17 A. (Hall) Absolutely. "Rate B" is a Backup Service rate  
18 for customers who own or who have their own generation.  
19 And, Rate B applies to the amount of load that  
20 customers require from PSNH when their own generation  
21 is not running. So, it's supplemental or backup use,  
22 backup to the customer's own generation, which normally  
23 supplies their electricity requirements.

24 Q. Okay. Now, if you turn to SRH-3.

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[WITNESS PANEL: Baumann~Hall]

1 A. (Hall) I'm there.

2 Q. And, if you -- at the far right column where you have  
3 all the percentage decreases by class. Could you  
4 explain the variance in the -- between the classes that  
5 show a negative 20.43 percent, and then for the  
6 classes, for the Rate B base component and for total  
7 Rate B, understanding that the dollars are quite small,  
8 but the percentage increases vary quite a bit.

9 A. (Hall) Yes. They do. And, the reason the percent  
10 changes vary a lot is exactly what you said, is the  
11 magnitude of the rate itself. We're talking about some  
12 pretty small dollar amounts. And, therefore, if you  
13 have a small amount that you're billing, then even a  
14 small dollar change in that small amount can result in  
15 a large percentage change in that amount.

16 With regard to the Rate B base  
17 component, that, the base component of Rate B, is  
18 decreasing from I believe it was \$1.30, I believe,  
19 currently, down to 31 cents a kVa. And, the total Rate  
20 B demand charge, including the base plus the  
21 incremental component, is decreasing from \$1.31 down to  
22 60 cents per kW per month.

23 So, when we have a decrease in a rate  
24 that's only \$1.31 a month, per kW per month to start

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[WITNESS PANEL: Baumann~Hall]

1 with, doesn't take a whole lot of change in dollar  
2 terms or cents terms to result in a high percentage  
3 change in the rate level.

4 Q. Now, earlier you explained that there's calculations  
5 that are made based on the Rate B customers'  
6 contribution to the NU system peak?

7 A. (Hall) Yes. That's how the Rate B base component  
8 charge is -- how costs are allocated to the base  
9 component and, therefore, how the base component is  
10 calculated.

11 Q. The most recent data you've used for that contribution  
12 to the peak is from the most recent 12-month period,  
13 correct?

14 A. (Hall) I think the answer is "yes", but I'm not quite  
15 following you.

16 Q. I'm looking at SRH-2, Page 2.

17 A. (Hall) Okay. That's where I am.

18 Q. Okay.

19 A. (Hall) And, that -- go ahead. I'm sorry.

20 Q. The most recent information you've used for that  
21 calculation goes from July 2010 actual through April of  
22 2011, and then two months estimated, May and June 2011?

23 A. (Hall) Yes.

24 Q. So, in the period -- in the upcoming period, what

[WITNESS PANEL: Baumann~Hall]

1 happens if the Rate B customers' contribution to the NU  
2 system peak is quite different than what you've used  
3 for your calculations?

4 A. (Hall) The costs will be reconciled, and customers,  
5 during that reconciliation, Rate B customers will be  
6 either allocated more or less costs in the future. In  
7 other words, there will be either an over or  
8 under-recovery of that component of the rate, that gets  
9 reconciled and rolled into the calculation of next  
10 year's rate level.

11 Q. And, that could be impacted, say, like if one of these  
12 customers is an electric generating plant that goes off  
13 line for a while and needs some station service?

14 A. (Hall) Yes. In fact, that is the largest impact that  
15 -- that is the largest factor that impacts these rates,  
16 is to -- and that is whether these large generators  
17 have an outage during the time of NU's system peak or  
18 monthly peak.

19 MR. MULLEN: Thank you. I have nothing  
20 further.

21 MS. AMIDON: Just a couple of more  
22 questions.

23 BY MS. AMIDON:

24 Q. Mr. Hall, your Attachment SRH-1 shows the difference

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[WITNESS PANEL: Baumann~Hall]

1 between the rates for various rate classes under, as  
2 opposed to -- in the proposed period as opposed to the  
3 current period, is that right?

4 A. (Hall) That's correct.

5 Q. And, so, this is just to demonstrate that the rate  
6 which you are requesting is an average rate, and these  
7 are the actual rates per customer class, is that  
8 correct?

9 A. (Hall) Absolutely. Mr. Baumann's calculation was a  
10 cents per kilowatt-hour amount. That's the overall  
11 average rate level expressed in terms of cents per  
12 kilowatt-hour. As a practical matter, we don't bill  
13 that cents per kilowatt-hour to anyone. Rather, we  
14 take that information and calculate rates and charges,  
15 both cents per kilowatt-hour and dollars per kilowatt  
16 per month that we bill to the various customer classes.  
17 And, column 2, on Attachment SRH-1, shows each and  
18 every one of those proposed rates and charges.

19 Q. So, and like, for example, Line 45 in that exhibit  
20 shows the demand charge for Rate B that you mentioned  
21 earlier how it's reducing by more than half?

22 A. (Hall) Yes.

23 Q. From \$1.31 to 60 cents?

24 A. (Hall) Yes.

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[WITNESS PANEL: Baumann~Hall]

1 Q. And, so, the proposed rate for the residential class is  
2 actually a little higher than the requested average  
3 rate, is that correct?

4 A. (Hall) Correct.

5 Q. Okay. Thank you. And, Mr. Baumann, you mentioned that  
6 these are related to FERC tariffs. So, does the  
7 Company have any -- any discretion in passing these  
8 costs through or are they allowed to pass it through  
9 because it's a FERC tariff cost?

10 A. (Baumann) Well, they're FERC-regulated, as opposed to  
11 state-regulated. And, we really don't have any option.  
12 The formulas are very specific. They talk about  
13 specific accounts and subaccounts. And, you know, the  
14 appropriate load to use. So, there is no wiggle room,  
15 in terms of what we have to charge here.

16 Q. So, it's essentially a pass-through?

17 A. (Baumann) Yes.

18 MS. AMIDON: Thank you. I have no  
19 further questions.

20 CHAIRMAN GETZ: Mr. Eaton, I don't think  
21 we've closed the loop on this. There were two questions  
22 deferred from this morning, I believe on the -- Ms. Amidon  
23 inquired about revenue trends, and I think Commissioner  
24 Ignatius asked some questions about some small hydro

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[WITNESS PANEL: Baumann~Hall]

1 contract ending dates. Do we have that?

2 MR. EATON: I have one of those. I have  
3 the schedule that comes from our Least Cost Plan, which  
4 shows all of our generating assets and the entitlements  
5 that we have. And, that has the expiration dates for the  
6 small power producers. I could provide that to you now,  
7 if you'd like?

8 CHAIRMAN GETZ: Why don't we do that,  
9 before we turn to questions from the Bench.

10 (Atty. Eaton distributing documents.)

11 CHAIRMAN GETZ: Well, for convenience  
12 sake, we'll mark this for identification as "Exhibit  
13 Number 3". It's a single-page document. It's "Appendix  
14 D" is the heading, "PSNH Supply Resources". So, it will  
15 be "Exhibit 3" for identification.

16 (The document, as described, was  
17 herewith marked as **Exhibit 3** for  
18 identification.)

19 MR. EATON: As far as the sales  
20 forecasts, we're checking those numbers now. And, we'd  
21 like permission to file those first thing tomorrow, just  
22 to make sure we give you the correct information.

23 CHAIRMAN GETZ: Okay. Well, then, let's  
24 hold an exhibit for those. And, I guess, for convenience

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1       sake, we'll make that "Exhibit Number 4" in this  
2       proceeding.

3                               (Exhibit 4 reserved)

4                               CHAIRMAN GETZ: Okay. Commissioner  
5       Below.

6                               CMSR. BELOW: Yes. Thank you, Mr.  
7       Chairman.

8       BY CMSR. BELOW:

9       Q.     Could you refresh our memory on RNS rate, where it's  
10       charged to all the entities with load responsibility  
11       based on their monthly peak load. How does ISO-New  
12       England allocate between the various months? Is it  
13       based on each month's -- sort of the sum of each  
14       month's peak load and spread the revenue requirement  
15       over the month that way?

16       A.     (Baumann) The rate is applied actually on the monthly  
17       peak load. Whereas, in the LNS calculation, it's a  
18       12-month rolling coincident peak, 12 CP calculation.

19       Q.     Right. But what I'm saying is, how does the revenue  
20       requirement get apportioned between to each month?  
21       It's not one-twelfth each month?

22       A.     (Baumann) Well, it's a -- the rate is calculated based  
23       on a total annual revenue requirement. So, the rate is  
24       a fixed RNS rate. So, they don't look at the revenue

[WITNESS PANEL: Baumann-Hall]

- 1 requirement each month. They take an annual revenue  
2 requirement. They say "Okay, we have an annual number.  
3 Here's the rate you can charge so that, over a 12-month  
4 period, you will get that annual amount." And, so,  
5 they don't match it to a monthly revenue requirement,  
6 it's an annual revenue requirement.
- 7 Q. Okay. I'm still not quite clear on the mechanics of  
8 how that works. So, if PSNH's share of the load  
9 throughout New England for the month of January was,  
10 say, 5 percent of the peak load for that one -- it's a  
11 one hour peak, is that correct?
- 12 A. (Baumann) That's correct.
- 13 Q. It's 5 percent of what exactly?
- 14 A. (Baumann) Well, it would be a measured load value.  
15 And, that measured load value then would be multiplied  
16 times a rate, an RNS rate.
- 17 A. (Hall) It's the load that occurs at the time of the  
18 monthly peak, the New England wide peak.
- 19 Q. Right.
- 20 A. (Hall) With regard to the 5 percent amount that you  
21 were asking.
- 22 Q. Right. I understand that part. But I guess I'm still  
23 not quite clear on how, and, you know, this is one  
24 level above what we're working at. But, you know,

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[WITNESS PANEL: Baumann~Hall]

- 1           there's an annual revenue requirement for all of the  
2           transmission owners in New England, and that's -- is  
3           that apportioned to the 12 months on an equal basis or  
4           does that vary, so that, if some months are less than  
5           one-twelfth and other months are more than one-twelfth  
6           of that average annual peak load, the amount of revenue  
7           requirement gets apportioned accordingly?
- 8    A.    (Baumann) Well, again, I think it's an annual.  They  
9           look at what the annual revenue requirement will be for  
10          a 12-month periods.
- 11   Q.    Uh-huh.
- 12   A.    (Baumann) And then allocate, and then come up with an  
13          RNS rate to charge for the, you know, the peak hour  
14          each month.
- 15   A.    (Hall) And, they bill that annual rate, that one  
16          number, to each entity based on that entity's peak in  
17          each month at the time of the system peak.
- 18   Q.    Right.  Okay.  And, --
- 19   A.    (Hall) I'm sorry.
- 20   Q.    And, then, of course, most of your customers, you don't  
21          have demand charges, but, obviously, in some of the  
22          larger rate classes, you do.  The B that we've talked  
23          about, LG, GV, and perhaps a few others.
- 24   A.    (Hall) Uh-huh.

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- 1 Q. And, G, if they have over five kW of load. Those I --  
2 I believe I understand, but correct me if I'm wrong,  
3 that those are currently, they're going to not --  
4 they're not really -- none of those are measured on  
5 coincident with your monthly peak or the system monthly  
6 peak, they're just the highest point of demand during  
7 that month for those customers?
- 8 A. (Hall) Correct.
- 9 Q. In any of those customer classes, do you collect  
10 interval data such that you could look at actually that  
11 entity's contribution to that coincident monthly peak?
- 12 A. (Hall) We could, but, from a billing perspective, it  
13 really isn't a good way to bill customers. Because,  
14 until the peak occurs and until the month is over, you  
15 have no idea when the hour of monthly peak is. And,  
16 therefore, customers, they wouldn't know whether or not  
17 they were incurring a billing demand in any particular  
18 hour, because they have no idea whether the monthly  
19 peak had occurred. And, it wouldn't be until a month  
20 later that you would go back and say "Oh, okay, here's  
21 where the month occurred. Now we've got to figure out  
22 what each customer's load was at the time of that peak  
23 and you have to bill them accordingly, sort of  
24 retroactively. So, -- I'm sorry.

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1 Q. Excuse me. So, what's the lag time when you get  
2 billed, say the May peak was, you know, May 15th.

3 A. (Hall) Uh-huh.

4 Q. When would you know that that was the system coincident  
5 peak? I guess you may know that sooner, right after  
6 the end of May, because ISO-New England publishes that  
7 data. But when would you actually have the bill for  
8 that, your share of that coincident peak for the month  
9 of May?

10 A. (Baumann) We get an ISO bill about the second or third  
11 week of the following month. And, I believe that -- I  
12 have to be careful here, because ISO bills some of  
13 their costs on a two-month lag. But, I would think  
14 that, by the third week, when the ISO bill comes out  
15 from the previous month, we would know what the May  
16 peak was, the May day or the May hour, actually,  
17 subject to check. I don't -- it's funny, because the  
18 -- the reason I'm hesitating a little is we actually  
19 have to -- we have to file once a year, in the end of  
20 May we have to file peak data by customer. We have to  
21 assign what they call "ICAP tags" to each customer.  
22 And, it's based on the peak of the prior calendar year.  
23 And, ISO sometimes struggles with getting us the exact  
24 hour, because of all the adjustments that they're

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1 making and all the data manipulation, if you will. We  
2 have a good idea of just about when it is. But it --  
3 we don't get it as quickly you would think it would be  
4 available. And, that's why I'm hesitating a little, to  
5 know that if ISO, you know, ISO, I don't know, they may  
6 or may not have the exact peak hour the month after.  
7 They'll have a good idea probably around one or two  
8 hours where it was, but it may not be final for months  
9 down the road, because we do get little, you know,  
10 credits, ISO credits and charges that occasionally come  
11 in as a result of that. That's why I'm hesitating  
12 saying this.

13 Q. Okay. And, you typically have a shorter -- probably a  
14 shorter turnaround time from when you collect a  
15 customer's monthly consumption data and turn around a  
16 bill that goes out to them?

17 A. (Hall) Yes. The other thing to remember is that we  
18 bill on a cycle reading basis. We read meters every  
19 single day. And, we render a bill within a day of  
20 reading the customer's meter. The complicating factor  
21 associated with trying to look at coincident peak and  
22 bill customers based on coincident peak is, if the  
23 coincident peak occurs, let's say, on the 27th of the  
24 month, everyone who's read from the 1st through the

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1 26th, we would render them a bill, but it would have to  
2 be based on last month's coincident peak. And, we  
3 wouldn't really know what their bill would be for this  
4 month, because, if their meter is read on the 26th, we  
5 now have to wait until the 26th of the following month  
6 to see what their load was on the 27th in that hour.  
7 So, that's why utilities have traditionally billed  
8 customers based on the customer's peak demand in one  
9 30-minute interval. And, you know, --

10 Q. So, you --

11 A. (Hall) Go ahead.

12 Q. So, just to understand a little further, how do you  
13 allocate between all the different rate classes? Could  
14 you just review that for me.

15 A. (Hall) Yes. There are various ways of allocating  
16 between classes. And, the rate design that we're using  
17 is a holdover from what PSNH's rate design looked like  
18 roughly when PSNH emerged from restructuring and we  
19 unbundled the rates. What we did is we tried not to  
20 make radical changes from rate design. And, therefore,  
21 didn't want to impact the customer's bill amounts as a  
22 result of changes to rate design. So, we tried to  
23 retain the same design. We made little tweaks here and  
24 there.

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1                   If you were starting all over again,  
2                   starting from scratch, one way of allocating costs  
3                   would be to look at each class's coincident peak demand  
4                   in each month and allocate transmission costs that way.  
5                   Then, you'd take the transmission costs allocated to  
6                   each class and divide by that class's billing demand,  
7                   summing together all the billing demands for all  
8                   customers in every month, and divide those two. Now,  
9                   the denominator of that equation is going to be a lot  
10                  larger than coincident peak. So, that's how cost  
11                  allocation, rate design, and billing come into play.

12    Q.    So, really, in a sense, the only class that we're  
13           really doing that for is the Rate B, the Backup rate  
14           class?

15    A.    (Hall) Yes. And, the reason for that is that it's a  
16           very small number of customers, perhaps a couple of  
17           dozen. The data -- these customers are essentially --  
18           most of them are essentially generators that are taking  
19           station service. And, as a result of the make-up of  
20           the class, when the parties entered into discussions  
21           back in the 2006 rate case, we talked about "okay, how  
22           do we handle this? How do we allocate these costs to  
23           backup customers versus all other customers?" And,  
24           this is what we came up with. That, for Rate B, we

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1 carve out a different methodology for allocating the  
2 costs, and we allocate costs accordingly.

3 Q. And, pretty much for all the other classes, you're just  
4 sort of carrying forward the proportions that were  
5 figured out as we came out of restructuring?

6 A. (Hall) Yes.

7 Q. Okay. Could you just review how a rolling 12-month  
8 coincident peak is calculated for LNS cost allocation?

9 A. (Baumann) Well, it's, again, it's a 12-month average.  
10 So, it's your coincident peak every month, the NU  
11 coincident peak. So, NU has a coincident peak every  
12 month for an hour. And, that is the hour of the  
13 measurement. So, PSNH's peak for that hour, and CL&P's  
14 peak, Western Mass.'s peak, the three added together as  
15 coincident. And, then, you take 12 of those months,  
16 the last 12 months, and it keeps rolling. So, you drop  
17 a month and add a month. And, that comes up with your  
18 peak, your calculated peak value, which is just really  
19 the sum of 12 peaks divided by 12.

20 Q. So, if 5 of the -- I mean, if 6 of the past 12 months  
21 were at 5 percent of -- well, PSNH has a share, and you  
22 might be, say, 30 percent. If it was 30 percent for 6  
23 of the past 12 months and 20 percent for 6 of the past  
24 12 months, then, you would pay 25 percent of the costs

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[WITNESS PANEL: Baumann~Hall]

1 for the most recent month that's getting billed using  
2 that 12-month average?

3 A. (Baumann) Right.

4 Q. So, each month that keeps rolling forward, adding the  
5 most recent month, dropping the oldest, but each month  
6 is an equal weight?

7 A. (Baumann) Correct.

8 Q. Okay.

9 A. (Baumann) And, it's usually, just to add to that, it's  
10 usually driven -- CL&P usually drives that coincident  
11 peak. So, CL&P is almost guaranteed to have their  
12 highest peak at the coincident peak. Whereas, PSNH and  
13 Western Mass., in theory, may not have it, you know,  
14 their highest peak might be the hour before or the hour  
15 after. But, generally speaking, when CL&P peaks, the  
16 other operating subsidiaries are pretty close to that  
17 hour.

18 Q. Uh-huh.

19 A. (Baumann) You know, CL&P is not going to peak on  
20 August 6th, and PSNH peak on August 9th or 10th. We  
21 don't see that very, you know, as often. It's usually  
22 within an hour, like hour 15 versus 16. But it's  
23 normally -- it's normally set by CL&P, but the other  
24 subsidiaries are very close.

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[WITNESS PANEL: Baumann~Hall]

1 Q. The hour that gets set by CL&P is coincident with the  
2 New England wide peak, is that what you mean?

3 A. (Baumann) Well, this is an NU coincident peak.

4 Q. Okay.

5 A. (Baumann) Which may or may not be --

6 Q. Okay.

7 A. (Baumann) -- the New England peak.

8 Q. Okay. So, what you're saying, within the NU system,  
9 it's usually CL&P's peak that is the system peak, and  
10 your peak may or may not be consistent with that, but  
11 it's fairly close? I mean "yours" meaning PSNH?

12 A. (Baumann) Right. Right. PSNH and Western Mass. may  
13 not have the exact same hour.

14 Q. Right.

15 A. (Baumann) And, you know, I would say maybe, I don't  
16 know, 50 percent of the time they do, but they may be  
17 an hour or two off, or an hour off, because they're  
18 usually very close, if not right on it.

19 CMSR. BELOW: Okay. I think that's all.

20 That's all.

21 CHAIRMAN GETZ: Commissioner Ignatius.

22 CMSR. IGNATIUS: Thank you. A couple of  
23 questions.

24 BY CMSR. IGNATIUS:

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[WITNESS PANEL: Baumann-Hall]

1 Q. Mr. Hall, in your Exhibit 2, your testimony, your  
2 Attachment 2, Page 2, under "Rate B", the numbers are  
3 sort of fluctuating up and down from July 2010 until  
4 you get to April, and there's a significant increase,  
5 suddenly it jumps to almost 44,000 kilowatts. What's  
6 going on there?

7 A. (Hall) That is an outage at a very large generator.  
8 That went out of service and stayed out during the time  
9 of the NU system peak.

10 Q. So, while it was out of service, it had to draw power  
11 instead of generating its own?

12 A. (Hall) Yes.

13 Q. Okay.

14 CMSR. BELOW: And, may I inquire?

15 CMSR. IGNATIUS: Go ahead.

16 BY CMSR. BELOW:

17 Q. That could either be a generation unit, like a  
18 Seabrook, or it could also be somebody, a customer  
19 who's an end-user, who has some of their own  
20 generation, and their own generation is out of service,  
21 so they get all of their load needs or a larger portion  
22 than normal, is that correct?

23 A. (Hall) Yes. And, during other months, I agree. But  
24 April is such an aberration that it's very clear, with

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[WITNESS PANEL: Baumann~Hall]

1 April, what the cause is for that.

2 CMSR. BELOW: Okay. Thanks.

3 **CONTINUED BY THE WITNESS:**

4 A. (Hall) Simply because of the size.

5 CMSR. BELOW: Right.

6 BY CMSR. IGNATIUS:

7 Q. The other thing, I wanted to ask a couple of questions  
8 about Exhibit 3, which was the list of resources that  
9 Mr. Eaton gave us just a few moments ago. And, am I  
10 right that this comes from the Company's Least Cost  
11 Plan filing?

12 A. (Hall) Yes.

13 Q. So, the information was based on circumstances when  
14 that was initially filed with the Commission sometime  
15 in 2010?

16 A. (Hall) September 2010.

17 Q. Thank you. The final resource listed says "BioEnergy  
18 Buyout", and it does not have an expiration date,  
19 although the 2015 amount purchased is lower, as if it's  
20 stepping down. Do you know, is there a date we should  
21 fill into that column?

22 A. (Hall) We don't know the date offhand, but we can  
23 certainly supply that.

24 Q. All right. And, that from, if I'm reading this right,

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[WITNESS PANEL: Baumann~Hall]

1 from "West Hopkinton Hydro", about halfway down, to the  
2 end of the page, those resources are all things that  
3 PSNH does not own, but has a contractual obligation to?

4 A. (Baumann) Yes.

5 Q. And, above that, "Vermont Yankee", you stated you have  
6 a -- I think what you called an "entitlement" to a  
7 certain portion of power obligation to purchase?

8 A. (Hall) Yes.

9 Q. That expires in 2012. And, then, above that are all  
10 units that you -- that PSNH owns?

11 A. (Hall) I'm sorry, I didn't get that.

12 Q. Above "Vermont Yankee" on your chart, are all of those  
13 units, from "Merrimack Unit 1" down through "Smith",  
14 are they all generating units that PSNH owns?

15 A. (Hall) Yes.

16 CMSR. IGNATIUS: Thank you.

17 CHAIRMAN GETZ: Just one more question  
18 about that.

19 BY CHAIRMAN GETZ:

20 Q. And, I think the original question came up in the  
21 context of the interplay between the Stranded Cost  
22 Recovery Charge and the Energy Service Charge. So,  
23 this list is a bigger list than that interplay.

24 A. (Hall) Yes.

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[WITNESS PANEL: Baumann~Hall]

1 Q. So, is it really the small hydros, from "West  
2 Hopkinton" down to "Errol Dam"?

3 A. (Hall) Yes.

4 Q. That would have that, would be affected?

5 A. (Hall) Yes.

6 CHAIRMAN GETZ: Okay. Thank you. Any  
7 redirect, Mr. Eaton?

8 MR. EATON: No thank you, Mr. Chairman.

9 MR. MULLEN: Could I just ask one  
10 follow-up?

11 CHAIRMAN GETZ: Please.

12 BY MR. MULLEN:

13 Q. Regarding Commissioner Ignatius's question on the  
14 "BioEnergy Buyout", do you recall, Mr. Hall, that when  
15 that contract was bought out that the buyout contract  
16 was -- the buyout term was the same term as what the  
17 original contract was?

18 A. (Hall) Yes, it was.

19 Q. Now, that contract with Bio was originally entered into  
20 in the mid '80s, is that right?

21 A. (Hall) That sounds right.

22 Q. And, do you remember, was that a 30-year deal?

23 A. (Hall) I believe it was.

24 Q. So, if we look at 2015, and you look at the number of

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1 megawatt-hours, which is roughly half of the prior  
2 years, would it be safe to assume that that is  
3 scheduled to end in mid 2015?

4 A. (Hall) Yes.

5 MR. MULLEN: Thank you.

6 WITNESS HALL: Thank you.

7 CHAIRMAN GETZ: Anything further for  
8 these witnesses?

9 (No verbal response)

10 CHAIRMAN GETZ: Hearing nothing, you're  
11 excused. Thank you, gentlemen. Is there an objection to  
12 striking the identifications and admitting the exhibits  
13 into evidence?

14 MR. EATON: No objection.

15 CHAIRMAN GETZ: Hearing no objection,  
16 they will be admitted into evidence. Anything we need to  
17 address before opportunity for closings?

18 (No verbal response)

19 CHAIRMAN GETZ: Hearing nothing, then,  
20 Ms. Amidon.

21 MS. AMIDON: Thank you. The Staff has  
22 reviewed the filing and discussed it with the Company.  
23 And, we've determined that the Company has calculated the  
24 TCAM rate consistent with the Settlement Agreement that

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1 the Commission approved in Docket 06-028. And, we  
2 recommend that the Commission approve the filing.

3 CHAIRMAN GETZ: Thank you. Mr. Eaton.

4 MR. EATON: Thank you, Mr. Chairman.  
5 PSNH has calculated the rate in the manner it has in the  
6 past. This is a pass-through of costs that are approved  
7 by the Federal Energy Regulatory Commission and  
8 administered by the Independent System Operator for New  
9 England. And, Mr. Hall has taken the average rate and  
10 developed rates for individual classes in the manner  
11 that's been done in the past. So, we'd ask that the  
12 Commission approve the rates in Mr. Hall's testimony for  
13 the individual classes for effect on July the 1st. Thank  
14 you.

15 CHAIRMAN GETZ: Okay. Thank you. Then,  
16 we'll close this hearing and take the matter under  
17 advisement.

18 (Whereupon the hearing ended at 2:32  
19 p.m.)

20

21

22

23

24