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THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
2012 DEFAULT ENERGY SERVICE RATE CHANGES
MID-TERM ADJUSTMENT EFFECTIVE JULY 1, 2012

ORIGINAL	
N.H.P.U.C. Case No.	DE 11-215
Exhibit No.	# 9
Witness	Parcel 12
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Docket No. DE 11-215

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

- 8 **Q. Have you previously testified before the Commission?**
- 9 A. Yes. I have testified on numerous occasions before the Commission.

- 10 **Q. What is the purpose of your testimony?**
- 11 A. The purpose of my testimony is to provide a detailed overview of PSNH's request for a
- 12 mid-term adjustment to increase the current Default Energy Service (ES) rate effective
- 13 on July 1, 2012.

- 14 **Q. What is PSNH requesting in this proceeding?**
- 15 A. In this proceeding, PSNH is requesting the Commission approve a mid-term adjustment
- 16 to the non-Scrubber portion of the ES rate for all customers effective July 1, 2012. This

1 rate adjustment would decrease the current ES non-Scrubber rate from 7.77 cents per
2 kWh to 6.85 cents per kWh, based on actual results through March 2012 and the most
3 current forecast of PSNH's costs of providing such power for the remainder of 2012. In
4 addition, the temporary Scrubber rate of 0.98 cents per kWh would continue unchanged
5 as ordered in DE 11-250, resulting in the total ES rate changing from the current 8.75 to
6 7.83 per kWh. PSNH is proposing the ES rate change to take effect July 1, 2012
7 consistent with its simultaneous proposal to change the SCRC. In addition, in early June
8 2012, PSNH will also file its proposal to change the Transmission Cost Adjustment
9 Mechanism (TCAM) effective July 1, 2012 and also file the updated ES and SCRC rates.
10 The detailed calculations supporting the proposed ES rate can be found in Attachments
11 RAB-1 and RAB-2 to this testimony.

12 **Q. Does the proposed ES rate include a smoothing of the ES rate through the**
13 **upcoming six month billing period?**

14 A. Yes. The calculation in Attachment RAB-1, page 1, contains a projected over recovery
15 at current rates of \$46.3 million over the billing period. PSNH's proposed ES rate
16 reflects 50% of that over recovery in the upcoming six month rate period and has
17 deferred the remainder of that over recovery until 2013.

18 **Q. Why has PSNH proposed to defer a portion of the current over recovery until**
19 **2013?**

20 A. If 100% of the over recovery is embedded in the ES rate beginning on July 1, 2012, the
21 ES rate would drop to 5.93 cents/kWh. With no deferral, the ES rate path would see the
22 current ES rate of 7.77 cents/kWh drop dramatically to 5.93 cents and then swing back
23 up to an estimated 7.5 cents/kWh in 2013, depending on market prices. PSNH believes

1 this radical swing in rate path is not in the best interests of customers, and therefore we
2 have proposed a rate path that supports more reasonable rate continuity for the
3 foreseeable future. In addition, PSNH believes that the conclusion of the Scrubber rate
4 docket will also produce an increase to the Scrubber portion of the ES rate in 2013, thus
5 exacerbating the swing in ES rates to customers.

6 **Q. What caused the over recovery?**

7 A. The primary cause of the over recovery has been the falling of market prices. Another
8 significant reason is sales of oil inventories at an estimated net benefit of \$8 million.

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

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

Date of Service

May 2001 - January 2003	(a) 4.40 cents per kWh
February 2003 - January 2004	(b) 4.60/4.67
February 2004 - July 2004	5.36
August 2004 - January 2005	5.79
February 2005 - July 2005	6.49
August 2005 - January 2006	7.24
February 2006 - June 2006	9.13
July 2006 - December 2006	8.18
January 2007 - June 2007	8.59
July 2007 - December 2007	7.83
January 2008 – June 2008	8.82
July 2008 – December 2008	9.57
January 2009 – July 2009	9.92
August 2009 – December 2009	9.03
January 2010 – June 2010	8.96
July 2010 – December 2010	8.78
January 2011 – June 2011	8.67
July 2011 – December 2011	8.89
January 2012 – April 15, 2012	8.31
April 16, 2012 – June 2012	(c) 8.75

- (a) Set by statute for all retail customers.
- (b) Small C&I and residential rate set by statute (4.60 cents).
Large C&I rate set on forecasted costs (4.67 cents).
- (c) This rate consists of non-Scrubber rate component of 7.77 cents per kWh and 0.98 cents for Merrimack Scrubber costs approved in the temporary rates Docket No. DE 11-250.

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

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

3 A. PSNH recovers the cost of supplying energy to customers who choose to receive energy
4 from PSNH through the ES rate. The ES rate is forecasted and reconciled once actual
5 costs are known. ES reconciliation amounts, beginning in February 2006, are deferred
6 and applied to future ES rate recoveries per the Commission's order and findings in
7 Docket No. DE 05-164, Order No. 24,579, dated January 20, 2006.

8 **Q. Describe what has transpired during the ES period beginning January 1, 2012.**

9 A. The ES rate of 8.31 cents per kWh excluded Merrimack Scrubber costs and was billed
10 for the period, January 1, 2012 – April 15, 2012. Per Order 25,346 in DE 11-250 which
11 established temporary rates for the Scrubber, the non-Scrubber ES Rate changed to
12 7.77 cents per kWh effective April 16, 2012. The proposed decrease in the non-
13 Scrubber ES rate is primarily due to lower market prices than the level reflected in the
14 current ES rate.

15 **Q. When will PSNH provide an update to the proposed ES rate?**

16 A. The values in this filing will be updated in about five weeks to reflect actual results for
17 April and May 2012. In addition, if there are any other significant changes, such as a
18 significant change to the forecasted forward market prices from those used in developing
19 this rate or significant changes in customer migration, then PSNH will also update its
20 rate for these changes. At that time we will provide further detail to support this
21 requested rate change and provide an updated Technical Statement.

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

3 A. Yes. ES costs contain the generation asset revenue requirements, entitlements and
4 purchased power obligations, including the cost of fuel used in generation. In addition,
5 ES costs include the costs and revenues from market purchases and sales, ISO-NE
6 expenses and revenues, New Hampshire Renewable Portfolio Standard costs (RPS),
7 Regional Greenhouse Gas Initiative costs (RGGI), and IPP power values at market
8 prices. Finally, ES costs include non-fuel operation and maintenance costs (O&M),
9 depreciation, property taxes and payroll taxes, uncollectible costs attributable to ES, and
10 a return on the net generation investment. All of these costs exclude any impact of the
11 Merrimack Scrubber costs which are subject to the temporary rate Order in DE 11-250.

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

13 A. The level of migration assumed in PSNH's filing is 36.0%, higher than the 34% used to
14 set the 2012 rate in December 2011. This value represents the actual current migration
15 level on PSNH's system at the end of March 2012.

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

18 A. PSNH includes IPP generation as a source of power to meet PSNH's load requirements,
19 and that power is valued based on projected market costs (energy and capacity). The
20 over-market portion of purchases from the IPPs are treated as a stranded cost and
21 recovered through Part 2 of the Stranded Cost Recovery Charge. This treatment is
22 consistent with the Restructuring Settlement and the Commission's Order in Docket DE
23 02-166. As market prices decrease, the ES costs decrease and there is a

1 corresponding increase to the SCRC rate for the same time period. To properly match
2 the recovery of IPP costs, PSNH will also simultaneously file for a change in the SCRC
3 rate effective July 1, 2012.

4 **Q. Has PSNH reflected the Wood IPP costs and detail by contract per Order # 25,305**
5 **in Docket DE 11-184?**

6 A. Yes. The detail of purchases by contract for 2012, actual and forecasted, is shown on
7 page 7 of Attachment RAB-2 which reflects both the “at market” and “over market” costs.
8 The at market costs are summarized and reflected on RAB-2, page 3 of the ES rate
9 while the over market Wood IPPs costs are reflected in the SCRC rate.

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

11 A. Attachment RAB-2 provides detailed cost and revenue components relating to PSNH's
12 generating costs, and also provides a breakdown of market purchases and sales. Page
13 3 of the attachment provides further detail relating to the PSNH generation and
14 purchased power for the period January 1, 2012 through December 31, 2012. Page 4
15 provides further detail on the forecasted market value of IPP generation. Page 5
16 provides a breakdown of Fossil/Hydro Operation and Maintenance costs. Page 6
17 provides a detailed calculation of the return on Fossil/Hydro investment and Page 7
18 provides the detailed breakdown of the Wood IPP purchases.

1 **Q. Does the Commission need to make a determination at this time of the**
2 **prudence of the costs incurred since January 1, 2012?**

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

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

8 A. Yes.

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

10 A. Yes. Due to the number of rate components that will change, PSNH requests approval
11 of the proposed ES rate by June 28 to allow sufficient time to test thoroughly and bill on
12 our regular schedule without delaying billing for service rendered as of July 1, 2012.
13 Therefore, PSNH requests that the Commission reopen this proceeding so that the
14 procedural schedule can be set to review this filing and approve the ES rate in a timely
15 manner.

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

17 A. Yes, it does.