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N.H.P.U.C. Case No.	DE 11-217
Exhibit No.	#3
Witness	Panel 2
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THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

PREPARED TESTIMONY OF ROBERT A. BAUMANN
MID-TERM ADJUSTMENT EFFECTIVE JULY 1, 2012
2012 STRANDED COST RECOVERY CHARGE
RATE CHANGE

Docket No. DE 11-217

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 Stranded Cost Recovery (SCRC) rate
13 effective on July 1, 2012.

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

15 A. In this proceeding, PSNH is requesting that the Commission approve a mid-term
16 adjustment to the average SCRC rate for all customers effective July 1, 2012. This

1 adjustment, as calculated today and consistent with the concurrent ES rate filing,
2 requires an increase in the current SCRC rate of 1.23¢/kWh to a rate of 1.94¢/kWh to
3 take effect from July 1 through December 31, 2012. This revised SCRC rate was based
4 on actual results through March 2012 and an updated forecast for the remainder of
5 2012. PSNH is proposing the SCRC rate change to take effect July 1, 2012 consistent
6 with its simultaneous proposal to change the ES rate. In addition, in early June 2012,
7 PSNH will also file its proposal to change the Transmission Cost Adjustment Mechanism
8 (TCAM) effective July 1, 2012 and will file updated SCRC and ES rates.

9 **Q. Please describe the components of the SCRC and their application to this rate**
10 **request.**

11 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-
12 F and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549,
13 defined PSNH's stranded costs and categorized them into three different parts (i.e.,
14 Parts 1, 2 and 3). Part 1 is composed of the RRB Charge which is calculated to recover
15 the principal, net interest, and fees related to Rate Reduction Bonds. Part 2 costs are
16 "ongoing" stranded costs consisting primarily of the over-market value of energy
17 purchased from independent power producers (IPPs) and the amortization of payments
18 previously made for IPP buy-downs and buy-outs as approved by the Commission. In
19 addition, the SCRC has a return component, consisting primarily of the stipulated return
20 on deferred taxes related to securitized stranded costs. The return is a benefit to

1 customers which reduces the overall SCRC level. Part 3 costs, which were primarily the
2 amortization of non-securitized stranded costs, were recovered fully in June 2006.

3 Pursuant to Order No. 25,312 issued in Docket No. DE 11-217, PSNH is currently billing
4 an average SCRC rate of 1.23¢/kWh which was made effective for the period January 1,
5 2012 through December 31, 2012.

6 **Q. Please describe the detailed support for the calculation of the average SCRC rate
7 provided in Attachment RAB-1.**

8 **A.** Attachment RAB-1, pages 1-3, provides a summary of 2012 cost information related to
9 Part 1 and Part 2 costs, amortization of securitized assets and ongoing cost activity.
10 Pages 4 through 7 provide the detailed cost information by month related to Part 1 and
11 Part 2 costs.

12 **Q. Describe what has transpired during the SCRC period beginning January 1, 2012.**

13 **A.** The current average SCRC rate of 1.23¢/kWh became effective January 1, 2012 for the
14 twelve-month period January through December 2012. The primary reason for the
15 recommended increase in the rate to 1.94 cents is the additional over market costs for
16 purchases made from the five independent wood-fired power producers (Wood IPPs). In
17 addition, market prices are lower than initially forecasted which, in turn, have increased
18 the over-market portion of purchases from the IPPs included in the SCRC.

19 **Q. Why are there additional over market costs associated with the Wood IPPs?**

20 **A.** The purchased power agreements with the five Wood IPPs were approved by the
21 Commission on December 20, 2011 (Order No. 25,305 issued in DE 11-184). The Order
22 found these Wood IPP agreements to be prudent, reasonable and in the public interest.

1 The Order also found that the above market cost should be recovered through the
2 SCRC, which is PSNH's proposal today.

3 **Q. When were the costs of the Wood IPPs included in the calculation of the SCRC**
4 **rate?**

5 **A.** Consistent with the Commission's Order, the resulting actual and forecasted above
6 market costs are included in this filing. These costs are not reflected in the current rate
7 of 1.23 cents due to the timing of the Order which became effective on January 20,
8 2012. As a result, the over market costs associated with the Wood IPPs in the first half
9 of 2012 contributed to the projected 2012 SCRC under-recovery. The calculation of
10 these costs is included in RAB-1, pages 6 and 7.

11 **Q. How are PSNH's mandated purchased power obligations from IPPs valued in the**
12 **SCRC?**

13 **A.** The over-market portion of purchases from the IPPs is considered to be a stranded cost
14 and is recovered as a Part 2 cost through the SCRC. The market value of the IPP
15 purchases is reflected in the Energy Service rate, which PSNH is proposing to decrease
16 on July 1, 2012 in a concurrent filing made under separate cover. This treatment is
17 consistent with the Restructuring Settlement and the Commission's Order in Docket No.
18 DE 02-166.

19 **Q. When will PSNH provide an update to the proposed SCRC Rate?**

20 **A.** The filing will be updated in about 5 weeks to reflect actual results for April and May
21 2012 and for any other significant changes.

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

3 **A.** No. Those issues will be addressed in the Stranded Cost Recovery Charge
4 reconciliation which has traditionally been filed in early May following the calendar year
5 when those costs were incurred and collected.

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

7 **A.** Yes. Due to the number of rate components that will change, PSNH requests approval
8 of the proposed SCRC rate by June 28 to allow sufficient time to implement, test and bill
9 the new rate on our regular schedule and to avoid any delay in billing for service
10 rendered as of July 1, 2012. Therefore, PSNH requests that the Commission reopen
11 this proceeding so that the procedural schedule can be set to review this filing and
12 approve the SCRC rate in a timely manner.

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

14 **A.** Yes, it does.