

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
Investigation of Merrimack Station Scrubber Project and Cost Recovery
Docket No. DE 11-250

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 present overall rate impacts associated with the
12 permanent rates recovery of Merrimack Scrubber ("Scrubber") costs going forward. This
13 testimony and exhibits outline alternative rate paths for the Scrubber costs and
14 superimposes these alternatives onto the current ES rate proposals (without Scrubber
15 costs) that are now before the Commission in Docket No. DE 11-215, as part of the mid-
16 year Energy Service (ES) rate update. We have superimposed these alternatives in
17 order to provide all parties and the Commission with an overall rate impact perspective
18 going forward.

1 **Q. What is PSNH proposing for permanent cost recovery associated with the**
2 **Scrubber costs?**

3 A. PSNH proposes that on January 1, 2013, all current Scrubber costs would be included in
4 the ES rate on a permanent basis going forward. This would include an ongoing level of
5 Scrubber costs which is a rate level of approximately 1.1 cents per kWh, as well as the
6 recovery of prior unrecovered deferred Scrubber costs as of December 31, 2012. Our
7 proposal assumes these prior unrecovered deferred Scrubber costs would be recovered
8 over a two year period.

9 **Q. Please describe the ongoing level of Scrubber costs that comprise the 1.1cents**
10 **per kWh.**

11 A. The Scrubber costs include operating costs for O&M and fuel, net of avoided SO₂ costs,
12 as well as non-operating costs for depreciation, property tax and return on rate base.
13 For the Scrubber calculations embedded in this filing, PSNH has assumed an annual
14 cost base of \$55.5 million as contained in Attachment RAB-6. This attachment is a page
15 from the Staff's testimony in Docket No. DE 11-250, Attachment SEM-2, page 23.
16 Within the attachment are the values presented by PSNH and used in the Staffs'
17 analysis.

18 **Q. Please describe the level of prior unrecovered deferred Scrubber costs that are**
19 **projected as of December 31, 2012.**

20 A. At this time PSNH projects that the unrecovered deferred Scrubber costs as of
21 December 31, 2012 will be approximately \$33 million. A calculation of those projected
22 unrecovered costs is in Attachment RAB-5. In general, those unrecovered costs are the
23 costs associated with previously deferred 2011 Scrubber costs as well as the

1 unrecovered 2012 costs associated with the reconciliation of Temporary to Permanent
2 rates. Temporary rates were effective April 16, 2012, and for this filing we have
3 assumed Permanent rates will become effective January 1, 2013.

4 **Q. How does PSNH propose to recover the \$33 million in prior unrecovered deferred**
5 **Scrubber costs?**

6 A. PSNH is proposing to recover the \$33 million over a two year period. A one year
7 recovery of these costs would add approximately 0.7 cents per kWh to the ongoing level
8 of Scrubber cost recovery of 1.1 cents, for a total one year rate impact of 1.8 cents per
9 kWh. A two year recovery of the \$33 million would add approximately 0.3 cents per kWh
10 to the ongoing 1.1 cents for a two year projected Scrubber rate impact of approximately
11 1.4 cents per kWh. PSNH believes that a two year recovery of the \$33 million supports
12 a more reasonable rate continuity path for the foreseeable future than does a one year
13 recovery assumption. Please see Attachment RAB-2 for the rate path scenarios for the
14 recovery of Scrubber costs. These Scrubber recovery scenarios have been
15 superimposed on to the projected ES rates (no Scrubber costs) illustrated on Attachment
16 RAB-1. The total superimposed rate scenarios can be found on Attachment RAB-3.

17 **Q. Have you included additional supporting work papers in support of this filing?**

18 A. Yes. Attachment RAB-4 provides supporting rate calculations for Attachments RAB-1, 2
19 and 3. Attachment RAB-5 provides supporting calculations for the projected \$33 million
20 prior period under recovery of Scrubber costs at December 31, 2012.

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

22 A. Yes, it does.