

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF MICHAEL L. SHELNITZ
MID-TERM ADJUSTMENT EFFECTIVE JULY 1, 2013
2013 STRANDED COST RECOVERY CHARGE
RATE CHANGE

Docket No. DE 12-291

1 **Q. Please state your name, business address and position.**

2 A. My name is Michael L. Shelnitz. My business address is 107 Selden Street, Berlin,
3 Connecticut. I am Team Lead, Revenue Requirements – PSNH for Northeast Utilities
4 Service Company (NUSCO) which provides centralized services to the Northeast
5 Utilities (NU) operating subsidiaries Public Service Company of New Hampshire
6 (PSNH), The Connecticut Light and Power Company, Yankee Gas Services Company
7 and Western Massachusetts Electric Company.

8

9 **Q. Have you previously testified before the Commission?**

10 A. No, I have not. The ES and SCRC mid-year rate adjustment filings are the first time I
11 am sponsoring testimony before the Commission.

12

13 **Q. Please describe your educational background.**

14 A. I graduated from Northeastern University in Boston, Massachusetts in 1986 with a
15 Bachelor of Science degree in Toxicology. In 1990, I earned a Master's Degree in
16 Business Administration with a Specialization in Accounting from the University of
17 Connecticut.

18

1 **Q. Please describe your professional experience.**

2 A. Upon graduation, I worked in public accounting for 5 years with Price Waterhouse, LLC,
3 after which I joined Northeast Utilities as an analyst in the Fuel Accounting and Recovery
4 Department. Since joining Northeast Utilities I have held positions of increasing
5 responsibility through my current position as Team Lead, Revenue Requirements –
6 PSNH. As part of my experience, I have sponsored technical statements before the
7 Commission and I have testified in numerous proceedings before the Connecticut Public
8 Utilities Regulatory Authority. I am registered as a Certified Public Accountant (CPA) in
9 the State of Connecticut.

10

11 **Q. What are your current responsibilities?**

12 A. I am currently responsible for the calculation of revenue requirements for PSNH, as well
13 as the filings associated with PSNH's Energy Service charge, the Stranded Cost
14 Recovery Charge and the Transmission Cost Adjustment Mechanism. Additionally, I am
15 responsible for certain accounting activities performed by Northeast Utilities Service
16 Company, including ISO-NE billing and standard offer billing for some of Northeast
17 Utilities' operating companies.

18

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to provide a detailed overview of PSNH's request for a
21 mid-term adjustment to decrease the average Stranded Cost Recovery Charge (SCRC)
22 rate effective on July 1, 2013.

23

24

25

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

2 A. In this proceeding, PSNH is requesting that the Commission approve a mid-term
3 adjustment to the average SCRC rate for all customers effective July 1, 2013. This
4 adjustment, as calculated today and consistent with the concurrent ES rate filing, would
5 result in a decrease of 0.352¢/kWh to the current average SCRC rate of 0.737¢/kWh
6 resulting in an average rate of 0.385¢/kWh for effect from July 1 through December 31,
7 2013. This revised average SCRC rate was based on actual results through March
8 2013 and an updated forecast for the remainder of 2013. PSNH is proposing the SCRC
9 rate change to take effect July 1, 2013 consistent with its concurrent proposal to change
10 the ES rate. In addition, in early June 2013, PSNH will file its proposal to change the
11 Transmission Cost Adjustment Mechanism (TCAM) effective July 1, 2013 and will also
12 file updated SCRC and ES rates.

13

14 **Q. Please describe the components of the SCRC and their impact on this rate**
15 **request.**

16 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-
17 F and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549,
18 defined PSNH's stranded costs and categorized them into three different parts (i.e.,
19 Parts 1, 2 and 3). Part 1 is composed of the RRB Charge which is calculated to recover
20 the principal, net interest, and fees related to Rate Reduction Bonds. Part 2 costs are
21 "ongoing" stranded costs consisting primarily of the over-market value of energy
22 purchased from independent power producers (IPPs) and the amortization of payments
23 previously made for IPP buy-downs and buy-outs as approved by the Commission. In
24 addition, the SCRC has a return component, consisting primarily of the stipulated return
25 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. 25,447 issued in Docket No. DE 12-291, PSNH is currently billing
4 an average SCRC rate of 0.737¢/kWh which was made effective for the period January
5 1, 2013 through December 31, 2013.

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

9 A. Attachment MLS-1, pages 1-3, provides a summary of 2013 cost information related to
10 Part 1 and Part 2 costs, amortization of securitized assets and ongoing cost activity.
11 Pages 4 through 7 provide the detailed cost information by month related to Part 1 and
12 Part 2 costs.

13
14 **Q. How are PSNH's mandated purchased power obligations from IPPs valued in the**
15 **SCRC?**

16 A. The over-market portion of purchases from the IPPs is considered to be a stranded cost
17 and is recovered through the SCRC. The market value of the IPP purchases is reflected
18 in the Energy Service rate, which PSNH is proposing to decrease on July 1, 2013 in a
19 concurrent filing made under separate cover. This treatment is consistent with the
20 Restructuring Settlement and the Commission's Order in Docket No. DE 02-166.

21
22 **Q. Describe what has transpired during the SCRC period beginning January 1, 2013**
23 **that resulted in your request to decrease the average rate level.**

24 A. The current average SCRC rate of 0.737¢/kWh became effective January 1, 2013 for the
25 twelve-month period January through December 2013. The primary reason for the

1 recommended decrease in the rate to 0.385¢/kWh is that market prices of energy are
2 higher than initially forecasted which, in turn, decreased the over-market portion of
3 purchases from the IPPs included in the SCRC. Additionally, in regard to rate reduction
4 bonds, the current SCRC rate was higher than necessary in order to satisfy the
5 requirements of RSA 369-B:4 to provide for the full recovery of principal, interest and
6 credit enhancement on the rate reduction bonds, in accordance with the amortization
7 schedule for such bonds determined at the time of offering. Since the bonds are now
8 retired, there is no need to continue to include the additional amount in the average rate
9 level.

10
11 **Q. When will PSNH provide an update to the proposed average SCRC rate?**

12 A. The filing will be updated in about 5 weeks to reflect actual results for April and May
13 2013 and for any other significant changes.

14
15 **Q. Does the Commission need to make a determination at this time of the prudence
16 of the costs incurred since January 1, 2013?**

17 A. No. Those issues will be addressed in the Energy Service/Stranded Cost Recovery
18 Charge reconciliation docket which has traditionally been filed in early May following the
19 calendar year when those costs were incurred and collected.

20
21 **Q. Does PSNH require Commission approval of this rate by a specific date?**

22 A. Yes. Due to the number of rate components that will change, PSNH requests approval
23 of the proposed SCRC rate by Thursday, June 27 to allow sufficient time to implement,
24 test and bill the new rates on our regular schedule and to avoid any delay in billing for
25 service rendered as of July 1, 2013 (a Monday). Therefore, PSNH requests that the

1 Commission reopen this proceeding so that the procedural schedule can be set to
2 review this filing and approve the SCRC rate in a timely manner.

3

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

5 A. Yes, it does.