

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 18, 2012 - 9:15 a.m.
Concord, New Hampshire

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RE: DE 12-291
PUBLIC SERVICE OF NEW HAMPSHIRE:
*2013 Stranded Cost Recovery Charge
Adjustment.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:
Matthew J. Fossum, Esq.

Reptg. Residential Ratepayers:
Susan W. Chamberlin, Esq., Consumer Advocate
Stephen Eckberg
Office of Consumer Advocate

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

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

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 STEPHEN R. HALL

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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: Good morning. We'll
3 begin the hearing in Docket DE 12-291, which is Public
4 Service Company of New Hampshire's 2013 Stranded Cost
5 Recovery Charge. We have received and issued an order of
6 notice in response to a petition on September 28, 2012,
7 setting forth its expectation for a Stranded Cost Recovery
8 Charge for the year beginning January 1, 2013. And, then,
9 in December, on the 12th, received updated information
10 from the Company with the most current projections.

11 So, we first will begin with
12 appearances.

13 MR. FOSSUM: Good morning. Matthew
14 Fossum, for Public Service Company of New Hampshire.

15 CHAIRMAN IGNATIUS: Good morning.

16 MS. CHAMBERLIN: Good morning. Susan
17 Chamberlin, Consumer Advocate, for the residential
18 ratepayers. And, with me today is Stephen Eckberg.

19 CHAIRMAN IGNATIUS: Good morning.

20 MS. AMIDON: Good morning. I'm Suzanne
21 Amidon, for Staff. With me today is Steve Mullen, who is
22 the Assistant Director of the Electric Division.

23 CHAIRMAN IGNATIUS: Good morning,
24 everyone. We have, as I understand it, witnesses only

1 from the Company. Although, if I'm incorrect about that,
2 please let me know, and if there are any other procedural
3 issues to address. I don't see any intervenors, other
4 than the OCA's notice of participation. One else
5 intervened in the docket.

6 So, what's the order of business for
7 this morning?

8 MR. FOSSUM: The Company had a panel of
9 witnesses that it was going to present. And, it was our
10 understanding they would be the only witnesses.

11 CHAIRMAN IGNATIUS: All right. And,
12 then, why don't Mr. -- Is it Mr. White and Mr. Baumann
13 take the stand?

14 MR. FOSSUM: And Mr. Hall.

15 CHAIRMAN IGNATIUS: Excuse me, and Mr.
16 Hall.

17 MR. FOSSUM: It's my understanding,
18 actually, Mr. White will not be on the panel for this
19 docket, but he will be for the next docket.

20 CHAIRMAN IGNATIUS: Well, is that
21 acceptable to everyone?

22 MR. FOSSUM: Yes.

23 CHAIRMAN IGNATIUS: I know that -- hold
24 on, I just crossed my folders. Is Mr. -- It's acceptable

[WITNESS PANEL: Baumann~Hall]

1 for the 291 docket to have Mr. White not on the stand, but
2 to be available for the 292 docket? I see nods from OCA
3 and Staff.

4 MS. CHAMBERLIN: Yes.

5 MR. FOSSUM: Mr. White is in the room.
6 And, if anybody has any questions for him, we can
7 certainly have him sworn.

8 CHAIRMAN IGNATIUS: Good. Thank you.
9 All right. You may proceed to swear the witnesses.

10 (Whereupon *Robert A. Baumann* and
11 *Stephen R. Hall* were duly sworn by the
12 Court Reporter.)

13 **ROBERT A. BAUMANN, SWORN**

14 **STEPHEN R. HALL, SWORN**

15 **DIRECT EXAMINATION**

16 BY MR. FOSSUM:

17 Q. Good morning. I'll start with Mr. Baumann. Could you
18 state your name and place of employment for the record
19 please.

20 A. (Baumann) My name is Robert Baumann. I am employed by
21 Northeast Utilities Service Company, in Berlin,
22 Connecticut.

23 Q. And, what are your responsibilities in your position
24 with Northeast Utilities Service Company?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) I'm responsible for regulatory filings in
2 both New Hampshire and Massachusetts, as well as some
3 in Connecticut.

4 Q. And, have you previously testified before this
5 Commission?

6 A. (Baumann) Yes.

7 Q. And, Mr. Hall, could you state your name and place of
8 employment for the record please.

9 A. (Hall) My name is Stephen R. Hall. I'm employed by
10 Public Service of New Hampshire.

11 Q. And, what are your responsibilities in your position
12 with Public Service?

13 A. (Hall) I am responsible for -- primarily responsible
14 for docket management for PSNH.

15 Q. And, have you previously testified before this
16 Commission?

17 A. (Hall) Yes, I have.

18 Q. Now, Mr. Baumann, did you prepare prefiled written
19 testimony in this docket?

20 A. (Baumann) Yes.

21 Q. And, was that testimony submitted back on September 28?

22 A. (Baumann) Yes, it was.

23 Q. Do you have any changes, updates or corrections to that
24 testimony at this time?

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1 A. (Baumann) No.

2 MR. FOSSUM: I'd like to offer as the
3 first exhibit a copy of Mr. Baumann's testimony for
4 identification.

5 CHAIRMAN IGNATIUS: All right. We'll
6 mark that for identification as "Exhibit 1".

7 (The document, as described, was
8 herewith marked as **Exhibit 1** for
9 identification.)

10 BY MR. FOSSUM:

11 Q. Mr. Baumann, could you very briefly summarize that
12 testimony.

13 A. (Baumann) Yes. The testimony on September 28th, as
14 filed, filed a preliminary SCRC rate of 0.79 cents per
15 kilowatt-hour for the calendar year 2013, based on the
16 projected costs for the SCRC, which are primarily the
17 Part 2 and Part -- or, Part 1 and Part 2 costs
18 associated with rate recovery bonds and ongoing SCRC
19 costs.

20 Q. And, Mr. Baumann, did you prepare a technical statement
21 for this docket?

22 A. (Baumann) We had prefiled testimony.

23 Q. So, just, on December 12th in this docket, was a
24 technical statement presented?

[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) Yes.

2 Q. And, was that technical statement prepared by you or
3 under your direction?

4 A. (Baumann) Yes, it was.

5 Q. And, do you have any changes or corrections or updates
6 to that technical statement at this moment?

7 A. (Baumann) One moment please. No, I do not.

8 MR. FOSSUM: I would offer, as "Exhibit
9 2" for identification, the technical statement.

10 CHAIRMAN IGNATIUS: Mr. Fossum, I want
11 to clarify something, wanting to make sure we have the
12 right document.

13 MR. FOSSUM: Yes.

14 CHAIRMAN IGNATIUS: On December 12th, in
15 a cover letter from you, it references both the 12-291 and
16 12-292 dockets. The statement itself only references
17 12-292, and only mentions "Energy Service Rate" at the top
18 of the page. And, so, I am worried that we've got -- or,
19 we may be missing an update on the Stranded Cost Charge.

20 MR. FOSSUM: I apologize. The technical
21 statement itself does reference, actually, on Section C.3,
22 "IPP and Wood IPP energy expenses".

23 CHAIRMAN IGNATIUS: Yes.

24 MR. FOSSUM: I understand the expenses

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[WITNESS PANEL: Baumann~Hall]

1 from that have an impact on the overall SCRC rate. And,
2 in addition, a number of the attachments that went with
3 the technical statement update various attachments having
4 to do with the SCRC rate calculation. So, the technical
5 statement does impact both the ES and the SCRC rate.

6 CHAIRMAN IGNATIUS: All right. And, for
7 some reason, my copy doesn't have the attachments. But
8 are they identical to the attachments in the 292 document?

9 MR. FOSSUM: They are.

10 CHAIRMAN IGNATIUS: Okay. So, they'll
11 do double-duty. That's fine, then.

12 MR. FOSSUM: That's fine. And, yes.
13 And, certainly, the technical statement is far more
14 applicable to the ES rate. But, just for completeness, it
15 seemed to make sense to enter it here as well.

16 CHAIRMAN IGNATIUS: All right. That's
17 fine.

18 CMSR. HARRINGTON: So, it's for both
19 dockets then?

20 MR. FOSSUM: Yes.

21 CHAIRMAN IGNATIUS: All right. So,
22 should we mark that for identification as "Exhibit 2"?

23 MR. FOSSUM: Yes, please.

24 CHAIRMAN IGNATIUS: This is the December

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[WITNESS PANEL: Baumann~Hall]

1 12 technical statement and attachments.

2 (The document, as described, was
3 herewith marked as **Exhibit 2** for
4 identification.)

5 CHAIRMAN IGNATIUS: Please proceed.

6 BY MR. FOSSUM:

7 Q. Now, Mr. Baumann or Mr. Hall, who may be appropriate,
8 has there been an update to the proposed Stranded Cost
9 Recovery Charge rate since the September filing?

10 A. (Baumann) Yes, there has been.

11 Q. And, what is the new proposed rate?

12 A. (Baumann) Well, I'll just summarize the rates briefly.
13 The current rate we are now charging is 1.88 cents per
14 kilowatt-hour. The initial filing in September filed a
15 rate of 0.79 cents a kilowatt-hour. So, it was over a
16 penny less than the current rate that's --

17 CMSR. HARRINGTON: Excuse me, could you
18 repeat those two numbers again?

19 WITNESS BAUMANN: Sure. 1.88 cents per
20 kilowatt-hour is the current rate we're charging through
21 the end of December. That rate has dropped considerably,
22 down to 0.79 cents per kilowatt-hour, based on our
23 September 28th filing, which is our initial filing.

24 **BY THE WITNESS:**

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1 A. (Baumann) Since that time, we did file a revision on
2 12/12/12, and that updated rate is 0.67 cents per
3 kilowatt-hour. And, briefly, the large decrease from
4 1.88 cents, to the 0.79 cent per kilowatt-hour, is
5 primarily due to about a \$40 million decrease in Rate
6 Reduction Bond costs projected for 2013 versus 2012.
7 And, that projected decrease is the result of four or
8 five major -- or, excuse me, it's a result of the Rate
9 Reduction Bonds being paid off at the end of April
10 2013. So, we really have about four months' worth of
11 Rate Reduction Bond costs for 2013 for our current
12 proposed rate, versus 12 months in the current rate
13 today. So, it's kind of an end of an era for the Rate
14 Reduction Bonds.

15 The final revised rate of 0.67 cents,
16 the only change there, there was a decrease in the
17 above-market IPP costs. Because, from the September
18 rate to the December rate update, there was an increase
19 in market costs, which increased the market portion of
20 IPPs in the ES, that we will be talking about in
21 probably about an hour, but the increase in the market
22 rate and markets costs lowered the above-market portion
23 of the IPPs for the Stranded Cost Recovery Charge. So,
24 that was the reason why the rate decreased slightly

[WITNESS PANEL: Baumann~Hall]

1 from the 0.79 to the 0.67 that we are -- that we filed
2 on December 12th.

3 Now, I have one other thing to add, and
4 Mr. Hall can expand on it. We file an annual -- an
5 annual RRB charge rate when we actually file it with
6 the Commission, but it's a rate -- an informative rate
7 for our RRBs that our financial institutions look at
8 very closely. And, that rate is slightly higher now
9 than our revised rate of 0.67. And, we believe that
10 that might create a slight problem going forward with
11 our RRB covenants.

12 And, I can ask Steve to expand on it, if
13 you will.

14 A. (Hall) Sure. As Mr. Baumann said, in a letter sent to
15 the Commission on September 24, 2012, from Mr. Bersak,
16 he stated that the "RRB charge effective November 1st
17 was 0.7369 cents per kilowatt-hour." Now, the revised
18 -- and, the RRB charge is one component of our Stranded
19 Cost Recovery Charge. The Stranded Cost Recovery
20 Charge that we filed on December 12th is only 0.67
21 cents per kilowatt-hour. So, we believe that we have
22 to increase our request of 0.67 cents up to 0.74 cents,
23 or 7/100ths of one cent. And, the reason that we
24 believe that is our reading of RSA 369-B:4, II. And, I

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[WITNESS PANEL: Baumann~Hall]

1 don't have the language in front of me, but it
2 essentially says that "the Stranded Cost Charge shall
3 be sufficient to fully recover the RRB charge."

4 So, we believe that, in order to -- I'll
5 wait till you're done. All set?

6 CHAIRMAN IGNATIUS: Yes, go ahead.

7 **BY THE WITNESS:**

8 A. (Hall) So, we believe that, in order to avoid a
9 potential problem with the RRB covenants, that we have
10 to increase our request from 0.67 cents for an average
11 SCRC rate, up to a level of 0.74 cents.

12 BY MR. FOSSUM:

13 Q. And, Mr. Hall, just for completeness, that would be for
14 effect on January 1, just as the --

15 A. (Hall) Yes, it would.

16 Q. -- SCRC rate was proposed?

17 A. (Hall) Yes, it would. And, again, as Mr. Baumann
18 explained earlier, the entire reason for this issue is
19 that we've got four months' worth of RRB costs in 2013
20 that are effectively being spread over 12 months' worth
21 of kilowatt-hours in the 0.67 cent rate that we
22 propose. In our original filing back in September,
23 this wasn't an issue, because the 0.79 cent rate that
24 we originally filed was above the 0.74 cent RRB charge

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[WITNESS PANEL: Baumann~Hall]

1 rate level. But, in this most recent update, our
2 concern is that it may be an issue. And, therefore,
3 we'd like to modify our request for an SCRC rate of
4 0.74 cents effective January 1st, 2013, an overall
5 average rate of 0.74 cents.

6 MR. FOSSUM: Thank you. I have nothing
7 further for direct.

8 CHAIRMAN IGNATIUS: All right.
9 Questions from the Consumer Advocate?

10 MS. CHAMBERLIN: Thank you.

11 **CROSS-EXAMINATION**

12 BY MS. CHAMBERLIN:

13 Q. Mr. Hall, regarding the last change proposed to the RRB
14 charge, this all gets trued up next filing, correct?
15 So, it's simply the rate at which it's collected, not
16 the amount collected?

17 A. (Hall) That's correct.

18 MS. CHAMBERLIN: I have nothing further.

19 CHAIRMAN IGNATIUS: Ms. Amidon,
20 questions?

21 MS. AMIDON: Thank you. I'm going to
22 ask Mr. Mullen to conduct the cross.

23 CHAIRMAN IGNATIUS: That's fine.

24 MS. AMIDON: Thank you.

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[WITNESS PANEL: Baumann~Hall]

1 MR. MULLEN: Good morning.

2 WITNESS HALL: Good morning.

3 BY MR. MULLEN:

4 Q. Just to clarify something, Mr. Hall, you referenced a
5 letter dated September 24th, 2012 --

6 A. (Hall) Yes.

7 Q. -- that was sent to the Commission. And, am I correct
8 that that's a periodic RRB charge true-up mechanism
9 advice filing that's pursuant to Commission order
10 23,550?

11 A. (Hall) Correct.

12 Q. And, PSNH has been submitting these every six months
13 throughout the life of the RRBs, is that correct?

14 A. (Hall) Yes. Since 2001.

15 Q. Okay. And, part of what happens in that filing is the
16 -- there's a calculation of the RRB charge, as well as
17 there's periodic accounting of the various subaccounts
18 associated with the RRBs, in terms of what their then
19 current balances are and what their forecasted balances
20 are to be for the next period?

21 A. (Hall) Correct.

22 Q. Okay. With relation to the December 12th filing that
23 included the 0.67 cent per kilowatt-hour calculation?

24 A. (Hall) Yes.

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[WITNESS PANEL: Baumann~Hall]

1 Q. If you could turn to Attachment RAB-1, Page 1.

2 CMSR. HARRINGTON: Which exhibit?

3 MR. MULLEN: I apologize, I didn't write
4 the exhibit --

5 MS. AMIDON: Exhibit 2.

6 MR. MULLEN: This is Exhibit 2.

7 CHAIRMAN IGNATIUS: So, you're in the
8 updated December 2012 document?

9 MR. MULLEN: Correct.

10 WITNESS HALL: And, there are two sets
11 of RRB attachments attached to that exhibit. The first
12 set relates to the Energy Service docket, DE 12-292. The
13 set that Mr. Mullen is referring to is, you can see
14 "Docket Number DE 12-291" in the upper right-hand corner.
15 It's the last section of that filing.

16 MR. MULLEN: Everybody there?

17 CHAIRMAN IGNATIUS: All set.

18 MR. MULLEN: Okay.

19 BY MR. MULLEN:

20 Q. Looking at that calculation of the 0.67 cent rate, on
21 Line 3, there's a projected Constellation refund. Am I
22 correct that this was not in the September filing?

23 A. (Baumann) That's correct.

24 Q. And, if I turn the page to Page 3 of Attachment RAB-1,

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[WITNESS PANEL: Baumann~Hall]

1 that same amount of just under \$1.3 million shows as a
2 credit in the month of December 2013. Could you
3 explain what that is please?

4 A. (Baumann) Yes. Constellation was found to have
5 deviated from standard market practices, and were fined
6 a sum of money that had to be refunded back to
7 customers over -- that they had had over a period of
8 time. And, this was in their role as a third party
9 supplier. The states -- the New England states filed
10 with the FERC for that refund, after Constellation had
11 been found -- found against, and that refund was
12 secured, and it flowed through the ISO billing process.
13 And, it happened to come in two days ago, when we
14 received the December ISO bills. These are the monthly
15 bills that we get. So, all of the operating companies,
16 including Public Service Company of New Hampshire,
17 received those credits in the December bills. At the
18 time we put this filing together, we weren't sure if it
19 was coming in or not. But I had talked to some people
20 at ISO, and they had thought that December was a good
21 enough guess to get it in. So, that's when we put it
22 in in December, turns out our guess was accurate. And,
23 that will be booked in the December books and records
24 of the Company.

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[WITNESS PANEL: Baumann~Hall]

1 Q. Well, now, you're saying "December". You mean
2 "December 2012"?

3 A. (Baumann) Yes. That's correct.

4 Q. So, what shows here, when we look at the reconciliation
5 next year, it's really going to show as a 2012 amount,
6 and not a 2013 amount?

7 A. (Baumann) That's correct.

8 Q. And, now, why is that credit being flowed through the
9 SCRC, rather than the Energy Service rate?

10 A. (Baumann) I believe the directives were that the credit
11 would flow to all customers in the electric
12 distribution companies. And, so, we selected the SCRC
13 rate as a non-bypassable rate to refund that amount.

14 Q. Okay. And, just back to the RRBs, before I end here.
15 In my discussion with Mr. Hall, he mentioned that the
16 RRB true-up letters had included balances of particular
17 subaccounts associated with the RRBs. When those are
18 finally paid off, will there be balances in any of
19 those accounts that will flow to the benefit of
20 customers?

21 A. (Baumann) Yes. We believe there will be balances in at
22 least probably two of those accounts. And, when those
23 balances are calculated and final, we will flow them
24 back immediately.

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[WITNESS PANEL: Baumann~Hall]

1 Q. Because they're not currently reflected in the
2 estimates for 2013, is that correct?

3 A. (Baumann) That's correct.

4 Q. Any idea of the magnitude?

5 A. (Baumann) Well, the magnitude will probably be, I would
6 say, a guesstimate, will be about \$5 million. There
7 are two funds. One of them is a reserve fund, and that
8 really fluctuates. But there's an
9 overcollateralization fund, which will be about two and
10 a half million. And, I probably should just say two
11 and a half million is probably more of a definite
12 estimate. And, the reserve fund does fluctuate up and
13 down.

14 Q. So, that will be whatever it is?

15 A. (Baumann) Yes.

16 MR. MULLEN: Thank you. I have nothing
17 further.

18 CHAIRMAN IGNATIUS: Thank you.
19 Commissioner Harrington?

20 CMSR. HARRINGTON: Yes, just a few
21 questions. Good morning.

22 BY CMSR. HARRINGTON:

23 Q. Let me start out probably with the hardest question,
24 which I guess goes to Mr. Hall. I really didn't follow

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[WITNESS PANEL: Baumann~Hall]

1 that logic. Maybe you can make it in simple terms, --

2 A. (Hall) Sure.

3 Q. -- on how we got from the 0.67 to the 0.74 cents per
4 kilowatt-hour.

5 A. (Hall) Sure. The way that I got to it was simply
6 looking at the September 24th, 2012 letter that we
7 filed, stating what the adjusted RRB charge effective
8 November 1st --

9 Q. Excuse me. Was that the September 28th or 24th? I
10 don't have anything on the 24th.

11 CHAIRMAN IGNATIUS: I don't believe it
12 was filed in this docket, was it?

13 WITNESS HALL: It was not.

14 CMSR. HARRINGTON: Oh.

15 CHAIRMAN IGNATIUS: So, it wouldn't be
16 in the folder.

17 WITNESS HALL: This is a filing that was
18 made in Docket Number DE 99-099, pursuant to Order 23,550.
19 And, as -- I'm sorry. And, as Mr. Mullen indicated, these
20 are semi-annual filings that we make indicating what the
21 RRB charge for the subsequent six months is going to be.
22 So, that was the letter that I was referring to that says
23 that the adjusted RRB charge is 0.7369 cents per
24 kilowatt-hour, I rounded it up to 0.74 cents per

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1 kilowatt-hour. And, that's where I got that number.

2 BY CMSR. HARRINGTON:

3 Q. And, that's with the explanation -- I'm just trying to
4 figure, we started out with, on September 28th, with
5 the Company estimating it at 0.79 cents?

6 A. (Hall) Yes.

7 Q. And, then, on the 12th of December, it's 0.67?

8 A. (Hall) Yes.

9 Q. And, now, today, you're saying it should be 0.74, based
10 on something that happened back in September. Why
11 would you estimate it at 0.67 now, if, in September,
12 you knew it was going to be 0.74? That's what I'm
13 getting confused on.

14 A. (Hall) When we made this calculation on December 12th
15 and filed it, the 0.67 cents, it was an oversight, that
16 we just caught this morning, looking through this
17 letter.

18 Q. Oh. Okay. So, what you're saying is, the "67" was
19 never correct?

20 A. (Hall) Correct. And, what we're saying now is, we're
21 attempting today to make that correction, that we
22 really should have caught, you know, in our December
23 12, 2012 filing to you.

24 Q. Okay. That makes things a little clearer. Thank you.

1 And, what was that original docket, on the September
2 '12 letter again?

3 A. (Hall) DE 99-099.

4 Q. Okay.

5 A. (Baumann) Commissioner, that letter has always set what
6 I refer to as the "floor" for any of our SCRC. We've
7 never hit that floor in New Hampshire. We have hit it
8 in Connecticut a few years back, but never in New
9 Hampshire. And, it was an oversight that we literally
10 picked up this morning.

11 Q. Okay. Well, that helps. Thank you. Referring to both
12 Exhibit 1 and Exhibit 2, and I think we'll start with
13 Exhibit 1, and it doesn't -- it's on Page 3 of 4 of
14 Mr. Baumann's testimony. Question: "What are the
15 major reasons for the SCRC rate increase [decrease?]"
16 And, this is the September 28th filing. And, it gives
17 two reasons. One talks about the "full amortization of
18 the Reduction Rate Bonds", and the second one is
19 "higher projected 2013 market prices which resulted in
20 an annual decrease of approximately 11 million of
21 projected above-market IPP costs."

22 And, then, in Exhibit 2, on, and this
23 was one doesn't appear to have page numbers on it, but
24 it would be on the second page of the technical

[WITNESS PANEL: Baumann~Hall]

1 statement, which talks about "Lines 15 and 19". Let me
2 know when you're there. It's Item 3. Starts out with
3 "Lines 15 and 19 - IPP and wood IPP energy expenses".

4 A. (Baumann) Yes. I see that.

5 Q. Okay. Now, here it says "expenses increased by 3.5 and
6 \$3 million, respectively, due to higher forward
7 electric prices." And, I'm not following this. It
8 seems like, in Exhibit 1, it seemed to make sense, you
9 said the stranded costs went down, because the market
10 prices were higher, which resulted in a less difference
11 or less extra above-market payments to the IPPs, so
12 that would lower the effect on the stranded costs.
13 Over here, it seems like you're saying "the IPPs'
14 energy expenses increased because prices went up also."
15 So, can you explain what that -- how that works?

16 A. (Baumann) Sure. The IPPs cost us a certain set amount,
17 and we just split them between energy, collected in ES,
18 and above-market energy or above-market costs in the
19 stranded costs. The sum of the two is always equal.
20 When market prices go up, there is an increase in
21 energy expense in the ES filing, which is what is
22 referred to in Item 3 here, "IPP and Wood energy
23 expenses increased".

24 Q. Can you just stop right there? So, if market -- I'm

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[WITNESS PANEL: Baumann~Hall]

1 assuming the IPPs are getting a fixed rate from Public
2 Service?

3 A. (Witness Hall nodding in the affirmative).

4 Q. So, if the market prices go up, how does that change
5 what you pay them? I understand it changes the
6 difference for the stranded costs, because there you're
7 recovering the difference between what you're actually
8 paying and what market prices would be. But I'm not
9 following that first part.

10 A. (Baumann) Well, if you're paying an IPP \$80 a
11 megawatt-hour total, --

12 Q. Yes.

13 A. (Baumann) -- and the market is \$40, then there will be
14 \$40 in the ES and \$40 in SCRC. If market prices go up
15 from 40, to, say, \$50, then, the ES rate would go up
16 from \$40 to \$50, but the Stranded Cost Charge would go
17 from \$40 above market to \$30 above market.

18 Q. Oh. Okay. It's just the way you split them up between
19 the two rates.

20 A. (Baumann) Right.

21 Q. Okay.

22 A. (Baumann) Right.

23 Q. All right. Because in this one, I thought Mr. Fossum
24 had said that this had an effect, on this particular

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[WITNESS PANEL: Baumann~Hall]

1 line, had an effect on the stranded costs, but it
2 really is on the Energy Service rates?

3 A. (Hall) It's does, but the effect is in the opposite
4 direction.

5 Q. Okay.

6 A. (Baumann) Right.

7 Q. All right. And, the next question I had was, I think
8 you probably answered that with -- is this -- and maybe
9 let me just put it this way. Is this the same increase
10 in both cases that you're referring to, in Exhibit 1
11 and Exhibit 2? Because it seems this is an update, and
12 you talk about, in Exhibit 1, that's the
13 September 28th, that there was higher than projected
14 market costs, which resulted in a change. And, then in
15 your December 12th one, you're talking about "higher
16 forward electric prices". So, was there -- was your
17 estimate that you reference in Exhibit 1, is that
18 lower, the market rates went higher, and then they went
19 higher than expected again in December, is that what
20 you're saying?

21 A. (Baumann) That's correct. There was another bump.
22 After we filed out September 28th filing, there was
23 another bump up in --

24 Q. Meaning, when you say "bump", it was higher than you

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1 expected it to change?

2 A. (Baumann) Yes. That's correct.

3 CMSR. HARRINGTON: Okay. All right.

4 Thank you. That's all I had.

5 CHAIRMAN IGNATIUS: Commissioner Scott,
6 any questions?

7 CMSR. SCOTT: Sure.

8 BY CMSR. SCOTT:

9 Q. Just back to your Page 1, or Attachment RAB-1, which we
10 discussed a little bit earlier. On the forecasted
11 retail megawatt-hour sales from the September filing,
12 Exhibit 1, and the December filing, Exhibit 2, looks
13 like that increased. I was just curious what that was
14 based on?

15 A. (Baumann) Yes. We had a new budget that went into
16 effect between those two filings, the budget of sales.
17 So, we updated the sales to just comply with the most
18 current budget that the Company was using in our other
19 budget forecast work.

20 Q. Okay. Can you explain what you mean by "budget"?

21 A. (Baumann) Oh, sure. I mean, we run what seems to be
22 endless numbers of budgets in my company. Thank
23 goodness I don't have to do that. And, so, there's a
24 budget deck of sales, a projection of sales, and we

[WITNESS PANEL: Baumann~Hall]

1 stay with that projection in all of our work, until
2 there's a revised projection. And, they revise the
3 projections based on the economy, the outlook for the
4 economy, you know, historic trends. It's an economic
5 analysis, a detailed economic analysis.

6 When we filed in September, we were
7 probably filing off of a budget that was performed in
8 the first or second quarter of 2012. When we filed the
9 update in December, we had a fourth quarter budget
10 analysis for 2013. So, we used the revised budget
11 numbers for our most current update, which was the
12 December 12th update.

13 CMSR. SCOTT: Thank you.

14 BY CHAIRMAN IGNATIUS:

15 Q. Let's stick with that for just a moment. So, do retail
16 sales include -- "retail sales" means those who are
17 taking Energy Service from you or do "retail sales"
18 mean all throughout?

19 A. (Baumann) All. All customers.

20 Q. Okay.

21 A. (Baumann) This is a non-bypassable rate with all
22 customers.

23 Q. All right. So, the level of migration is immaterial to
24 this calculation?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) Right.

2 Q. Just a couple of final questions, looking at the
3 statute that, Mr. Hall, that you referenced in the Rate
4 Reduction Bond requirements, I'm not sure if I've ever
5 read this, in II. Are we meeting all of the
6 requirements of the statute? It says it must "provide
7 for the full recovery of principal, interest, and
8 credit enhancement on the Rate Reduction Bonds". So,
9 are all three of those categories met?

10 A. (Hall) Yes.

11 Q. What does "credit enhancement" mean?

12 A. (Hall) I believe that has to do with the subaccounts
13 that were being referred to earlier by Mr. Mullen. As
14 you know, in order to get a AAA rating on these bonds,
15 there had to be various types of credit guarantees, if
16 you will, to assure recovery of the dollars. And, I
17 believe it's -- that one or more of the subaccounts
18 was, in effect, recovering additional dollars to ensure
19 that, even if sales plummeted dramatically, that there
20 be sufficient money collected to service the bonds.

21 Q. Is this the first time that a proposed -- that a rate
22 would have dropped below that requirement in II?

23 A. (Hall) Yes. And, again, the whole reason that we're
24 seeing this is, we've only got four months' worth of

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[WITNESS PANEL: Baumann~Hall]

1 RRB costs in 2013 that we're spreading over 12 months
2 of kilowatt-hour sales.

3 Q. Okay.

4 A. (Hall) I mean, the alternative would be to have left
5 the rate at a higher level for four months, and then
6 dropped it significantly on May 1st.

7 Q. All right. The overall Stranded Cost Charge that
8 originally had been made up by three categories of
9 stranded costs, is now, obviously, shrinking down. Can
10 you give just a real quick summary of where we are with
11 the different components for the Stranded Cost Charge?

12 A. (Baumann) Sure. I can do that, Commissioner.
13 Probably, if you look at, in Docket 12-291, RAB-1
14 Page 1. Attachment RAB-1, Page 1.

15 Q. And, is this the first exhibit, Exhibit 1 or --

16 A. (Baumann) This is Exhibit 2. It's in the 12/12 filing.
17 Line 7, which is at the bottom, it has the "0.67" cents
18 per kilowatt-hour.

19 CMSR. HARRINGTON: Excuse me. What page
20 are you on on that?

21 WITNESS BAUMANN: It's RAB-1, Page 1.
22 And, that's in Docket 12-291. And, you know you're on the
23 right exhibit, if you look at Line 7, which is at the
24 bottom, that's how we calculate the summary of the 0.67

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1 cents or the Stranded Cost Charge.

2 **BY THE WITNESS:**

3 A. (Baumann) You can see that there's \$20 million in Rate
4 Recovery Bonds as part of that total cost. That "20
5 million" was "60 million" in the current filing. So,
6 you can see there's -- that's that \$40 million
7 decrease. It was 60, and it went to 20 million. And,
8 that will go away shortly in the future for, you know,
9 after May, it begins -- it's gone.

10 The ongoing costs are the costs
11 associated with the other IPPs and the above-market
12 portion of IPPs. They were "\$58 million" in the
13 current rate; they're now down to "40". That
14 fluctuates back and forth, depending on what the market
15 prices are. So, it's a big number, and it will likely
16 remain a large number or the largest number, obviously,
17 to dominate the filing in the future. And, then, you
18 have the Constellation refund, which is a one-time
19 refund. And, your estimated over/under recoveries, and
20 again that fluctuates plus or minus zero.

21 BY CHAIRMAN IGNATIUS:

22 Q. And, Part 3 is completely -- has been done for a while
23 now?

24 A. (Baumann) Yes, that's true. So, just maybe to answer

[WITNESS PANEL: Baumann~Hall]

1 where you were going is, where is it going? It's going
2 to continue to go down in 2014. It will probably go
3 down another, well, this is I'll call it "seven mills",
4 0.67, seven-tenths of a cent, it will probably drop to
5 half a cent or even four-tenths of a cent. It depends
6 on what the market -- the above-market amount is.

7 Q. And, at that point, we'll be -- after April, we'll only
8 have Part 2 left?

9 A. (Baumann) Correct.

10 Q. And, is there a projection date on when Part 2 would be
11 completely paid?

12 A. (Baumann) Well, there's a -- within Part 2, there are
13 other -- other IPP costs. I know some of them go out
14 through middle of 2020, '24.

15 A. (Hall) It depends on when rate orders terminate.

16 Q. So, some will be dropping off, others will continue on?

17 A. (Hall) Yes.

18 A. (Baumann) Correct.

19 CHAIRMAN IGNATIUS: Thank you.

20 Commissioner Harrington, another question?

21 CMSR. HARRINGTON: Yes, just got
22 prompted by Commissioner Scott's question here.

23 BY CMSR. HARRINGTON:

24 Q. Referring to both Attachment 1 and 2, RAB-1, Page 1.

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[WITNESS PANEL: Baumann~Hall]

1 In the Exhibit 1, which is the September 28th filing,
2 I'm just a little befuddled here. It says "Forecasted
3 Retail Sales", and it's, you know, "7,775,000" some
4 odd. And, then, in the Exhibit 2, the December 12th
5 one, it's "4,476,000". How could your forecast be off
6 by over 40 percent from September to December? What am
7 I missing?

8 A. (Baumann) Yes. I think you might be looking in the ES
9 filing, which is just the customers who are on ES.

10 Q. Oh. Okay.

11 A. (Baumann) The 4. --

12 Q. So, these are different charts, different things that
13 -- okay, I thought they were the same in each filing.
14 But, apparently, that's just the Energy Service one.

15 CMSR. HARRINGTON: All right. That's
16 fine. Thank you.

17 CHAIRMAN IGNATIUS: All right, any
18 redirect, Mr. Fossum?

19 MR. FOSSUM: No.

20 CHAIRMAN IGNATIUS: Then, you're
21 excused, gentlemen. Thank you.

22 WITNESS HALL: Thank you.

23 CHAIRMAN IGNATIUS: I understand that we
24 have no other witnesses this morning. Is there anything

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1 else, before we deal with exhibits and closings?

2 (No verbal response)

3 CHAIRMAN IGNATIUS: All right. Then, is
4 there any objection to striking the identification on
5 Exhibits 1 and 2 and making them full exhibits?

6 (No verbal response)

7 CHAIRMAN IGNATIUS: Seeing none, we will
8 do that. And, now, brief closing opportunities.
9 Ms. Chamberlin.

10 MS. CHAMBERLIN: Thank you. In closing,
11 this document [docket?] is essentially a true-up of
12 various costs. And, we did not find any significant
13 issues with the various projections that they made. Our
14 big issue is, it's being addressed in various dockets, is
15 the fact that the customer base for the Energy Service
16 rate is changing. This, as a non-bypassable rate, it's
17 getting smaller, it's going down. Generally speaking, we
18 accept the Company's filing.

19 CHAIRMAN IGNATIUS: Thank you. Ms.
20 Amidon.

21 MS. AMIDON: Thank you. The Staff has
22 reviewed the filing and the related documents, including
23 the letter submitted by Attorney Bersak in connection with
24 the Rate Reduction Bonds. And, we support the testimony

1 of PSNH today to establish an average SCRC rate of 0.74
2 cents per kilowatt-hour beginning January 1, 2013. You
3 know, we've come so far in closing the amounts that we owe
4 on the -- that customers owe on the Revenue Reduction
5 Bonds, we don't want to create an issues with the
6 securitization of those bonds.

7 And, we think it's a positive
8 development that the result is that the SCRC rate is
9 reducing pretty significantly for the next year. Thank
10 you.

11 CHAIRMAN IGNATIUS: Thank you. Mr.
12 Fossum.

13 MR. FOSSUM: Thank you. I would echo
14 the sentiments of Attorney Amidon. We have come a long
15 way with these Rate Reduction Bonds. And, it would be
16 unfortunate if we were to run into a problem with the
17 finish line in sight.

18 With that said, the Company would
19 request that, subject to the revision that was spoken
20 about today at some length, that the Commission approve
21 the proposed SCRC rate for effect on January 1st. Thank
22 you.

23 CHAIRMAN IGNATIUS: Thank you. I should
24 have asked Mr. Baumann and Mr. Hall this. Is the only

1 change to the exhibits -- no, it won't be the only change.
2 Should we have revised attachments to show the higher SCRC
3 and covenants, I don't know how many different documents
4 will have to be changed. But, I think, for the sake of
5 the record, it will make sense to submit, in the next few
6 days, revised, the only ones that are affected by that, if
7 that's -- I'm seeing a nod from Mr. Hall that that's
8 doable?

9 MR. FOSSUM: Yes. We'll submit updated
10 pages as soon as we can, yes.

11 CHAIRMAN IGNATIUS: Thank you. Another
12 good clarification. We've been asked that it be "0.74",
13 and the testimony was that it's actually a longer number,
14 0.73 and more numbers to follow. Is the request to do --
15 just to do a straight 0.74 or do you usually do the full
16 -- fully detailed number?

17 MR. FOSSUM: It's my understanding that
18 we generally go to, what is it, three decimal places?

19 MR. HALL: Three decimal places, 0.737.

20 MR. FOSSUM: Yes. So, I believe that
21 the number that was in the letter from September was
22 0.7369. So, we could go to 0.737.

23 CHAIRMAN IGNATIUS: Any opposition to
24 that?

1 MR. MULLEN: No. I'd just like to add,
2 I mean, the number we're talking about, when we first set
3 an SCRC rate, it's always an overall average rate anyhow.
4 So, anybody looking at their bill isn't going to see that
5 exact number, depending on what rate class they are when
6 they do the rate design.

7 CHAIRMAN IGNATIUS: Well, I'll do -- I
8 think we ought to do whatever we consistently do, and I
9 honestly don't know. If it's generally a three digit
10 number, why don't we use the 737, if we -- does that work
11 for everyone?

12 MR. MULLEN: Yes.

13 MS. AMIDON: Yes.

14 CHAIRMAN IGNATIUS: All right. Thank
15 you. Anything else? (No verbal response) If not, we
16 will take this under advisement. We understand you need a
17 January 1 date, and we will meet that deadline. We will
18 close this proceeding, and begin, within a few minutes,
19 with the next one that was noticed for this morning, DE
20 12-292, which, obviously, interrelates with this one we've
21 just heard. So, why don't we take a five minute break and
22 regroup. Thank you.

23 **(Whereupon the hearing ended at 10:01**
24 **a.m.)**

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