

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

June 20, 2013 - 10:20 a.m.  
Concord, New Hampshire

NHPUC JUL09'13 PM 4:32

RE: DE 13-167  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:  
*Petition for Approval of Change in  
Transmission Cost Adjustment Mechanism.*

PRESENT: Chairman Amy L. Ignatius, Presiding  
Commissioner Michael D. Harrington  
Clare Howard-Pike, Clerk

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

Reptg. Residential Ratepayers:  
Susan Chamberlin, Esq., Consumer Advocate  
Stephen R. 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

ORIGINAL

I N D E X

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**WITNESS PANEL:**            **MICHAEL L. SHELNITZ**  
                                  **STEPHEN R. HALL**

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**P R O C E E D I N G**

CHAIRMAN IGNATIUS: Good morning. I'd like to open the Docket in -- the hearing in Docket DE 13-167. This is Public Service Company of New Hampshire's Transmission Cost Adjustment Mechanism. On June 6, 2013, PSNH filed a letter stating that it would be seeking adjustments in the TCAM rate for effect on July 1st, 2013. And, on June 14th, the Company submitted calculations that showed an increase in the rate. We, by order of notice dated June 7th, called for a hearing for this morning.

So, let's begin with appearances please.

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

MS. CHAMBERLIN: Good morning. Susan Chamberlin, Consumer Advocate for the residential ratepayers, and with me is Stephen Eckberg.

MS. AMIDON: Good morning. Suzanne Amidon, for Commission Staff. And, with me today is Steve Mullen, the Assistant Director of the Electric Division.

CHAIRMAN IGNATIUS: Good morning, everyone. Are there any matters to take up before Mr. Hall and Mr. Shelnitz testify?

MR. FOSSUM: I think, just for clarity of the record, I'll note right now that, in the prior

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1 hearing today, in Docket 12-291, there was introduced what  
2 had been labeled as "Exhibits 8", "9", and "10". And  
3 that, to the extent necessary in this hearing, we will  
4 refer to those exhibits from that docket in this hearing.

5 CHAIRMAN IGNATIUS: That's fine. I  
6 think that makes sense, rather than introducing it  
7 multiple times. It affects four dockets being heard  
8 today, and is a good summary of how all of the rates  
9 interrelate. So, people ought to keep that close at hand,  
10 and, if it's helpful in the presentation, to refer to it  
11 today.

12 Mr. Patnaude, would you swear the  
13 witnesses.

14 (Whereupon **Michael L. Shelnitz** and  
15 **Stephen R. Hall** were duly sworn by the  
16 Court Reporter.)

17 **MICHAEL L. SHELNITZ, SWORN**

18 **STEPHEN R. HALL, SWORN**

19 **DIRECT EXAMINATION**

20 BY MR. FOSSUM:

21 Q. Then, for the record in this docket, we'll begin with  
22 Mr. Hall. Could you state your name and place of  
23 employment and responsibilities please.

24 A. (Hall) My name is Stephen R. Hall. I am Revenue

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1 Requirements Manager for PSNH. And, I am responsible  
2 for docket management and regulatory strategy. And, I  
3 also have supervisory responsibility for PSNH's revenue  
4 requirements.

5 Q. And, Mr. Shelnitz, could you also state your name,  
6 place of employment, and your responsibilities for the  
7 record in this docket please.

8 A. (Shelnitz) My name is Michael Shelnitz. I am Team  
9 Leader for PSNH revenue requirements. My  
10 responsibilities include the calculation of revenue  
11 requirements for Public Service of New Hampshire, as  
12 well as filings related to the Stranded Cost Recovery  
13 Charge, Energy Service reconciliation, and the  
14 Transmission Cost Adjustment Mechanism.

15 Q. Now, I'll begin with Mr. Shelnitz. Mr. Shelnitz, did  
16 you prepare -- did you file testimony back on  
17 June 14th, 2003 [2013?] in this docket?

18 A. (Shelnitz) Yes, I did.

19 Q. And, was that testimony prepared by you or under your  
20 direction?

21 A. (Shelnitz) Yes, it was.

22 Q. And, do you have any changes or updates to that  
23 testimony today?

24 A. (Shelnitz) No, I do not.

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1 Q. And, that testimony is true and accurate to the best of  
2 your belief today?

3 A. (Shelnitz) Yes.

4 Q. Mr. Hall, did you also file testimony back on June 14th  
5 in this docket?

6 A. (Hall) Yes, I did.

7 Q. And, was that testimony prepared by you or under your  
8 direction?

9 A. (Hall) Yes.

10 Q. And, do you have any changes or updates to that  
11 testimony today?

12 A. (Hall) No, I don't.

13 Q. And, that testimony is true and accurate to the best of  
14 your knowledge and belief today?

15 A. (Hall) Yes, it is.

16 MR. FOSSUM: I would offer as  
17 "Exhibit 1" in this docket then the June 14th filing, with  
18 the testimony of Mr. Hall and Mr. Shelnitz.

19 CHAIRMAN IGNATIUS: So marked for  
20 identification.

21 (The document, as described, was  
22 herewith marked as **Exhibit 1** for  
23 identification.)

24 BY MR. FOSSUM:

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1 Q. Mr. Shelnitz, could you very briefly explain and  
2 describe your testimony for the record in this case.

3 A. (Shelnitz) Yes. We are -- PSNH is proposing, in my  
4 testimony and the accompanying attachment, an increase  
5 in the retail transmission rate for PSNH customers,  
6 from the current 1.359 cents per kilowatt-hour, to  
7 1.714 cents per kilowatt-hour.

8 Q. Thank you. And, could you very briefly describe the  
9 primary elements relating to the transmission cost  
10 change that you just described.

11 A. (Shelnitz) Yes. The Transmission Cost Adjustment  
12 Mechanism is a mechanism designed to collect various  
13 transmission costs incurred on behalf of customers.  
14 There is a set of wholesale costs, which include  
15 Regional Network Service costs, Local Network Service  
16 costs, reliability costs, and scheduling and dispatch  
17 costs associated with the transmission system. There  
18 are also a group of costs that we characterize as  
19 "other transmission costs". These types of costs  
20 include Hydro-Quebec support payments, and then the New  
21 Hampshire PUC assessment costs associated with  
22 transmission, and then also a working capital allowance  
23 associated with transmission costs.

24 The reason that the rate is increasing

1 or that we are proposing an increase in the rate is due  
2 to an increase -- is primarily due to an increase in  
3 the RNS costs, the Regional Network Service costs, the  
4 Local Network Service costs, and a reduction in the  
5 over -- the overrecovery credit that was built into  
6 last year's rate compared to this year. So, those  
7 three items are the primary driver in an overall  
8 increase in the transmission rate being proposed today.

9 Q. Thank you. And, Mr. Hall, could you very briefly  
10 explain what it is -- your testimony for the record in  
11 this docket.

12 A. (Hall) Certainly. The purpose of my testimony is to  
13 propose specific rates and charges for transmission  
14 pricing for the various rate classes, using the revenue  
15 requirements developed by Mr. Shelnitz. And,  
16 Attachment SRH-1 to my testimony shows all of those  
17 proposed rates and charges.

18 The other thing that my testimony does  
19 is it describes the cost allocation and calculation of  
20 the base component of transmission rates, which is a  
21 component that was created as a result of a settlement  
22 in PSNH's rate case, in docket DE 06-028. And, the way  
23 transmission pricing and cost allocation works is, we  
24 allocate costs and calculate the base component, and



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1       then all of the remaining costs are allocated to all  
2       classes on an equi-proportional basis. I should say  
3       the base component applies to Rate B customers only.

4   Q.   And, are the current and proposed rates for  
5       transmission service, are those listed on what was  
6       introduced as "Exhibit 10" in Docket 12-291?

7   A.   (Hall) Yes, on an average cents per kilowatt-hour  
8       basis. The individual rate components, based on our  
9       rate design calculations, are on Exhibit SRH-1 --  
10      Attachment SRH-1.

11   Q.   Thank you. And, one last question. Would changing  
12       this transmission rate as requested conform with the  
13       most recently filed and found adequate Least Cost  
14       Integrated Resource Plan for Public Service of New  
15       Hampshire?

16   A.   (Hall) Yes, it would.

17                   MR. FOSSUM: Thank you. I have nothing  
18       further.

19                   CHAIRMAN IGNATIUS: Thank you.  
20       Questions, Ms. Chamberlin?

21                   MS. CHAMBERLIN: I have a couple. Thank  
22       you.

23                   **CROSS-EXAMINATION**

24   BY MS. CHAMBERLIN:

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[WITNESS PANEL: Shelnitz~Hall]

1 Q. Could you explain the difference between the "Regional  
2 Network Service" and the "Local Network Service"?

3 A. (Shelnitz) Yes. The Regional Network Service is the  
4 combined revenue requirement of all pooled transmission  
5 facilities in New England. The various transmission  
6 owners provide their individual revenue requirements  
7 for their portion of the Pool transmission facilities.  
8 And, those are all combined into one overall revenue  
9 requirement, that then is converted into a rate to be  
10 billed for transition service.

11 The Local Network Service relates to  
12 those transmission facilities that are not considered  
13 Pool facilities. They're more local. They're within a  
14 transmission owner's area of service.

15 Q. So, for New Hampshire, that would be primarily New  
16 Hampshire, correct? Is it more local than that?

17 A. (Hall) It's -- LNS service is basically service within  
18 the NU system.

19 Q. Okay.

20 A. (Hall) Which includes New Hampshire transmission  
21 facilities.

22 Q. And, also includes Connecticut and --

23 A. (Hall) Yes.

24 Q. These rates are set through proceedings at FERC,

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1 correct?

2 A. (Shelnitz) Yes.

3 Q. So, essentially, this is a pass-through?

4 A. (Shelnitz) Yes.

5 Q. And, we're looking at the rate allocation, and that was  
6 Mr. Hall's testimony?

7 A. (Hall) Yes.

8 Q. And, because it's a transmission cost, the rate of  
9 migration has no impact on this allocation, correct?

10 A. (Hall) Correct. Customers pay for transition service  
11 regardless of where they get their energy service.

12 MS. CHAMBERLIN: Thank you. That's all.

13 CHAIRMAN IGNATIUS: Thank you.

14 Commissioner Harrington, questions?

15 CMSR. HARRINGTON: You forgot the Staff.

16 CHAIRMAN IGNATIUS: Oh, I'm sorry. You  
17 know, we're trying to be efficient here. And, every day  
18 we cut out one party from the questioning.

19 I apologize. Ms. Amidon.

20 MS. AMIDON: I just really have one  
21 question.

22 BY MS. AMIDON:

23 Q. Mr. Shelnitz, on Page 8 of your testimony, you indicate  
24 that the "increase in the RNS rate is a result of an

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1       increase in Pooled Transmission Facilities revenue  
2       requirements." Are these revenue requirements  
3       associated with any particular project that you're  
4       aware of or is it just the general revenue requirements  
5       associated with a number of projects?

6   A.   (Shelnitz) I'm not aware of any specific projects. So,  
7       I would, at this point, I would say they're just  
8       general revenue requirement increases.

9   Q.   And, we've -- thank you. And, we've seen over the  
10       years that the transmission costs continue to increase.  
11       Is there any reason to think that trend will not  
12       continue in the future?

13   A.   (Hall) Well, at some point, throughout New England, you  
14       will have built all the transmission that's needed.  
15       But, to the extent that transmission owners throughout  
16       New England continue to modify and add new facilities,  
17       the costs increase. One would anticipate that, you  
18       know, over the long term, absent significant load  
19       growth, the increase in costs would begin tailing off,  
20       would be mitigating.

21   Q.   But probably not in the foreseeable future?

22   A.   (Hall) Correct.

23                   MS. AMIDON: All right. Thank you.

24       That's all I have. Thank you, madam Chairman.

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1 CHAIRMAN IGNATIUS: Thank you.  
2 Commissioner Harrington.

3 CMSR. HARRINGTON: I may go. I don't  
4 get cut out this time?

5 CHAIRMAN IGNATIUS: The next case.

6 CMSR. HARRINGTON: The next case, okay.

7 BY CMSR. HARRINGTON:

8 Q. Just a couple of quick questions on this, regarding to  
9 the discussion on LNS and the Pooled Transmission  
10 Facilities -- or, the RNS, I should say. That's only  
11 for, just so it's clear, that's only for reliability  
12 projects in New England. It's not all transmission  
13 projects are added to this rate, is that correct?

14 A. (Hall) That's my understanding of RNS, yes.

15 Q. And, on the LNS rates, it talks -- it defines it as,  
16 that "based on the costs allocated to PSNH based on  
17 their NU load ratio share", and "LNS encompasses NU's  
18 local transmission costs that are not included in the  
19 FERC-jurisdictional RNS tariff". So, I'm just trying  
20 to make sure I understand the way this work. In the  
21 case of this, the ISO basically informs NU of all the  
22 local transmission costs are not included in the RNS  
23 costs, those are all allocated to LNS to NU?

24 A. (Hall) Yes. But I think it's the other way around. I

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1 don't think ISO informs NU or a local transmission  
2 owner of what's LNS. I think the transmission owner,  
3 by virtue of the fact that transmission facilities are  
4 not designated as "RNS", then they become -- they are,  
5 by definition, LNS.

6 Q. So, then, that's a number for the entire NU system, and  
7 then PSNH's share of that is calculated on this load  
8 ratio share using a rolling 12-month coincident peak?

9 A. (Hall) Yes.

10 Q. Their portion of the peak for NU?

11 A. (Hall) Yes.

12 Q. Okay. So, if something was not placed into RNS rates,  
13 say, in Connecticut, for example, then it would be in  
14 LNS rates, and part of those costs would be borne by  
15 PSNH?

16 A. (Hall) Yes.

17 Q. Okay. So, like, with the Southwest Connecticut  
18 Project, where some of the costs were not allowed to be  
19 put into RNS rates because of the undergrounding  
20 associated with it, those costs would be passed on  
21 somewhat to the people in -- PSNH customers in New  
22 Hampshire?

23 A. (Hall) In the case of that project, I'm trying to  
24 recall. There may have been exceptions made with that

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1 project in particular. And, --

2 Q. I'm sorry. When you say "exceptions made", I know it  
3 was about 100 and something million dollars wasn't  
4 allowed into RNS rates, because it was considered to  
5 comply with Connecticut law?

6 A. (Hall) By "exceptions made", I meant "exceptions made  
7 to recovering those costs from all LNS load." Subject  
8 to check, I believe a portion of those costs, and it  
9 may well have been the cost of undergrounding, was  
10 allocated to the State of Connecticut.

11 Q. Only, okay. Well, maybe, and not to hold up today, but  
12 maybe sometime you can get back to us with that  
13 information, I'd be interested in that.

14 A. (Hall) Yes, sir.

15 MR. FOSSUM: And, just for  
16 clarification, I'm sorry, Commissioner. Is there a record  
17 request for this --

18 CMSR. HARRINGTON: No. No, this would  
19 be something informally to get back to us on it. It has  
20 really nothing to -- no effect on today's hearing.

21 MR. FOSSUM: Okay. I just wanted to be  
22 clear if there was a record request. Thank you.

23 Q. And, one other question. Mr. Hall, in your testimony  
24 on Page 3, you talk about "How did you forecast the

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1 data to perform the calculations described?" And, you  
2 said you "used historical data as a proxy...because  
3 there is no other reasonable way to forecast it", which  
4 certainly makes sense. Is there some reconciliation  
5 then or true-up that's done after the fact? I'm just  
6 trying to figure out where that fits in.

7 A. (Hall) Yes. We reconcile after the fact.

8 Q. So, it would be the next TCAM one that you would build  
9 that in, and, if there was an up or down, you adjust  
10 accordingly?

11 A. (Hall) Yes.

12 Q. Okay.

13 A. (Hall) And, if you flip through my attachments, you'll  
14 see the reconciliation from the period for the 12  
15 months ending June 2012.

16 Q. Is that Page 3? I just wasn't sure what that was. But  
17 it sounds like that's what we're talking about.

18 A. (Hall) It is SRH-2, Pages 5 -- Page 5.

19 CMSR. HARRINGTON: Okay. All right.

20 Very good. Thank you. That's all I have.

21 BY CHAIRMAN IGNATIUS:

22 Q. I had one other thought about the historic data being  
23 used for forecasting. And, it's in the context of the  
24 merger, and taking on NSTAR as well. Does that change



[WITNESS PANEL: Shelnitz~Hall]

1 the reliability of using past data in your forecasting?

2 A. (Hall) Not necessarily. What we're using historical  
3 data for is for determining PSNH's contribution to the  
4 NU system peak. And, as a result of the merger with  
5 NSTAR, NU's system peak is going to increase. So, the  
6 only question that remains is whether PSNH is more  
7 coincident with legacy NU than NSTAR was, or less  
8 coincident. And, that's really where any change would  
9 occur. But what we're using is a three-year rolling  
10 average. And, to the extent that changes after the  
11 fact do occur, we reconcile them.

12 Q. And, this filing would pick up the new NSTAR addition  
13 to the peak?

14 A. (Hall) For one year.

15 Q. All right. So, we're in sort of a transitional phase  
16 right now for the --

17 A. (Hall) Yes.

18 Q. -- next three years, we'll be seeing how that plays  
19 into these calculations, and then you'll be -- it will  
20 be solidly only a question of the new combined higher  
21 peak?

22 A. (Hall) Yes.

23 CHAIRMAN IGNATIUS: Okay. I have no  
24 other questions. Thank you. Any redirect, Mr. Fossum?

[WITNESS PANEL: Shelnitz~Hall]

1 MR. FOSSUM: No.

2 CHAIRMAN IGNATIUS: Thank you. Then,  
3 you're excused, but you might stay where you are.

4 Is there any objection to striking the  
5 identification on Exhibit 1 and making it a full exhibit?

6 (No verbal response)

7 CHAIRMAN IGNATIUS: Seeing nothing, we  
8 will do so. Is there anything else to take up before  
9 closing statements?

10 (No verbal response)

11 CHAIRMAN IGNATIUS: All right. Then,  
12 Ms. Chamberlin.

13 MS. CHAMBERLIN: Thank you. We support  
14 the TCAM as presented.

15 CHAIRMAN IGNATIUS: Thank you. Ms.  
16 Amidon.

17 MS. AMIDON: Thank you. Staff has  
18 reviewed the filing, and believes that this, the factor  
19 and the rates proposed in the filing have been  
20 appropriately calculated, consistent with the institution  
21 of the TCAM proceeding back in I think it was 2010, which  
22 was conducted pursuant to a Settlement Agreement in PSNH's  
23 most recent distribution rate case. And, we believe that  
24 the resulting rates are appropriate and support the

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1 filing.

2 CHAIRMAN IGNATIUS: Thank you.  
3 Mr. Fossum.

4 MR. FOSSUM: Thank you. I would again  
5 like to acknowledge, in light of all of the other bigger  
6 issues going on, the work that others have done to review  
7 this filing in the short time that we've had. And, PSNH  
8 would request that, consistent with its other requests for  
9 the other rates, that this proposed rate be permitted to  
10 go into effect as proposed, and that it do so in time for  
11 service rendered on and after July 1. Thank you.

12 CHAIRMAN IGNATIUS: Thank you. And, we  
13 will take all of this under advisement and close the  
14 record in this docket.

15 (Whereupon the hearing was adjourned at  
16 10:42 a.m.)

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