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Exhibit No.	# 7
Witness	Steven E. Mullen
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Before the
STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 13-275

In the Matter of:
Public Service Company of New Hampshire
Proposed Default Energy Service Rate for 2014

Direct Testimony
of
Steven E. Mullen
Assistant Director – Electric Division

November 27, 2013

**Public Service Company of New Hampshire
DE 13-275**

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

2 A. My name is Steven E. Mullen. I am employed by the New Hampshire Public Utilities
3 Commission as Assistant Director of the Electric Division. My business address is 21
4 South Fruit Street, Suite 10, Concord, New Hampshire.

5 **Q. Please summarize your educational background and work experience.**

6 In 1989, I graduated *magna cum laude* from Plymouth State College with a Bachelor of
7 Science degree in Accounting. I attended the NARUC Annual Regulatory Studies
8 Program at Michigan State University in 1997. In 1999, I attended the Eastern Utility
9 Rate School sponsored by Florida State University. I am a Certified Public Accountant
10 and have obtained numerous continuing education credits in accounting, auditing, tax,
11 finance and utility related courses.

12
13 From 1989 through 1996, I was employed as an accountant with Chester C. Raymond,
14 Public Accountant in Manchester, New Hampshire. My duties involved preparation of
15 financial statements and tax returns as well as participation in year-end engagements. In
16 1996, I joined the Commission as a PUC Examiner in the Finance Department. In that
17 capacity I participated in field audits of regulated utilities' books and records in the
18 electric, telecommunications, water, sewer and gas industries. I also performed rate of
19 return analysis, participated in financing dockets and presented oral testimony before the
20 Commission. In 1998, I was promoted to the position of Utility Analyst III and
21 continued to work in all of the regulated industry fields, although the largest part of my

1 time was concentrated on electric and water issues. As part of an internal reorganization
2 of the Commission's Staff in 2001, I became a member of the Electric Division. I was
3 promoted to Utility Analyst IV in 2007 and then Assistant Director of the Electric
4 Division in 2008. Working with the Director of the Electric Division, I am responsible
5 for the day-to-day management of the Electric Division including decisions on matters of
6 policy. In addition, I evaluate and make recommendations concerning rate, financing,
7 accounting and other general industry filings. I represent Staff in meetings with company
8 officials, outside attorneys, accountants and consultants relative to the Commission's
9 policies, procedures, Uniform System of Accounts, rate case, financing and other
10 industry and regulatory matters.

11 **Q. Have you previously testified before this Commission?**

12 A. Yes. I have testified before the Commission on numerous occasions.

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

14 A. The purpose of my testimony is to provide Staff's comments and recommendations
15 regarding certain aspects of the September 27, 2013 filing made by Public Service
16 Company of New Hampshire (PSNH) to establish a default energy service (ES) rate for
17 calendar year 2014. In its filing PSNH provided a preliminary calculation of its 2014 ES
18 rate at 8.96 cents per kilowatt-hour (kWh).

19 **Q. Does that preliminary rate include any scrubber-related cost recovery?**

20 A. Yes. The 8.96 cents per kWh rate includes a 0.98 cents per kWh temporary scrubber
21 recovery rate consistent with Order No. 25,346 (April 10, 2012) in DE 11-250.

22 **Q. Did PSNH later supplement its filing?**

23 A. Yes. On October 11, 2013, PSNH filed supplemental testimony to explain a recently

1 discovered issue related to load reporting to ISO-New England (ISO-NE). As explained
2 in that testimony, a supplier's loads were overstated in the wholesale market which
3 caused that supplier to be overcharged for its load obligation while other suppliers,
4 including PSNH, were undercharged. As a result, PSNH's customers benefitted by
5 \$1,115,244 in prior periods, so PSNH resettled that amount with the supplier and added
6 that same amount to the current filing to update results of the 2013 ES reconciliation.
7 This adjustment increased PSNH's preliminary calculation of the 2014 ES rate by 0.03
8 cents per kWh to 8.99 cents per kWh. Further explanation of this adjustment can be
9 found in PSNH's supplemental testimony.

10 **Q. On which particular facets of PSNH's ES rate filing do you have comments?**

11 A. There are two particular issues I wish to discuss. One relates to the inclusion of Regional
12 Greenhouse Gas Initiative (RGGI) rebates in the 2014 ES rate calculation. The other
13 issue involves the estimated costs and revenues related to the ISO-NE 2013 – 2014
14 Winter Reliability Program. While PSNH discussed the expected impacts associated
15 with the Winter Reliability Program, the potential net rate impact to PSNH's default
16 service customers should be clarified.

17 **Q. Please discuss the RGGI rebate issue.**

18 A. Pursuant to RSA 125-O:23, when RGGI allowances are sold, the sales proceeds are split
19 between the Core energy efficiency programs (proceeds up to and including \$1 per
20 allowance) and customers (proceeds in excess of \$1 per allowance). Through December
21 31, 2013, the portion of the proceeds that is rebated to customers goes only to "all default
22 service electric ratepayers in the state."¹

¹ See RSA 125-O:23, II.

1 **Q. Did PSNH include a RGGI rebate in its 2013 ES rate?**

2 A. Yes, PSNH included a total of \$9,326,000 for RGGI rebates in its 2013 ES rate.

3 **Q. How do the RGGI rebates change beginning January 1, 2014?**

4 A. Referring again to RSA 125-O:23, II, rather than default service customers, the rebate
5 will go to “all retail electric ratepayers in the state.” For PSNH, this means that all of its
6 customers, whether or not they take default service from PSNH, are entitled to a share of
7 the rebate.

8 **Q. Did PSNH reflect this change in its 2014 ES rate calculation?**

9 A. Yes. PSNH attempted to capture this change by estimating the annual amount of RGGI
10 rebates and then adjusting for migration to recognize that many of its customers do not
11 take default service. For those non-default PSNH customers, I presume that, consistent
12 with PSNH’s methodology, they would be expected to receive their RGGI rebates from
13 their respective energy suppliers.

14 **Q. Do you have any concerns with PSNH’s proposed methodology?**

15 A. Yes. While I understand PSNH’s attempt to match a customer’s RGGI cost and
16 associated RGGI rebate in the same rate component—the ES rate—logistically it could
17 be quite cumbersome, especially as customers switch between supply options. In
18 addition, if customers of competitive suppliers take service under fixed-price contracts, it
19 would be difficult to determine if those customers receive a RGGI rebate and, if so, how
20 much.

21 **Q. Do you have a suggestion as to how to administer distributing the RGGI rebates to**
22 **“all retail electric ratepayers in the state?”**

1 A. Yes. Considering that customers of New Hampshire electric distribution utilities receive
2 energy supply service from a variety of sources, in my view it would be preferable to,
3 beginning January 1, 2014, flow the rebates to all electric customers using a non-
4 bypassable rate component such distribution or transmission rates or a stranded cost
5 charge. Doing so would avoid the inherent complexities involved with, among other
6 things, customers switching between supply options and competitive supplier pricing
7 strategies. Consistent with my position, I note that the default service rates of Liberty
8 Utilities and Unitil Energy Systems for effect beginning January 1, 2014 do not have
9 RGGI rebates included in the respective calculations.

10 **Q. Heeding your suggestion, how would that impact the pending ES rate calculation?**

11 A. For purposes of this 2014 ES rate proceeding, all that needs to happen is to remove the
12 estimated amount of the RGGI rebates from PSNH's ES rate calculation. Specifically,
13 \$3,050,000 of RGGI rebates which were used as a reduction to ES costs should be
14 removed from the calculation.

15 **Q. What is the impact on the ES rate of removing the estimated RGGI rebates?**

16 A. Using PSNH's forecasted 2014 ES sales of 3,830,948,000 kWh,² this change would
17 increase the ES rate by 0.08 cents per kWh, bringing PSNH's preliminary rate calculation
18 inclusive of the temporary scrubber rate to 9.07 cents per kWh.

19 **Q. Does the issue of how the post-January 1, 2014 RGGI rebates flow to customers
20 need to have a final resolution in this proceeding?**

21 A. No. Any final resolution of the RGGI rebate issue will require the input of the other New
22 Hampshire electric utilities, the municipal electric departments located within New

² See October 11, 2013 testimony of Eric H. Chung, Attachment EHC-1, page 1, line 32.

1 Hampshire and other interested parties to ensure a mutually agreeable and beneficial
2 solution.

3 **Q. Regarding the ISO-NE 2013- 2014 Winter Reliability Program, why did you say**
4 **earlier that the net rate impact to PSNH’s default service customers should be**
5 **clarified?**

6 A. On pages 7 and 8 of his September 27, 2103 testimony, Mr. Chung describes the Winter
7 Reliability Program and discusses the related costs to be allocated to PSNH and its
8 default service customers along with revenues to be received as a result of PSNH’s
9 Newington Station participation in the program. As described by Mr.Chung, PSNH
10 estimated approximately \$2.4 million of costs would be allocated to PSNH’s default
11 service customers. Mr. Chung also stated that PSNH was awarded approximately
12 100,000 megawatt-hours (215,000 barrels) of oil inventory service at Newington Station
13 over the three-month (December 2103 – February 2104) period for a price of \$4.8
14 million. If one compares the estimated costs of \$2.4 million with the estimated revenue
15 of \$4.8 million, the net result appears to be a net benefit to customers of \$2.4 million.

16 **Q. Why do you say “appears to be?”**

17 A. During a technical session, the expected impacts of the Winter Reliability Program were
18 discussed and through that discussion it was learned that the \$4.8 million of revenue
19 could be reduced due to incremental costs and risks associated with participation in the
20 program. Those incremental costs and risks were described in a discovery response.³ As
21 a result, the net benefit mentioned above may be more in the range of \$1 million rather
22 than \$2.4 million.

³ See Attachment SEM-1, PSNH’s response to TECH 1-001.

1 **Q. What is your recommendation on this point?**

2 A. When it submits its updated ES rate filing in December 2013, PSNH should clearly
3 describe the relevant costs and risks of participation in the 2013 – 2014 Winter Reliability
4 program and provide any additional information learned as the program begins operation.

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

6 A. Yes, it does.