

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING
2014 DEFAULT ENERGY SERVICE RATE CHANGE
MID-TERM ADJUSTMENT EFFECTIVE JULY 1, 2014
Docket No. DE 13-275

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

2 A. My name is Christopher J. Goulding. My business address is 780 North Commercial Street,
3 Manchester, NH. I am employed by Northeast Utilities Service Company (NUSCO) as the
4 Manager, Revenue Requirements – PSNH. NUSCO provides centralized services to the
5 Northeast Utilities (NU) operating subsidiaries Public Service Company of New Hampshire
6 (PSNH), The Connecticut Light and Power Company, Yankee Gas Services Company, Western
7 Massachusetts Electric Company, NSTAR Electric Company and NSTAR Gas Company.

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

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

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

12 A. I graduated from Northeastern University in Boston, MA in 2000 with a Bachelor of Science in
13 Business Administration with a concentration in Accounting and from Boston College in
14 Chestnut Hill, MA in 2009 with a Master's in Business Administration.

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

2 A. Upon graduation from Northeastern University, I was hired by NSTAR Electric & Gas Company
3 (now NUSCO) and have held various positions in Accounting, Corporate Finance and Regulatory
4 with increasing responsibility through my current position as Manager, Revenue Requirements –
5 PSNH.

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

7 A. I am currently responsible for the coordination and implementation of revenue requirements
8 calculations for PSNH, as well as the filings associated with PSNH's Energy Service charge, the
9 Stranded Cost Recovery charge, the Transmission Cost Adjustment Mechanism, and the
10 Alternative Default Energy Service Rate.

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

12 A. The purpose of my testimony is to provide a detailed overview of PSNH's request for a mid-term
13 adjustment to increase the current Default Energy Service (ES) rate effective on July 1, 2014.

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

15 A. In this proceeding, PSNH is requesting the Commission approve a mid-term adjustment to the
16 non-Scrubber portion of the ES rate for all customers effective July 1, 2014. This rate adjustment
17 would increase the current ES non-Scrubber rate from 8.25 cents per kWh to 9.00 cents per kWh,
18 based on actual results through March 2014 and the most current forecast of PSNH's costs of
19 providing such power for the remainder of 2014. These updates indicate that PSNH would under-
20 recover its ES costs as of December 31, 2014 absent a change to the rate. In addition, the
21 temporary Scrubber rate of 0.98 cents per kWh approved in Docket No. DE 11-250 would

1 continue unchanged resulting in the total ES rate changing from the current 9.23 cents per kWh to
2 9.98 cents per kWh. PSNH is proposing the ES rate change to take effect July 1, 2014 consistent
3 with its concurrent proposal to change the SCRC. In addition, in early June 2014, PSNH will file
4 its proposal to change the Transmission Cost Adjustment Mechanism (TCAM) effective July 1,
5 2014 and will also file updated ES and SCRC rates. The detailed calculations supporting the
6 proposed ES rate can be found in Attachments CJG-1 and CJG-2 to this testimony.

7 **Q. What caused the projected ES under-recovery?**

8 A. The primary causes of the projected ES under-recovery are higher actual and forecasted market
9 prices compared to the forecasted market prices in the December filing along with 2013 O&M
10 costs that were higher than forecasted.

11 **Q. Please provide the historic and current ES rates.**

12 A. The following table outlines ES rates in effect from May 1, 2001 to the present for residential,
13 small general service customers and large commercial and industrial customers.

Date of Service

May 2001 - January 2003	(a) 4.40 cents per kWh
February 2003 - January 2004	(b) 4.60/4.67
February 2004 - July 2004	5.36
August 2004 - January 2005	5.79
February 2005 - July 2005	6.49
August 2005 - January 2006	7.24
February 2006 - June 2006	9.13
July 2006 - December 2006	8.18
January 2007 - June 2007	8.59
July 2007 - December 2007	7.83
January 2008 – June 2008	8.82
July 2008 – December 2008	9.57
January 2009 – July 2009	9.92
August 2009 – December 2009	9.03
January 2010 – June 2010	8.96
July 2010 – December 2010	8.78
January 2011 – June 2011	8.67
July 2011 – December 2011	8.89
January 2012 – April 15, 2012	8.31
April 16, 2012 – June 2012	(c) 8.75
July 2012 – December 2012	(c) 7.11
January 2013 – June 2013	(c) 9.54
July 2013 – December 2013	(c) 8.99
January 2014 – June 2014	(c) 9.23

- (a) Set by statute for all retail customers.
- (b) Small C&I and residential rate set by statute (4.60 cents).
Large C&I rate set on forecasted costs (4.67 cents).
- (c) This rate includes 0.98 cents per kWh for Merrimack Scrubber costs approved in the temporary rates Order 25,346 in Docket No. DE 11-250.

1 Initially, Energy Service rates were set by statute. Beginning in February 2003, the Energy
2 Service rate for large commercial and industrial customers was based on PSNH's forecast of
3 "actual, prudent and reasonable costs" (4.67 cents). Beginning in February 2004, the Energy

1 Service rate for all retail customers was based on a forecast of PSNH's "actual, prudent and
2 reasonable costs."

3 **Q. Please provide an overview of how the Energy Service cost recovery mechanism works.**

4 A. PSNH recovers the cost of supplying energy to customers who choose to receive energy from
5 PSNH through the ES rate. The ES rate is forecasted and reconciled once actual costs are known.
6 ES reconciliation amounts are deferred and applied to future ES rate recoveries per the
7 Commission's order and findings in Docket No. DE 05-164, Order No. 24,579, dated January 20,
8 2006.

9 **Q. When will PSNH provide an update to the proposed ES rate?**

10 A. The values in this filing will be updated in about five weeks to reflect actual results for April
11 2014. In addition, if there are any other significant changes, such as in the forecasted forward
12 market prices or customer migration, PSNH will update its rate to account for those changes.

13 **Q. Are the costs that PSNH has included in this ES rate filing consistent with the past ES
14 filings?**

15 A. Yes. ES costs contain the generation asset revenue requirements, entitlements and purchased
16 power obligations, including the cost of fuel used in generation. In addition, ES costs include the
17 costs and revenues from market purchases and sales, ISO-NE expenses and revenues, RPS,
18 RGGI, and IPP power values at market prices. Finally, ES costs include non-fuel operation and
19 maintenance costs (O&M), depreciation, property taxes and payroll taxes, uncollectible costs
20 attributable to ES, and a return on the net generation investment. All of these costs exclude any

1 impact of the Merrimack Scrubber costs which are being recovered as temporary rates pursuant to
2 Order No. 25,346 in Docket No. DE 11-250.

3 **Q. Please discuss the level of migration assumed in this filing.**

4 A. The level of migration assumed in PSNH's filing is 48.1%, which is lower than the 53.7% used to
5 set the 2014 rate in December 2013. This value represents the actual current migration level on
6 PSNH's system at the end of March 2014.

7 **Q. How are PSNH's mandated purchased power obligations (IPPs) valued in calculating the**
8 **ES rate?**

9 A. PSNH includes IPP generation as a source of power to meet PSNH's load requirements, and that
10 power is valued based on projected market costs (energy and capacity). The over-market portion
11 of purchases from the IPPs are treated as a stranded cost and recovered through the Stranded Cost
12 Recovery Charge. This treatment is consistent with the Restructuring Settlement and the
13 Commission's Order in Docket No. DE 02-166. As market prices decrease, the ES costs decrease
14 and there is a corresponding increase to the SCRC rate for the same time period. As market
15 prices increase, the ES costs increase and there is a corresponding decrease to the SCRC rate for
16 the same time period. To properly match the recovery of IPP costs, PSNH will also concurrently
17 file for a change in the SCRC rate effective July 1, 2014.

18 **Q. Has PSNH included the information on Wood IPP costs required by Order No. 25,305 in**
19 **Docket No. DE 11-184?**

20 A. Yes. The detail of purchases by contract for 2014, actual and forecasted, is shown on page 7 of
21 Attachment CJG-2 which reflects both the "market" and "over market" costs. The market costs

1 are summarized and reflected on CJG-2, page 3 of the ES rate while the over market costs are
2 reflected in the SCRC rate.

3 **Q. Please describe the detailed support for the calculation of the ES rate.**

4 A. Attachment CJG-2 provides detailed cost and revenue components relating to PSNH's generating
5 costs, and also provides a breakdown of market purchases and sales. Page 3 of the attachment
6 provides further detail relating to the PSNH generation and purchased power for the period
7 January 1, 2014 through December 31, 2014. Page 4 provides further detail on the forecasted
8 market value of IPP generation. Page 5 provides a breakdown of Fossil/Hydro Operation and
9 Maintenance costs. Page 6 provides a detailed calculation of the return on Fossil/Hydro
10 investment and Page 7 provides the detailed breakdown of the Wood IPP purchases.

11 **Q. Please describe the inclusion of Winter Reliability Program revenues and costs included in
12 the calculation of the ES rate?**

13 A. The revenues and costs associated with the Winter Reliability Program are included in Line 16
14 ISO-NE Ancillary on CJG-2, page 1. These amounts are preliminary, as adjustments and true-
15 ups may occur in future months. The preliminary revenues of \$5.4 million and preliminary costs
16 of \$2.6 million are included in the ES rate calculation.

17 **Q. Please describe the inclusion of Black Start and VAR revenues included in the calculation of
18 the ES rate.**

19 A. Black Start and VAR revenues are currently being returned to PSNH customers via the TCAM
20 rate through June 30, 2014. Beginning July 1, 2014, PSNH has included these revenues in the ES
21 rate calculation. PSNH receives Black Start payments from ISO-NE because certain of PSNH's

1 generating units have demonstrated their ability to be Black Start Generators. Black Start is the
2 ability of a power station to start and energize the electrical grid without itself relying on the
3 external electric power transmission network to start. PSNH receives VAR payments because
4 certain PSNH generation units have been deemed to be qualified reactive resources that provide
5 reactive power to maintain transmission voltages to meet operating requirements for the New
6 England Transmission System. The Black Start and VAR payments that PSNH receives are a
7 direct result of PSNH owning generation, and, as such, should be returned to generation
8 customers by inclusion in the ES rate. Concurrent with this request, these revenues will be
9 removed from the TCAM rate the will go into effect on July 1, 2014.

10 **Q. Does the Commission need to make a determination at this time of the prudence of the costs**
11 **incurred since January 1, 2014?**

12 A. No. Prudence will be addressed in the Energy Service Charge reconciliation which has
13 traditionally been filed in early May following the calendar year when those costs were incurred
14 and collected.

15 **Q. Does PSNH propose to implement the new Energy Service rate on a service-rendered basis?**

16 A. Yes, consistent with the practice for similar past adjustments.

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

18 A. Yes. Due to the number of rate components that will change, PSNH requests approval of the
19 proposed ES rate by Thursday, June 26 to allow sufficient time to test thoroughly and bill on our
20 regular schedule without delaying billing for service rendered as of July 1, 2014 (a Tuesday).

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

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

4 **A. Yes, it does.**