Before the

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

DE 14-120

<u>In the Matter of:</u>
<u>Public Service of New Hampshire</u>

<u>Reconciliation of Energy Service and Stranded Costs for Calendar Year 2013</u>

Direct Testimony

of

Grant W. Siwinski
Utility Analyst III – Electric Division

March 18, 2015

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

A. My name is Grant W. Siwinski. I am employed by the New Hampshire Public Utilities Commission as a Utility Analyst III in the Electric Division. My business address is 21 South Fruit Street, Suite 10, Concord, New Hampshire.

Q. Please summarize your educational background and work experience.

A. I earned a BS in Business Administration from Loyola University Maryland. I also received an MBA from Morgan State University in Baltimore and an MA in Regulatory Economics from New Mexico State University. I attended the NARUC Annual Regulatory Studies Program at Michigan State University in 1986. I have attended and taught portions of the Process of Determining Revenue Requirements at the Center for Public Utilities and have completed and received the designation of Certified Public Manager from the State of Nevada.

From 1976 to 1986, I was employed in increasingly responsible positions with either Detroit Edison, Washington Public Power Supply System or PacifiCorp. My duties at these companies/agency included developing/reporting capital and operational budgets; developing, analyzing, and preparing testimony for the cost of capital and revenue requirement witnesses; and interfacing with Senior Management and Regulatory Commission personnel. In 1986, I joined the Maine Public Utilities Commission as a Senior Financial Analyst in the Finance Department. In that capacity, I participated in electric, gas, and water rate cases preparing and filing revenue requirement testimony. In 1999, I joined the Public Utilities Commission of Nevada as a Policy Advisor to the

Commissioners. In 2007, I was promoted to Manager, Safety and Quality Assurance. In that capacity, I was responsible for three separate programs; railroad safety for Nevada, natural gas pipeline safety for Nevada, and ensuring the quality of service, environmental compliance, and financial viability of 30 small water utilities in Nevada. In 2010, I joined the New Hampshire Public Utilities Commission as a Utility Analyst III in the Electric Division. My responsibilities include reviewing and evaluating testimony before the Commission; formulating policy recommendations, arguments and positions in cases; and, submitting expert testimony and recommendations to the Commission.

Q. Have you previously testified before this Commission?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide Staff's recommendation regarding the final disposition of $5.7 million in Rate Reduction Bonds' (RRB) funds that remained in Public Service of New Hampshire's (PSNH or Company) sub-accounts after the full amortization of the RRBs on May 1, 2013.

Q. Please explain what the RRB trust sub-accounts were.

A. For a brief explanation and description of the RRBs see Christopher J. Goulding's testimony at Bates Stamp 105; this accurately depicts the genesis and set up of the RRBs and sub-accounts, except for the statement at lines 23-24 that the general and reserve sub-accounts were partially funded by the Company. As described below, these two sub-accounts were funded through the RRB Charge, which was only assessed to PSNH's retail customers in accordance with the Settlement Agreement in Order No. 23,550 dated September 8, 2000 in Docket No. DE 99-099 (the Finance Order). See also Order

Approving Financing in Docket No. DE 01-089, Order No. 23,859 dated December 6, 2001.

Q. What is PSNH requesting in this filing?

A. The Company is requesting recovery of $5.7 million in RRB funds that were ordered returned to retail customers in Docket No. DE 12-291. In that order (Order No. 25,532, dated June 27, 2013), the Commission authorized a refund to customers of $8.422 million, which included the $5.7 million. However, the question of the $5.7 million refund was not fully resolved in that filing and was to be considered for further review in PSNH's calendar year 2013 reconciliation. PSNH is claiming the $5.7 million was contributed by the Company, not retail customers, and therefore, should be returned to it.

Q. What evidence does PSNH present to demonstration the $5.7 million was contributed by the Company?

A. PSNH presented Attachment CJG-1, which the Company represented showed the Stranded Cost Recovery Charge (SCRC) revenues and expenses actually incurred from 2001 to 2013 by year. The expenses are broken down into SCRC Part 1 expenses (RRB expenses) and all other SCRC expenses. The Attachment also included the actual cash transfers to the RRB sub-accounts for the same period of time by year. The Company subtracted the RRB Part 1 expenses from the RRB sub-account cash transfers and there was an excess of $5.7 million remaining in the general sub-account ($0.170 million) and the reserve sub-account ($5.575 million). Based on this analysis the Company claimed it funded the $5.7 million, and therefore, it is requesting recovery.

Q. Does Staff agree with PSNH?

A. No. Based on Staff's review of the Finance Order, any funds remaining in the general sub-account and the reserve sub-account after the RRBs were paid in full were intended to be credited back to retail customers. This was the Finance Order's intent because these sub-accounts were funded by the RRB Charge, which was billed to the Company's retail customers. Finance Order at 34.

Q. Please explain.

A. Per the Finance Order, an RRB Charge was calculated and set at levels intended to recover, only from retail customers, enough revenues to ensure the timely recovery of the principal, interest, and certain financing costs, including issuance costs, legal fees, and credit enhancements approved by the Commission for the RRBs. The RRB Charge was deposited into a Collection Account, which included a general sub-account (which held the collections for principal, interest, fees and expenses), an overcollateralization[1] sub-account (which held the excess collections for credit enhancements), the capital sub-account (which held the initial capital contribution to the Special Purpose Entity and was contributed by the Company) and the reserve sub-account (which held any excess collections of RRB Charges as described below).

Q. What happened if the forecasted revenues were over- or under- collected for a period?

A. If there were excess RRB collections from retail customers, the revenues were to be allocated to the following sub-accounts in the following order: 1) to the capital sub-account up to its initial capital contribution; 2) to the overcollateralization sub-account up to the funding level required by the rating agencies at the issuance of the RRBs; and

[1] The RRB Charge was calculated to yield collections in excess of those required to satisfy principal, interest, fees and expenses of the RRBs. The actual amount of overcollateralization required to achieve the highest credit rating was expected to be at least 0.50% of the initial principal amount of the RRBs. The actual amount depended on rating agency requirements and tax considerations.

finally, 3) any remaining excess revenues to the reserve sub-account. If the RRB revenues were deficient, the sub-accounts were to be drawn down in the following order: 1) the reserve sub-account, 2) the overcollateralization sub-account, and finally, 3) the capital sub-account.

Q. When a revenue deficiency resulted, in addition to drawing from the sub-accounts in the sequence described above, what was PSNH required to do?

A. In the event of a revenue deficiency, PSNH had to adjust the RRB Charge subject to the Commission's approval; pursuant to a true-up mechanism established in accordance with RSA 369-B:4. The True-Up Mechanism was a periodic adjustment, up or down, to the RRB Charge to account for any previous or projected over- or under collections of the RRB costs. At least semi-annually and as frequently as monthly, PSNH could request an RRB Charge adjustment such that, during the period for which that RRB Charge would be billed, RRB Charge collections would be sufficient to cover all authorized costs. Any amounts on deposit in the reserve sub-account, at the time of the true-up, would be included in the new RRB Charge. Finance Order at 33-34.

Q. What is Staff's recommendation?

A. Since the revenues in the general sub-account and the reserve sub-account were only authorized to be collected from retail customers through the RRB Charge, these revenues belong to retail customers. Therefore, Staff recommends that the Commission deny PSNH's request to recover the $5.7 million in RRB Charges that remained in its sub-accounts after the full amortization of the RRBs on May 1, 2013.

Q. Does this conclude your testimony?

A. Yes.