

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
2008 STRANDED COST RECOVERY CHARGE RATE CHANGE

Docket No. DE 07-__

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

2 A. My name is Robert A. Baumann. My business address is 107 Selden Street, Berlin,
3 Connecticut. I am Director, Revenue Regulation & Load Resources for Northeast
4 Utilities Service Company (NUSCO). NUSCO provides centralized services to the
5 Northeast Utilities (NU) operating subsidiaries, including Public Service Company of
6 New Hampshire (PSNH), The Connecticut Light and Power Company, Yankee Gas
7 Services Company and Western Massachusetts Electric Company.

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

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

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

11 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
12 the necessary approvals to set the average Stranded Cost Recovery Charge (SCRC) rate
13 that will take effect January 1, 2008.

14 **Q. Please describe the components of the SCRC and their application to this rate**
15 **request.**

1 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F
2 and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549, defined
3 PSNH's stranded costs and categorized them into three different parts (i.e., Part 1, 2 and
4 3). Part 1 is composed of the RRB Charge calculated to recover the costs of repayment
5 of the securitization Rate Reduction Bonds. Part 2 costs include "ongoing" costs
6 consisting primarily of the over-market value of energy purchased from independent
7 power producers (IPPs) and the up-front payments made for IPP buy-downs and buy-outs
8 previously approved by the Commission, and PSNH's share of the present value of the
9 savings associated with these buy-down and buy-out transactions. Part 3 costs, consisting
10 of non-securitized stranded costs have been fully recovered.

11 On May 18, 2007, PSNH filed a petition with supporting testimony and schedules
12 requesting a mid-term adjustment to its SCRC effective July 1, 2007 through
13 December 31, 2007. Pursuant to Order No. 24,769 issued in Docket No. DE 06-134,
14 PSNH is currently billing an average SCRC rate of 1.43 ¢/kWh for the period July 1,
15 2007 through December 31, 2007.

16 **Q. Please describe the detailed support for the calculation of the SCRC rate provided**
17 **in Attachments RAB-1 and RAB-2.**

18 A. Attachment RAB-1, pages 1-3, provides a summary of 2008 cost information related to
19 Part 1 and Part 2 costs, amortization of securitized assets and ongoing cost activity.
20 Pages 4 through 7 provide the detailed cost information by month related to Part 1,
21 amortization of securitized assets and Part 2, ongoing costs. Attachment RAB-2, Pages 1
22 through 7 provide the detailed cost and revenue components relating to the 2007 SCRC
23 reconciliation.

1 **Q. Is PSNH currently proposing a specific SCRC rate at this time?**

2 A. No, we are not. Attachment RAB-1 provides a preliminary rate calculation; however,
3 prior to the anticipated hearing in November 2007 PSNH plans to update the SCRC rate
4 for changes attributable to IPP over-market costs and will include an update of 2007
5 actual data. This update will be consistent with the market price assumptions embedded
6 in the Energy Service (ES) update and will be filed at the same time as the 2008 ES rate
7 update.

8 The preliminary 2008 SCRC rate is 0.88 cents per kWh and is 0.55 cents per kWh lower
9 than the current rate of 1.43 cents per kWh.

10 **Q. What are the reasons for the SCRC rate decrease?**

11 A. The primary reason for the SCRC rate decrease effective January 1, 2008 is the decrease
12 of over \$21 million in over-market IPP costs in 2008 due to the expiration of several IPP
13 rate orders during 2007 and 2008. In addition, PSNH's \$50M Rate Recovery Bond 2
14 (RRB2) related to the Whitefield financing will be paid off by end of January 2008. The
15 decrease in the SCRC requirement related to RRB2 from 2007 to 2008 is over \$10M.

16 **Q. Does PSNH plan to minimize cost deferrals for the SCRC through a mid-term
17 adjustment?**

18 A. Yes, if a rate adjustment is deemed necessary, PSNH could file a petition for such a
19 change in a manner and on schedule consistent with the modifications to the Energy
20 Service Rate. The Commission could revisit the SCRC rate in an abbreviated

1 investigation. PSNH agrees to submit actual and estimated data on a date specified by
2 the Commission to allow the parties and Staff sufficient time to address the need for an
3 interim adjustment during the 2008 SCRC year.

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

5 A. Yes, PSNH would need final approval of the proposed SCRC rate by December 31, 2007,
6 in order to implement the new rate for bills rendered as of January 1, 2008. Therefore,
7 PSNH requests that the Commission commence a proceeding so that the procedural
8 schedule can be set to review this filing and approve the SCRC rate in a timely manner.

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

10 A. Yes, it does.