

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
DEFAULT ENERGY SERVICE RATE MID-TERM ADJUSTMENT
Docket No. DE 08-113

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, Connecticut.
3 I am Director, Revenue Regulation & Load Resources for Northeast Utilities Service Company
4 (NUSCO). NUSCO provides centralized services to the Northeast Utilities (NU) operating
5 subsidiaries, including Public Service Company of New Hampshire (PSNH), The Connecticut
6 Light and Power Company, Yankee Gas Services Company, and Western Massachusetts Electric
7 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 to provide a detailed overview of PSNH's request for a mid-term
12 adjustment to decrease the current Default Energy Service (ES) rate effective on August 1, 2009.

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

2 A. The table below outlines ES rates in effect from May 1, 2001 to the present for residential, small
3 commercial and industrial customers (Group 1) and large commercial and industrial customers
4 (Group 2).

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 2009-December 2008		9.57
January 2009		9.92

5 (a) Set by statute for all retail customers.

6 (b) Small C&I and residential set by statute (4.40 cents). Large C&I set on forecasted costs
7 (4.67 cents).

8 Initially, Energy Service rates were set by statute. Beginning in February 2003, the Energy
9 Service rate for large commercial and industrial customers was based on PSNH's forecast of
10 "actual, prudent and reasonable costs" (4.67 cents). Beginning in February 2004, the Energy
11 Service rate for all retail customers was based on a forecast of PSNH's "actual, prudent and
12 reasonable costs."

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

2 A. In this proceeding, PSNH is requesting that the Commission approve a mid-term adjustment to
3 the ES rate for all customers effective August 1, 2009. This rate adjustment would decrease the
4 current ES rate of 9.92 cents per kWh to 8.94 cents per kWh, based on actual results through
5 April 2009 and the most current forecast of PSNH's costs of providing such power for the
6 remainder of 2009. PSNH is proposing the ES rate change to take effect August 1, 2009
7 consistent with its proposal of SCRC rate change, as well as the Transmission Cost Adjustment
8 Mechanism (TCAM) which will be filed in June 2009 to coincide with the proposed effective
9 date of the Temporary Distribution rate change in Docket No.DE 09-035. While the ES, SCRC
10 and TCAM are not directly related to PSNH's request for temporary distribution rates, PSNH is
11 proposing to make all rate changes effective August 1, 2009 to avoid frequent rate changes and
12 customer confusion, and to provide for rate stability. The detailed calculations supporting the
13 proposed ES rate can be found in Attachments RAB-1 and RAB-2 to this testimony.

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

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

20 **Q. Describe what has transpired during the ES period beginning January 1, 2009?**

21 A. The current ES rate of 9.92 cents per kWh began on January 1, 2009 for the twelve month period,
22 January – December 2009. Since that time, there have been significant decreases in current

1 market prices from the level used in forecasting the current ES rate. These significant decreases
2 have driven down the commodity cost of coal, coal transportation, and market purchases.
3 Without a rate change, the total projected over-recovery for the 2009 ES year is \$27.0 million.
4 Our proposed ES rate of 8.94 cents/kWh reflects this significant projected over recovery.

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

6 A. The values in this filing will be updated in about four weeks to reflect actual results for May
7 2009. In addition, if there are any other significant changes, such as a significant change to the
8 forecasted forward market prices from those used in developing this rate or significant changes in
9 projected customer migration, then PSNH will also update its rate for these changes. At that time
10 we will provide further detail to support this requested rate change and provide an updated
11 Technical Statement.

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

13 A. Yes. ES costs contain the generation asset revenue requirements, entitlements and purchased
14 power obligations, including the cost of fuel used for generation. In addition, ES costs include
15 the costs and revenues from market purchases and sales, ISO-NE expenses and revenues,
16 New Hampshire Renewable Portfolio Standard costs (RSA Chapter 362-F), Regional Greenhouse
17 Gas Initiative costs (RSA 125-O:19-125-O:28), and IPP power valued at market prices. In
18 addition, ES costs include non-fuel operation and maintenance costs (O&M), depreciation,
19 property taxes and payroll taxes, uncollectible costs attributable to ES, and a return on the net
20 generation investment.

1 **Q. How are PSNH's mandated purchased power obligations (IPPs) valued in calculating the**
2 **Energy Service rate?**

3 A. PSNH includes the IPP generation as a source of power to meet PSNH's load requirements, and
4 that power is valued based on projected market costs (energy and capacity). The over-market
5 portion of purchases from the IPPs is considered to be a stranded cost and recovered as a Part 2
6 cost through the Stranded Cost Recovery Charge. This treatment is consistent with the
7 Restructuring Settlement and the Commission's Order in Docket No.DE 02-166. As market
8 prices increase, the ES costs increase and there is a corresponding decrease to the SCRC rate for
9 the same time period. To properly match the recovery of IPP costs, PSNH will also
10 simultaneously file for a change in the SCRC rate effective August 1, 2008.

11 **Q. Does the Commission need to make a determination at this time of the prudence of the costs**
12 **incurred since January 1, 2009?**

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

16 **Q. Does PSNH propose to implement the new Energy Service rates on a service-rendered**
17 **basis?**

18 A. Yes.

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

1 A. Yes. Due to the number of rate components that will change, PSNH requests approval of the
2 proposed ES rate early in the week of July 27 to allow sufficient time to test thoroughly and bill
3 on our regular schedule without delaying billing for service rendered as of August 1, 2009.
4 Therefore, PSNH requests that the Commission reopen this proceeding so that the procedural
5 schedule can be set to review this filing and approve the ES rate in a timely manner.

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

7 A. Yes, it does.