

**New Hampshire Electric Cooperative, Inc.  
Before the  
New Hampshire Public Utilities Commission**

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**Stranded Cost Charge**

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**November 10, 2008**

1 Q: PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

2 My name is Brenda C. Inman and my business address is New Hampshire Electric  
3 Cooperative, Inc., 579 Tenney Mountain Highway, Plymouth, NH 03264.

4 Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

5 I have been employed by New Hampshire Electric Cooperative, Inc. since 1982  
6 and currently hold the position of Financial Services Manager. In this position my  
7 responsibilities include preparation of rate filings and other documentation filed with  
8 the NHPUC and overseeing the operations of the finance and consumer billing  
9 departments. Prior to my current position, I held the position of Financial Analyst  
10 where my responsibilities included preparation of rate filings and other  
11 documentation filed with the NHPUC, financial forecasting and analysis, and  
12 miscellaneous other projects for the Cooperative

13 Q: PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

14 I graduated from Plymouth State College in 1982 with an AS in Accounting. I  
15 have attended various courses and seminars.

16 Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE A REGULATORY COMMISSION?

17 Yes.

18 Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

19 The purpose of my testimony is to explain New Hampshire Electric Cooperative's  
20 (NHEC's) proposal for its Stranded Cost Charge for all bills rendered as of January  
21 1, 2009. Please refer to Attachment BCI-1 for detail of the Stranded Cost Charge  
22 proposed.

23

24

1 Q: BY WHAT PERCENTAGE WILL NHEC'S AVERAGE REVENUE / KWH CHANGE ON  
2 JANUARY 2009 IF THE COOPERATIVE'S PROPOSAL IS APPROVED?

3 If there were no other changes to the Cooperative's rates, the Cooperative's  
4 proposal to decrease its Stranded Cost Charge will cause the Cooperative's average  
5 revenue/kWh to decrease 0.35%. Please reference Attachment BCI-2 for the various  
6 rate changes by class for Stranded Cost. Please note that Attachment BCI-2 does  
7 not include any of the Cooperative's anticipated non-jurisdictional rate changes for  
8 January 1, 2009.

9 Q: WHAT EFFECT WILL THE COOPERATIVE'S PROPOSAL HAVE ON AN AVERAGE  
10 RESIDENTIAL RATEPAYER'S MONTHLY BILL?

11 If there were no other changes to the Cooperatives rates, the Cooperative's  
12 proposal to decrease its Stranded Cost Charge will cause an average residential  
13 ratepayer's monthly bill, with usage of 500 kWh to decrease by \$0.37 from \$107.74  
14 to \$107.37. The Cooperative does anticipate other non-jurisdictional rate changes to  
15 occur on January 1, 2009 that will likely have the net result of no change to the  
16 average residential ratepayer's monthly bill of \$107.74.

17 Q: PLEASE EXPLAIN THE CALCULATION OF THE PROPOSED STRANDED COST CHARGE.

18 Please refer to Attachment BCI-1. The Cooperative proposes a Stranded Cost  
19 Charge of 1.505¢ per kWh effective January 1, 2009 for all members served at the  
20 Cooperative's retail tariff rates. The charge is calculated as the total stranded costs  
21 for the period divided by the forecast sales, inclusive of ski area load, for the same  
22 period. The actual stranded costs and stranded cost recoveries will continue to be  
23 reconciled monthly.

24 Q: PLEASE DESCRIBE THE COSTS INCLUDED IN THE STRANDED COST CHARGE FOR THE  
25 YEAR 2009.

26 The Stranded Cost Charge includes the amortization of the Seabrook regulatory  
27 asset in accordance with PUC approval in Docket DR 98-097, the Cooperative's  
28 Revised Compliance Filing. This regulatory asset was established on July 1, 2000

1 when the Sellback Agreement terminated. In Docket DR 98-097 the Commission  
2 authorized the establishment of a regulatory asset for Seabrook Stranded Costs equal  
3 to the outstanding debt of approximately \$103 million less an approximation for the  
4 sale value of the plant net of any required payment to dispose of the Cooperative's  
5 decommissioning liability. The Commission also approved the restructuring of the  
6 Cooperative's Seabrook debt to completely pay it off within twelve years,  
7 substantially reducing the period the Cooperative would otherwise require Stranded  
8 Cost recovery. Under the methodology established in Docket DR 98-097, the  
9 Cooperative annually increases the regulatory asset for interest accrued and reduces  
10 it for debt service payments and for the debt service coverage requirement recovery.  
11 The debt service payment and the debt service coverage requirement recovery are  
12 booked as amortization expenses. The loan agreement between the Cooperative and  
13 its lender, National Rural Utilities Cooperative Financing Corporation ("CFC"),  
14 require that the Cooperative maintain a Debt Service Coverage ratio of at least 1.15  
15 (average best two out of three years). The Commission approved that the  
16 Cooperative amortizes and recovers additional amounts sufficient to allow it to meet  
17 that requirement in addition to recovery of the scheduled debt service payment itself.

18 The Stranded Cost Charge also includes the amortization of a regulatory asset  
19 associated with the termination of NHEC's power contract with PSNH in accordance  
20 with PUC approval in Docket DR 98-097. The Cooperative finances the  
21 Termination Payment with a loan from CFC. The Cooperative records the  
22 Termination Payment as a regulatory asset and amortizes it according to its  
23 scheduled debt service payments and related debt service coverage requirement  
24 recovery using a similar methodology as that used for the Seabrook debt-related  
25 Stranded Costs. The Settlement (Termination) Agreement is a comprehensive  
26 agreement between the Cooperative and PSNH which resolved the many outstanding  
27 disputes between the two parties and allowed the Cooperative and its members to  
28 enjoy the benefits of electric supply competition. In accordance with the Settlement  
29 Agreement, the Amended Partial Requirements Agreement ("APRA"), the wholesale  
30 power supply contract between the Cooperative and PSNH terminated effective  
31 January 1, 2000. The Cooperative paid PSNH \$18,000,000 which together with the  
32 rest of the Settlement, satisfies all stranded cost claims of PSNH against the  
33 Cooperative.

1           There is a continual reduction in stranded cost as a result of the Cooperative's debt  
2           service payments.

3           Q:    IN THE COURSE OF NHEC'S LAST STRANDED COST CHARGE ADJUSTMENT  
4           PROCEEDINGS COMMISSION STAFF RAISED A QUESTION CONCERNING NHEC BOARD  
5           AUTHORIZATION FOR THE PROPOSED RATE CHANGE.   PLEASE ADDRESS THAT  
6           QUESTION IN THE CONTENT OF THIS FILING.

7           In last year's Stranded Cost docket, DE 07-121, Commission Staff raised a  
8           question concerning whether or not the record in that proceeding needed to contain  
9           documentation of a NHEC Board of Directors' resolution or other express  
10          authorization for the proposed Stranded Cost Charge Adjustment. As I understand it,  
11          the Staff's question arose out of some uncertainty concerning the role of NHEC's  
12          Board of Directors with regard to rate changes for those of NHEC's rates which  
13          remain subject to Commission jurisdiction. NHEC, through its counsel, provided  
14          Staff with a letter which answered the question. I have attached a copy of that letter  
15          to my testimony as BCI-3. The explanation set out in BCI-3 is equally applicable to  
16          the proposed Stranded Cost Charge adjustment in this docket as it was to last year's  
17          change.

18          Q:  PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR ATTACHMENTS.

19          The attachments are as follows:

20                **BCI-1:   2009 Stranded Cost Charge.** This schedule provides the calculation  
21                of the proposed Stranded Cost Charge beginning January 1, 2009.

22                **BCI-2:   NHPUC Report of Proposed Changes ("Bingo Sheet").** This  
23                schedule compares current revenues to those revenues that would be  
24                generated if the proposed Stranded Cost Charge included in this  
25                testimony were approved.

26                **BCI-3:   December 13, 2007 Letter.**

27  
28          Q:  DOES THIS CONCLUDE YOUR TESTIMONY?

29          Yes, it does.

**Attachment BCI-1**

**2009 Stranded Cost Charge Schedule**

**New Hampshire Electric Cooperative, Inc.  
Stranded Cost Recovery  
2009 Forecast**

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**Stranded Cost Summary**

	January 2009 Forecast	February 2009 Forecast	March 2009 Forecast	April 2009 Forecast	May 2009 Forecast	June 2009 Forecast	July 2009 Forecast	August 2009 Forecast	September 2009 Forecast	October 2009 Forecast	November 2009 Forecast	December 2009 Forecast
Stranded Cost Recovery Beginning Balance	\$89,110	\$1,487,536	\$286,835	(\$746,916)	\$973,408	\$184,002	(\$642,580)	\$932,084	(\$251,763)	(\$1,147,524)	\$488,500	(\$295,872)
Stranded Costs	\$2,592,646	\$0	\$0	\$2,582,107	\$0	\$0	\$2,436,937	(\$177,548)	\$0	\$2,438,816	\$0	\$1,253,932
Stranded Cost Recoveries	\$1,197,560	\$1,204,097	\$1,032,777	\$862,247	\$791,858	\$825,642	\$862,886	\$1,007,741	\$892,892	\$801,396	\$784,767	\$956,610
System Revenue Adjustments												
Net Recovery This Month	\$1,395,085	(\$1,204,097)	(\$1,032,777)	\$1,719,860	(\$791,858)	(\$825,642)	\$1,574,051	(\$1,185,288)	(\$892,892)	\$1,637,420	(\$784,767)	\$297,322
Ending Balance before Interest	\$1,484,195	\$283,439	(\$745,942)	\$972,943	\$181,550	(\$641,640)	\$931,471	(\$253,204)	(\$1,144,654)	\$489,896	(\$296,267)	\$1,450
Interest	\$3,341	\$3,396	(\$975)	\$464	\$2,452	(\$940)	\$613	\$1,441	(\$2,869)	(\$1,396)	\$395	(\$625)
Stranded Cost Recovery Ending Balance under recovered/ (over recovered)	\$1,487,536	\$286,835	(\$746,916)	\$973,408	\$184,002	(\$642,580)	\$932,084	(\$251,763)	(\$1,147,524)	\$488,500	(\$295,872)	\$825

**MONTHLY INTEREST CALCULATION**

A) Average balance for month	\$786,652	\$885,487	(\$229,553)	\$113,013	\$577,479	(\$228,819)	\$144,445	\$339,440	(\$698,208)	(\$328,814)	\$96,116	(\$147,211)
B) Annualized interest rate - set the rate on this page	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
C) Interest	\$3,341	\$3,396	(\$975)	\$464	\$2,452	(\$940)	\$613	\$1,441	(\$2,869)	(\$1,396)	\$395	(\$625)

**Rate Calculation**

Stranded Cost Charge:

Forecast recovery balance 12/31/08	\$89,110
Forecast Stranded Costs for 2009	\$11,126,889
Total Stranded Costs to be recovered for 2009	\$11,215,999
Forecast kWh Sales for 2009	745,464,365 kWh
Stranded Cost Charge before interest	\$0.01505 /kWh
Interest	\$0.000006 /kWh

Proposed Stranded Cost Charge

**\$0.01505 /kWh**

New Hampshire Electric Cooperative, Inc.  
 Stranded Cost Recovery  
 2009 Forecast

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<i>Stranded Costs:</i>	January 2009 <u>Forecast</u>	February 2009 <u>Forecast</u>	March 2009 <u>Forecast</u>	April 2009 <u>Forecast</u>	May 2009 <u>Forecast</u>	June 2009 <u>Forecast</u>	July 2009 <u>Forecast</u>	August 2009 <u>Forecast</u>	September 2009 <u>Forecast</u>	October 2009 <u>Forecast</u>	November 2009 <u>Forecast</u>	December 2009 <u>Forecast</u>
Amortization of Termination Payment												
Amortize Debt Service Payment including	\$512,258	\$0	\$0	\$511,618	\$0	\$0	\$510,893	\$0	\$0	\$511,287	\$0	\$0
Add'l Payments for DSC												
Seabrook												
Amortize Debt Service Payment	\$2,080,387	\$0	\$0	\$2,070,489	\$0	\$0	\$1,926,044	\$0	\$0	\$1,927,529	\$0	\$0
Amortize Add'l Payments for DSC												\$1,253,932
Less: CFC Patron Capital Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$177,548)	\$0	\$0	\$0	\$0
Operating Costs Net Of Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Seabrook Stranded Costs	\$2,080,387	\$0	\$0	\$2,070,489	\$0	\$0	\$1,926,044	(\$177,548)	\$0	\$1,927,529	\$0	\$1,253,932
Total Stranded Costs:	<u>\$2,592,646</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,582,107</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,436,937</u>	<u>(\$177,548)</u>	<u>\$0</u>	<u>\$2,438,816</u>	<u>\$0</u>	<u>\$1,253,932</u>

New Hampshire Electric Cooperative, Inc.  
 Stranded Cost Recovery  
 2009 Forecast

*Stranded Cost Recovery:*

	January 2009 <u>Forecast</u>	February 2009 <u>Forecast</u>	March 2009 <u>Forecast</u>	April 2009 <u>Forecast</u>	May 2009 <u>Forecast</u>	June 2009 <u>Forecast</u>	July 2009 <u>Forecast</u>	August 2009 <u>Forecast</u>	September 2009 <u>Forecast</u>	October 2009 <u>Forecast</u>	November 2009 <u>Forecast</u>	December 2009 <u>Forecast</u>
Total kWh Sales	79,563,363	79,997,643	68,615,494	57,285,876	52,609,343	54,853,936	57,328,300	66,952,147	59,321,831	53,243,054	52,138,257	63,555,120
Stranded Cost Charge (all kWh)	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>	<u>\$0.01505</u>
Stranded Cost Recovery	<u>\$1,197,560</u>	<u>\$1,204,097</u>	<u>\$1,032,777</u>	<u>\$862,247</u>	<u>\$791,858</u>	<u>\$825,642</u>	<u>\$862,886</u>	<u>\$1,007,741</u>	<u>\$892,892</u>	<u>\$801,396</u>	<u>\$784,767</u>	<u>\$956,610</u>
Net Stranded Cost Recovery	<u>\$1,197,560</u>	<u>\$1,204,097</u>	<u>\$1,032,777</u>	<u>\$862,247</u>	<u>\$791,858</u>	<u>\$825,642</u>	<u>\$862,886</u>	<u>\$1,007,741</u>	<u>\$892,892</u>	<u>\$801,396</u>	<u>\$784,767</u>	<u>\$956,610</u>

**Attachment BCI-2**

**“Bingo Sheet”  
Stranded Cost**

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION  
REPORT OF PROPOSED RATE CHANGES

RATES EFFECTIVE January 1, 2009

**(Stranded Cost Charge Rate change)**

Rate or Class of Service	Effect of Proposed Change	Annual Number of Bills	SALES OF ELECTRIC ENERGY			
			Estimated Annual Revenue		Proposed Change	
			Current Rates	Proposed Rates	Amount	%
B - Basic	Increase(Decrease)	815,724	100,633,660	100,273,280	(360,379)	-0.36%
BC - Basic Controlled Water Heating	Increase(Decrease)	65,088	8,849,236	8,816,362	(32,874)	-0.37%
BW - Basic Uncontrolled Water Heating	Increase(Decrease)	7,284	158,974	158,485	(490)	-0.31%
BWC - Basic Control Water - Separate Meter	Increase(Decrease)	2,136	57,014	56,805	(208)	-0.37%
LB -Large Basic	Increase(Decrease)	840	1,144,681	1,140,011	(4,671)	-0.41%
OPB - Basic Storage Heating (Storage Heating/Dual Fuel) \1	Increase(Decrease)	20,664	1,567,370	1,559,282	(8,088)	-0.52%
TOD- Basic Time-Of-Day (Time-Of-Day) \1	Increase(Decrease)	<u>720</u>	<u>\$85,830</u>	<u>\$85,530</u>	<u>(\$301)</u>	-0.35%
<b>Total Basic Service</b>	<b>Increase(Decrease)</b>	<b>912,456</b>	<b>\$112,496,766</b>	<b>\$112,089,755</b>	<b>(\$407,011)</b>	<b>-0.36%</b>
B3- Basic 3 Phase ( <50 kw)	Increase(Decrease)	9,144	8,322,791	8,291,787	(31,005)	-0.37%
LB3-Large Basic 3 Phase (>=50 <150 kw)	Increase(Decrease)	1,896	8,436,500	8,402,539	(33,961)	-0.40%
IND - Industrial (>=150 kw)	Increase(Decrease)	408	7,334,864	7,302,879	(31,985)	-0.44%
LBC3/INDC - 3 Phase Controlled	Increase(Decrease)	12	78,596	78,256	(341)	-0.43%

\1 Includes a small # of General Class members

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION  
REPORT OF PROPOSED RATE CHANGES

RATES EFFECTIVE January 1, 2009

**(Stranded Cost Charge Rate change)**

Rate or Class of Service	Effect of Proposed Change	Annual Number of Bills	SALES OF ELECTRIC ENERGY			
			Estimated Annual Revenue		Proposed Change	
			Current Rates	Proposed Rates	Amount	%
TOD3- 3 Phase Time-Of-Day	Increase(Decrease)	24	90,390	89,952	(438)	-0.48%
LBI3-Large Basic 3 Phase Interruptible	Increase(Decrease)	12	\$40,447	\$40,284	(\$164)	-0.40%
<b>Total Large Basic - 3 Phase Service</b>	<b>Increase(Decrease)</b>	<b>11,496</b>	<b>\$24,303,590</b>	<b>\$24,205,697</b>	<b>(\$97,893)</b>	<b>-0.40%</b>
P - Primary	Increase(Decrease)	240	8,112,754	8,076,899	(35,855)	-0.44%
PC - Primary Controlled	Increase(Decrease)	12	277,339	276,120	(1,219)	-0.44%
<b>Total Primary Service</b>	<b>Increase(Decrease)</b>	<b>252</b>	<b>\$8,390,092</b>	<b>\$8,353,018</b>	<b>(\$37,074)</b>	<b>-0.44%</b>
<b>Outdoor Lighting</b>	<b>Increase(Decrease)</b>	<b>68,580 1/</b>	<b>\$1,075,157</b>	<b>\$1,072,212</b>	<b>(\$2,945)</b>	<b>-0.27%</b>
<b>TOTAL RETAIL SALES ON STANDARD RATES</b>		<b>992,784</b>	<b>\$146,265,605</b>	<b>\$145,720,682</b>	<b>(\$544,923)</b>	<b>-0.37%</b>
Special Contracts - Ski Areas	Increase(Decrease)	72	3,715,019	3,689,922	(25,097)	-0.68%
<b>TOTAL RETAIL SALES OF ELECTRIC ENERGY</b>		<b>992,856</b>	<b>\$149,980,624</b>	<b>\$149,410,605</b>	<b>(\$570,020)</b>	<b>-0.38%</b>
					<b>\$0</b>	

Brenda C. Inman  
Financial Services Manager  
New Hampshire Electric Cooperative, Inc.

1/ Number of Lights

**Attachment BCI-3**

**December 13, 2007 Letter  
Stranded Cost**

DEVINE  
MILLIMET

ATTORNEYS AT LAW

December 13, 2007

MARK W. DEAN  
603.226.1000  
F 603.226.1001  
MDEAN@DEVINEMILLIMET.COM

*Via Electronic Transmission Only*

Ms. Suzanne Amidon  
NH Public Utilities Commission  
21 South Fruit Street  
Suite 10  
Concord, NH 03301-2429

Re: DE 07-121 - NHEC's Stranded Costs Filing

Dear Suzanne:

I am writing to follow up on our telephone conversation concerning a question posed by the NH Public Utilities Commission ("PUC") Staff to the New Hampshire Electric Cooperative, Inc. ("NHEC") in its recent stranded cost docket.

As I understand it, Staff is under the impression that NHEC's by-laws, board policies, or other internal "rules" or practices require that the NHEC Board of Directors expressly authorize any NHEC rate-related proposal or request prior to its filing with the PUC. As I indicated on the phone, no such requirement exists. In situations such as those presented by NHEC's November, 2007 stranded cost charge filing, where the rate-related proposal is merely an annual updating of an existing cost recovery mechanism, utilizing a previously approved formula or methodology, NHEC's policies and practices would not require a specific board resolution to authorize the PUC filing. In such circumstances, the Board is aware that the annual filing is being made and is aware of the nature of the proposed rate change. In any event, for jurisdictional matters, it is the PUC's order, without necessity for further ratification by the NHEC Board, which governs NHEC's rates.

I hope this explanation clarifies any uncertainty. Please let me know if you have any further questions.

Very truly yours,



Mark W. Dean  
MWD:tmp

{C0034639.1}  
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& BRANCH  
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