

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
2012 DEFAULT ENERGY SERVICE RATE CHANGE
Docket No. DE 11-XXX

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 Default Energy Service (ES) rate applicable to
13 PSNH's customers who take service under Rate DE that will take effect on January 1,
14 2012.

15 In addition, this filing contains separate testimony from Stephen R. Hall which proposes
16 an alternative ES rate and tariff for certain customers who return to PSNH default energy
17 service from competitive supply. Such a proposal was ordered by the Commission in
18 the final Order in Docket DE 10-160 dated July 26, 2011.

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

2 A. In this proceeding, PSNH is requesting the Commission to determine an updated, single
3 ES rate for all eligible customers effective January 1, 2012, based on a forecast of
4 PSNH's costs of providing such power for the calendar year 2012.

5 The table below outlines ES rates in effect from May 1, 2001 to the present for
6 residential, small general service customers (Group 1) and large commercial and
7 industrial customers (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 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

- (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).

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

6 In its initial decision in Docket No.DE 03-175 (Order No. 24,252), the Commission
7 reiterated its desire to avoid ES cost deferrals. As a way to minimize these deferrals, the
8 Commission provided any interested party the option of making an interim ES rate filing
9 in July, with the objective of setting a revised ES rate effective on August 1. This interim
10 process has been used in recent years. Beginning in 2007, the ES rate year was
11 adjusted to coincide with the calendar year January – December. In 2011, the current
12 ES rate was adjusted effective July 1, 2011.

13 **Q. Is PSNH proposing a specific ES rate at this time?**

14 A. No, we are not. In prior ES proceedings, the Commission has required PSNH to utilize
15 market information that is most current as of the hearing date. In light of that precedent,
16 at this time PSNH is supplying preliminary market data and operational data for its
17 owned generation as well as for existing power purchase obligations (such as IPPs).
18 PSNH will formally propose an ES rate, and provide a rate calculation based on updated
19 market information, prior to the anticipated hearing in December 2011.

20 **Q. Will the updated filing use the same calculation methodologies as in previous**
21 **proceedings?**

22 A. Yes, with one major addition.

1 **Q. Please elaborate on the one major addition to the updated ES rate for the**
2 **December hearing.**

3 A. PSNH is nearing the completion of the “Clean Air Project”, a legislatively mandated
4 installation of wet flue gas desulphurization (“FGD”) technology (“scrubber” technology)
5 at Merrimack Station. The legislation called for the recovery of the costs of the scrubber
6 project in the ES rate. Currently, PSNH is in the final phases of the project and
7 operational testing is anticipated to commence within a few days. However, the exact in
8 service date is not known at this time. As a result, PSNH has not included any costs
9 associated with this project in this initial ES rate filing that is being filed today. As we
10 proceed with testing of the equipment, we expect to have a clearer picture as to the in
11 service date. PSNH expects to update its proposed ES rate calculation for January 1,
12 2012 billing once the project is placed in service, which will be when the FGD is
13 operating and reducing Merrimack station emissions.

14 **Q. Has PSNH performed a preliminary calculation of what its projected actual,**
15 **prudent, and reasonable costs of providing Energy Service will be from January 1,**
16 **2012 through December 31, 2012?**

17 A. Yes. As shown on Attachment RAB-1, for the period from January 1, 2012 through
18 December 31, 2012, PSNH’s preliminary calculation is a projected ES rate prior to the
19 inclusion of the cost of the scrubber of 8.39 cents per kWh.

1 **Q. Please provide an overview of how customers acquire generation services and**
2 **how the ES cost recovery mechanism works.**

3 A. As a result of electric industry restructuring, customers may choose their source of
4 generation service. PSNH's customers may obtain generation service from an approved
5 competitive supplier, or they may choose to receive their energy from PSNH in the form
6 of Default Energy Service.

7 Historically, through January 31, 2006, all ES reconciliation amounts (over or under
8 recoveries) were applied against Part 3 stranded costs. With the elimination of Part 3 of
9 the SCRC in June 2006, all ES reconciliation amounts effective with ES recovery
10 beginning February 1, 2006, were no longer applied to Part 3 stranded costs. ES
11 reconciliation amounts beginning in February 2006 are now being deferred and are
12 applied to future ES rate recoveries per the Commission's order and findings in Docket
13 No.DE 05-164, Order No. 24,579, dated January 20, 2006.

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

16 A. Yes, the major cost categories are consistent. These categories are the revenue
17 requirements for owned generation assets and the costs of purchased power
18 obligations. In addition, Energy Service costs include the fuel costs associated with
19 PSNH's generation assets, the costs from supplemental energy and capacity purchases,
20 certain ISO-NE ancillary service charges and the cost of compliance with the Renewable
21 Portfolio Standard (RPS) and Regional Greenhouse Gas Initiative (RGGI). The
22 generation revenue requirements include non-fuel costs of generation, including non-fuel

1 operation and maintenance costs, allocated administrative and general costs,
2 depreciation, property taxes and payroll taxes, and a return on the net fossil/hydro
3 investment.

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

5 A. The level of migration assumed in PSNH's filing reflects the current actual level of
6 approximately 33.4%. This value represents the actual current migration level on
7 PSNH's system as of August 31, 2011. Therefore, PSNH's calculations have not
8 presumed that customers will migrate more or less than what is now actually known.

9 **Q. How is PSNH's mandated purchased power obligations (IPPs) valued in**
10 **calculating the ES rate?**

11 A. PSNH includes IPP generation as a source of power to meet PSNH's load requirements,
12 and that power is valued based on projected market costs (energy and capacity). The
13 over-market portion of purchases from the IPPs are treated as a stranded cost and
14 recovered through Part 2 of the Stranded Cost Recovery Charge. This treatment is
15 consistent with the Restructuring Settlement and the Commission's Order in Docket DE
16 02-166. As market prices drop, the value of IPP purchases recovered through the ES
17 rate drops. However, at the same time, there is a corresponding increase to the SCRC
18 rate for the above-market value of IPP purchases. To properly match the recovery of
19 IPP costs, PSNH will also simultaneously file for a change in the SCRC rate effective
20 January 1, 2012.

1 **Q. Does PSNH plan to minimize cost deferrals through a mid-term adjustment?**

2 A. If a rate adjustment is deemed necessary, PSNH (or any interested party) could file a
3 petition in early June prior to the beginning of the second half of the Energy Service Year
4 requesting a change in the Default Energy Service for the remaining six months of the
5 year. PSNH would submit actual and estimated data on a date specified by the
6 Commission to allow the parties, Staff and Commission sufficient time to address the
7 need for an interim adjustment during the 2012 Energy Service Year, if necessary.

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

9 A. Attachment RAB-2 provides detailed cost and revenue components relating to PSNH's
10 obligation to serve all ES customers. Page 3 of the attachment provides further detail
11 relating to the energy simulation for the period January 1, 2012 through December 31,
12 2012. Page 4 provides further detail on the forecasted market value of IPP generation.
13 Page 5 provides a breakdown of Fossil/Hydro Operation and Maintenance costs and
14 page 6 provides a detailed calculation of the return on Fossil/Hydro investment.
15 Attachments RAB-3 and RAB-4 provide the detailed actual and forecasted cost and
16 revenue components relating to the reconciliation of 2011.

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

18 A. Yes, PSNH needs final approval of the proposed ES rate by December 29, 2011, in
19 order to implement the new rate for service rendered on and after January 1, 2012.
20 Therefore, PSNH requests that the Commission commence a proceeding so that the
21 procedural schedule can be set to review this filing and approve the ES rate in a timely
22 manner.

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

2 A. Yes, it does.