

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 19, 2011 - 10:03 a.m.  
Concord, New Hampshire

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RE: DE 11-215  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:  
*Proposed Default Energy Service Rate  
for 2012.*

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Amy L. Ignatius  
Commissioner Clifton C. Below

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:  
Gerald M. Eaton, Esq.  
Sarah B. Knowlton, Esq.

Reptg. Conservation Law Foundation:  
N. Jonathan Peress, Esq.

Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Stephen R. Eckberg  
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Office of Consumer Advocate

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Thomas C. Frantz, Director/Electric Division  
Steven E. Mullen, Asst. Dir./Electric Div.

Court Reporter: Steven E. Patnaude, LCR No. 52

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**E X H I B I T S**

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**P R O C E E D I N G**

1  
2 CHAIRMAN GETZ: We'll open the hearing  
3 in Docket 11-215. On September 23, 2011, Public Service  
4 Company of New Hampshire filed a petition to establish its  
5 Default Energy Service rate for effect with service  
6 rendered on and after January 1, 2012. Order of notice  
7 was issued on October 5. And, subsequent to a prehearing  
8 conference on October 17, a secretarial letter was issued  
9 approving a procedural schedule, including a hearing for  
10 this morning.

11 And, I'll note that we have since  
12 received a motion, jointly with this case and with docket  
13 11-217, to postpone the hearing this morning. And, we  
14 issued a letter on December 16 saying that we would take  
15 up arguments on the Motion to Postpone this morning.

16 But let's take appearances before we  
17 move onto those issues.

18 MR. EATON: For Public Service Company  
19 of New Hampshire, my name is Gerald M. Eaton. And, with  
20 me today is Attorney Sarah B. Knowlton of our Law  
21 Department.

22 CHAIRMAN GETZ: Good morning.

23 MR. PERESS: Thank you, Mr. Chair. On  
24 behalf of the Conservation Law Foundation, Jonathan

1 Peress.

2 CHAIRMAN GETZ: Good morning.

3 MR. PERESS: Good morning.

4 MS. HATFIELD: Good morning,  
5 Commissioners. Meredith Hatfield for the Office of  
6 Consumer Advocate, on behalf of residential ratepayers.  
7 And, with me for the Office is Steve Eckberg and Donna  
8 McFarland.

9 CHAIRMAN GETZ: Good morning.

10 MS. AMIDON: Good morning. Suzanne  
11 Amidon, for Commission Staff. With me today, to my left,  
12 is Steve Mullen, the Assistant Director of the Electric  
13 Division, and to his left was Tom Frantz, Director of the  
14 Electric Division, you'll see him later.

15 CHAIRMAN GETZ: Okay. Good morning.  
16 So, addressing the Motion to Postpone, we've reconsidered  
17 somewhat with respect to the secretarial letter that we  
18 issued on Friday. I think the better course is to have  
19 the hearing. And, at the end of the hearing entertain  
20 motions -- or, entertain arguments regarding whether to  
21 postpone the effective date of the Energy Service rate  
22 change. And, this case, as everyone in this room is well  
23 aware, I think intersects closely with the Docket 11-250,  
24 the investigation of the scrubber costs and cost recovery.

1 We think the better course is to get the evidence on the  
2 record in this case, and then be in a position to address  
3 what the alternatives are, in terms of changes that may or  
4 may not take effect with respect to the Energy Service  
5 rate.

6 So, I guess two things. One is ask,  
7 during the proceedings and the testimony or the  
8 cross-examination, and, certainly, in closing arguments,  
9 to address what the range of alternatives are. And, I  
10 think there -- obviously, in some respects, becomes kind  
11 of the inverse of what a temporary rate may look like, and  
12 I think I addressed that the other day. And, I think we  
13 have the same range of options here, whether the Energy  
14 Service rate would stay at the current level, whether it  
15 would be reduced fully, or whether there is some  
16 alternative within that range of what would happen with  
17 the Energy Service rate relative to what may or may not  
18 happen with the temporary rate.

19 So, I don't know if there's anything  
20 further from the Bench, in terms of guidance on that  
21 issue? Then, --

22 CMSR. BELOW: Well, I just might comment  
23 that I think one option that we could hear argument on is  
24 whether it might make sense to continue the Energy Service

1 rate at its current level for a couple of months, and  
2 then, in conjunction with the temporary rate issue in the  
3 other docket, to consider whether there then should be an  
4 adjustment to the Energy Service rate. Because if it  
5 continued at the current rate, based on what's in the  
6 filing, it would seem to over-collect for a couple months.  
7 So, perhaps it could be lower for the rest of the year  
8 than it might otherwise be if it went into effect  
9 January 1.

10 So, that's sort of part of the range of  
11 options that I think we could hear developed during the  
12 course of the hearing and hear argument on it at the end  
13 of the hearing.

14 CHAIRMAN GETZ: So, anything further  
15 before we proceed? Mr. Eaton.

16 MR. EATON: Yes. I guess I would like  
17 some direction concerning some joint testimony we filed on  
18 October 14th in this docket. It was joint testimony of  
19 Mr. Baumann and Mr. Smagula. And, it really does go to  
20 the point of what -- of the plant going in, the Scrubber  
21 Project going into service and what the resulting rate  
22 would be. I don't know if that is a topic that is more  
23 properly brought up in 11-250 and not mark this for  
24 identification, or simply mark it in this case and not

1 hear testimony on that, on that testimony. I'm sure it  
2 will come up when I ask Mr. Baumann to mark it -- I mean,  
3 to identify it and propose it. But maybe we could have  
4 the other parties respond to that at this point.

5 CHAIRMAN GETZ: Any response? Ms.  
6 Hatfield.

7 MS. HATFIELD: I think it would be fine  
8 to mark it. And, perhaps, in the order, the Commission  
9 could just discuss the fact that the Commission determined  
10 to move those issues over to 250. But we weren't planning  
11 to do any cross on that particular piece of testimony,  
12 because, as Mr. Eaton says, it is all related to the  
13 scrubber.

14 CHAIRMAN GETZ: Anyone else? Ms.  
15 Amidon.

16 MS. AMIDON: Yes. My only other  
17 observation would be that, in the Commission's  
18 November 15th letter, where it designated a separate  
19 docket for the scrubber, it said that this October 14th  
20 filing would be treated as the initial petition in that  
21 proceeding. And, so, if the Commission has -- needs to  
22 consider that, if it makes a determination whether just to  
23 mark it for identification. I think introducing it,  
24 allowing it to be in as a full exhibit, may contradict

1 what the Commission said in that letter, but I leave that  
2 to your consideration.

3 CHAIRMAN GETZ: Okay. Thank you.

4 (Chairman and Commissioners conferring.)

5 CHAIRMAN GETZ: Okay.

6 MR. EATON: Mr. Chairman, if it helps, I  
7 think it was also filed with the Petition for Temporary  
8 Rates in 11-250. It was included with that.

9 CHAIRMAN GETZ: Yes.

10 MR. EATON: So, it exists in the other  
11 docket.

12 CHAIRMAN GETZ: Yes. Okay. And, we  
13 will, I think rather than, I think your initial question  
14 "whether it should be marked and made a part of this  
15 record, without the witness who's here to sponsor it?"  
16 That was your basic issue, correct?

17 MR. EATON: Mrs. Tillotson could adopt  
18 it. Mr. Smagula is part of the testimony. It's the joint  
19 testimony of Mr. Baumann and Mr. Smagula. Mrs. Tillotson  
20 could, could adopt the testimony. But it's entirely up to  
21 you. If you'd rather have that in the other docket,  
22 that's fine.

23 CHAIRMAN GETZ: Yes. I think we will  
24 wait for the other docket for that, rather than -- and,

[WITNESS PANEL: Baumann|White]

1 then, I think, Ms. Hatfield, you already indicated that  
2 you didn't intend to cross on that issue anyways?

3 MS. HATFIELD: Right.

4 CHAIRMAN GETZ: Okay. All right. So,  
5 let's proceed without entering that testimony in this  
6 proceeding.

7 MR. EATON: I would like to call to the  
8 stand Robert A. Baumann and Frederick B. White.

9 (Whereupon **Robert A. Baumann** and  
10 **Frederick B. White** were duly sworn by  
11 the Court Reporter.)

12 **ROBERT A. BAUMANN, SWORN**

13 **FREDERICK B. WHITE, SWORN**

14 **DIRECT EXAMINATION**

15 BY MR. EATON:

16 Q. Mr. Baumann, would you please state your name for the  
17 record.

18 A. (Baumann) My name is Robert Baumann.

19 Q. For whom are you employed?

20 A. (Baumann) I'm employed by Northeast Utilities Service  
21 Company. And, Northeast Utilities Service Company  
22 provides financial, legal, and other services to our  
23 operating subsidiaries of Northeast Utilities. And,  
24 I'm here on behalf of Public Service Company of New

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1 Hampshire today.

2 Q. What is your position and what are your duties?

3 A. (Baumann) I'm the Director of Revenue Regulation and  
4 Load Resources for Northeast Utilities Service Company.  
5 And, we provide -- my responsibilities is to provide  
6 revenue requirement support for all of the rate case  
7 and energy service filings in New Hampshire, as well as  
8 revenue requirement support in other jurisdictions,  
9 specifically, CL&P, in Connecticut, and Western Mass.  
10 Electric, in Massachusetts.

11 Q. Have you previously testified before this Commission?

12 A. (Baumann) Yes.

13 Q. Mr. Baumann, did you have testimony and exhibits  
14 prepared by you or under your supervision, which were  
15 filed with the Commission on September 23rd?

16 A. (Baumann) Yes, I did.

17 Q. And, what does that package contain?

18 A. (Baumann) This package contains a projection of the  
19 energy service rate for 2012. It's an initial  
20 projection that is always updated in the later part of  
21 the fall. And, that initial projection filed a rate of  
22 8.39 cents per kilowatt-hour, which was a decrease from  
23 the current rates in effect today of 8.89 cents per  
24 kilowatt-hour. So, it went down a half a cent.

[WITNESS PANEL: Baumann|White]

1 Q. Do you have any corrections to make to that  
2 September 23rd filing?

3 A. (Baumann) No, I do not.

4 Q. And, it was true and accurate to the best of your  
5 knowledge and belief when it was filed on  
6 September 23rd?

7 A. (Baumann) Yes.

8 MR. EATON: Could we have that package  
9 marked as "Exhibit 1" for identification?

10 CHAIRMAN GETZ: So marked.

11 (The document, as described, was  
12 herewith marked as **Exhibit 1** for  
13 identification.)

14 BY MR. EATON:

15 Q. Mr. White, would you please state your name for the  
16 record.

17 A. (White) Frederick White.

18 Q. For whom are you employed?

19 A. (White) Northeast Utilities Service Company.

20 Q. What is your position and what are your duties?

21 A. (White) I'm a Supervisor in the Wholesale Power  
22 Contracts Department. Our primary responsibilities,  
23 and I supervise and perform analysis of the Public  
24 Service of New Hampshire power supply portfolio, in

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1 this context for the purpose of establishing Energy  
2 Service rates.

3 Q. Have you previously testified before the Commission?

4 A. (White) Yes.

5 Q. And, did you assist Mr. Baumann in the preparation of a  
6 joint technical statement in this proceeding?

7 A. (White) Yes, I did.

8 Q. Mr. Baumann, could I direct your attention to a  
9 document that was filed on December 14th, 2011?

10 A. (Baumann) I have it.

11 Q. And, on the cover page, under Item 1, it states there  
12 are "Updated exhibits and supporting Technical  
13 Statement in Testimony of Robert Baumann". What do the  
14 documents in Docket DE 11-215 contain?

15 A. (Baumann) There's really -- I look at it in three  
16 pieces. The first piece is that there is a very short  
17 tech statement under my name that just gives a very  
18 short, brief overview for the 2012 year. There is a  
19 calculation that supports a updated Energy Service rate  
20 with no scrubber costs in it of 7.90 cents per  
21 kilowatt-hour, which is about a penny less than the  
22 current rate of 8.89 cents. And, then, on Exhibits 5  
23 and 6 of RAB-1 -- or, excuse me, they're actually  
24 Attachments RAB-5 and RAB-6. There is a calculation of

1 an Energy Service rate inclusive of all the scrubber  
2 costs.

3 If I can just add, our proposal in the  
4 tech statement that outlines those three costs, the  
5 current cost, ES cost without a scrubber, and ES cost  
6 with the scrubber, our proposal specifically states  
7 that we would propose to leave the Energy Service rate  
8 unchanged until the conclusion of Docket 11-250, that  
9 we are presuming at this point might have a conclusion  
10 by March 1st for a rate change.

11 Q. So, as I thumb through that document, it contains your  
12 single technical statement, correct?

13 A. (Baumann) Well, it contains my single technical  
14 statement, and then the joint technical statement of  
15 myself and Mr. White, as you talked about before with  
16 Mr. White, as well as the supporting calculations for  
17 the rates.

18 Q. And, do you have any corrections to make to that  
19 filing?

20 A. (Baumann) No.

21 Q. And, is it true and accurate to the best of your  
22 knowledge and belief?

23 A. (Baumann) Yes.

24 Q. And, Mr. White, do you agree that the joint technical

1 statement is true and accurate to the best of your  
2 knowledge and belief?

3 A. (White) Yes.

4 MR. EATON: Mr. Chairman, I broke apart  
5 the large filing of December 14th, and this is just the  
6 documents that are being filed in this docket, 11-215.  
7 And, I'd like it to be marked as "Exhibit 2" for  
8 identification.

9 CHAIRMAN GETZ: So marked.

10 (The document, as described, was  
11 herewith marked as **Exhibit 2** for  
12 identification.)

13 BY MR. EATON:

14 Q. Mr. Baumann, could you briefly describe the rate  
15 calculation of the 7.9 cent rate.

16 A. (Baumann) Certainly. Essentially, the rate of 7.9  
17 cents is a penny less than the current rate of 8.89  
18 cents. And, that penny decrease is really made up of  
19 five or six major items that I will just touch on very  
20 quickly. And, I'll start with kind of the more  
21 significant to the less significant. First significant  
22 decrease is a result of lower market prices from 2011  
23 to 2012. The second decrease of significance is lower  
24 O&M costs from 2011 to 2012, primarily resulting from

1 the fact that there are a lot of -- much fewer  
2 scheduled outages in 2012 for the generating units than  
3 there were in 2011. So, I'll say what I'll call a  
4 "volumetric" change in O&M as a result of scheduled  
5 outages or the lack thereof in 2012.

6 In addition, there is a coal sale  
7 assumed for 2012, similar to what we had in 2011, for  
8 certain coal that we can sell into the market and  
9 create about a 5 million gain to put into the Energy  
10 Service rate. There are lower depreciation expenses in  
11 the 5 million range associated with the -- with changes  
12 in assumed end dates for service lives on certain  
13 generating units. And, there's data requests to back  
14 that up as well. There is a slightly -- a slight  
15 reduction of about 2 million in lower return on the  
16 rate base, as a result of us updating the ROR  
17 calculation in our final revision in December to the  
18 latest actual, which has dropped slightly, primarily  
19 because of the debt service costs have lowered that  
20 overall rate as well.

21 So, those are really the large drivers  
22 in the decrease in the rate over time for 2012.

23 Q. Mr. Baumann, have you prepared any scenarios of  
24 different rate paths that might result from Commission

1 action in this docket?

2 A. (Baumann) Yes. Based on a technical meeting we had, a  
3 scheduled technical meeting over the phone on Friday  
4 with the Department Staff and the OCA, I put together  
5 some case assumptions on different rate paths. As  
6 everyone knows, the rate path is an issue in this  
7 docket. It will be an issue. It's an issue to us in  
8 terms of where the ES rate goes in the near future,  
9 starting in January.

10 So, I put together some assumptions and  
11 case assumptions. They're not presumptions, and we're  
12 not being presumptuous with including scrubber costs in  
13 them and not including them. But I just felt it was  
14 really important that we look at the whole -- the whole  
15 pie to see which way we're going here starting in  
16 January.

17 (Atty. Eaton distributing documents.)

18 MR. EATON: Mr. Chairman, I'm passing  
19 out something that Mr. Baumann will be identifying and  
20 commenting on.

21 CHAIRMAN GETZ: Well, let's mark this  
22 for identification as "Exhibit 3". It's a one-page  
23 document with a variety of ES rate scenarios.

24 (The document, as described, was

1 herewith marked as **Exhibit 3** for  
2 identification.)

3 BY MR. EATON:

4 Q. So, could you take us through this sheet, Mr. Baumann.

5 A. (Baumann) Sure. I'd like to just step back, though, to  
6 my technical statement that we filed on December 14th.  
7 That's the one-page technical statement. If everybody  
8 has that one page. And, really, I circled three rates,  
9 because it's really what's going to be talked about in  
10 this little chart that we put together.

11 The current rate in effect is "8.89  
12 cents". So, that's known and measurable here. It's  
13 currently. The revised rate as filed is the "7.9  
14 cents". That's the final revised rate. This gets a  
15 little confusing if you start talking about interim  
16 rates. And, that's the penny decrease that we just  
17 described that is taking place. And, then, the third  
18 rate is the final rate on the bottom of Page 1, which  
19 is a "9.08" rate. And, again, that's a rate, an Energy  
20 Service rate including all scrubber costs for 2012.

21 Now, when we get to my chart, I've taken  
22 the liberty to take "9.08" and make it "9.1"; simply  
23 because it's less numbers and a little less confusion.  
24 So, really, we're talking about an 8.89, a revised

1 Energy Service rate without scrubber is 7.9, and then a  
2 revised energy rate with scrubber of 9.1 cents.

3 So, with that said, if you could turn to  
4 this array of charts, what I've tried to do is outline  
5 the first two charts, I call them the "bookends", of  
6 "Case (1)" and "Case (2)". And, Case (1) starts with  
7 the current rate of 8.89 cents, and there would be an  
8 assumed rate increase on January 1st, the second column  
9 that says "New rate January 1, 2012", to 9.1 cents per  
10 kilowatt-hour. And, that's assumed then to be in  
11 effect for the remainder of the year. And, at the end,  
12 if you go all the way over to the right on that, I have  
13 a column "Remaining Deferred Balance", that would, in  
14 effect, recover all of the ES rates and the scrubber  
15 rates -- scrubber costs as projected. So, that's why I  
16 have a zero deferral at the end of the year. You would  
17 recover all the costs.

18 The next rate, which is Case Number (2),  
19 is, again, we have a current rate of "8.89" cents, and  
20 that would drop to "7.9", which is the as filed ES rate  
21 with no scrubber costs. And, if you were to keep that  
22 in effect for a year, you would end up the year  
23 \$60 million under recovered, which is the annual  
24 revenue requirement associated with the scrubber. So,

1 it makes logical sense that, if you -- if you compared  
2 the rate without the scrubber toward a rate with the  
3 scrubber, you have a \$60 million under recovery. Just  
4 in these assumptions. There's no presumption of what  
5 the Commission certainly would order. And, that  
6 equates to about 1.2 cents for an entire year. So, you  
7 can see the difference between the 7.9 cent and the 9.1  
8 cent is the 1.2 cent differential. So, the  
9 differential between those two lines is, in effect, the  
10 scrubber costs, within the rate or not in the rate.

11 And, staying with Case Number (2), if  
12 you had a \$60 million under recovery at the end of the  
13 2012 year, and you rolled that into the 2013 rates,  
14 there would be a 10.3 cent per kilowatt-hour Energy  
15 Service rate. And that, logically, is 1.2 cents above  
16 the 9.1 cent Energy Service rate. Again, 1.2 cent  
17 being the annual revenue requirements for the scrubber.  
18 If you didn't include them in Case (2), you would be  
19 short that for a year, the 1.2 cents, or the  
20 60 million. And, to collect it in the next year, 2013,  
21 you would have to be 1.2 cents above the 9.1, to get to  
22 the 10.3.

23 So, that's kind of the bookends and the  
24 logic of "all scrubber costs included"/"no scrubber

1 costs included" for a full year, just to give you an  
2 annual feel for the numbers.

3 In Case Number (3), looks to start with  
4 "8.89" current, the rate drops to "7.9", and, again,  
5 that's the assumed Energy Service rate without  
6 scrubber. And, the presumption here -- or, the  
7 assumption here is that there's a two-year -- two-month  
8 delay to March 1st before temporary rates or some type  
9 of rate change would take effect. And, within those  
10 two months you would have approximately a \$10 million  
11 under recovery for billing 7.9 versus 9.1. And, if you  
12 rolled that \$10 million under recovery into a -- what I  
13 will call a "10-month Energy Service rate" beginning  
14 March 1st, the rate would increase to about 9.3 cents.  
15 Again, that's logical, because you didn't start with  
16 9.1, you started with 7.9. And, therefore, you have to  
17 raise it up slightly higher than 9.1 cents, and  
18 specifically to 9.3 cents, to recover throughout the  
19 year.

20 At the end of the year, you would have a  
21 zero deferral with these assumptions. And, then, the  
22 rate would drop back down again. It's assumed the  
23 rates -- the costs don't change, you would drop back  
24 down to 9.1 for 2013, using the cost scenarios. So,

1 this is a two-month delay. Drop the Energy Service  
2 rate down to the rate without scrubber, but then it  
3 would have to jump back up, assuming, again, you put  
4 all the scrubber costs in, plus the \$10 million under  
5 recovery that had accumulated during the first two  
6 months of 2012. We've said in testimony that that's  
7 not our preference to show these type of the -- I think  
8 I refer to as a "see-saw rate swing", but this is a  
9 scenario that certainly is on the table.

10 Case Number (4) is our -- it's our  
11 proposal in my technical statement. And, that's to the  
12 leave the 8.89 cents alone and unchanged through the  
13 first two months. And, again, there's a presumption --  
14 or, an assumption, excuse me, that there would be a  
15 rate change on March 1. If the 8.89 cents is left  
16 unchanged, there's about a \$2 million under recovery  
17 compared to 9.1. That \$2 million then would be rolled  
18 into the rate as of March 1, and that would be about a  
19 half of a mill, and it would raise the rate to 9.15  
20 cents. And, again, you would maintain that rate for  
21 the rest of the year, you would end up with a zero  
22 deferral, and then it's assumed it would drop back down  
23 to 9.1 cents. So, that's our proposal.

24 And, then, the fifth proposal I put in,

1 just to defer and delay a rate change till the middle  
2 of the year, July 1st, you would drop to 7.9 cents for  
3 half a year, you would incur a \$30 million under  
4 recovery, which is consistent with half of the  
5 \$60 million for a total year. And, then, you would  
6 have to roll that back into rates at 10.3 cents for the  
7 remainder of the year, and to get -- to get to the end  
8 of the year with a zero deferral, and then it would  
9 drop again back down to 9.1 cents. Again, we just show  
10 this as an example of something that -- that's  
11 something other than March 1st.

12 But, I've got to tell you that, when I  
13 worked on this on Friday night, my daughter looked at  
14 these assumptions, because she's a very curious young  
15 woman, and she looked at this Case Number (5) and she  
16 said "Dad, that wouldn't be fair to customers." And, I  
17 said "Gee, I agree with you." So, I thought I would  
18 put Kate's name on the record today to let you know  
19 that that's her testimony as well, so...

20 So, these are the five case scenarios  
21 that we've put together. And, I hope it kind of frames  
22 the situation that we have in front of us and it's  
23 helpful to all the parties.

24 Q. Mr. Baumann, I'd like you to look or create a sixth

1 scenario, if you could. That's s-i-x-t-h, "sixth  
2 scenario". Where we just talk about energy service  
3 costs. And, the Commission continues the rate of 8.89  
4 until the hearing in 11-250 on temporary rates, and  
5 between January 1st and March 1st the rate of 8.89  
6 stays in effect, where, absent any scrubber costs, the  
7 rates would otherwise go down to 7.91. Have you made a  
8 calculation as to what would be the over recovery in  
9 energy service costs for that period?

10 A. (Baumann) Yes. So, the rate remains at 8.89 for two  
11 months, --

12 CHAIRMAN GETZ: So, let me make sure.  
13 So, this is like a variation on Number (4)?

14 MR. EATON: And it excludes any  
15 consideration of scrubber costs. It's simply the  
16 difference between the 8.89 and the 7.9. Where the  
17 Commission does nothing and leaves the rate in effect, and  
18 doesn't -- and, essentially, we're over collecting energy  
19 service until the temporary rate decision is made.

20 **CONTINUED BY THE WITNESS:**

21 A. (Baumann) I think it's really a variation on Case  
22 Number (3). Because Case Number (3), that 7.9 cents,  
23 is compared to the 9.1, for the 10 million under  
24 recovery. Now, Mr. Eaton has asked me to compare the

1 same scenario for two months, but the 7.9 percent --  
2 or, the 7.9 cents would be compared to the 8.89 cents,  
3 not quite the 9.1. Because he's saying "get rid of" --  
4 "take out all scrubber assumptions."

5 So, if you do that, if you forget about  
6 the top bookcase examples (1) and (2), and you lower  
7 the rate to 7.9, versus 8.9, for two months, you would  
8 have about a \$9 million under recovery. And, that  
9 makes logical sense, because I'm not comparing the 7.9  
10 to the 9.1 anymore, I'm comparing it to the 8.89, which  
11 is slightly less.

12 So, if you were to do that, you would  
13 incur, just looking at energy service costs without the  
14 scrubber, 8.89 down to 7.9, that differential is about  
15 \$9 million, and you would, in theory, over recover for  
16 those two months. If you rolled that over recovery  
17 back into rates March 1st, and included the scrubber  
18 costs, you'd be at Scenario (3) again, 9.3 cents. You  
19 get to the same spot. If the scrubber never is a  
20 factor, and it would somehow disappear and go away,  
21 then you'd certainly have different scenarios. But we  
22 just don't think that that's a reasonable alternative.

23 BY MR. EATON:

24 Q. Do you have anything to add to your testimony, Mr.

1 Baumann?

2 A. (Baumann) No, I don't. Thank you.

3 MR. EATON: Thank you. Mr. Baumann is  
4 available for cross-examination.

5 CHAIRMAN GETZ: Thank you. Mr. Peress.

6 MR. PERESS: Mr. Chair, I, due to my  
7 severe injury, I was not able to attend the technical  
8 conference on Friday. So, I have a few questions, some of  
9 them might end up being, unfortunately, more along the  
10 lines of discovery with respect to the most recent  
11 filings, including this one, that was submitted today.  
12 So, I would just ask for the indulgence of the Commission  
13 to some extent, since I was not able to be a party to the  
14 technical conference.

15 **CROSS-EXAMINATION**

16 BY MR. PERESS:

17 Q. So, with that, I guess I want to start with this, what  
18 has been marked "Exhibit 3". And, I have a series of  
19 questions that relate to Exhibit 3. I'm just trying to  
20 understand how this works. So, Witness Baumann, you  
21 have made some projections forward with respect to  
22 where rates would be in 2013 in this handout, is that  
23 correct?

24 A. (Baumann) Yes.

1 Q. And, can you discuss for us some of the assumptions  
2 that you've relied on with respect to the energy  
3 services rate that you project forward in 2013? And,  
4 specifically, what level of migration were you  
5 projecting in 2013 when you calculated this, these  
6 rates?

7 A. (Baumann) The level of migration was 33.4 percent. I'm  
8 sorry. And, that was revised to "34 percent" in our  
9 December filing.

10 Q. Okay. So, for 2013, you're relying on the migration  
11 number that you've included in your December 14th  
12 filing that applies to 2012, is that correct?

13 A. (Baumann) Correct.

14 Q. So, you have not adjusted for any additional migration  
15 in 2013, is that correct?

16 A. (Baumann) We haven't adjusted for any additional  
17 migration or loss of migration.

18 Q. So, you kept migration the same?

19 A. (Baumann) Yes.

20 Q. How about with respect to the capacity factors of the  
21 generating units owned by PSNH? What were the -- can  
22 you please detail the capacity factors for 2013 that  
23 you relied upon in making these projections?

24 A. (White) There was a -- let me try to help out on that.

1           There was a tech session question from Friday that's  
2           been filed as "TECH-002", which provides updated  
3           capacity factor projections for 2012.

4    A.    (Baumann) And, these were the -- these were the  
5           capacity factors assumed in our December 14th updated  
6           Energy Service rate filing.

7                       MS. HATFIELD:  And, Mr. Chairman, I was  
8           intending to use that data response as an exhibit.  If it  
9           would be helpful to the Commission, I could provide that  
10          now?

11                      CHAIRMAN GETZ:  Any objection?

12                      (No verbal response)

13                      CHAIRMAN GETZ:  Then, let's get copies  
14          of that.

15                      MS. HATFIELD:  And, I think this would  
16          be "Exhibit 4".  This is actually two items.  It is the  
17          Company's response to Staff 01-007 in this docket on  
18          October 28th, 2011, and then they updated the information  
19          on December 16th, 2011 in Tech 1- -- excuse me, 02-002.

20                      CHAIRMAN GETZ:  Well, let's mark these,  
21          I guess, individually.  The "Data Request STAFF-01" will  
22          be "Exhibit 4", and, I guess, and then the "Tech Session  
23          TS-02" will be "Exhibit 5".

24                      (The documents, as described, were

1 herewith marked as **Exhibit 4** and  
2 **Exhibit 5**, respectively, for  
3 identification.)

4 MR. PERESS: Shall I proceed?

5 CHAIRMAN GETZ: Please.

6 MR. PERESS: Thank you, Mr. Chair.

7 BY MR. PERESS:

8 Q. So, do I gather from that answer that you have  
9 projected the same capacity factors in 2013 that you  
10 projected for 2012 in what's now marked "Exhibit 5"?

11 A. (Baumann) Well, they're part of our 2012 projection.  
12 And, again, the chart doesn't make any assumptions for  
13 any changes in the 2013. And, so, it wouldn't be a --  
14 it wouldn't be a proper characterization to say we  
15 "projected it for 2013". We've just assumed no change.

16 Q. Are you projecting no change in capacity factors for  
17 2013 versus 2012?

18 A. (Baumann) We're not providing a projection for 2013.

19 Q. That's not what I asked you. Are projecting no change  
20 in 2013 for capacity factors versus 2012?

21 A. (Baumann) We have no 2013 projections in this case.

22 Q. How about migration? Are you projecting an increase in  
23 migration in 2013 versus 2012?

24 A. (Baumann) We have no 2013 projections in this case.

1 Q. Can you discuss for us the trend line with respect to  
2 the capacity factors for your coal-fired generation?  
3 Were the capacity factors lower in 2011 than they were  
4 in 2010, generally speaking?

5 A. (White) Yes, they were.

6 Q. And, are you projecting them to be lower in 2012 than  
7 they were in -- to date in 2011?

8 A. (White) These projections are below 2011 capacity  
9 factors.

10 Q. So, is it fair to say that the economics of the  
11 coal-fired units owned by PSNH are diminishing in  
12 comparison to the market?

13 A. (White) The amount they're running versus market  
14 prices, on a variable cost basis, their operations have  
15 gone down.

16 Q. Okay. And, we'll get to 2012 in a second, I'm really  
17 focusing on 2013. So, for purposes of Exhibit 3, the  
18 2013 assumptions are just simply carrying over 2012?

19 A. (Baumann) Yes.

20 Q. I have a couple of more questions about this. Is your  
21 daughter Kate aware of the fact that the retail  
22 customers don't have to pay the rates that you've  
23 indicated at 10.3 cents in Number (5) below? In other  
24 words, is she aware of retail choice in New Hampshire?

1 MR. EATON: I object to that question.  
2 I don't think it's relevant. I think it could be asked in  
3 another way and still elicit a response.

4 CHAIRMAN GETZ: Mr. Peress.

5 MR. PERESS: Thank you, Mr. Chair. Why  
6 don't I rephrase the question.

7 CHAIRMAN GETZ: Let's do that.

8 BY MR. PERESS:

9 Q. Do any of the retail energy services ratepayers of  
10 Public Service Company of New Hampshire need to take  
11 service from PSNH?

12 A. (Baumann) There are customers taking service from PSNH,  
13 that's correct.

14 Q. That's not what I asked.

15 A. (Baumann) Do they need to take it?

16 Q. Yes. Do they have any choices?

17 A. (Baumann) At this time, I believe there are customers  
18 who do not have the choice. But I have heard that  
19 there have been solicitations in the market. So,  
20 perhaps, if you want to be real specific, then there  
21 may be choices for customers.

22 Q. And, so, if a retail customer has a choice, would the  
23 10.3 cent rate that you've indicated in Number (5)  
24 below apply to a customer that didn't take energy

1 service from PSNH?

2 A. (Baumann) All of these rate scenarios assume that the  
3 customers would be on the Energy Service rate. So,  
4 yes.

5 Q. But the fact is that any customer that has a choice can  
6 avoid these rates, correct?

7 A. (Baumann) Assuming they have a choice, yes, they could  
8 leave the Energy Service rate and go to the choice  
9 rate.

10 Q. This document marked "Exhibit 3", this assumes that the  
11 scrubber costs will be recovered by PSNH in the energy  
12 services rate, correct?

13 A. (Baumann) That's the assumption, in compliance with the  
14 law.

15 Q. And, at what level of recovery are you projecting  
16 forward in calculating the rates that are shown in  
17 Exhibit 3?

18 A. (Baumann) When you say "level of recovery", the level  
19 of total recovery?

20 Q. For the Scrubber Project.

21 A. (Baumann) The revenue requirements are approximately  
22 \$60 million a year, which is approximately 1.2 cents  
23 per kilowatt-hour for the current level of Energy  
24 Service sales in our projections.

1 Q. Does Public Service Company of New Hampshire at the  
2 present time have an entitlement to recover any of  
3 these costs in its rates?

4 A. (Baumann) I'm not sure what the word "entitlement"  
5 means.

6 MR. EATON: I think that asks for a  
7 legal question, what entitlement to recover in its rates.

8 CHAIRMAN GETZ: Well, is your question,  
9 basically, Mr. Peress, is the witness assuming 100 percent  
10 recovery of all scrubber costs?

11 MR. PERESS: In the first instance, it  
12 is, yes.

13 **BY THE WITNESS:**

14 A. (Baumann) Yes. One hundred percent of the revenue  
15 requirements are embedded in these examples in  
16 Exhibit 3.

17 **BY MR. PERESS:**

18 Q. You're aware of the Commission's November 19th letter  
19 where they opened Docket 11-250, correct?

20 A. (Baumann) I've read it.

21 Q. And, you're aware that there is a proceeding ongoing  
22 right now with respect to PSNH's entitlement to recover  
23 costs from the Scrubber Project, is that correct?

24 A. (Baumann) The exact title of the docket is "Scrubber

1 Cost Recovery". Again, you use that word  
2 "entitlement", I'm not sure what that means. But there  
3 is a docket, it's 11-250, and it's "Scrubber Cost  
4 Recovery".

5 Q. And, you were here at the beginning of this hearing  
6 when the Commission elected not to accept the testimony  
7 relating to the cost of the scrubber that are the  
8 subject of that docket, were you not?

9 A. (Baumann) You're referring to their secretarial letter?

10 Q. No. I'm referring to, in this hearing, when the  
11 Commission elected not to include in evidence the  
12 Tillotson testimony with respect -- and the Smagula  
13 testimony with respect to the cost of the Scrubber  
14 Project.

15 A. (Baumann) Well, to be -- to be clear, it's the joint  
16 testimony of Mr. Smagula and myself. That joint  
17 testimony outlining the scrubber, I believe it was  
18 filed in October of this year, was excluded. Yes, I'm  
19 aware of that.

20 MR. PERESS: So, Mr. Chair, I'm going to  
21 object to this Exhibit 3, from the standpoint of its  
22 evidentiary value. It assumes facts that are not in  
23 evidence. It makes projections that are not well grounded  
24 on the basis of historical trends. And, it makes a very

1 significant error of law in assuming that customers will  
2 be required to bear costs that they otherwise, as a matter  
3 of law, are not required to bear.

4 CHAIRMAN GETZ: Can you follow that last  
5 part, "not required to bear", because why?

6 MR. PERESS: Because they have a choice  
7 to not purchase power from PSNH.

8 CHAIRMAN GETZ: Ms. Hatfield.

9 MS. HATFIELD: Thank you, Mr. Chairman.  
10 I also will have cross questions about this. But, I  
11 think, maybe right now I should also just note my  
12 objection, which I can discuss further later, when the  
13 Commission decides on entering it. But I also have  
14 additional objections.

15 CHAIRMAN GETZ: Well, let's hear those  
16 objections now. Because I think, and I'm not sure if I'm  
17 mistaken here, is part of your argument, Mr. Peress, is  
18 that, in the absence of the Smagula/Tillotson testimony in  
19 this case, that some of these scenarios are unnecessarily  
20 off the table?

21 MR. PERESS: In part, that's one of the  
22 factors that leads me to believe that this is not a  
23 reliable document. But, I think, on that point, because  
24 none of the scrubber costs have been subjected to hearing,

1 discovery, and the process required by law with respect to  
2 this Commission, I don't think that it is appropriate to  
3 assume any number, *per se*, as the level of cost recovery  
4 for the scrubber, until such time as we go through the --  
5 in this instance, the hearing on the temporary rate  
6 petition in 11-250, and then, ultimately, the  
7 reconciliation proceeding for the scrubber in 11-250.

8 In addition, as I noted earlier, there  
9 doesn't seem to be a rational, factual basis to carry  
10 forward the capacity factors or the level of migration  
11 into 2013 as has been done in this exhibit.

12 CHAIRMAN GETZ: Is it your position that  
13 we have absolutely no discretion with what to do with the  
14 Energy Service rate effective January 1, unless we have a  
15 -- it's subject to a full hearing of all the issues in  
16 11-250? Is that your position?

17 MR. PERESS: Mr. Chair, I guess it's not  
18 my position that you have no discretion. But it is my  
19 position that it would be not in the interest of  
20 ratepayers or consistent with the statutory policy for the  
21 Commission to provide the relief requested by PSNH with  
22 respect to including costs that have not, from a legal  
23 standpoint, been incurred yet in the rates, until after we  
24 go through that temporary rate proceeding in 11-250.

1                   And, I would be happy, and I was  
2 actually waiting to get to those policy issues at a later  
3 time, because I don't think they're, *per se*, germane to  
4 Exhibit 3. But I would be happy to speak to those now, if  
5 you would find it helpful.

6                   (Chairman and Commissioners conferring.)

7                   CHAIRMAN GETZ: We're going to withhold  
8 ruling on this particular objection. What we want to do  
9 is get all of this testimony and cross-examination in the  
10 record, and we'll deal with what should be part of the  
11 record after we -- at the close of the hearing.

12                   So, do you have further questions?

13                   MR. PERESS: I do. Thank you, Mr.  
14 Chair.

15 BY MR. PERESS:

16 Q. I'd like to refer to what has now been marked  
17 "Exhibit 5", which is the "Unit Capacity Factor" chart  
18 that was provided on December 14th. Now, if I  
19 understand this chart correctly, you're projecting a  
20 total capacity factor for 2012 for Merrimack Unit II of  
21 "47 percent", is that correct?

22 A. (White) Yes.

23 Q. And, you're projecting a total capacity factor for  
24 Schiller Unit 4 of "25 percent"?

1 A. (White) Yes.

2 Q. And "26 percent" for Schiller Unit 6, is that correct?

3 A. (White) Those are the figures shown on the exhibit,  
4 yes.

5 Q. So, you're projecting that there are, for Merrimack  
6 Unit 2, there are five months where you're not  
7 projecting any economic generation from Merrimack Unit  
8 2, is that correct?

9 A. (White) Given market price scenarios used in this  
10 filing, that's the best outcome for Energy Service  
11 customers.

12 Q. And, what are those market price assumptions used in  
13 this filing?

14 A. (White) They're included in the tech statement, joint  
15 tech statement.

16 Q. Can you show me where please?

17 A. (White) The joint tech statement filed on  
18 December 14th.

19 Q. Okay.

20 A. (White) Section C-2. There's a chart of "Forward  
21 Electricity Prices".

22 Q. And, that's the table that refers to "Forward  
23 Electricity Prices for Delivery at Massachusetts Hub"?

24 A. (White) Yes.

1 Q. And, when you predict forward the operation of your  
2 fossil units, you compare the cost of operating those  
3 units versus the forward electricity prices at  
4 Massachusetts Hub, is that correct?

5 A. (White) There's an adjustment to Massachusetts Hub  
6 prices for the variation between those and the prices  
7 at the generation unit nodes. So, there's some  
8 difference. It's relatively small. But we actually  
9 compare to a forecast at the generating unit nodes.

10 Q. And, generally speaking, you compare that adjusted  
11 forward price to the marginal cost of operating each  
12 one of these fossil fuel units, is that correct?

13 A. (White) Compared to the forecasted variable operating  
14 costs of the generation.

15 Q. And, even though you're predicting no operation for  
16 five months of the year, PSNH would intend to bid those  
17 into the market, is that correct?

18 A. (White) We certainly would, and we're required to do  
19 so, as a participant at ISO-New England. Should prices  
20 change, should the actual circumstances differ, they  
21 may well run more.

22 Q. Okay. I just want to go to the testimony we just heard  
23 from Mr. Baumann with respect to the December 14th  
24 rate. You noted as your second factor that one of the

1 major items that influence the reduction in the  
2 proposed rate is lower O&M, which I think you said  
3 resulted from "fewer scheduled outages in 2012", is  
4 that correct?

5 A. (Baumann) That's correct.

6 Q. And, that's for the fossil units?

7 A. (Baumann) Yes.

8 Q. And, can you provide a little bit more refinement with  
9 respect to which units you were referring to?

10 A. (White) Just one minute please. There was a data  
11 request. It was Staff Set 1, Question 8, which was a  
12 -- it's a confidential response. It provided outage  
13 schedules in 2012.

14 Q. Obviously, I wasn't privy to that.

15 A. (White) It supports the statement of fewer scheduled  
16 outages in 2012, as compared to 2011.

17 Q. Are you projecting fewer scheduled outages at Merrimack  
18 Unit 2 for 2012, as compared to 2011?

19 A. (White) Again, this was a confidential response.

20 Q. I'm not asking about the specifics. I'm just asking if  
21 you're projecting fewer?

22 A. (Baumann) We're projecting less for the generation  
23 fleet.

24 Q. But I asked about Merrimack Unit 2?

[WITNESS PANEL: Baumann|White]

1 MR. EATON: If you can answer the  
2 response without publicly telling when those outages would  
3 take place, just relatively speaking, --

4 WITNESS WHITE: Okay.

5 MR. EATON: -- you could answer the  
6 question.

7 **BY THE WITNESS:**

8 A. (White) The answer is "yes".

9 BY MR. PERESS:

10 Q. And, why are you projecting fewer outages -- I'm sorry,  
11 maintenance related outages in 2012 than 2011 for  
12 Merrimack Unit 2?

13 A. (White) There were maintenance outages at both  
14 Merrimack units in 2011, where much work was  
15 accomplished. In addition to scrubber installation and  
16 putting that in service, a lot of maintenance work was  
17 done simultaneously, so that 2012 schedule could be  
18 adjusted accordingly.

19 Q. Are you saying that the maintenance conducted in 2011  
20 will result in the unit being more reliable in 2012?

21 A. (White) I'm saying that the maintenance conducted in  
22 2011 was with regards to good utility practice for --  
23 that an owner of a generating unit should perform.

24 Q. And, will that maintenance result in the unit being

{DE 11-215} {12-19-11}

1 more reliable in 2012? Merrimack Unit 2?

2 A. (White) We would hope so. I don't know what we'd be  
3 comparing to.

4 Q. Well, you're projecting "fewer maintenance outages" in  
5 2012 than you did in 2011, right?

6 A. (White) You perform periodic planned maintenance at  
7 generating units. We accomplished that in 2011, such  
8 that the amount necessary in 2012 is reduced.

9 Q. Thank you.

10 A. (White) You perform maintenance to maintain reliability  
11 and the safe operation of the unit.

12 Q. Thank you. I have a question relating to TECH-003,  
13 which I think is marked "Exhibit 6".

14 MR. PERESS: Is that marked "Exhibit 6"?  
15 Do I have that right?

16 CHAIRMAN GETZ: I don't think we've got  
17 that far yet. We have "TECH-002", which is "Exhibit 5".

18 MS. HATFIELD: Mr. Chairman, I also was  
19 planing to ask questions about this. So, we could make  
20 that an exhibit as well.

21 (Atty. Hatfield distributing documents.)

22 CHAIRMAN GETZ: We'll mark for  
23 identification as "Exhibit Number 6" Question TECH-003  
24 from December 16.

[WITNESS PANEL: Baumann|White]

1 (The document, as described, was  
2 herewith marked as **Exhibit 6** for  
3 identification.)

4 MR. EATON: Do the witnesses have copies  
5 of it?

6 WITNESS WHITE: Yes.

7 WITNESS BAUMANN: Yes.

8 BY MR. PERESS:

9 Q. And, if I understand what's been marked "Exhibit 6"  
10 correctly, you have changed -- PSNH has changed its  
11 projection of the useful life of several of the units,  
12 between its initial filing on September 23rd, 2011 and  
13 its update on December 14th, 2011, is that correct?

14 A. (Baumann) Yes.

15 Q. And, from looking at this exhibit, it appears that you  
16 have extended the useful life of Newington by 25 years,  
17 is that correct?

18 A. (Baumann) Yes.

19 Q. Can you explain what the basis, underlying factual  
20 basis was for adding 25 years to the proposed useful  
21 life for Newington?

22 A. (Baumann) That was an operational decision, and I can't  
23 explain it.

24 Q. Can either of the witnesses explain it?

{DE 11-215} {12-19-11}

1 A. (Baumann) I think that would be an explanation that  
2 Mr. Smagula would have to get into, and/or his  
3 subordinate.

4 Q. And, likewise, you extended the useful life of  
5 Merrimack Station by 25 years between September 23rd  
6 and December 14th, 2011, is that correct?

7 A. (Baumann) Well, it's 15.

8 Q. I'm sorry. By 15 years, correct?

9 A. (Baumann) That is the current amount. I'm not saying  
10 "yes", only because I believe that, in the September  
11 filing, we presumed 2038. So, every one of these  
12 changes were presumed in the December filing, but I  
13 think -- I just want to be exact with my response. I  
14 believe that the Merrimack change had already taken  
15 place in the September filing. But that you are  
16 correct, we are presuming in the current rates, as  
17 proposed, a 2038, which is a 15-year increase from  
18 what's in the current rates today, which are referred  
19 to as the "current year".

20 Q. Between September 23rd and December 14th, as a  
21 consequence of extending the average year of final  
22 retirement, you show a significant decrease in  
23 depreciation expense, is that correct?

24 A. (Baumann) Yes.

1 Q. And, I assume that you're not the right witness to ask  
2 about what the basis is for the assumed year of 2038  
3 for the retirement of Merrimack Station?

4 A. (Baumann) That's correct.

5 Q. Do you know what year the two coal units at Merrimack  
6 Station went into service?

7 A. (Baumann) No, we don't.

8 Q. If I said "in the 1960s", would that sound correct to  
9 you?

10 A. (Baumann) I do not know. I know that it's not part of  
11 -- they were before the Energy Service year of 2012,  
12 which is the discussion today. But I really don't  
13 know.

14 Q. Subject to check, if I told you that it was "1961" and  
15 -- "on or about 1961 for Unit 1" and "1968 for Unit 2",  
16 would that sound correct to you?

17 A. (Baumann) You know, I'll take your word for it. Sure.

18 Q. Are you familiar with any coal-fired units that have  
19 operated for 68 years?

20 A. (Baumann) Again, I'm not familiar with any coal  
21 operators at all. So, I couldn't answer that question.

22 MR. PERESS: Mr. Chair, would it be  
23 appropriate to, since this response was moved into  
24 evidence and was prepared by Witness Baumann, who

1       apparently is not able to answer these questions, and  
2       Mr. Smagula, who is not a witness, to swear in Mr. Smagula  
3       to answer questions that Mr. Baumann is unable to?

4                   MR. EATON:   Or, we could have a record  
5       request that Mr. Smagula provide the reasons for the  
6       change in depreciation rates for Newington Station -- I'm  
7       sorry, in the average year of final retirement for  
8       Newington Station and Merrimack Station.

9                   CHAIRMAN GETZ:   Ms. Hatfield.

10                   MS. HATFIELD:   Thank you, Mr. Chairman.  
11       If I might, we would -- we were intending to ask for a  
12       similar record request, requesting the basis for all of  
13       the changes, not only the technical basis, but also the  
14       Company's legal basis.  And, while it's probably not  
15       appropriate for this hearing, in light of the timing for  
16       the Commission's decision, we do think this is a larger  
17       issue that should be explored at some time in the very  
18       near future, because we aren't entirely clear ourselves  
19       about the basis for this, in light of the implications for  
20       ratepayers, which I'm intending to explore a little bit  
21       more with Mr. Baumann.

22                   (Chairman and Commissioners conferring.)

23                   CHAIRMAN GETZ:   All right.  Let's  
24       reserve Exhibit 7 for that record request.

1 (Exhibit 7 reserved.)

2 CHAIRMAN GETZ: Anything further?

3 MR. EATON: So, that would be the bases  
4 for extending the retirement dates, including the legal  
5 justification for that, contained on Exhibit 6?

6 CHAIRMAN GETZ: Yes. Anything  
7 additional, Mr. Peress?

8 MR. PERESS: I just have -- I just have  
9 one further line of questioning. Actually, I'm going to  
10 hold off. So, thank you, Mr. Chair.

11 CHAIRMAN GETZ: Okay. Thank you  
12 Ms. Hatfield.

13 MS. HATFIELD: Thank you, Mr. Chairman.  
14 Good afternoon, gentlemen. Or, good morning.

15 WITNESS WHITE: Good morning.

16 WITNESS BAUMANN: Good morning.

17 MS. HATFIELD: I guess I'm a little  
18 ahead of myself.

19 BY MS. HATFIELD:

20 Q. If you could turn please, Mr. Baumann, to what you've  
21 referred to in the December 14th filing as your  
22 "standalone technical statement".

23 A. (Baumann) I'm there.

24 Q. Do you see in the second sentence you state, "The

1 summary below includes rates with and without the costs  
2 associated with the Merrimack Scrubber"?

3 A. (Baumann) That's part of the sentence, yes.

4 Q. If we turn to your Attachment RAB-1, Page 1, on the  
5 25th line, do you see that it says "Total Forecasted  
6 Energy Service Cost"?

7 A. (Baumann) Yes.

8 Q. And, then, under the Column "Cents per KWH", it says  
9 "7.87"?

10 A. (Baumann) Oh, I'm sorry. I think I'm on the wrong --  
11 you're referring to the revised rate?

12 Q. Yes. The December 14th filing.

13 A. (Baumann) One moment please.

14 Q. I think that's Exhibit 2.

15 A. (Baumann) So, again, Line 25?

16 Q. Yes.

17 A. (Baumann) And the "7.87 cents"?

18 Q. Yes. Do you see that?

19 A. (Baumann) Yes. Thank you.

20 Q. And, then, on Line 27, that is named "2011 ES  
21 Over/Under Recovery", correct?

22 A. (Baumann) Correct.

23 Q. And, that shows "0.04 cents"?

24 A. (Baumann) Correct.

1 Q. And, that's an under recovery?

2 A. (Baumann) Yes, it is.

3 Q. So, that needs to be added to the 7.87?

4 A. (Baumann) Correct.

5 Q. And, if you do add those together, doesn't it equal  
6 7.91 cents?

7 A. (Baumann) Yes.

8 Q. Do you know what the difference is, in terms of how  
9 much you'll collect through the Energy Service rates  
10 between 7.90 and 7.91?

11 A. (Baumann) It would be 0.01 cent times 5 million  
12 kilowatt-hours, I think that's \$500,000.

13 Q. Should the -- if the Commission does set the rate at  
14 what the Company has requested for Energy Service  
15 alone, should it be 7.91 cents?

16 A. (Baumann) Well, there was a tech response, TECH-004,  
17 that was filed just recently, on December 16th, Friday.

18 Q. Right. And, I think, in that response, the Company  
19 said that you "would support either rate"?

20 A. (Baumann) Yes. This was a truncation issue, as opposed  
21 to a rounding issue. And, if you -- if, back on  
22 Exhibit RAB-1, Page 1, you were to take the total net  
23 forecasted energy service costs on Line 29, and divide  
24 them by the Line 31 forecasted retail sales, you would

1 get a number that rounds to 7.91. And, for some  
2 unknown reason, it was truncated by our Staff in the  
3 calculation. But, certainly, 7.91 would be acceptable  
4 as well.

5 Q. I'd like to ask you a few questions about what's been  
6 marked as "Exhibit 3". Do you have that with you?

7 A. (Baumann) Yes, I do.

8 Q. Now, in describing and explaining these scenarios, I  
9 heard you use the term "over recovery", as well as  
10 "under recovery", is that right?

11 A. (Baumann) Yes.

12 Q. And, this is labeled, on Scenarios (3), (4), and (5),  
13 it's showing an "under recovery", correct?

14 A. (Baumann) That's correct. That's an under recovery of  
15 that rate, as opposed to a rate of 9.1 cents, which  
16 includes the scrubber costs.

17 Q. But you also earlier agreed that you heard that the  
18 Commission has already ruled that the scrubber costs  
19 are not in this docket, is that right?

20 A. (Baumann) I'm familiar with the secretarial letter,  
21 which stands on its own.

22 Q. So, if I look at Scenario (3), and under the "7.9"  
23 cents, it says "\$10 million under recovery", that's not  
24 an Energy Service under recovery, is that correct?

1 A. (Baumann) Well, it would be, if you assume the 9.1  
2 cents as a legitimate rate.

3 Q. But, if we assume the 7.9 as the legitimate rate, which  
4 is what the Company has filed, are you saying that  
5 there would be a \$10 million under recovery under the  
6 Energy Service rate of 7.9 cents?

7 A. (Baumann) If you exclude the scrubber costs, and you're  
8 just talking about the -- what I'll call the  
9 "traditional" Energy Service rate, then the 7.9 cents  
10 would be the rate, and it would not -- it would collect  
11 all Energy Service costs as defined in your example.

12 Q. So, 7.9 cents reflects the Company's estimated actual  
13 costs for providing Energy Service in 2012?

14 A. (Baumann) Excluding the scrubber costs, that's correct.

15 Q. Now, if the Commission kept the rate at the current  
16 rate of 8.89 cents, what would the Company do with that  
17 over-collected or additional amount over the 7.9?

18 A. (Baumann) Well, I believe we talked about that as --  
19 well, we took a two-month example, but it's about  
20 \$4.5 million a month. When you say "what would we do  
21 with it?" It would be our intention to apply it to  
22 future rates, regardless of what would happen with the  
23 scrubber costs. Certainly, if you over recover, you  
24 have to apply it to future rates as a credit.

1 Q. So, if, for some reason, you could not begin recovery  
2 of the scrubber costs in 2012, you would have this  
3 over-collected amount that then you would have to use  
4 to lower the Energy Service rate later in the year?

5 A. (Baumann) That's correct.

6 Q. Now, if you're over-recovering costs from ratepayers,  
7 would ratepayers receive the benefit of carrying costs?

8 A. (Baumann) Carrying costs would be applied to the over  
9 recovery. So, yes.

10 Q. And, it's the -- it seems to be the Company's view that  
11 it's in ratepayers' interest to overpay for Energy  
12 Service for some period of time?

13 A. (Baumann) Well, it's not our opinion that it would be  
14 an "overpayment for Energy Service", because, in our  
15 opinion, the scrubber costs are part of the Energy  
16 Service.

17 Q. Even though the Commission has not ruled on them and  
18 has not included them in this docket?

19 A. (Baumann) That's correct. Similar to any future  
20 addition we've put in the Energy Service rate in the  
21 past, we've always projected capital additions for the  
22 rate year, and we put them in, into rates. And, this  
23 isn't even a projection. This is used and useful as we  
24 speak today. So, from the Company's perspective, it's

1 known and measurable. Certainly, there might be some  
2 disagreement to that, but that's where we're from.

3 Q. So, in prior years in Energy Service rates, you've  
4 included "future projects", is that what I heard you  
5 say?

6 A. (Baumann) We've included a capital budget for each  
7 projected year. So, future projects, yes.

8 Q. Do you recall in discovery being asked a question about  
9 the status of insurance proceeds related to the  
10 Merrimack turbine damage and the outages that occurred  
11 in 2008 and 2009?

12 A. (Baumann) I know we've talked about it. I don't  
13 remember the specific response.

14 Q. I'd like to refer your attention to OCA 01-002.

15 (Atty. Hatfield distributing documents.)

16 MS. HATFIELD: Mr. Chairman, I'd like to  
17 have this marked please.

18 CHAIRMAN GETZ: This will be "Exhibit 8"  
19 for identification.

20 (The document, as described, was  
21 herewith marked as **Exhibit 8** for  
22 identification.)

23 BY MS. HATFIELD:

24 Q. Mr. Baumann, do you have that with you?

1 A. (Baumann) yes.

2 Q. And, this question referred to information that had  
3 been discussed in the 2010 reconciliation case. Do you  
4 see that in the question?

5 A. (Baumann) Yes, I do.

6 Q. And, then, in the response, you give information about  
7 the "total claim" and also the "net claim". Do you see  
8 that?

9 A. (Baumann) Yes, I do.

10 Q. So, the total claim is "\$34.9 million"?

11 A. (Baumann) Correct.

12 Q. And, then, the net claim, because you've taken out the  
13 deductible, is "\$33.9 million"?

14 A. (Baumann) That's correct.

15 Q. And, then, in the paragraph below those numbers, you  
16 discuss a settlement regarding the replacement power  
17 claim, is that right?

18 A. (Baumann) Yes.

19 Q. And, then, in the second to last sentence, you state  
20 "This settlement results in a final total reimbursement  
21 to PSNH and its customers of \$32.5 million." Correct?

22 A. (Baumann) That's correct.

23 Q. And, then, the final sentence states that "the final  
24 payment of \$4.4 million is expected before the end of

1 2011." Do you see that?

2 A. (Baumann) Yes.

3 Q. Do you know if that money has been received?

4 A. (Baumann) I believe -- well, first of all, all has not  
5 been received. But I think there is less than a  
6 million dollars outstanding. Somewhere around 900,000.

7 Q. And, is it still the Company's expectation that the  
8 final total reimbursement to PSNH and its customers  
9 will be 32.5 million?

10 A. (Baumann) Yes.

11 Q. And, the difference between that and the net claim is  
12 about 1.4 million, is that right?

13 A. (Baumann) That's correct.

14 Q. So, that's the difference between 33.9 million and  
15 32.5 million?

16 A. (Baumann) Yes.

17 Q. So, in terms of the cost to ratepayers, you would say  
18 it was the 1.4 million, plus the deductible, so a total  
19 of 2.4 million, would that be correct?

20 A. (Baumann) Yes.

21 Q. And, the total cost to PSNH was zero?

22 A. (Baumann) Well, the cost of running the station is  
23 borne by Energy Service customers.

24 Q. Do you recall estimating in discovery the cost impact

1 of migration in the proposed Energy Service rate? And,  
2 I would refer you to the response to Staff 1-4.

3 A. (Baumann) I'm there.

4 Q. And, in this response, you stated "The effect of  
5 migration for 2012 is that Energy Service" -- excuse  
6 me, "Default Energy Service rate is approximately  
7 6 percent higher than a rate without migration." Is  
8 that correct?

9 A. (Baumann) Yes. Yes.

10 Q. Has there been any change to that since the  
11 December 14th update?

12 A. (Baumann) Well, we haven't run the calculation. So, I  
13 can't tell you. And, I'm sure it would change  
14 slightly, because, certainly, as the numbers change and  
15 marginal costs change, it would change slightly. But  
16 the migration impact, in this example, is somewhere  
17 around a half, you know, 50 cents -- or, excuse me, a  
18 half a cent. So, it would be plus or minus, but we  
19 haven't run the calculation.

20 Q. In your technical statement, your joint technical  
21 statement, in Paragraph C.5?

22 A. (Baumann) "C" as in "Charlie"?

23 Q. Yes.

24 A. (White) Yes.

1 Q. In the second sentence you identify "an error in the  
2 sales amount used to calculate REC obligations in the  
3 September filing." Do you see that?

4 A. (White) Yes.

5 Q. Did that result in a change in your estimated RPS costs  
6 for 2012?

7 A. (White) Yes, it did. There was a discrepancy in the  
8 sales level in the September filing versus the sales  
9 level used to calculate REC obligations. It was a  
10 fairly small difference. That discrepancy has been  
11 removed, corrected in the December filing.

12 Q. And, if we look at RAB-1, Page 1, on Line 18 we can see  
13 your estimated 2012 RPS costs, is that right?

14 A. (White) Yes.

15 Q. And, does that show that it's about a third of a cent?

16 A. (White) Yes.

17 Q. And, if you turn to RAB-3, Page 1, and you look at Line  
18 18, do you see the RPS costs listed there?

19 A. (White) Yes.

20 Q. And, that's about a quarter of a cent?

21 A. (White) Yes.

22 Q. So, the RPS costs have gone up slightly for 2012?

23 A. (White) Yes.

24 Q. And, staying on RAB-3, Page 1, if we go to the next

[WITNESS PANEL: Baumann|White]

1 line, 19, that's "RGGI costs", correct?

2 A. (White) Yes.

3 Q. And, for 2011, you're estimating it was just over a  
4 tenth of a cent?

5 A. (White) Correct.

6 Q. And, then, if we turn back to RAB-1, Page 1, and we  
7 look at your proposed or projected RGGI costs for 2012,  
8 it looks like they're about half that amount?

9 A. (White) Yes.

10 Q. Did the RGGI cost estimates go down that much because  
11 of the reduction in the time that your plants will be  
12 running?

13 A. (White) That's one of the biggest factors. The  
14 proportion of free allowances, credited allowances, is  
15 a greater proportion, similarly for the same reason.  
16 But, yes, the generation is down, so those costs have  
17 gone down.

18 MS. HATFIELD: Thank you, Mr. Chairman.  
19 I have nothing further.

20 CHAIRMAN GETZ: Ms. Amidon.

21 MS. AMIDON: Mr. Mullen has some  
22 questions, with the permission of the Chair.

23 MR. MULLEN: Good morning?

24 WITNESS WHITE: Good morning.

{DE 11-215} {12-19-11}

1 WITNESS BAUMANN: Good morning.

2 BY MR. MULLEN:

3 Q. If we turn to the joint technical statement of  
4 December 14th, which is part of Exhibit 2, and if we go  
5 to Section C.1. The last sentence of that item talks  
6 about a "estimated \$5 million benefit from the planned  
7 sale of coal." Is that correct?

8 A. (White) Yes.

9 Q. Could you explain why it is you're selling some coal?

10 A. (White) Given the forecasted level of generation in  
11 2012, we have coal under contract that we don't foresee  
12 as being needed. And, there's an opportunity to sell  
13 that coal and bring some benefits to the Energy Service  
14 rate.

15 Q. And, you've had similar sales of coal in the past?

16 A. (White) We made a similar sale in 2011, yes.

17 Q. In looking at the various items in the technical  
18 statement, is it fair to say that overall, since energy  
19 prices have decreased, you're running your own units  
20 less, and sales are impacted by two things; one being  
21 an increase in migration, and the other being a  
22 decrease in the overall sales forecast, which I think  
23 you said earlier was "basically due to the economy"?

24 A. (White) Yes. Those are correct statements.

1 Q. To the extent that your plants are running less, you  
2 have to increase your purchases from the market, is  
3 that correct?

4 A. (White) All other things being equal, yes.

5 Q. And, those purchases show up, I believe, if we were to  
6 look at Attachment RAB-2, Page 3, and compare the  
7 December 14th update to the September filing, we would  
8 see an increase in those amounts, is that correct?

9 A. (White) That's correct. I believe it's approximately  
10 650 gigawatt-hours.

11 Q. And, so, by the same token, if we were to look at the  
12 amount of expected generation of your various units,  
13 you do the same thing for the same lines on that table?

14 A. (White) Yes.

15 Q. So, all else being equal, it's kind of like squeezing a  
16 balloon. You have to get the power from somewhere?

17 A. (White) It's a net energy balance, that's correct,  
18 between load and resources.

19 Q. Mr. Baumann, if I could just refer to Exhibit 3. And,  
20 I think you went through some of this with Attorney  
21 Hatfield earlier, and I just want to make sure it's  
22 clear. Any time that there's a "under recovery"  
23 mentioned on this page, that is just due to the  
24 assumption of including scrubber costs in the Energy

1 Service rate, and it is not for, I'll say, all  
2 non-scrubber ES costs, is that correct?

3 A. (Baumann) Yes, that's correct.

4 Q. And, if I look at Scenario (2), which you describe as  
5 one of your "bookends", when this was introduced,  
6 looking at the rate path that's on Scenario (2), am I  
7 correct to say that that doesn't include any temporary  
8 rates for the scrubber, and any assumed scrubber  
9 recovery there starts on January 1st, 2013?

10 A. (Baumann) Yes, that's correct.

11 MR. MULLEN: Thank you. I have nothing  
12 further.

13 BY CMSR. BELOW:

14 Q. Just picking up on this Exhibit 3, and the sort of  
15 sixth one that's not printed here, but that was -- you  
16 started to describe, if the rate stayed at 8.89, the  
17 current Default Service rate, through March 1st,  
18 excluding any issues around the scrubber, you've  
19 roughly estimated the over recovery of about 9 million  
20 for those two months, is that correct?

21 A. (Baumann) Yes. That's correct.

22 Q. And, then, for the remaining, if there was an  
23 adjustment on March 1 for the remaining ten months of  
24 the year, assuming all other, you know, projections

1 remain the same, roughly what would that mean the  
2 Energy Service rate would go to for the remaining ten  
3 months of the year?

4 A. (Baumann) Again, assuming no scrubber?

5 Q. (Nodding affirmatively).

6 A. (Baumann) Which is your \$10 million, which is about a  
7 penny per kilowatt-hour for two months, would then be  
8 returned over the next ten months. So, it probably  
9 would be about 20 percent, or one-fifth of a penny.  
10 So, about 2 mills or two-tenths of a cent in a credit.

11 Q. So, it would be more like 8.1, instead of 7.9. No,  
12 wait. It would drop to 7.7, something like 7.7 --

13 A. (Baumann) Right.

14 Q. -- for the remainder of the year?

15 A. (Baumann) Correct.

16 Q. If you turn to Exhibit 2, Attachment RAB-2, Page 1 and  
17 2, that breaks out your estimated Energy Service costs  
18 by month. And, on Page 2, there's a total for the  
19 year, which shows the average or the total for the year  
20 to be "7.87 cents", which is the Energy Service --  
21 estimated Energy Service costs, excluding, of course,  
22 scrubber issues, plus also excluding the recovery of  
23 the estimated 2011 under recovery of about 4 million,  
24 correct?

1 A. (Baumann) Yes. That's correct.

2 Q. And, any given month is going to be more or less than  
3 that, probably, right?

4 A. (Baumann) Yes.

5 Q. So, if we look at the first two months of 2012,  
6 January 2012 and February 2012, your estimated Energy  
7 Service costs are actually, for those two months,  
8 actually are going to be more than your average for the  
9 year or total for the year of 7.87 cents, and they're  
10 estimated at 8.08 and 8.06 for January and February, is  
11 that correct?

12 A. (Baumann) Yes, sir. That's correct.

13 Q. So, if the rate continued at the current level, there  
14 would be some over recovery for January and February,  
15 but would that, in effect, be applied to, in the first  
16 instance, to the extent it exceeds actual cost, to  
17 recouping the 2011 under recovery?

18 A. (Baumann) Well, it's all part of the same soup pot.  
19 So, I would say the answer would be "yes".

20 Q. Right. So, that in the January, either you, if it  
21 dropped to 7.9, you'd actually -- the net under  
22 recovery would actually increase, versus if it stayed  
23 at the current rate, the balance under recovery/over  
24 recovery would go down, and the carrying costs would

1 either go down or go up, depending on whether the net  
2 amount of over/under recovery increased or decreased,  
3 is that correct?

4 A. (Baumann) Yes. That's correct.

5 Q. Okay.

6 A. (Baumann) To kind of put another way, you know, when I  
7 said earlier that there would be about a \$9 million  
8 over recovery, that was on average, probably would be  
9 less than that, because, in the months of January and  
10 February, our costs are a little higher. So, it  
11 probably would be less than a \$9 million over recovery.  
12 I don't think it would be more than probably 8, but --

13 Q. Plus there's a 4 million under recovery to sort of pay  
14 off estimated at the beginning of the year?

15 A. (Baumann) That's correct.

16 Q. Okay.

17 A. (Baumann) I think, is it 2 million?

18 A. (White) I think it's 2.2 million.

19 Q. Okay. I was conflating the four-tenths of a mill or --

20 A. (White) Right.

21 Q. -- 4 mills, or 4/100ths of a cent --

22 A. (White) Right.

23 Q. -- with the 2.1 million.

24 CMSR. BELOW: Thank you. That's all.

1 CMSR. IGNATIUS: Thank you.

2 BY CMSR. IGNATIUS:

3 Q. Let's stay with that Exhibit RAB-2 for a moment, if you  
4 have it opened. The Vermont Yankee costs are in for  
5 January and February and March of 2012, and then are  
6 out from thereafter. Can you describe a little more of  
7 what your thinking is in setting it out that way?

8 A. (White) Our contract with Vermont Yankee expires in  
9 March of 2012. We don't anticipate having --  
10 purchasing power beyond that.

11 Q. So, that's not an assumption about the future  
12 operations of Vermont Yankee, it's specific to your  
13 contract?

14 A. (White) That's correct.

15 Q. In the "RGGI costs", in the line just above, they come  
16 and go. So, can you explain how you reach those  
17 monthly estimates, not to the dollar, but the certain  
18 concept there?

19 A. (White) Those costs are tied to the operations at our  
20 coal facilities and Newington Station. So, in the  
21 months where those costs are not shown, there is no  
22 forecasted generation from those units during those  
23 months.

24 Q. So, if we lined up the discovery exhibit that showed

1 capacity factors, those should -- the zero months  
2 should match with the no numbers listed under "RGGI"?

3 A. (White) That's correct.

4 Q. Mr. Baumann, the amount included in scrubber costs,  
5 when you developed your Exhibit 3, you told Mr. Peress  
6 was 100 percent of the costs. But what's the actual  
7 dollar figure you were using?

8 A. (Baumann) Well, I referred to "60 million", that's the  
9 figure I used as an annual cost basis for the scrubber.  
10 And, if you turn to Attachment RAB-5 that was filed on  
11 December 14th, and specifically Page 1, if you're  
12 there?

13 Q. Yes.

14 A. (Baumann) If you look at Line 23, that's the  
15 \$60 million of scrubber costs that I was referring to.  
16 That's the annual revenue requirement.

17 Q. And, that's assuming how much expense for the scrubber  
18 total?

19 A. (Baumann) Oh, in terms of the total capital?

20 Q. Yes.

21 A. (Baumann) Well, I know on Page 3 we had a net plant  
22 balance starting in January of about, this is Page 3 of  
23 RAB-5, of about 349 million. That's a net plant  
24 amount. I don't have the gross plant, but it's -- it

1 would be slightly larger than that number.

2 Q. So, roughly, 350 million, is that fair to say, when you  
3 calculated your Exhibit 3, it's assuming somewhere in  
4 that range of costs for the scrubber total?

5 A. (Baumann) I think it's a little higher than that, but  
6 it is -- yes, we start with gross plant, take out  
7 accumulated depreciation. You have -- because this  
8 plant went on line in September, we started to  
9 depreciate it in October, November, and December. So,  
10 that's your net balance at the end of December. Give  
11 me one second, I can -- I mean, depreciation expense is  
12 roughly a million dollars a month. So, you'd have  
13 roughly 3 million. So, it's probably \$3 million for  
14 October, November, and December reducing your gross  
15 plant to get to this net plant value of 349. So,  
16 you're probably in the 352-53 million range.

17 Q. And, is it correct that I think we heard in a hearing  
18 last week that that may not be the total amount of the  
19 project, and there are still some costs that have to be  
20 included?

21 A. (Baumann) Yes. I know, just off the top of my head, in  
22 2012, there's the water system that they're putting in,  
23 and I do not believe gets put in until about mid 2012.  
24 And, that's in the 20 million range, I believe. And,

1           there are other smaller portions of the Project that  
2           have to be put in to tie up the Project.

3   Q.   And, similarly, all of those costs haven't yet been  
4           fully audited and subject to the discovery process that  
5           in 11-250 will take place?

6   A.   (Baumann) That's true.  And, actually, if you go back  
7           and look at Page 3 of RAB-5, if you go out to June, you  
8           see the spike up on Line 15, the "Net Plant" line.  
9           There's about almost a \$30 million -- well, there is a  
10          \$30 million increase June 1st.  I think that reflects  
11          -- it reflects the water system as -- and, in addition,  
12          there are some other projects.  So, those projections,  
13          similar to what we were talking about before with the  
14          OCA, have been put into these capital additions,  
15          consistent with prior practices.

16   Q.   Thank you.  Mr. Baumann, also when you were being  
17          questioned by Mr. Peress, looking at Exhibit 4, about  
18          "unit capacity factors", you had a very careful answer  
19          to his question when you said "there are no 2013  
20          projections in this case", regarding capacity factors.  
21          Are you engaged in 2013 projections in other cases, but  
22          not in this one?

23   A.   (Baumann) No, I just, when I put this chart together  
24          over the weekend, I didn't really know what to do with

1 2013. So, just as a -- to show the rate changes on  
2 01/01/13, with no other cost changes, I just made the  
3 presumption, let's just assume there's no other changes  
4 in costs, because we haven't projected 2013.

5 Certainly, not in this docket, we haven't.

6 Q. And, similarly, on "customer migration", you had the  
7 same very careful answer. Is it again that you have  
8 not made projections regarding customer migration for  
9 2013, in any docket, in any location?

10 A. (Baumann) Not to my knowledge, no. We haven't  
11 projected migration going out. We simply don't know  
12 what it's going to be. Certainly, this afternoon,  
13 we're looking at an alternative energy rate as well,  
14 which could have impacts on it as well.

15 Q. How do you not make projections? I have a hard time  
16 understanding how you go forward without making a  
17 projection of that sort?

18 A. (Baumann) Well, I guess you can make projections. We  
19 truly don't know if the migration is going to go up or  
20 down. But, if we made projections from a budgetary  
21 perspective, it really wouldn't change, you know, when  
22 you do your budgets, you look at your operational  
23 budgets and what your "bottom line" is, from a profit  
24 perspective. You also look at your cash flow. And,

1 you know, from a budget perspective, all energy service  
2 costs are tracked, so there's no what I'll call "net  
3 income impact" to your bottom line. And, from a cash  
4 flow perspective, yes, you could project higher or  
5 lower energy service revenues, which would -- but they  
6 would be tracked with higher or lower energy  
7 service costs. So, your expenditures would go up or  
8 down just like your revenues. So, for us to start  
9 doing these type of "what ifs", there really wouldn't  
10 be any financial reason to do it from a budget  
11 perspective in projections, from either a cash flow or,  
12 you know, you might say you "have more cash", but you  
13 can have more expenses, too, or less cash, and you'll  
14 have less expenses. From an earnings perspective, it's  
15 neutral.

16 Q. Well, from the perspective of the Energy Service  
17 customer, who remains on Energy Service, and there's a  
18 declining pool of customers who remain, there is an  
19 impact, isn't there?

20 A. (Baumann) Well, certainly. We could do some  
21 projections. I think what we've done is we've  
22 recognized that there is what we've referred to in the  
23 past is a "fairness issue", and that's why we, you  
24 know, put forth our migration docket and our proposals.

1 And, since then, the Commission did have an order that  
2 we've complied with to file our Alternative DE rate.  
3 And, I guess we're focusing on the current, as opposed  
4 to projecting "what ifs", because our "what ifs" really  
5 doesn't have any operational value for us. We know  
6 that if, you know, gas costs and the marginal costs in  
7 New England remain at these very unprecedented low  
8 levels, then there might be, you know, more migration.  
9 We also know that, if there are changes in the gas  
10 markets and environmental issues strike where the gas  
11 markets explode and go up in price, then there would be  
12 a reverse impact. But it's just very hard to assume.  
13 And, like I said, from a budgetary perspective, we're  
14 neutral with that respect. Certainly, from a customer  
15 perspective, we are very sensitive about this issue,  
16 and it's one of our top issues, and that's why we've  
17 been pushing it so hard in the last year or two.

18 Q. In looking also at your Exhibit 3, another question.  
19 When you think from the perspective of a customer,  
20 Energy Service customer, they would also be looking at  
21 the impact of the SCRC rate when they see their total  
22 bill, correct?

23 A. (Baumann) Yes. That would be -- that would be one of  
24 the impacts, albeit a lot smaller than these energy

1 service impacts.

2 Q. So that the final rate that they would look at, in any  
3 of these scenarios, could be up or down, depending on  
4 what happened with the similar discussion in the SCRC,  
5 of whether to change that rate or keep it as is?

6 A. (Baumann) I assume -- perhaps customers look at the  
7 rates. I know, from my personal experience, the first  
8 thing I look at is my total bill. And, if it goes up a  
9 lot, I go "Oops. What was my usage?" And, I've got to  
10 go talk to my children, usually, but -- so, you know,  
11 I'm not sure customers look that closely at the SCRC  
12 rate. But, certainly, it is part of the overall bill,  
13 and I know they look very closely at the overall  
14 dollars in bills.

15 Q. I think that's what I meant to be asking. So, thank  
16 you. When we assess what to do with the various  
17 components of those bills, the SCRC changes that we  
18 just heard about earlier this morning will also play  
19 into what the ultimate bill impact will be for  
20 customers?

21 A. (Baumann) Yes. Very much so.

22 CMSR. IGNATIUS: Thank you.

23 CHAIRMAN GETZ: Okay. Mr. Eaton, any  
24 redirect?

1 MR. EATON: I have a couple of  
2 questions.

3 **REDIRECT EXAMINATION**

4 BY MR. EATON:

5 Q. Mr. Baumann, could you look at Exhibit Number 8.  
6 That's the data request concerning the Merrimack Unit 2  
7 turbine incident.

8 A. (Baumann) I'm sorry, you have to be more -- was there  
9 an Exhibit 8?

10 Q. Yes. I can put it in front of you.

11 (Atty. Eaton handing document to Witness  
12 Baumann.)

13 **BY THE WITNESS:**

14 A. (Baumann) So, that's OCA Number 01-002?

15 BY MR. EATON:

16 Q. Yes. From Set 01, Number 002. The deductible value of  
17 \$1 million, is that what most of us understand a  
18 deductible to be? If I damage my car, and there's a  
19 \$500 deductible, the insurance company will pay for the  
20 repairs, except for the first \$500?

21 A. (Baumann) Yes. That's what it is.

22 Q. Do you know if PSNH has taken any action to try to  
23 recover that deductible?

24 A. (Baumann) Yes, I believe we have. We have taken some

1 action to go back to one of the vendors that provided  
2 the piping. And, we're taking action to try to get  
3 that deductible. And, I know it's an ongoing, we've  
4 discussed it with Staff and OCA, and it's certainly  
5 something that we're pursuing. And, we'll be asked in  
6 the future about.

7 Q. So, in a sense, there's another 1.4 million that  
8 Attorney Hatfield was talking about that was  
9 compromised between NU and the insurance company?

10 A. (Baumann) Yes. When you put an insurance claim in, you  
11 negotiate to a final number with the insurance company,  
12 in many respects.

13 Q. And, so, is it common to settle on something less than  
14 the full amount, in your experience?

15 A. (Baumann) Yes, it is. And, I think, if I recall, I  
16 think we had actually projected somewhere about three  
17 and a half million in prior filings, and the ultimate  
18 final payment was 4.4 million.

19 Q. And, if we were -- if Northeast Utilities and Public  
20 Service Company were to bring litigation to try to  
21 recover all of the net claim, is there a chance that we  
22 might not recover the full 3. -- I'm sorry,  
23 33.9 million, including our cost of litigation?

24 A. (Baumann) Yes. There is a possibility we could recover

1 it.

2 Q. Now, let me ask you a general question about Energy  
3 Service rates for 2012. Have any of the costs that  
4 we've included in our filings been pre-approved by the  
5 Commission?

6 A. (Baumann) No.

7 Q. And, customarily, when is a prudence decision made with  
8 respect to the costs for 2012? When would that be  
9 made?

10 A. (Baumann) Well, generally, the 2012 costs would be, in  
11 actual, would be filed in early May of 2013. And,  
12 then, those costs would be reviewed throughout 2013 for  
13 prudence. In this situation, depending on what happens  
14 to the scrubber costs, you might have approval for some  
15 of the scrubber costs prior to that, because the  
16 prudence docket on that is being adjudicated today, if  
17 you will, in 11-250.

18 Q. So, it's not unusual for the Commission to approve an  
19 ES rate that has costs that have not been determined to  
20 be prudent?

21 A. (Baumann) No, it's not unusual. And, in fact, that's  
22 usually what happens.

23 Q. And, there's also been major capital additions that  
24 have been included in ES rates before the prudence of

1 the expenditures have been approved by the Commission?

2 A. (Baumann) That's correct.

3 Q. And, what would be examples of that?

4 A. (Baumann) Well, off the top of my head, I know the  
5 Schiller plant was on line, I think it was in a  
6 December time period. So, there were some costs in  
7 that projection prior to a prudence review. And, it  
8 would be any capital budget items. Every year we put  
9 in our capital budget in the Energy Service rate. So,  
10 you would have them in the rate, because, really, what  
11 we strive to do is set a rate that will match our  
12 projected costs, so that there are minimal over or  
13 under recoveries. So, we've done it as a standard  
14 practice, you know, regardless of how major or minor  
15 the capital additions may be.

16 Q. And, could you refresh my memory. I'm turning to  
17 Exhibit 3 again, and your earlier remarks kind of  
18 summarizing Exhibit 3. You said that contained a  
19 "assumptions", but not "presumptions". Is that -- were  
20 that the words you used?

21 A. (Baumann) Yes. I mean, the last thing I want the  
22 Commission to think is that we are being presumptuous  
23 here and, you know, saying that "we will get the  
24 scrubber costs." And, in fact, in my tech statement,

1 my stand-alone statement, I immediately talk about the  
2 secretarial letter, because I don't ever want the  
3 Commission to think that I or the Company are being  
4 presumptuous. But we did make assumptions here. The  
5 assumptions are that the scrubber costs are in the 9.1  
6 cents. But I didn't want the Commission to think that  
7 I was presuming that that's what they had to do or  
8 that's what we thought they would do.

9 Q. So, is it fair of me to say that Exhibit 3 is  
10 illustrative for the Commission's benefit of many  
11 different scenarios, including Scenario (6) that we  
12 went through in oral direct?

13 A. (Baumann) Yes. That's correct.

14 MR. EATON: Thank you. That's all I  
15 have.

16 (Chairman and Commissioners conferring.)

17 CMSR. IGNATIUS: Mr. Peress, I have one  
18 just procedural thing for the record, and maybe Mr. Eaton.  
19 I was confused by a statement you made. There was a  
20 confidential response to Staff Question 01-008. And, the  
21 Company has represented that it made it available to the  
22 Conservation Law Foundation and the Consumer Advocate,  
23 notwithstanding the request for confidentiality. And,  
24 Mr. Peress, you had said, well, you haven't -- hadn't

1 received that, hadn't been privy to that response. So, I  
2 want to make sure that the Company, in fact, did serve  
3 that on CLF. And, if not, to be certain that it does so  
4 promptly.

5 MR. EATON: I will check on that and get  
6 back to you one way or the other. If we didn't, if we  
7 didn't request a special exception in the motion, then we  
8 should have provided it to CLF.

9 CMSR. IGNATIUS: Thank you. The  
10 document is dated November 16th, 2011. You might want to  
11 double check.

12 MR. EATON: Okay.

13 CHAIRMAN GETZ: Okay. What we're going  
14 to do now is take a brief recess, I hope no more than ten  
15 minutes or so, and then come back and hear, well, if  
16 there's arguments or objections about the exhibits, and  
17 then closing arguments about the motion and what to do  
18 with Energy Service rates. So, let's take a brief recess.

19 (Recess taken at 12:07 p.m. and the  
20 hearing reconvened at 12:21 p.m.)

21 CHAIRMAN GETZ: Okay. Let's turn first  
22 to the exhibits that have been marked for identification.  
23 Is there any objection to striking the identifications and  
24 moving the exhibits into evidence?

1 MS. HATFIELD: Yes, Mr. Chairman. I  
2 have an object -- I object to portions of Exhibit 2 that  
3 I'd like to identify for the Commission. And, this is the  
4 Company's December 14th updated filing. And, we object to  
5 what has been called the "stand-alone Technical Statement  
6 of Robert A. Baumann" on December 14th. And, as Mr.  
7 Baumann discussed in cross-examination, right in the  
8 "Purpose" statement of the technical statement, he states  
9 "The summary below includes rates with and without the  
10 costs associated with the Merrimack Scrubber to facilitate  
11 a full understanding of the issues before the Commission."  
12 It goes on to say, "We fully recognize the Commission's  
13 secretarial letter of November 15th."

14 But we think, in light of that  
15 secretarial letter, the fact that a separate docket has  
16 been opened, and the fact that the Commission has not  
17 allowed in the scrubber information from October 14th,  
18 that that technical statement should not be admitted, as  
19 well as Attachments RAB-5 and 6. And, if you look at  
20 RAB-5 and 6, I believe they are very similar to portions  
21 of the October 14th filing on the scrubber. And, they,  
22 although one of them does include information I think  
23 about the proposed Energy Service rate in this docket, I  
24 think really the purpose of those schedules is related

1 solely to the scrubber, and that's not before the  
2 Commission in this docket.

3 I also have objections related to  
4 Exhibit 3, but I'll wait till you're ready for those.

5 CHAIRMAN GETZ: Anything else on  
6 Exhibit 2? A response?

7 MR. EATON: Mr. Chairman, we included  
8 those exhibits knowing full well and saying right at the  
9 beginning that we're aware of the November 15th, 2011  
10 letter. It's not as if these costs are non-Energy Service  
11 costs, in the fact that they relate to generation, they  
12 relate to the scrubber that we were required to build, and  
13 that we were required to collect or allowed to collect  
14 through default energy service rates according to the  
15 statute. So, the exhibits submitted in Exhibit 2, the  
16 technical statements and RAB-5 and 6, help the Commission  
17 to understand the decision that its making. I think,  
18 perhaps it's been helpful for the Commission to decide the  
19 motion later on, that you've heard this evidence, and that  
20 it gives the Commission a full understanding of what's  
21 going on, so that it can make whatever decision it needs  
22 to make. And, excluding this technical statement, RAB-5  
23 and 6 would deprive the Commission of all the information  
24 that it needs in order to make a decision, based upon the

1 record in this case and also on how to decide the motions.

2 CHAIRMAN GETZ: Okay. Let's hear about  
3 Exhibit 3 then, because I think similar types of arguments  
4 are being made. Is it Mr. Peress or Ms. Hatfield?

5 MR. PERESS: Thank you, Mr. Chairman.  
6 As I indicated earlier, we object to placing Exhibit 3  
7 into evidence for several reasons, both factual and legal.  
8 In the first instance, it assumes, admittedly, on the part  
9 of Public Service Company of New Hampshire, it assumes a  
10 fact that is not in evidence and can't at this point be in  
11 evidence, which is that some level of scrubber costs will  
12 be included in the rate base and will be available for  
13 recovery from ratepayers. While I am --

14 CHAIRMAN GETZ: Is that the fact that  
15 they're arguing or is it their position -- well, maybe you  
16 have to turn to him for that, Mr. Eaton for that, or that  
17 that's their request in another proceeding?

18 MR. PERESS: Clearly, it's their request  
19 in another proceeding. And, that proceeding has not been  
20 subjected to any level of factual scrutiny, auditing or  
21 verification to date whatsoever. What I was pointing out  
22 is they admittedly are saying that they are "assuming"  
23 some level of recovery. And, what CLF would suggest is  
24 that at this point, pending the hearing on their temporary

1 rate request, it's not appropriate, from an evidentiary  
2 standpoint, to make such an assumption and to consider  
3 such a document from an evidentiary standpoint. And, I  
4 understand PSNH's position that there have been capital  
5 projects that have been included in rates prior to a  
6 reconciliation docket being completed. I am not aware,  
7 however, of a circumstance where a capital project has  
8 been included in rates that is also subject to a pending  
9 motion for including those costs in a temporary ratemaking  
10 proceeding. And, I would suggest that the Commission has  
11 essentially made its determination with respect to  
12 scrubber costs in its November 19th, I believe 19th,  
13 letter, where it basically determined that it will  
14 consider separately from this docket the costs that they  
15 are seeking rate base recovery for with respect to the  
16 scrubber.

17 I also want to raise another separate  
18 grounds for excluding this from evidence. Which is, it  
19 makes a legal assumption that is not valid either. Which  
20 is that ratepayers will essentially be required to bear  
21 these costs. When, in fact, it's the policy of the State  
22 of New Hampshire that no costs incurred by PSNH for  
23 providing energy service must be incurred by the  
24 ratepayers in their service territory, and that retail

1 choice is to be facilitated by the rulings of this  
2 Commission. Put another way, a document that assumes that  
3 the full cost will be borne by ratepayers is not a legally  
4 valid assumption, particularly when, under the current  
5 circumstances, not only have they lost nearly all of their  
6 commercial/industrial load, as is a matter of record  
7 before this Commission, but, on a weekly basis, they're  
8 losing hundreds of retail customers to new retail supply  
9 options that have been made available to customers in the  
10 last several months.

11 So, both from a factual and a legal  
12 standpoint, we don't believe that the evidentiary value of  
13 this document is sufficient for it to be admitted.

14 CHAIRMAN GETZ: Ms. Hatfield.

15 MS. HATFIELD: Thank you. The only  
16 thing I would add is that the use of the term "under  
17 recovery", in Scenarios (3), (4) and (5) on Exhibit 3, I  
18 think has been established to be just factually incorrect.  
19 That setting the Energy Service rate at 7.9 cents, which  
20 is the Company's estimate of its actual cost of providing  
21 energy service in 2012, will not result in an under  
22 recovery or that's not their assumption at this time.  
23 And, what that "under recovery" referred to is the  
24 scrubber, which is not in this docket. And, really, I

1 think the purpose of this exhibit is to scare people by  
2 showing 10.3 cents as an Energy Service rate.

3 MR. PERESS: Mr. Chair, if I may? I  
4 forgot, I did want to add one other aspect to my  
5 objection.

6 CHAIRMAN GETZ: Okay.

7 MR. PERESS: In addition, this document  
8 is more prejudicial than probative. Because, admittedly,  
9 PSNH undertook no critical examination of the assumptions  
10 that they made for 2013, which are a significant element  
11 of this document and this chart. And, in fact, they made  
12 no effort to -- they admitted that they used the same  
13 assumptions that they used for 2012 and made no effort to  
14 adjust them with respect to any planning that may or  
15 should be ongoing with respect to 2013. Thank you.

16 CHAIRMAN GETZ: Thank you. Mr. Eaton.

17 MR. EATON: Thank you, Mr. Chairman.  
18 The Commission has characterized, in previous orders  
19 setting Energy Service rates, that this procedure is much  
20 like a temporary rate proceeding, in that they set rates  
21 without a thorough examination of the costs, knowing that  
22 the reconciliation will include an investigation of how  
23 reasonable or prudent those costs were. As we developed  
24 in the record here, that none of the costs for 2013 -- I

1 mean, 2012 have been pre-approved. This has always been  
2 one aggregated rate, in that the cost of capital projects  
3 and the cost of O&M and the cost of fuel have been in one  
4 particular rate, none of which has been determined to be  
5 prudent before the rate is established.

6 We're not setting rates for 2013. As  
7 Mr. Baumann said, Exhibit 3 is illustrative for the  
8 purposes, and he made the assumption that nothing changed  
9 in 2013, because he cannot see that far in advance.

10 We are -- the request that the motion  
11 will address is that -- is keeping the rate at 8.89, and  
12 that's the -- Scenario Number (4) in Exhibit 3 shows that.  
13 And, it also shows other scenarios of not continuing the  
14 rate at 8.89 until the temporary rate portion of Docket  
15 11-250 is completed.

16 That the legal assumption that customers  
17 must take this is inherent in all our discussions about  
18 Energy Service, in the fact that we're not setting rates  
19 for every single customer, as we were in Stranded Cost  
20 Recovery Charge. That this is a rate that's set for just  
21 those customers who take Energy Service. So, the fact  
22 that we're making some sort of a legal assumption that  
23 customers must pay this rate, it's only the customers who  
24 choose to take Energy Service from Public Service Company.

1 So, there's no legal problem to Exhibit 3. And, it's  
2 helpful in the Commission's determination of what it's  
3 going to do in this proceeding.

4 CHAIRMAN GETZ: Okay. Thank you.

5 (Chairman and Commissioners conferring.)

6 CHAIRMAN GETZ: Well, are there any  
7 objections to any other exhibits, besides 2 and 3?

8 (No verbal response)

9 CHAIRMAN GETZ: Okay. Taking that there  
10 are no other objections. We're going to deny the  
11 objections to Exhibits 2 and 3. We're going to admit them  
12 into evidence. Noting that, in both cases, believe these  
13 rate scenarios were posed for illustrative purposes, to  
14 provide us some context that reflects a position the  
15 Company has taken in 11-250. And, obviously, we are not  
16 making any decision in this case, based on these documents  
17 or any other documents, whether the scrubber costs in and  
18 of themselves are prudent. But we think that these  
19 exhibits are useful to us in making a decision about what  
20 to do with Energy Service rates, subject to what arguments  
21 we're about to hear. So, all of the identifications are  
22 stricken and the exhibits are admitted into evidence.

23 So, now we'll move to closing arguments.  
24 Is there anything we need to address before that? Ms.

1 Hatfield.

2 MS. HATFIELD: Thank you, Mr. Chairman.  
3 Would you like, I apologize if you've already said this,  
4 but do I understand correctly that you want to hear  
5 positions on the Motion to Postpone during closing?

6 CHAIRMAN GETZ: Yes. Yes. Which,  
7 whether it's the -- it's not really, at this point, the  
8 Motion to Postpone the hearing, but that I hope I  
9 described this accurately at the beginning, about what we  
10 should do in terms of the effective date of temporary  
11 rates and at what levels. And, then, of course,  
12 recognizing, in the context of Exhibit 3, this is not what  
13 -- certainly, we don't view this as an all-inclusive or  
14 all-encompassing or the only potential set of rate  
15 scenarios, that there could be others. So, if anyone has  
16 any other arguments about what to do with rate paths, then  
17 let's hear them.

18 Do we want to start with Ms. Hatfield,  
19 Mr. Peress, any preference?

20 MR. PERESS: No preference.

21 CHAIRMAN GETZ: Let's start with  
22 Mr. Peress.

23 MR. PERESS: Thank you, Mr. Chair. And,  
24 hopefully I'm going to characterize the relief requested

1 in the motion correctly, in light of the fact that we just  
2 conducted the hearing or that we're conducting the  
3 hearing.

4 Public Service Company of New Hampshire  
5 is seeking to include in its energy services rate costs  
6 that are subject to both a motion or Petition for  
7 Temporary Rates and an ongoing reconciliation docket that  
8 is -- that relates to the scrubber. They have largely  
9 relied on ratemaking principles with respect to the  
10 benefits of achieving rate continuity and stability in  
11 support of doing so.

12 CLF's position is that the principle  
13 cited by PSNH, including the precedents of this Commission  
14 that they have cited in support of including these costs  
15 in the rate, do not apply to the energy services rate as  
16 being determined and set by the Commission in this docket.  
17 And, there's a simple reason for that, which is that those  
18 cases all pertain to circumstances whereby customers do  
19 not have a meaningful opportunity or choice to avoid those  
20 rates through other suppliers. Rate continuity does not  
21 apply here, because the policy of the State of New  
22 Hampshire is to promote retail competition and the  
23 development of viable markets. And, as the Commission is  
24 aware, RSA 369-B:1, I, notes that creating retail choice

1 and retail markets will, and I'm quoting, "will provide  
2 retail electric service at lower costs." An efficient  
3 market, an efficient retail market requires price  
4 transparency. Allowing PSNH to hide its actual costs by  
5 not accurately reflecting them in rates obscures the price  
6 signal that is necessary for a well-functioning market and  
7 will hinder the development of that market.

8 Under existing law, no customer is  
9 compelled to pay the costs of the scrubber, as we  
10 discussed earlier. And, retail choice not only allows,  
11 but almost encourages customers to migrate to the provider  
12 of lowest cost.

13 To CLF, that suggests that the  
14 Commission should be careful, before it allows PSNH to  
15 mask or otherwise include its actual -- the inclusion in  
16 its energy services rate of actual and prudently incurred  
17 costs until after it has conducted the proceedings that  
18 the Commission has determined are necessary in Docket  
19 11-250.

20 Thank you. And, if you have any  
21 questions, I'd be happy to answer them.

22 CHAIRMAN GETZ: Okay. Thank you. Ms.  
23 Hatfield.

24 MS. HATFIELD: Thank you, Mr. Chairman.

1 I agree with Mr. Peress that the cases cited, specifically  
2 in Paragraph 8 of PSNH's motion, are not applicable here,  
3 and I would note that they all pre-date restructuring.

4 And, I wonder, if Unitil or National Grid came in to the  
5 Commission and said "we've issued an RFP, and the prices  
6 came in either higher or lower, but we want to keep them  
7 the same", I wonder if the Commission would look upon that  
8 favorably. As PSNH says in Paragraph 9 of its motion, RSA  
9 369-B:3 requires default service to be "PSNH's actual,  
10 prudent, and reasonable costs of providing such power."  
11 And, we've established already today that the "prudent"  
12 and "reasonable" aspects are typically conducted or  
13 considered later in a later proceeding.

14 That being said, I think there's an  
15 expectation that PSNH is making its best estimate of the  
16 actual costs in the coming year. And, we have extensive  
17 testimony that that estimate is 7.91 cents; it is not 8.89  
18 cents.

19 Allowing PSNH to basically charge a  
20 temporary rate for the scrubber negates the effect in some  
21 ways of the Commission deciding on November 15th to not do  
22 that in this docket, but instead to do it in a separate  
23 docket.

24 And, we disagree with PSNH's statement

1 in Paragraph 5 of their motion, that it would be a bad  
2 thing for customers to "experience a rate decrease". We  
3 disagree that it's not in the public interest for rates to  
4 decrease. And, we agree -- disagree with the language  
5 they have cited in Paragraph 7, that this "unexpected  
6 change [would be] seriously adverse to ratepayers." We  
7 don't think a rate decrease, reflecting their estimate of  
8 actual costs, would be a bad thing for customers. Thank  
9 you.

10 CHAIRMAN GETZ: Thank you. Ms. Amidon.

11 MS. AMIDON: Thank you, Mr. Chairman.  
12 The Staff has reviewed the filing. And, we have  
13 determined that the Company has conducted the calculation  
14 of estimated energy service costs for 2012 as it has done  
15 in the past several annual filings. And, therefore, we  
16 have no issues with the calculation of the estimated  
17 Energy Service rate, which is either, I guess, 7.91 or 7.9  
18 cents, depending on the testimony that was delivered  
19 today.

20 We do want to make a comment regarding  
21 the record request response reserved as "Exhibit 9", which  
22 has to do with the depreciation and the changes in the  
23 depreciation schedule -- I'm sorry, did I say "Exhibit 9"?  
24 I meant "Exhibit 7". My apologies. We think this does

1       deserve additional review. We don't know if that would be  
2       accomplished in the mid year, development of a mid year  
3       rate change for the Company or in the reconciliation, but  
4       we do want to tell the Commission that we think that  
5       that's something that does merit additional examination.

6                        Finally, the purest way to approach the  
7       setting of the 2012 Energy Service rate would be to use  
8       the rate supported by the testimony and the calculations,  
9       and that would be either 7.9 or 7.91 cents, depending on  
10      how the Commission views the testimony today. If the  
11      Commission does determine to set the rate at something  
12      other than that, as long as the over recovery which result  
13      would go back to the benefit of customers, I think that  
14      that's probably the primary consideration for the  
15      Commission, in the event it chooses to set it at a rate  
16      other than the one supported by the testimony. Thank you.

17                      CHAIRMAN GETZ: Thank up. Mr. Eaton.

18                      MR. EATON: Thank you. We think the  
19      record fully supports a rate of 7.90 cents, if you decide  
20      to go that way. Our other request is that you continue  
21      the rate of 8.89 and continue the Stranded Cost Recovery  
22      Charge rate as they currently are. They were approved  
23      after a hearing in June, for effect on July 1st, 2011.  
24      Your orders in those cases did not truncate the rate at

1 December 31st, 2011. I understand from our people that  
2 the tariff filing did not state that those rates would no  
3 longer be effective after December 31st, 2011. So, the  
4 Commission has full authority to grant our motion. And,  
5 probably has more authority, now that it's heard evidence  
6 in this proceeding, such as Exhibit 3 and the portions of  
7 Exhibit 2 that the Commission entered into evidence.

8 Originally, transition service rates  
9 started on February 1st of the year, and, at some point,  
10 this is after restructuring, at some point we decided it  
11 was more efficient to have rate changes take place on the  
12 first of the year, and on July 1st, if there was an  
13 interim adjustment necessary. So, we had an 11-month rate  
14 for transition service set at one point. Transition  
15 service went away, and Default Energy Service replaced it.

16 Prior to restructuring, while the  
17 parties were trying to work out a settlement on the  
18 restructuring, we completely suspended the FPPAC charge  
19 and kept that up for many, many months. And, part of the  
20 resolution of restructuring was to deal with the over- or  
21 undercollection, I don't even remember which one it was,  
22 but of the accumulated balance in the FPPAC charge. That  
23 was the Fuel and Purchased Power Adjustment Charge. So,  
24 the Commission certainly has the authority to, and the

1 plenary authority, to set rates where they believe it's  
2 just and reasonable.

3 This is not the same type of rate as a  
4 Unitil or a National Grid type of rate, which actually  
5 gets the prices ahead of time of what the suppliers are  
6 willing to supply. None of the costs of the 2012 rates  
7 are known at this time. They're always a function of  
8 estimates. And, as done in the past, they're estimates of  
9 fuel costs, O&M costs, and capital costs, which are  
10 reconciled in the normal case, and, in this case, they are  
11 reconciled through a separate proceeding that the  
12 Commission has entitled -- has opened up in Docket 11-250.

13 In the case of the Schiller costs, the  
14 Commission went through a process of determining that it  
15 was in the public interest to convert the station. And,  
16 we went forward and converted the station. The costs of  
17 that conversion were subject to a prudence review, which  
18 took place after the costs went into the rates, and the  
19 Commission Staff conducted an audit of those costs, and  
20 they were reflected in rates long before the Commission  
21 made a determination on prudence.

22 In this case, we were required to make  
23 these investments, and we were also told that we would  
24 recover them through Default Energy Service rates. And,

1 the fact that they have been delayed is a reflection of  
2 how careful the Commission wants to be. But it's  
3 certainly been the practice of the Commission that, when  
4 there has been some sort of pre-approval, that we can  
5 collect these costs in our rates.

6 However, all the motion asked you to do  
7 is to continue the rate at 8.89 cents, subject to whatever  
8 ratemaking is done later. It could mean that you decide  
9 that the entire investment was imprudent and those aren't  
10 reasonable costs, and, therefore, it's an over recovery  
11 for the two months that we have collected it until the  
12 temporary rate proceeding is over. And, you would add  
13 carrying costs to however the 8.89 exceeds our actual  
14 costs for the months of January and February.

15 As the discussion that Commissioner  
16 Below had with the witnesses, the fact that our costs for  
17 those two months may be actually higher than the average  
18 of 7.9 cents. And, the fact that we're carrying an  
19 overcollection into this period, that perhaps our actual  
20 costs for those two months may equal or come close to the  
21 8.89 cents.

22 We feel that there's -- that the  
23 arguments that we've made in our motion are sound. We  
24 believe that rate continuity does apply in this

1 proceeding, because there are customers who will not have  
2 the opportunity to participate in the retail market. And,  
3 for those customers, and perhaps those customers who can  
4 afford increases the least, perhaps should not be forced  
5 with a jump from 7.9 cents to 9.3 cents or 7.9 cents to  
6 10.3 cents. The documents are illustrative and give you a  
7 good indication of what your choices are.

8 And, unless my colleague has something  
9 to add that I've missed, that's our argument with respect  
10 to the record and with respect to the motion.

11 CHAIRMAN GETZ: All right. Thank you.

12 (Chairman and Commissioners conferring.)

13 CHAIRMAN GETZ: Okay. With that, we're  
14 going to close the hearing and take the matter under  
15 advisement. But, also, it's nearly 1:00. We were  
16 supposed to have a hearing starting at 1:30. But we're  
17 going to start that hearing at 2:00. So, thank you  
18 everyone.

19 (Whereupon the hearing ended at 12:54  
20 p.m.)