

THE STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
2013 STRANDED COST RECOVERY CHARGE RATE CHANGE
Docket No. DE 12-XXX

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

2 A. My name is Robert A. Baumann. My business address is 107 Selden Street, Berlin,
3 Connecticut. I am Director, Revenue Requirements, Massachusetts and New
4 Hampshire.

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

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

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

8 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
9 the necessary approvals to set the average Stranded Cost Recovery Charge (SCRC)
10 rate that will take effect January 1, 2013.

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

13 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-
14 F and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549,
15 defined PSNH's stranded costs and categorized them into three different parts (i.e., Part
16 1, 2 and 3). Part 1 is composed of the RRB Charge which is calculated to recover the
17 principal, net interest, and fees related to Rate Reduction Bonds. Part 2 costs are

1 “ongoing” stranded costs consisting primarily of the over-market value of energy
2 purchased from independent power producers (IPPs) and the amortization of payments
3 previously made for IPP buy-downs and buy-outs as approved by the Commission. In
4 addition, the SCRC has a return component, consisting primarily of the stipulated return
5 on deferred taxes related to securitized stranded costs. The return is a credit to
6 customers which reduces the overall SCRC level. Part 3 costs, which were primarily the
7 amortization of non-securitized stranded costs, were fully recovered as of June 2006.

8 On June 12, 2012, PSNH filed testimony and schedules requesting a mid-term
9 adjustment to its average SCRC rate effective July 1, 2012 through December 31, 2012
10 as 1.88 cents per kWh. Order No. 25,381 issued in Docket No. DE 11-217, granted
11 PSNH’s request for a new average SCRC rate of 1.88 cents per kWh for the period July
12 1, 2012 through December 31, 2012.

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

15 A. Attachment RAB-1, pages 1 through 3, provides a summary of 2013 cost information
16 related to Part 1 and Part 2 costs, amortization of securitized assets and ongoing cost
17 activity. Pages 4 through 7 provide the detailed cost information by month related to
18 Part 1, amortization of securitized assets and Part 2, ongoing costs. Attachment RAB-2,
19 Pages 1 through 7 provide the detailed cost and revenue components relating to the
20 2012 SCRC reconciliation.

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

2 A. No, it is not. Attachment RAB-1 provides a preliminary rate calculation; however, prior to
3 the anticipated hearing in December 2012, PSNH plans to update the SCRC rate
4 calculation for changes attributable to IPP over-market costs and will include an update
5 of 2012 actual data. This update will be consistent with the market price assumptions
6 embedded in the Energy Service (ES) update and will be filed at the same time as the
7 2013 ES rate update. The preliminary 2013 average SCRC rate provided in this filing is
8 0.79 cents per kWh and is 1.09 cents per kWh lower than the current rate of 1.88 cents
9 per kWh.

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

11 A. The decrease in the SCRC rate effective January 1, 2013 from the current rate is
12 primarily due to: (1) the full amortization of Rate Reduction Bonds effective May 2013
13 resulting in an approximate \$40 million annual reduction in RRB costs; and (2) higher
14 projected 2013 market prices which resulted in an annual decrease of approximately \$11
15 million of projected above-market IPP costs.

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

18 A. Yes. If a rate adjustment is deemed necessary, PSNH could file a petition for such a
19 change in a manner and on a schedule consistent with the modifications to the Energy
20 Service Rate. The Commission could revisit the SCRC rate in an abbreviated
21 investigation. PSNH would submit actual and estimated data on a date specified by the
22 Commission to allow the parties and Staff sufficient time to address the need for an
23 interim adjustment during the 2013 SCRC year.

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

2 A. Yes, PSNH would need final approval of the proposed SCRC rate by
3 December 26, 2012, in order to implement the new rate for service rendered on and
4 after January 1, 2013. Therefore, PSNH requests that the Commission commence a
5 proceeding so that the procedural schedule can be set to review this filing and approve
6 the SCRC rate in a timely manner.

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

8 A. Yes, it does.