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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 11, 2008 - 11:17 a.m.
Concord, New Hampshire

RE: DE 07-097
PUBLIC SERVICE OF NEW HAMPSHIRE:
Petition for Adjustment of the Stranded
Cost Recovery Charge. (Hearing regarding
a mid-term adjustment of the SCRC rate)

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:
Gerald M. Eaton, Esq.

Reptg. Residential Ratepayers:
Meredith A. Hatfield, Esq., Consumer Advocate
Kenneth E. Traum, Asst. Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.

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

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13	4 PSNH filing regarding an interim change to the SCRC (04-21-08)	6
14	5 Revised filing by PSNH (05-22-08)	6
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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning.
3 We'll open the hearing in docket DE 07-097. On April 21,
4 2008, Public Service Company of New Hampshire filed a
5 petition requesting a mid-term adjustment to its Stranded
6 Cost Recovery Charge effective with bills rendered on and
7 after July 1, 2008. PSNH stated that an increase in
8 current market energy prices has caused a decrease in the
9 above-market portion of power purchases from IPPs that are
10 included in stranded costs. Additionally, they note that
11 decommissioning costs related to the former Connecticut
12 Yankee and Maine nuclear units have decreased. At the
13 same time, these decreases were offset by results of
14 actual data from March 2008, resulting in no estimated
15 change at that time pending a submittal of updated data.
16 The Commission issued the order of notice on May 16
17 setting the hearing for this morning.

18 Can we take appearances please.

19 MR. EATON: For Public Service Company
20 of New Hampshire, my name is Gerald M. Eaton.

21 CHAIRMAN GETZ: Good morning.

22 CMSR. MORRISON: Good morning.

23 CMSR. BELOW: Good morning.

24 MS. HATFIELD: Good morning,

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[WITNESS PANEL: Baumann|Hall]

1 Commissioners. Meredith Hatfield, for the Office of
2 Consumer Advocate, on behalf of residential ratepayers.

3 CHAIRMAN GETZ: Good morning.

4 CMSR. MORRISON: Good morning.

5 CMSR. BELOW: Good morning.

6 MS. AMIDON: Suzanne Amidon, for
7 Commission Staff, and with me today is Steve Mullen, who
8 is the Assistant Director of the Electric Division.

9 CHAIRMAN GETZ: Good morning.

10 CMSR. MORRISON: Good morning.

11 CMSR. BELOW: Good morning.

12 CHAIRMAN GETZ: Mr. Eaton.

13 MR. EATON: I'd like to call Robert
14 Baumann and Stephen Hall to the stand.

15 (Whereupon Robert A. Baumann and Stephen
16 R. Hall were duly sworn and cautioned by
17 the Court Reporter.)

18 ROBERT A. BAUMANN, SWORN

19 STEPHEN R. HALL, SWORN

20 DIRECT EXAMINATION

21 BY MR. EATON:

22 Q. Mr. Baumann, can you please state your name for the
23 record.

24 A. (Baumann) My name is Robert A. Baumann. I'm the

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[WITNESS PANEL: Baumann|Hall]

1 Director of Revenue Regulation and Load Resources for
2 Northeast Utilities Service Company, that provides
3 services on behalf of Public Service Company of New
4 Hampshire.

5 Q. Mr. Baumann, did you prepare direct testimony in this
6 proceeding?

7 A. (Baumann) Yes.

8 Q. When was that filed with the Commission?

9 A. (Baumann) The original filing was filed on April 21st,
10 2008.

11 Q. And, at that time, what was the Company's position with
12 respect to the Stranded Cost Recovery Charge?

13 A. (Baumann) In that filing, we proposed a place marker
14 for the charge at 0.072 cents per kilowatt-hour, which
15 was no change to the existing rate in effect. And,
16 that would be effective July 1, 2008.

17 Q. Do you have that testimony in front of you?

18 A. (Baumann) Yes.

19 Q. Is it true and accurate to the best of your knowledge
20 and belief, based upon the information that was
21 available to you at the time?

22 A. (Baumann) Yes.

23 Q. Do you have any corrections to make to that?

24 A. (Baumann) No.

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[WITNESS PANEL: Baumann|Hall]

1 MR. EATON: I would like that, request
2 the Chairman to mark that as "Exhibit 4" for
3 identification.

4 CHAIRMAN GETZ: So marked.

5 (The document, as described, was
6 herewith marked as Exhibit 4 for
7 identification.)

8 BY MR. EATON:

9 Q. Did PSNH update that information?

10 A. (Baumann) Yes. On May 22nd, 2008, we made an updated
11 filing. And, effectively, in that filing, we proposed
12 a Stranded Cost Recovery Charge of 0.69 cents per
13 kilowatt-hour, which was a decrease from the existing
14 rate of 0.72 cents per kilowatt-hour.

15 Q. And, do you have that filing in front of you?

16 A. (Baumann) Yes.

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

19 A. (Baumann) Yes, it is.

20 MR. EATON: Could we have that marked as
21 "Exhibit 5" for identification?

22 CHAIRMAN GETZ: So marked.

23 (The document, as described, was
24 herewith marked as Exhibit 5 for

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[WITNESS PANEL: Baumann|Hall]

1 identification.)

2 BY MR. EATON:

3 Q. Mr. Hall, could you please state your name for the
4 record.

5 A. (Hall) Stephen R. Hall.

6 Q. Who is your employer, what is your position, and what
7 are your duties with that company?

8 A. (Hall) I'm employed by Public Service of New Hampshire.
9 I'm Rate & Regulatory Services Manager. I'm
10 responsible for regulatory relations, rate design, and
11 rate administration.

12 Q. And, the purpose of your appearing as a witness here
13 today is for what?

14 A. (Hall) My understanding, there are certain rate design
15 questions that I believe Staff may be asking. And,
16 therefore, I'm here to respond to questions on rate
17 design.

18 Q. You did not file prefiled testimony?

19 A. (Hall) I did not.

20 Q. Mr. Baumann, could you please summarize your testimony.

21 A. (Baumann) Essentially, my testimony outlines the
22 components of stranded cost recovery, and requests
23 really a rate that is very similar to the current rate
24 in effect today. Again, there is a slight decrease in

[WITNESS PANEL: Baumann|Hall]

1 our proposed rate, which is reflective of slightly
2 higher market prices. And, the increase in market
3 prices actually lowers the Stranded Cost Recovery
4 Charge, because the above-market IPP portion shrinks,
5 and, therefore, the rate gets smaller. Conversely, the
6 market price goes up for the Energy Service Rate, so
7 there would be a corresponding decrease -- or, excuse
8 me, a corresponding increase to the Energy Service
9 Rate. So, we request the Commission approve the rate
10 as filed on May 22nd, which is 0.069 cents per kWh.

11 Q. The Commission held a hearing earlier this morning on
12 Energy Service Rate. And, on the record, Public
13 Service Company offered to recalculate the Energy
14 Service Rate and file it with the Commission after
15 discussions with the OCA and the Staff. To the extent
16 there's a change in the Energy Service Rate proposed,
17 would the Company also be willing to propose a change
18 in the Stranded Cost Recovery Charge?

19 A. (Baumann) Yes. And, in fact, we think it's essential
20 that there would be a change, to make sure that both
21 rates are consistent with each other, with respect to
22 the fixed contract IPPs. And, also recognizing, too,
23 that the Energy Service Rate and the Stranded Cost
24 Recovery Charge is -- the Stranded Cost Recovery Charge

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[WITNESS PANEL: Baumann|Hall]

1 is a non-bypassable charge billed to all customers,
2 whereas the Energy Service charge would be just billed
3 to customers who have chosen not to choose. So,
4 certainly, you'd want to keep them in synch and
5 comparable, or else you would start throwing off some
6 anomalies to assert to customers that would not be
7 appropriate from a rate perspective.

8 Q. Do you have anything to add to your testimony,
9 gentlemen?

10 A. (Hall) No.

11 A. (Baumann) No.

12 MR. EATON: The witnesses are available
13 for cross-examination.

14 CHAIRMAN GETZ: Ms. Hatfield.

15 MS. HATFIELD: The OCA has no questions.

16 CHAIRMAN GETZ: Ms. Amidon.

17 MS. AMIDON: With your permission, I'll
18 have Steve Mullen ask his questions. But I'd like to ask
19 a question that you may not be able to answer right now.

20 CROSS-EXAMINATION

21 BY MS. AMIDON:

22 Q. I understand that the Company is going to be using a
23 new customer information system, called the "C2", is
24 that correct?

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[WITNESS PANEL: Baumann|Hall]

- 1 A. (Hall) That's right.
- 2 Q. And, what day will you begin using this system or for
3 what billing period will you begin using this system?
- 4 A. (Hall) It's for bills that will be rendered on and
5 after July 1st.
- 6 Q. Just as a matter of information, can this system also
7 bill on a service-rendered basis?
- 8 A. (Hall) Yes. And, in fact, after this rate change, that
9 will be the way that bills will be rendered.
- 10 Q. Okay. And, in your testimony, I believe, Mr. Baumann,
11 you asked that the order be issued on this, as with --
12 as is the case with the TCAM docket, the Storm Reserve
13 docket, and the Energy Service docket, by June 24 to
14 permit a testing of the C2 System. What would be the
15 last date where it would be useful to have the
16 Commission orders to allow for some testing of the
17 system, if it's a date other than June 24th?
- 18 A. (Hall) I can't answer that right now. I tried to reach
19 someone during the break between hearings and was able
20 unable to do so. I can get back to you with that
21 answer. I believe I can get back to you today with
22 that answer.
- 23 Q. That would be very helpful. Thank you.
- 24 A. (Hall) I'm glad to do so.

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[WITNESS PANEL: Baumann|Hall]

1 MR. MULLEN: Good morning.

2 WITNESS HALL: Good morning, sir.

3 BY MR. MULLEN:

4 Q. Regarding a potential update to the stranded cost rate,
5 would you be proposing to do that under the same sort
6 of time schedule as was discussed earlier this morning
7 in the Energy Service proceeding? That is, updating,
8 you know, using market information as of the end of the
9 day, potentially with some options as outlined by the
10 Commission in that proceeding, in terms of pricing, and
11 filing on Friday?

12 A. (Baumann) Yes, we would file the two together.

13 Q. So, you mentioned that the SCRC rate will be impacted
14 by changes in IPP market valuation, correct?

15 A. (Baumann) Yes.

16 Q. Mr. Hall, regarding the rate design for Stranded Cost
17 Charges, you don't have that finalized right now, do
18 you?

19 A. (Hall) No, we don't.

20 Q. And, could you tell the Commission what kind of other
21 factors impact your final determination of the stranded
22 cost rate design?

23 A. (Hall) I'll be glad to. In order to calculate our
24 Stranded Cost Charge -- strike that. In order to

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[WITNESS PANEL: Baumann|Hall]

1 calculate individual rates and charges to recover the
2 overall stranded cost rate that Mr. Baumann will
3 calculate, we need to know what our transmission prices
4 and distribution prices will be. The reason that we
5 need to do -- we need to know those two pieces of
6 information is a result of the rate design that we
7 agreed to in the restructuring settlement with respect
8 to special pricing customers and how we would handle
9 rate design for all customers, in view of what's
10 happening with special pricing customers.

11 We have a handful of customers who are
12 still under special pricing. They're all under our
13 Sawmill Generation Rate, SG. And, we will continue to
14 have customers under that rate for the next couple of
15 years. Under the restructuring settlement, the parties
16 have agreed that, for the purpose of determining the
17 amount of stranded costs that would be allocated to
18 special pricing arrangements, we would first impute
19 overall transmission and distribution prices at the
20 overall average retail rate level to special pricing
21 customers. So, and once we calculated the imputed
22 transmission and distribution revenue level for special
23 pricing customers, the residual revenue that we would
24 recover from them would be deemed to be stranded cost

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[WITNESS PANEL: Baumann|Hall]

1 related.

2 In order to calculate that stranded cost
3 piece related to special pricing customers, therefore,
4 we need distribution and transmission prices. Once we
5 know that, and we calculate the stranded cost amount to
6 be recovered from special pricing customers, we
7 subtract that amount from the stranded cost revenue
8 level to be recovered from all other customers, the
9 residual amount, we then calculate individual stranded
10 cost rates and charges for all other customers using a
11 proportional adjustment to their rates. Same approach
12 that we've done for every rate change since the
13 restructuring settlement went into effect.

14 And, therefore, what we would propose is
15 that the Commission approve an overall average stranded
16 cost rate level that Mr. Baumann proposes. Once we
17 have that information and once we have the transmission
18 and distribution rate levels, PSNH can then take all
19 that information, crank through its rate design
20 calculations and calculate individual rates and charges
21 for stranded costs. We would then communicate that
22 information to Staff and OCA and provide them with
23 whatever workpapers they wanted to see.

24 But it's the same situation that we've

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[WITNESS PANEL: Baumann|Hall]

1 had in prior periods. The difference here is that,
2 because of C2, we've requested a hearing much earlier,
3 and, therefore, there's not as much -- we don't have
4 the information in advance.

5 Q. But I think, as you testified, there wouldn't be any
6 changes to how rate design has been done in the past.
7 It would be performed consistent with prior
8 proceedings?

9 A. (Hall) Correct.

10 Q. Other than changes to IPP market valuation, would there
11 be any other changes that you foresee in an updated
12 pricing for stranded costs? In other words, similar to
13 the Energy Service proceeding, would you also be
14 updating to have -- to include May actuals?

15 A. (Baumann) I think that would probably be the only other
16 item I would think of at this point.

17 MR. MULLEN: Thank you. I have no
18 further questions.

19 CHAIRMAN GETZ: Okay. Ms. Amidon, let
20 me, just two procedural things, should we reserve an
21 exhibit for the updated C2 information, and should we also
22 have a record exhibit reserved for I guess what I'm taking
23 it as essentially the same information that was in
24 Exhibit 11 in docket 07-096 for the updating, that we have

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1 an updating in this docket that includes the interaction
2 between those dockets and --

3 MS. AMIDON: With respect to the latter,
4 I would say, yes, you need an updated -- you need to have
5 a record request to reflect the updated and the May
6 actuals and the impact of the price changes in the IPPs on
7 the SCRC.

8 With respect to the former, I just
9 wanted to get it on the record that there may be a later
10 date. The Commission has been requested to have a --
11 issue an order by June 24th. I think Mr. Hall can give me
12 a phone call and I can communicate with the parties as to
13 what date would work for PSNH. So, in that regard, I
14 don't think you need a record request.

15 CHAIRMAN GETZ: Okay. Thank you. Are
16 we going to need -- and I guess, in the next proceeding,
17 the TCAM, we're going to need -- the updating information
18 will be the same interrelation between the three dockets,
19 and we'll need it in that docket as well?

20 WITNESS HALL: Yes.

21 CHAIRMAN GETZ: Okay. So, let's -- I
22 guess it would be Exhibit 6 will be the record request on
23 the updating for this docket and the interaction with the
24 other two dockets.

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1 (Exhibit 6 reserved)

2 CHAIRMAN GETZ: Redirect, Mr. Eaton?

3 MR. EATON: I have nothing on redirect.

4 I just need to give copies of the exhibits to the Court
5 Reporter and the Secretary.

6 CHAIRMAN GETZ: And, I assume there's no
7 objection to striking identifications, so we'll enter the
8 exhibits into evidence.

9 Opportunity for closing, Ms. Hatfield?

10 MS. HATFIELD: Thank you, Mr. Chairman.
11 The OCA takes no position on PSNH's filing. And, we will
12 work with the Staff and the Company to review the updated
13 filing when we receive it.

14 CHAIRMAN GETZ: Thank you. Ms. Amidon.

15 MS. AMIDON: Yes. Staff also will
16 review the updated filing when we receive it. We have no
17 problem at present with the calculations that the Company
18 did for its May 22nd filing, but we'll look forward to
19 seeing the updated data and respond to the Commission, as
20 the Commission may order, in a joint statement or
21 individually.

22 CHAIRMAN GETZ: Thank you. Mr. Eaton.

23 MR. EATON: Thank you, Mr. Chairman. We
24 appreciate the cooperation of the Commission and the

1 parties in this period where things are changing rapidly.
2 And, we will do our best to provide the information and to
3 interact with the Staff and the OCA to resolve these
4 issues and give the Commission plenty of time.

5 CHAIRMAN GETZ: Thank you. And, we'll
6 close the hearing in 07-097 and take the matter under
7 advisement.

8 (Whereupon the hearing ended at 11:36
9 a.m.)

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