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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 13, 2009 - 10:13 a.m.  
Concord, New Hampshire

RE: DE 09-035  
PUBLIC SERVICE OF NEW HAMPSHIRE:  
Notice of Intent to File Rate Schedules.  
(Hearing regarding temporary rates)

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:  
Gerald M. Eaton, Esq.  
  
Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate  
  
Reptg. PUC Staff:  
Edward N. Damon, Esq.  
Matthew Fossum, Esq.

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

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I N D E X

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                          ROBERT A. BAUMANN  
                          STEVEN E. MULLEN

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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DE 09-035. On  
4 April 17, 2009, PSNH filed a Petition for Temporary Rates  
5 requesting a temporary increase in distribution service  
6 revenues for effect on July 1, 2009 of \$36.4 million  
7 annually, which would be a 14 percent increase over  
8 current distribution service rates and a 3 percent  
9 increase in overall revenue. Order of notice was issued  
10 on April 30th. And, a supplemental order of notice was  
11 issued May 22nd, which, among other things, set the  
12 hearing on temporary rates for today. A Stipulation and  
13 Settlement Agreement entered into by Staff and the Company  
14 was filed on July 6.

15 Can we take appearances please.

16 MR. EATON: For Public Service Company  
17 of New Hampshire, my name is Gerald M. Eaton. Good  
18 morning.

19 CMSR. BELOW: Good morning.

20 CHAIRMAN GETZ: Good morning.

21 MS. HATFIELD: Good morning,  
22 Commissioners. Meredith Hatfield, for the Office of  
23 Consumer Advocate, on behalf of residential ratepayers,  
24 and with me is Ken Traum.

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1 CHAIRMAN GETZ: Good morning.

2 CMSR. BELOW: Good morning.

3 MR. DAMON: Good morning, Commissioners.

4 Edward Damon, for the Staff, and with me this morning are  
5 Matthew Fossum and Steven Mullen.

6 CMSR. BELOW: Good morning.

7 CHAIRMAN GETZ: Good morning.

8 Mr. Eaton, are you ready to proceed?

9 MR. EATON: Yes. We plan to put on a  
10 panel of three witnesses to explain the Settlement  
11 Agreement. First, we would premark the prefiled  
12 testimony, the Petition for Temporary Rates, and the  
13 Stipulation. But I would like to call to the stand  
14 Mr. Stephen Hall, Mr. Robert Baumann, and Mr. Steven  
15 Mullen.

16 (Whereupon Stephen R. Hall, Robert A.  
17 Baumann, and Steven E. Mullen was duly  
18 sworn and cautioned by the Court  
19 Reporter.)

20 MR. EATON: Mr. Chairman, I'd like to  
21 propose marking for identification the Petition for  
22 Temporary Rates as "Exhibit 1".

23 CHAIRMAN GETZ: So marked.

24 (The document, as described, was

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1                   herewith marked as Exhibit 1 for  
2                   identification.)

3                   STEPHEN R. HALL, SWORN

4                   ROBERT A. BAUMANN, SWORN

5                   STEVEN E. MULLEN, SWORN

6                   DIRECT EXAMINATION

7 BY MR. EATON:

8 Q. Mr. Mullen, will you please state your name for the  
9 record.

10 A. (Mullen) My name is Steven Mullen.

11 Q. By whom are you employed?

12 A. (Mullen) I'm employed by the New Hampshire Public  
13 Utilities Commission.

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

15 A. (Mullen) I am the Assistant Director of the Electric  
16 Division. I work with the Director of the Electric  
17 Division in managing and overseeing the Electric  
18 Division, as well as analyzing and working on any  
19 particular filings that come through the Electric  
20 Division.

21 Q. And, what has been your involvement in this proceeding?

22 A. (Mullen) I reviewed the filing submitted by PSNH for  
23 temporary rates, and I was involved in the settlement  
24 discussions leading up to the filing of the Settlement

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1 Agreement.

2 Q. And, did you assist in propounding data requests of  
3 Public Service Company?

4 A. (Mullen) Yes, I did.

5 Q. Mr. Baumann, could you please state your name for the  
6 record.

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

8 Q. And, for whom are you employed?

9 A. (Baumann) I'm employed by Northeast Utilities Service  
10 Company that provides services to all of our operating  
11 subsidiaries, one of which is Public Service Company of  
12 New Hampshire.

13 Q. And, what are your duties?

14 A. (Baumann) I'm the Director of Revenue Regulation and  
15 Load Resources. And, my duties entail the calculation  
16 and support of all the revenue requirement calculations  
17 at PSNH, as well as other revenue requirement  
18 calculations in our other operating subsidiaries.

19 Q. Have you previously testified before the Commission?

20 A. (Baumann) Yes, I have.

21 Q. Mr. Hall, please state your name for the record.

22 A. (Hall) My name is Stephen Hall.

23 Q. Are you employed -- For whom are you employed?

24 A. (Hall) I'm employed by PSNH Public Service of New

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[WITNESS PANEL: Hall|Baumann|Mullen]

1 Hampshire. I'm the Rate and Regulatory Services  
2 Manager.

3 Q. And, what are your duties in that role?

4 A. (Hall) I'm responsible for regulatory relations,  
5 pricing, rate administration, and all the functions of  
6 the Rate and Regulatory Services Department.

7 Q. Now, Mr. Hall and Mr. Baumann, did Mr. Long of Public  
8 Service Company prepare prefiled testimony?

9 A. (Hall) Yes, he did.

10 Q. Do you have a copy of that?

11 A. (Hall) Yes.

12 A. (Baumann) Yes.

13 Q. Is Mr. Hall -- I'm sorry, is Mr. Long available for the  
14 hearing today?

15 A. (Hall) Unfortunately, no, he's not.

16 Q. Are you gentlemen willing to adopt his testimony for  
17 the temporary rate purposes and answer any questions  
18 that the parties may have from that testimony?

19 A. (Hall) Yes.

20 A. (Baumann) Yes.

21 MR. EATON: Your Honor, I'd like to mark  
22 for identification the prefiled Testimony of Gary A. Long  
23 as "Exhibit 2" for identification.

24 CHAIRMAN GETZ: So marked.

{DE 09-035} [RE: Temporary Rates] {07-13-09}



[WITNESS PANEL: Hall|Baumann|Mullen]

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

4 BY MR. EATON:

5 Q. Mr. Hall, did you prepare any testimony for this  
6 proceeding?

7 A. (Hall) Yes, I did.

8 Q. And, do you have in front of you a copy of that  
9 testimony?

10 A. (Hall) I do.

11 Q. Is it true and accurate to the best of your knowledge  
12 and belief?

13 A. (Hall) Yes, it is.

14 Q. Do you have any corrections to make to that testimony?

15 A. (Hall) No, I don't.

16 Q. You adopt it as your sworn testimony today?

17 A. (Hall) Yes, I do.

18 MR. EATON: Can we have that marked as  
19 "Exhibit 3" for identification?

20 CHAIRMAN GETZ: So marked.

21 (The document, as described, was  
22 herewith marked as Exhibit 3 for  
23 identification.)

24 BY MR. EATON:

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1 Q. Mr. Baumann, did you prepare any testimony for today?

2 A. (Baumann) Yes.

3 Q. Do you have that in front of you?

4 A. (Baumann) Yes, I do.

5 Q. Is that testimony true and accurate to the best of your  
6 knowledge and belief?

7 A. (Baumann) Yes.

8 Q. Do you have any corrections to make to that testimony?

9 A. (Baumann) No.

10 Q. And, do you adopt that as your sworn testimony today?

11 A. (Baumann) Yes.

12 MR. EATON: Could we have that marked as  
13 -- the Direct Testimony of Robert A. Baumann as "Exhibit  
14 4" for identification?

15 CHAIRMAN GETZ: So marked.

16 (The document, as described, was  
17 herewith marked as Exhibit 4 for  
18 identification.)

19 BY MR. EATON:

20 Q. Mr. Mullen, you testified that you had some involvement  
21 in putting together the Stipulation and Settlement  
22 regarding temporary rates?

23 A. (Mullen) Yes, I did.

24 Q. Do you have that in front of you?

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1 A. (Mullen) Yes, I do.

2 Q. Do you think it's true and accurate to the best of your  
3 knowledge and belief?

4 A. (Mullen) Yes.

5 MR. EATON: Could we have the  
6 Stipulation and Settlement Regarding Temporary Rates  
7 marked as "Exhibit 5" for identification?

8 CHAIRMAN GETZ: So marked.

9 (The document, as described, was  
10 herewith marked as Exhibit 5 for  
11 identification.)

12 BY MR. EATON:

13 Q. Mr. Baumann, could you briefly summarize what the  
14 Company requested in temporary rates?

15 A. (Baumann) The Company's request that was filed on  
16 April 17th, 2009 requested temporary rates, and today  
17 we're requesting temporary rates effective August 1st,  
18 2009. The level that we requested was \$36.4 million.  
19 And, it had three major components. The first  
20 component was what we characterize as the "shortage in  
21 test year revenues", which was about \$20 million; the  
22 second component was a series of proforma known and  
23 measurable adjustments to the test year, that was  
24 approximately \$10 million; and a third component was an

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1           amortization and recovery level of 6 million associated  
2           with the December 2008 Ice Storm, and that was our  
3           proposal to begin recovery of that ice storm, for those  
4           ice storm costs that had been deferred. The proposal  
5           or, excuse me, the Stipulation and Settlement, as  
6           proposed today, is essentially, in broad terms, the  
7           test year revenue requirement shortage of approximately  
8           19 or \$20 million, plus a \$6 million amortization of  
9           the storm -- December storm expense, for a total of  
10          approximately \$25.6 million.

11    Q.    Mr. Mullen, could you please explain the Stipulation  
12          and Settlement Regarding Temporary Rates that's been  
13          marked as "Exhibit 5" for identification?

14    A.    (Mullen) Certainly. I think, if you flip through the  
15          text of the Settlement, which is -- goes onto five  
16          pages of text, including the signatures, it's broken  
17          into three sections, A, B, and C. The meat of the  
18          Settlement itself is really described in Section B. As  
19          Mr. Baumann just described, there's essentially two  
20          main adjustments that amount to the proposed  
21          \$25.6 million revenue increase for temporary rates.  
22          One involves, if you look at Section B(1), the "Return  
23          on Equity", for purposes of this Settlement, we've  
24          agreed to use the 9.67 percent return on equity that

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1 was allowed in the last rate case, which was DE 06-028.  
2 That alone brings the Company -- brings the proposed  
3 revenue increase to about -- it's about 19 million of  
4 the \$25.6 million.

5 To that, we've also agreed to recommend  
6 recovery -- to start recovery of the ice storm costs  
7 from December of 2008 of \$6 million. As you go through  
8 Section B(2), which is at the top of Page 3 of the text  
9 of the Settlement, you'll see that, at the end of  
10 December 2008, PSNH had deferred about \$62.7 million of  
11 costs related to the ice storm. So, this recommended  
12 recovery, you know, it's roughly about 10 percent of  
13 that. So, it at least starts the recovery of that.  
14 The costs related to the storm still has to be  
15 reviewed. But, in my view, it's reasonable to allow  
16 the Company to start collecting some of it as we go  
17 through, especially where it's a relatively small  
18 portion of the total amount.

19 Attached to the Settlement, we have  
20 Attachment 1 and Attachment 2. Attachment 1 goes  
21 through the actual calculation of the 25.6 million.  
22 And, as you flip through the pages, you'll see,  
23 especially when you get to Attachment 1, Schedule 3A,  
24 it looks like there's a lot of adjustments on there.

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[WITNESS PANEL: Hall|Baumann|Mullen]

1 Basically, these schedules are put together in a way to  
2 take you from the Company's filing and Mr. Baumann's  
3 schedules, that included some of the Company's proposed  
4 proformas, and it took some of those out, because it  
5 basically stripped it down to the 2008 test year, and  
6 there's still a few other minor adjustments that go  
7 back and forth either way. But, when you go through it  
8 all, essentially what's left is the two main  
9 adjustments we talked about, regarding return on equity  
10 and start recovery of the ice storm costs.

11 Attachment 2 goes through how the  
12 proposed rate increase would be reflected in the  
13 various rate classes.

14 Q. Is Mr. Hall, are you the person who can answer  
15 questions with respect to Attachment 2 to the  
16 Settlement Agreement?

17 A. (Hall) Yes. Yes, I am.

18 Q. Mr. Hall, were you in the hearing room last week when  
19 the Commission held three hearings in the Transmission  
20 Cost Adjustment Mechanism, the Stranded Cost Recovery  
21 Charge, and the Energy Service rates?

22 A. (Hall) Yes, I was.

23 Q. And, did you prepare an exhibit that show the effect of  
24 those changes?

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[WITNESS PANEL: Hall|Baumann|Mullen]

1 A. (Hall) Yes, I did.

2 Q. Have you prepared another exhibit for today?

3 A. (Hall) Yes, I have.

4 Q. Could you describe that?

5 A. (Hall) Sure. This exhibit is very similar to the  
6 exhibit that was filed last week in the TCAM docket.  
7 With the exception that we have updated the information  
8 to include the proposed distribution rate change as a  
9 result of the Settlement Agreement that we're proposing  
10 the Commission accept in today's hearing. And, on Page  
11 1 of 5, what we're showing is rates by major component  
12 as they exist today. The second page, Page 2, shows  
13 all of the proposed rates for effect August 1st. The  
14 proposed distribution rates, as a result of the  
15 Settlement, plus the transmission, SCRC, and Energy  
16 Service rates that were subject to hearings last week.

17 The third page shows the change by  
18 component in each rate in dollars per kWh. Page 4  
19 takes those dollars per kWh changes that appear on Page  
20 3, and shows a calculation of the percent change in  
21 each individual rate component of those changes that  
22 appear on Page 3. And, finally, Page 5 takes those  
23 same changes that appear on Page 3 and shows the  
24 changes as a percent of total revenue for each rate

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[WITNESS PANEL: Hall|Baumann|Mullen]

1 class. And, if you look at the lower right-hand side  
2 of -- on the bottom right-hand side of Page 5, you'll  
3 see that the total change in the retail rates on  
4 average proposed for effect August 1st as a result of  
5 all these rate changes is a decrease of about  
6 1 percent. And, it also shows class by class proposed  
7 changes in overall rate level.

8 MR. EATON: Could we have that exhibit  
9 marked for identification as Exhibit 6?

10 CHAIRMAN GETZ: So marked.

11 (The document, as described, was  
12 herewith marked as Exhibit 6 for  
13 identification.)

14 BY MR. EATON:

15 Q. Gentlemen, do you have anything to add to your direct  
16 testimony?

17 A. (Mullen) No.

18 A. (Baumann) No.

19 A. (Hall) I have nothing further.

20 MR. EATON: The witnesses are available  
21 for cross-examination.

22 CHAIRMAN GETZ: Ms. Hatfield.

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

24 Good morning, gentlemen.

{DE 09-035} [RE: Temporary Rates] {07-13-09}



[WITNESS PANEL: Hall|Baumann|Mullen]

1 WITNESS MULLEN: Good morning.

2 WITNESS BAUMANN: Good morning.

3 CROSS-EXAMINATION

4 BY MS. HATFIELD:

5 Q. Mr. Hall, if you would look at Exhibit 5, which is the  
6 Settlement Agreement, Attachment 2, Page 3 of 6.

7 A. (Hall) I'm there. I have it.

8 Q. Thank you. Under the first line, it shows "Rate R".

9 That's the residential rate, is that correct?

10 A. (Hall) Yes, ma'am.

11 Q. And, can you just explain the increase in the customer  
12 charge, the percent, and how the settlement rate  
13 compares to what the Company requested?

14 A. (Hall) Certainly. What we did to calculate the  
15 customer charge, and, in fact, all rates and charges  
16 that appear on this sheet, is we looked at the ratio of  
17 proposed distribution revenue as compared to current  
18 distribution revenue. And, we then applied that ratio  
19 to all individual rates and charges, including the  
20 customer charge. And, by multiplying the existing  
21 rates by the ratio of proposed revenue level to  
22 existing revenue level, we arrive at the new rate  
23 component for each individual -- each class and each  
24 component of rates. So, if you look back on Page 1,

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[WITNESS PANEL: Hall|Baumann|Mullen]

- 1 Page 1 of Attachment 2, you can see the bottom line of  
2 Page 1 we calculate a ratio of "1.104993". If you take  
3 that number and multiply it by all of the current rates  
4 that appear under the "Current Rates" column on Page 3  
5 of Attachment 2 you will get the resulting numbers that  
6 appear under the "Settlement Rates" column.
- 7 Q. So, if I understand you correctly, residential  
8 customers will see roughly a 10 percent increase in the  
9 distribution rate, and also roughly a 10 percent  
10 increase in the customer charge?
- 11 A. (Hall) Yes.
- 12 Q. And, Mr. Hall, if you would turn to what has just been  
13 marked as "Exhibit 6", and look at Page 4 of 5.
- 14 A. (Hall) I'm there.
- 15 Q. And, this is a summary of all of the rates and their  
16 changes on August 1st, is that correct?
- 17 A. (Hall) Yes, it is.
- 18 Q. And, the left-hand column marked "Distribution", that  
19 is what the Commission is considering today?
- 20 A. (Hall) Yes.
- 21 Q. And, that shows a 10.5 percent increase?
- 22 A. (Hall) Yes, ma'am.
- 23 Q. But, if you net out the overall increase, I believe you  
24 previously testified, due to the other changes on

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1 August 1st, customers will actually be seeing a small  
2 decrease in rates, is that correct?

3 A. (Hall) All customers, on average, yes, a small rate  
4 decrease. It's different class by class, but, overall,  
5 it's a small rate decrease.

6 Q. And, if you look back at the Settlement Agreement,  
7 Exhibit 5, on Page 2, --

8 A. (Hall) I'm there.

9 Q. -- in the first full paragraph, the last sentence, that  
10 last phrase, says that this "will result in a net  
11 decrease of approximately 1 percent in rates billed to  
12 customers who take energy service from PSNH." Can you  
13 talk about the impacts on customers who do not take  
14 energy service from PSNH?

15 A. (Hall) Sure. The impact would be an increase in  
16 overall rate level, assuming that their energy service  
17 rates from their competitive suppliers doesn't change  
18 on August 1st as well. I can't tell you how much that  
19 increase will be, because I don't know what the  
20 customers are paying competitive suppliers for energy  
21 service. I don't have that information available.

22 But, to get a feel for the amount, you  
23 could look at Page 5 of 5 of Exhibit 6. And, as you  
24 look at Page 5 of 5 of Exhibit 6, you can see the

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[WITNESS PANEL: Hall|Baumann|Mullen]

1 percent increase in overall rate level that each class  
2 will realize as a result of distribution, transmission,  
3 and SCRC changes. That will give you an approximate  
4 idea of the amount of change that customers will see in  
5 their overall bills. And, the reason it's approximate  
6 is these percentages are premised on the assumption  
7 that customers are paying PSNH's existing Energy  
8 Service rate. And, of course, if a customer is taking  
9 service from an energy supplier, they're probably not  
10 paying that amount. They're probably paying something  
11 less, I would think. But that gives you an idea, by  
12 adding up those numbers that appear on Page 5 of 5, by  
13 rate class, for the distribution, transmission, and  
14 SCRC components. It gives you a rough idea.

15 Q. Thank you. Mr. Mullen, the issue of reconciliation  
16 between temporary and permanent rates is not covered in  
17 the Settlement. Does Staff have a view as to how that  
18 might be dealt with later?

19 A. (Mullen) Well, I think, as is typical with temporary  
20 rates, the effective date of these would be August 1st,  
21 2009. So, any reconciliation will be retroactive back  
22 to August 1st, 2009, once the permanent case is  
23 decided.

24 MS. HATFIELD: Thank you very much. No

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[WITNESS PANEL: Hall|Baumann|Mullen]

1 further questions.

2 CHAIRMAN GETZ: Thank you. Mr. Damon.

3 MR. DAMON: Thank you.

4 BY MR. DAMON:

5 Q. Mr. Hall, could you turn to Exhibit 5, and  
6 particularly, I guess, Page 1 of Attachment 2. At  
7 least my copy has some letters that run together, and I  
8 couldn't read some of them. And, I was wondering if  
9 you could just state for the record what that's meant  
10 to be. That top line is meant to be what? "Public  
11 Service Company of New Hampshire", right?

12 CHAIRMAN GETZ: Mr. Damon, I'm sorry,  
13 what's the cite?

14 MR. DAMON: Attachment 2, Page 1 of 6.

15 BY THE WITNESS:

16 A. (Hall) I believe the exhibit that Mr. Eaton handed out  
17 is legible.

18 MR. DAMON: Okay.

19 (Commissioner Below showing document to  
20 Witness Hall.)

21 WITNESS HALL: I apologize. I'm sorry.  
22 I should have looked it over.

23 BY THE WITNESS:

24 A. (Hall) Let me read you the title and let me read you  
{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1 each line. "Public Service of New Hampshire,  
2 "Settlement Distribution Revenue for Effect August 1,  
3 2009", and the parenthetical says "Thousands of  
4 dollars". The first major heading says "Annual retail  
5 billed distribution revenue". And, the bottom line  
6 says "Ratio of proposed revenue to current revenue".  
7 And, is the rest of the exhibit legible?

8 BY MR. DAMON:

9 Q. Yes.

10 A. (Hall) Again, I apologize. That should not have  
11 happened. And, I am taking a mea culpa.

12 Q. Mr. Mullen, turning to the Settlement Agreement,  
13 Exhibit 5 itself, on Page 2, there's a provision that  
14 explains the component of the revenue increase  
15 attributable to the return on equity. And, could you  
16 explain the derivation briefly of the 19 --  
17 approximately \$19 million that's referred to in that  
18 paragraph?

19 A. (Mullen) Sure. Basically, you can get to that number,  
20 if you were to just take the test year as is, and if  
21 you look at that first paragraph of Section B, it talks  
22 about there was a 6.26 percent ROE that was earned as  
23 of December 31st, 2008. I think, actually, when you  
24 look in the Company's filing, let me get to the right

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1 page, if you were to look at the Company's temporary  
2 rate filing, Page 165, there's a common equity  
3 component cost rate of 6.505 percent. If you then  
4 substitute 9.67 percent in to the calculation of the  
5 overall cost of capital, and apply that to the test  
6 year, when you run through the numbers and gross it up  
7 for taxes, that amounts to roughly \$19 million.

8 Q. Thank you. Does the -- Is there an implied  
9 amortization period contained in the Settlement  
10 Agreement regarding recovery of storm costs?

11 A. (Mullen) No. In the Company's filing, the temporary  
12 rate filing, they had submitted a request for six years  
13 based for temporary rate purposes. This 6 million  
14 that's in the Settlement Agreement really has no -- no  
15 particular period related to it. It's just a way of  
16 starting to recover the costs. I mean, one could look  
17 at it and say "it's roughly 10 percent", so you could  
18 say "Well, gee, that maybe amounts to about a ten year  
19 amortization." However, there's been no determination  
20 about that. The costs related to the storm are still  
21 going to be reviewed. So, this is just a matter of  
22 picking a number to start the recovery of those costs.

23 Q. Okay. There are -- excuse me. In addition to the  
24 recovery of storm costs and the amounts included in

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1 return on equity, there are some other adjustments that  
2 are contained in the Settlement Agreement. And, I  
3 would appreciate it if you could address any of those  
4 other adjustments that you'd like to discuss.

5 A. (Mullen) Sure. Let me get that. Bear with me a  
6 minute. Sure. Some were proposed by the Company in  
7 its filing and others show up on -- show up in  
8 Attachment 1 to the Settlement Agreement. I think, if  
9 you were to go through them, there's, related to  
10 revenues, operating revenues, there's one that brought  
11 the test year to annualize an increase that went into  
12 effect on July 1st of 2008, and that was in the  
13 Company's filing. I believe that was for \$199,000.  
14 Also, the Company had proposed an adjustment related to  
15 special pricing arrangements that terminated in 2008  
16 and 2009. What's left in the Settlement Agreement is  
17 those that pertain to 2008.

18 There's an adjustment to reflect a full  
19 year of tree-trimming revenue from FairPoint, because  
20 the test year had previously only had, I believe, seven  
21 months. There's a small adjustment related to a  
22 software maintenance agreement. That's about \$35,000.  
23 There's a small adjustment related to postage  
24 increases.

{DE 09-035} [RE: Temporary Rates] {07-13-09}



[WITNESS PANEL: Hall|Baumann|Mullen]

1                   There's also an adjustment that shows up  
2                   in the Settlement Agreement on, well, at least there's  
3                   a description of it on Attachment 1, Schedule 2A. This  
4                   pertains to the calculation of cash working capital.  
5                   The Company's filing had an adjustment in there that  
6                   related to also transmission expenses. For purposes of  
7                   temporary rates, those will come out, in Staff's view,  
8                   those should be dealt with in the Transmission Cost  
9                   Adjustment Mechanism. And, a further determination of  
10                  that can be dealt with in the permanent filing. Those  
11                  are the major adjustments. There's some tax impacts  
12                  related to those. And, there's a small adjustment for  
13                  interest expense that's also shown in these schedules  
14                  in Attachment 1.

15 Q. Staff has executed, obviously, this Settlement  
16 Agreement. And, I would ask you, Mr. Mullen, why does  
17 Staff support this Settlement Agreement?

18 A. (Mullen) Well, as testified previously, I mean, when  
19 you boil it down, it really pertains to two major  
20 adjustments. One is the return on equity, using the  
21 last allowed ROE of 9.67, applying that to the test  
22 year, and allowing the Company to start recovering a  
23 portion of the costs that it incurred during the 2008  
24 Ice Storm.

{DE 09-035} [RE: Temporary Rates] {07-13-09}

[WITNESS PANEL: Hall|Baumann|Mullen]

1                   So, when you look at that on its face, I  
2           think it's reasonable to -- for the \$25.6 million that  
3           we've recommended.

4                   MR. DAMON: Okay. Thank you.

5                   CHAIRMAN GETZ: No questions from the  
6           Bench. Anything further, Mr. Eaton?

7                   MR. EATON: No. No redirect, your  
8           Honor.

9                   CHAIRMAN GETZ: Anything else for the  
10          panel?

11                   (No verbal response)

12                   CHAIRMAN GETZ: Hearing nothing, then  
13          the witnesses are excused. Thank you, gentlemen.

14                   WITNESS HALL: Thank you.

15                   CHAIRMAN GETZ: Any objection to  
16          striking identifications and admitting the exhibits into  
17          evidence?

18                   (No verbal response)

19                   CHAIRMAN GETZ: Hearing no objection,  
20          they will be admitted into evidence.

21                   Is there anything before an opportunity  
22          for closing?

23                   (No verbal response)

24                   CHAIRMAN GETZ: Hearing nothing, then,

{DE 09-035} [RE: Temporary Rates] {07-13-09}

1 Ms. Hatfield.

2 MS. HATFIELD: Thank you, Mr. Chairman.  
3 The OCA does not object to the Settlement Agreement that  
4 has been entered into by Staff and the Company. Thank  
5 you.

6 CHAIRMAN GETZ: Thank you. Mr. Damon.

7 MR. DAMON: For the reasons expressed by  
8 Mr. Mullen on the stand, Staff supports the Settlement  
9 Agreement and requests that it be approved.

10 CHAIRMAN GETZ: Thank you. And, Mr.  
11 Eaton.

12 MR. EATON: Thank you, Mr. Chairman. We  
13 appreciate the cooperation in developing a good deal of  
14 information through data requests and in the negotiations  
15 of the Stipulation. This sets no precedent for the  
16 permanent rate case. It's merely a way of helping out the  
17 Company to return to a more reasonable level of revenues  
18 while the Commission investigates our permanent rate  
19 level. We expect the Commission will suspend the formal  
20 tariff filing for investigation, so the temporary rates  
21 will help out the Company during the interim while that  
22 investigation takes place.

23 So, we also urge the Commission to adopt  
24 the Settlement and what other relief is just and

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1 reasonable.

2 CHAIRMAN GETZ: All right. Thank you.  
3 Then, we'll close the hearing and take the matter under  
4 advisement.

5 (Whereupon the hearing ended at 10:48  
6 a.m.)

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