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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 23, 2010 - 11:04 a.m.
Concord, New Hampshire

RE: DE 09-180
PUBLIC SERVICE CO. OF NEW HAMPSHIRE:
2010 Proposed Default Energy Service Rate.
(Hearing regarding mid-term adjustment)

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

Sandy Deno, Clerk

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

Reptg. TransCanada:
Douglas L. Patch, Esq. (Orr & Reno)

Reptg. Residential Ratepayers:
Rorie E.P. Hollenberg, Esq.
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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I N D E X

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WITNESS PANEL: ROBERT A. BAUMANN
 FREDERICK B. WHITE

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E X H I B I T S

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EXHIBIT NO.

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23

Testimony of Robert A. Baumann,
including attachments, and also
the Joint Technical Statement
of Robert A. Baumann and
Frederick B. White (05-04-10)

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Revised attachments to the
Testimony of Robert A. Baumann
and including the Joint Technical
Statement of Robert A. Baumann and
Frederick B. White (06-11-10)

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PSNH response to Data Request
OCA-02, Q-OCA-002 (05-26-10) and
to be filed is a letter from PSNH
regarding the figure of \$1,764,856
contained within the response to
Q-OCA-002 indicating whether the
final amount has been submitted

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1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in docket DE 09-180. On
4 May 4, 2010, Public Service Company of New Hampshire filed
5 a petition reflecting an adjustment to its Energy Service
6 rate effective with service rendered on or after July 1,
7 2010. PSNH estimated at the time of filing that the new
8 rate would be 8.5 cents per kilowatt-hour, a decrease of
9 0.39 cents from the current rate of 8.96 cents per kWh.
10 An order of notice was issued on May 20 setting the
11 hearing for this morning.

12 Can we take appearances please.

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

15 CHAIRMAN GETZ: Good morning.

16 MR. PATCH: Douglas Patch, from Orr &
17 Reno, on behalf of TransCanada. Good morning.

18 CHAIRMAN GETZ: Good morning.

19 MS. HOLLENBERG: Good morning again.
20 Rorie Hollenberg and Ken Traum, here for the Office of
21 Consumer Advocate.

22 CHAIRMAN GETZ: Good morning.

23 MS. AMIDON: Good morning, Chairman
24 Getz, Commissioner Ignatius. I'm Suzanne Amidon. I'm

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[WITNESS PANEL: Baumann ~ White]

1 here for Commission Staff. And, with me today is Steve
2 Mullen, who is the Assistant Director of the Electric
3 Division.

4 CHAIRMAN GETZ: Good morning. Are you
5 ready to proceed, Mr. Eaton?

6 MR. EATON: Yes, we are. I'd like to
7 call to the stand Robert A. Baumann and Frederick B.
8 White.

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

12 ROBERT A. BAUMANN, SWORN

13 FREDERICK B. WHITE, SWORN

14 DIRECT EXAMINATION

15 BY MR. EATON:

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

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

19 Q. And, what is -- for whom are you employed and what is
20 your position?

21 A. (Baumann) I'm employed by Northeast Utilities Service
22 Company. And, my position is Director of Revenue
23 Regulation & Load Resources. And, my responsibilities
24 encompass the revenue requirement filings for Public

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[WITNESS PANEL: Baumann ~ White]

1 Service Company of New Hampshire, as well as other
2 revenue requirement filings for our other operating
3 subsidiaries in Connecticut and Massachusetts.

4 Q. Did you prepare testimony in this proceeding?

5 A. (Baumann) Yes.

6 Q. And, did the respond to certain data requests?

7 A. (Baumann) Yes.

8 Q. Have you previously testified before this Commission?

9 A. (Baumann) Yes.

10 Q. And, have you testified in other jurisdictions?

11 A. (Baumann) Yes.

12 Q. Mr. White, would you please state your name for the
13 record.

14 A. (White) Frederick White.

15 Q. And, for whom are you employed?

16 A. (White) I'm employed by Northeast Utilities Service
17 Company.

18 Q. And, what is your position and what are your duties?

19 A. (White) I am a Senior Engineer in the Wholesale Power
20 Contracts Department. And, my primary duties are to
21 support the PSNH ES power supply.

22 Q. Have you previously testified before the New Hampshire
23 Public Utilities Commission?

24 A. (White) No, I have not.

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[WITNESS PANEL: Baumann ~ White]

1 Q. Have you testified before any other regulatory
2 commissions?

3 A. (White) No.

4 Q. Could you tell us about your educational background.

5 A. (White) I have an Engineering degree from Lafayette
6 College and a Master's in Business Administration from
7 Rensselaer Polytechnic Institute.

8 Q. Have you had any other positions at Northeast Utilities
9 which are relevant to your testimony today?

10 A. (White) Yes, I have. I've been in the wholesale power
11 markets industry for about 15 years. Started in the
12 Wholesale Marketing Department at Northeast Utilities,
13 with responsibilities involving pricing of structured
14 transactions. And, moved from there into the
15 competitive marketing affiliate of Northeast Utilities,
16 Select Energy, with the same responsibility. Moved
17 into a position with responsibility for portfolio
18 analysis, a portfolio that had wholesale transactions,
19 resources, including owned generation resources. And,
20 also held a position responsible for what I would
21 describe as the "daily marketing" of generation
22 resources into the wholesale markets of ISO-New
23 England, bidding and scheduling of the resources.

24 After that, I worked, when that part of

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[WITNESS PANEL: Baumann ~ White]

1 -- when Select Energy was sold by Northeast Utilities,
2 I worked for the FirstLight Power Resources in similar
3 capacities for a period of less than a year.

4 Q. Thank you, Mr. White. Mr. Baumann, do you have in
5 front of you a document with a date of May 4th, 2010 in
6 this proceeding?

7 A. (Baumann) Yes, I do.

8 Q. Could you please describe that document?

9 A. (Baumann) This is PSNH's initial proposal for a change
10 in the Energy Service rate effective July 1, 2010.
11 And, the testimony and supporting exhibits supported a
12 decrease to that rate, based on market prices at the
13 time, from 8.96 cents to 8.57 cents per kilowatt-hour.

14 Q. Was that testimony prepared by you or under your
15 supervision?

16 A. (Baumann) Yes.

17 Q. Do you have any corrections or changes to make to that
18 testimony?

19 A. (Baumann) No.

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

22 A. (Baumann) Yes.

23 MR. EATON: Could we have that marked as
24 "Exhibit 23" for identification?

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[WITNESS PANEL: Baumann ~ White]

1 CHAIRMAN GETZ: So marked.

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

5 MR. EATON: Mr. Chairman, attached to
6 that May 4th filing was a Joint Technical Statement of
7 Robert A. Baumann and Frederick B. White. And, just for
8 clarity of the record, we'd like to mark that as a -- the
9 witnesses will qualify it, but just so that you know the
10 package that came in on May 4th contained that technical
11 statement.

12 BY MR. EATON:

13 Q. Mr. Baumann, I just mentioned the technical statement
14 that was attached to the May 4th filing. Do you have
15 that in front of you?

16 A. (Baumann) Yes.

17 Q. And, what does that document contain?

18 A. (Baumann) Well, it's a detailed description of the
19 changes that have taken place in our May 4th filing in
20 support of that rate that we filed, versus the rate
21 that was in existence beginning in January of 2010.
22 So, it just gives a little more detailed description of
23 additional costs and generation changes that have
24 supported the rate change.

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[WITNESS PANEL: Baumann ~ White]

1 Q. And, Mr. White, did you participate in the preparation
2 of that technical statement that was filed on May 4th?

3 A. (White) Yes, I did.

4 MR. EATON: Could we have that marked as
5 "Exhibit 24" for identification?

6 CHAIRMAN GETZ: Well, I guess, Mr.
7 Eaton, I mean it's already part of the package that came
8 in on May 4th. Does it matter if we --

9 MR. EATON: No. No, I just was trying
10 to make it easier, that's all.

11 CHAIRMAN GETZ: Well, let's just keep it
12 as part of Exhibit 23.

13 MR. EATON: Okay.

14 BY MR. EATON:

15 Q. Mr. Baumann, could you turn to a document that's dated
16 June 11th, 2010.

17 A. (Baumann) I have it.

18 Q. And, could you describe that document.

19 A. (Baumann) This is the Company's updated Energy Service
20 calculation and proposed rate for July 1st, 2010. It
21 rolls forward, if you will, the May 4th rate of 8.57
22 cents to a what I'll call a "final rate" as we propose
23 it of 8.78 cents per kilowatt-hour. It contains the
24 supporting calculations to that rate adjustment, as

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[WITNESS PANEL: Baumann ~ White]

1 well as an updated technical session -- a joint
2 technical session from myself and Mr. White.

3 Q. Mr. Baumann, did you mean to say "joint technical
4 statement", not "joint technical session"?

5 A. (Baumann) Yes.

6 Q. So, Mr. Baumann, is that -- are there any corrections,
7 or I'll ask both witnesses, are there any corrections
8 that should be made to that submission?

9 A. (Baumann) I have none.

10 A. (White) I have one omission in that submission I'd like
11 to identify. There's approximately \$50,000 of
12 telecommunication fees billed through ISO-New England
13 that are omitted in this submittal. We're not -- it
14 has a de minimus effect. We're not looking or
15 requesting a change in the rate due to that. It will
16 be picked up in reconciliation after the applicable
17 terms.

18 Q. And, Mr. White, that's \$50,000 over the course of the
19 next --

20 A. (White) Over June through December 2010.

21 Q. With that update, Mr. Baumann, is the June 11th
22 submission true and accurate to the best of your
23 knowledge and belief?

24 A. (Baumann) Yes.

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[WITNESS PANEL: Baumann ~ White]

1 MR. EATON: Could we have that marked as
2 "Exhibit 24" for identification?

3 CHAIRMAN GETZ: That's so marked.
4 (The document, as described, was
5 herewith marked as Exhibit 24 for
6 identification.)

7 BY MR. EATON:

8 Q. Mr. White, you participated in the preparation of those
9 two technical statements?

10 A. (White) Yes.

11 Q. And, you are able to answer questions regarding those
12 technical statements?

13 A. (White) Yes.

14 Q. Mr. Baumann, do you have a short summary that you could
15 provide for the Commission?

16 A. (Baumann) Yes, I do have a short summary. As we just
17 testified, the rate is -- the Energy Service rate is
18 going down in our proposal. I'll just hit the five or
19 six items, the general items that are affecting the
20 rate. There are four items that are actually driving
21 the rate down. There was some company use in the
22 Energy Service rate that is being proposed to be moved
23 to the distribution rates. It was encompassed in the
24 distribution rate settlement that a portion of the

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[WITNESS PANEL: Baumann ~ White]

1 company use was previously 100 percent in the Energy
2 Service rate would be part of the distribution rates.
3 So, that's about \$700,000 that's acting to decrease
4 this rate. There are also additional coal credits of
5 about \$2.3 million that is in this rate that is, again,
6 acting to decrease the rate. We also, in this latest
7 update, updated the insurance associated with the
8 Merrimack outage, the 2008 turbine outage, the
9 anticipated insurance proceeds. We had an update of
10 the requested proceeds from the insurance companies and
11 therefore we updated our insurance credits, and that
12 was an additional \$3.4 million of credits, which would
13 decrease the costs. And, then, we had a -- and, it's
14 supported in a data request. We had about a
15 \$2.7 million drop in fossil O&M for April and May 2010,
16 and again was supported in a data request, because of a
17 shift in one of the outages, planned outages, and a
18 decrease in costs associated with another outage
19 because the work scope that was anticipated didn't have
20 to be done. So, those are really the overriding items
21 that are, in effect, driving the rate down.

22 They're offset, really, by two issues.
23 One, again, embedded in the assumptions in the
24 distribution rate case, there were certain costs that

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[WITNESS PANEL: Baumann ~ White]

1 were moved in part into the Energy Service rate that
2 had previously been in the distribution rates. Those
3 two items in particular are the Commission assessment,
4 the PUC assessment, was -- that was previously all in
5 distribution rates has been allocated, assumed in the
6 settlement, in part to Energy Service and in part to
7 the transmission rate that we'll talk about this
8 afternoon. In addition, there is a revised
9 uncollectible expense split, which assumes -- it's
10 based on revenues, and the update in the rate case put
11 more of that uncollectible expense in the Energy
12 Service rate and less of it in the distribution rates.
13 Those two items together going forward for the next six
14 months is about a million and a half dollars.

15 In addition, because the rate case
16 calculations are assumed to be effective August 1,
17 2009, we had to go back and include about another one
18 and a half million dollars of what I will call
19 "recoupment" of those costs. So that, if the rate case
20 settlement is approved and if this filing is approved,
21 these costs will be mechanically moved in both
22 calculations as of August 1st, 2009, so that we just
23 collect dollar-for-dollar those costs, no more and no
24 less.

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[WITNESS PANEL: Baumann ~ White]

1 So, those are the big items. There is
2 one other small item -- well, it's a significant item
3 in terms of issue, and that's the migration expense or
4 migration percentage level has increased slightly from
5 the May 4th filing, which assumed about a 29.7 percent
6 migration level, to this June 11 filing, which assumes
7 a 31.9 percent. So, a little under -- or, a little
8 over 2 percent increase in the migration level.

9 Q. Mr. Baumann, do you have anything to add to your
10 testimony?

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

12 Q. Mr. White, do you have anything to add to your
13 testimony?

14 A. (White) No.

15 MR. EATON: Thank you. The witnesses
16 are available for cross-examination.

17 CHAIRMAN GETZ: Thank you. Mr. Patch?

18 MR. PATCH: No questions. Thank you.

19 CHAIRMAN GETZ: Ms. Hollenberg?

20 MS. HOLLENBERG: Actually, if it's
21 possible for Staff to go first, that would be appreciated.
22 Thank you.

23 CHAIRMAN GETZ: Ms. Amidon.

24 MS. AMIDON: Thank you. Mr. Mullen will

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[WITNESS PANEL: Baumann ~ White]

1 be conducting cross.

2 MR. MULLEN: Good morning.

3 WITNESS WHITE: Good morning.

4 WITNESS BAUMANN: Good morning.

5 CROSS-EXAMINATION

6 BY MR. MULLEN:

7 Q. I think one of the things you ended with was migration.
8 And, can you explain how you, for a forecast period,
9 how you look at migration and how you -- what values
10 you use for that?

11 A. (White) We look at the -- for the different parties of
12 customers, we look at total PSNH load, we look at
13 migrated customers and remaining ES customers. And,
14 for those groups, we look at their share of ISO-New
15 England peak obligation responsibilities in the peak
16 hour. So, each, as a group, has a responsibility for a
17 share of peak load. We also look at energy usage over
18 the course of a month for each group. And, both those
19 statistics are compared to total PSNH loads. So, we
20 get really two statistics; one is a peak load
21 statistic, one is an energy usage statistic. We
22 average those. And, through the end of May 2010, that
23 statistic is the 31.9 percent that's in this filing.

24 Q. So, the 31.9 percent is actual migration for the month

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[WITNESS PANEL: Baumann ~ White]

1 of May?

2 A. (White) As of the end of May, correct.

3 Q. That 31.9 percent was used for the remaining months of
4 2010 as your assumption curve for these rate
5 calculations, is that correct?

6 A. (White) Correct.

7 Q. And, if you turn to the last page of Exhibit 24. I'm
8 looking at Item F.

9 A. (White) Yes.

10 Q. Could you -- there were three scenarios put forth. The
11 first one is the 31.9 percent that we just talked
12 about. Could you explain what the other two migration
13 scenarios are?

14 A. (White) Starting at the 31.9 percent at the end of May,
15 let's talk about the "35.6" figure. In each month,
16 beginning in June, we've added 0.92 percent of
17 additional migration in each month. So, at the end of
18 December, I'm not sure what the statistic is, but the
19 "35.6" is the average of the June to December migration
20 amounts over that seven months. The "28.2 percent"
21 uses the same 0.92 percent on a decremental basis. So,
22 in each of the seven months, 0.92 percent of
23 additional, in this case, return, ingress into the ES
24 is assumed in each month, such that the average over

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[WITNESS PANEL: Baumann ~ White]

1 the seven months is 28.2 percent.

2 Q. So, those scenarios are put forth to give a feel for
3 how much the rate might change, based on assumed
4 changes in migration?

5 A. (White) Correct. We were asked to put forth some
6 scenarios, some reasonable forecasts of migration, and
7 the resulting impact on rates.

8 Q. Do you have a feel for whether migration will move in
9 one way or the other, compared to the 31.9 percent?

10 A. (White) We don't make an attempt to predict where
11 migration is headed. We don't know what's going to
12 happen in the future, so we make no assumptions about
13 it. We don't know marketing plans of third party
14 suppliers. We don't know what prices may do in the
15 open market that could influence levels of migration.
16 And, we don't want to unduly bias the rate that's
17 established, which would influence migration one way or
18 the other. So, we go with what we know at the time
19 that we're establishing the rate, which is the 31.9
20 known statistic.

21 Q. So, would it be fair to say those two alternative
22 scenarios for migration are for informational purposes,
23 but what you're requesting today is based on the
24 31.9 percent?

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[WITNESS PANEL: Baumann ~ White]

1 A. (White) Yes. What we're requesting today is based on
2 the 31.9. The other cases were at the request from
3 this proceeding to provide some other views. So, they
4 were in response to a specific request.

5 A. (Baumann) Mr. Mullen, could I just add, if I may?

6 Q. Sure.

7 A. (Baumann) Mr. White is characterizing correctly what
8 we've done. You know, there is this overriding
9 question in our minds related to the impacts of
10 migration. And, as I think everybody knows, there's a
11 separate docket that has been opened to address that
12 issue. And, for us to support a higher rate today,
13 then based on a presumed migration rate that we might
14 not even -- that we don't know is going to happen, we
15 believe, you know, the Company said in past testimonies
16 that we don't believe that that's necessarily proper
17 today, because of the questions that we are concerned
18 with with respect to the value of backup service and
19 who's paying for that backup service today, which is
20 essentially the Energy Service customers. So, we file
21 these for information purposes, and with the knowledge
22 of what we believe is an issue that needs to be
23 addressed with the Commission. So, kind of a two-fold
24 reason why we are proposing and supporting the

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[WITNESS PANEL: Baumann ~ White]

1 31.9 percent migration level that you have in front of
2 you.

3 Q. Okay. Earlier, Mr. Baumann, you talked about there
4 were essentially four items that were driving the rate
5 down. The first thing you mentioned was "company use
6 that was being moved to distribution rates." Could you
7 explain a little bit more what you mean by "company
8 use"?

9 A. (Baumann) "Company use" is the buildings and the use of
10 electricity and the generation to support that
11 electricity is -- has always been recovered through the
12 Energy Service rate. So, in effect, if you take total
13 load that PSNH is obligated to support, part of that
14 total load is for the Company's own buildings, such as
15 Energy Park and other buildings. It was negotiated and
16 discussed that some of that company use is directly
17 associated with distribution work and not generation
18 work. So, certainly, the company use at generating
19 stations would be an Energy Service allocation, whereas
20 company use at other facilities may have an allocation
21 to distribution. So, there was an allocation embedded
22 in the calculations of the settlement that's in front
23 of the Commission now that would move about \$115,000 a
24 month to D from Energy Service. So, we have about

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[WITNESS PANEL: Baumann ~ White]

1 seven months of costs in here, or six months, July
2 through December 2010, with the assumption that that
3 would be a switch in cost recovery, at least in part,
4 for Energy Service into distribution.

5 Q. Now, if you turn to Page 1 of the Joint Technical
6 Statement that's part of Exhibit 24, the bottom of the
7 page, in Section C, Item 1. You had also mentioned
8 that there was 2.3 million of coal credits. Could you
9 explain the second sentence of that, of Item 1, talks
10 about "a credit for non-delivery and resale of
11 previously scheduled contract coal." Could you explain
12 a little bit more about what's happening there?

13 A. (White) An opportunity arose in our Fuels Purchasing
14 group to defer delivery of some previously contracted
15 coal to other customers of the coal supplier. And, it
16 had greater value to this other customer in another
17 industry, and so that a deal was worked out that we
18 would share the profits of the supplier reselling to
19 this other customer. And, we would defer that delivery
20 to some other time, and the 2.3 million is PSNH's share
21 of the shared profits.

22 Q. And, customers will be receiving the full amount of
23 PSNH's share of the credit -- of the share of the
24 profits, is that correct?

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[WITNESS PANEL: Baumann ~ White]

1 A. (White) Yes.

2 Q. One of the other items that you mention, Mr. Baumann,
3 that would be driving the rate down had to do with some
4 updated insurance proceeds related to the Merrimack
5 Station. And, if you look on Page 3 of that joint
6 technical statement, Item Number 10, there's a sentence
7 in there that talks about "these amounts have been
8 reduced by approximately 20 percent." Could you
9 explain why that is?

10 A. (Baumann) Yes. We have been reflecting, in the last
11 couple Energy Service forecasts, projected insurance
12 proceeds, as a result of dealing with the insurance
13 companies on this outage. There are insurance
14 associated with operation and maintenance expense and
15 replacement power costs. There is always, with
16 insurance companies, a possibility that you will not
17 receive your full claim for those items that you might
18 seek. And, because we are dealing with 2010, there is
19 a possibility that, even if we get our full claims,
20 that we would not receive in cash those claims until
21 sometime -- or a portion of them sometime in 2011. So,
22 what we have done in this Energy Service rate is to try
23 and reflect a reasonable level of the claims, i.e.
24 80 percent of the claims that we have filed with the

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[WITNESS PANEL: Baumann ~ White]

1 insurance company in this Energy Service rate,
2 recognizing that there is a possibility that there is a
3 reasonable chance that some of it may not be recovered
4 until 2011 and credited to expense in 2011, versus
5 2010. And, realizing that there is always a
6 possibility, although we don't support that
7 possibility, that the insurance company may disagree
8 with our claim as filed.

9 The previous year we used -- well, the
10 current Energy Service rate, we had claims and we
11 adjusted them by approximately 80 percent. And, we
12 believe that it is still a reasonable -- a reasonable
13 what I'll call "estimation process" to hold back 20
14 percent of the credits, because we don't think
15 necessarily that they're going to fall in the 2010.
16 And, we're trying to match our credits in the rate with
17 the expenses that will ultimately fall in the
18 reconciliation of the Energy Service rate.

19 Q. Now, when you say "hold back the credits", you don't
20 mean to imply that PSNH would retain some of that?
21 When insurance proceeds are received, do customers get
22 100 percent of what is actually received?

23 A. (Baumann) Yes. Yes. And, certainly, when and if we
24 get that additional 20 percent, which we think might be

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[WITNESS PANEL: Baumann ~ White]

1 in 2011, that that would be credited as part of the
2 rate beginning on January 1st, 2011.

3 Q. So, this "20 percent holdback" that you talk about,
4 that is more for PSNH's purposes of trying to be
5 conservative for the rate calculation and/or to reflect
6 some timing issues, is that correct?

7 A. (Baumann) Yes. "Conservative" I think gets it part way
8 there. I think "realistic" would be probably a really
9 better word as to our expectations for the calendar
10 year 2010.

11 MR. MULLEN: Thank you. That's all I
12 have.

13 CHAIRMAN GETZ: Ms. Hollenberg.

14 MS. HOLLENBERG: Thank you. Good
15 morning.

16 WITNESS BAUMANN: Good morning.

17 WITNESS WHITE: Good morning.

18 BY MS. HOLLENBERG:

19 Q. Mr. White, you spoke a little bit about the migration
20 issue, and I guess, Mr. Baumann, if you have any
21 response as well, feel free to add to it. And, the
22 31.9 percent is the actual amount as of May 2010. Do
23 you have any sense of what's happened in the last
24 couple of weeks in June?

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[WITNESS PANEL: Baumann ~ White]

1 A. (White) Yes. The UCAP statistic I spoke of, the share
2 of peak load, it has -- it would indicate some amount
3 of continuing migration at about the same pace that
4 it's been on.

5 Q. Okay. And, do you think the -- what was the amount you
6 used, the 0.92 percent assumption that you used in
7 calculating the differences up and down, is that about
8 the same as what you see occurring at this point in
9 June?

10 A. (White) Yes. It indicates its proceeding along that
11 path.

12 Q. Okay.

13 A. (White) Yes.

14 Q. Thank you. Mr. Baumann, could you just give a general
15 update on the Merrimack scrubber insurance issues that
16 have occurred in 2010 please?

17 A. (Baumann) Well, I guess, from a claims perspective, we
18 have updated our claims on that outage with the
19 insurance company. And, as we just discussed, we've
20 updated the dollar amounts in this filing by a little
21 over, well, about \$3.4 million of additional credits.
22 We have not received -- we did receive a \$10 million
23 payout, but we are -- again, we haven't received any
24 other payouts at this point in time. I guess I would

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[WITNESS PANEL: Baumann ~ White]

1 categorize the negotiations now as hopefully, and maybe
2 this is my speaking, but hopefully getting to the point
3 where we're going to now see some additional payouts,
4 certainly within the next six months. But, again, we
5 just have kind of qualified the payout assumptions at
6 an 80 percent level for this filing.

7 Q. And, you have in the updated filing, which is
8 Exhibit 24, that about 14.2 million is included as
9 insurance proceeds as of December 2010?

10 A. (Baumann) Well, on Attachment RAB-1, Page 1, I'm adding
11 them up, I think it's 15.2 million.

12 Q. Okay.

13 A. (Baumann) Yes, 6.5 million, it's on Line 24 and 25, --

14 Q. Okay.

15 A. (Baumann) But, yes, 15.2 million. And, I believe the
16 previous filing had "\$11.8 million".

17 Q. Do you have a sense how much of the proceeds are still
18 outstanding with regards to claims that have been filed
19 at this point?

20 A. (Baumann) Well, it would be, in the 15.2 million, is
21 about 80 percent.

22 Q. Uh-huh.

23 A. (Baumann) So, if you kind of gross that up, it would be
24 somewhere in the vicinity of three, three to

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[WITNESS PANEL: Baumann ~ White]

1 four million dollars.

2 Q. Okay. And, are there any claims that have not been
3 submitted yet?

4 A. (Baumann) Not to my knowledge. I can't say
5 definitively that, I mean, I haven't spoke to the
6 insurance people in the last few weeks. But, based on
7 what I know, I believe our claims were very close to
8 being final, and that we were really in the final
9 negotiation step with the insurance company.

10 MS. HOLLENBERG: Okay. I have a
11 response to OCA-02, Q-OCA-002-02 [Q-OCA-002?]. I hadn't
12 intended to really mark it as an exhibit, but I will defer
13 to the Commission.

14 CHAIRMAN GETZ: Well, let's mark this
15 for identification as "Exhibit Number 25".

16 (The document, as described, was
17 herewith marked as Exhibit 25 for
18 identification.)

19 MS. HOLLENBERG: Thank you.

20 BY MS. HOLLENBERG:

21 Q. And, --

22 CHAIRMAN GETZ: Well, one second please.

23 MS. HOLLENBERG: Sure.

24 CHAIRMAN GETZ: Exhibit 25. We'll make

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[WITNESS PANEL: Baumann ~ White]

1 sure the numbering is correct afterwards. Please proceed.

2 MS. HOLLENBERG: Thank you.

3 BY MS. HOLLENBERG:

4 Q. Mr. Baumann, I just handed you the Company's response
5 to Data Request OCA-02, and the question asked about
6 the Merrimack insurance proceeds and to provide any
7 updates. My question is primarily about the last
8 number on the second table, which is approximately
9 \$1.7 million, and it says "final amount to be
10 submitted." Do you have a sense that that has been
11 submitted since the Company responded to this question?

12 A. (Baumann) Again, I haven't talked to the insurance
13 people for about three weeks now. But, in writing this
14 response, I was told that it was "going to be submitted
15 shortly." Now, I could get back to you on that, but I
16 just don't know definitively if it has been.

17 Q. Okay.

18 A. (Baumann) I would assume it has, because May 26, I
19 mean, "shortly" to me means "within a couple weeks."
20 So, I assume it has.

21 MS. HOLLENBERG: Okay. I guess, if I
22 could just ask for the Company to get back to the
23 Commission and the parties if it hasn't been submitted.
24 Is that a reasonable thing to do or -- or just to get back

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[WITNESS PANEL: Baumann ~ White]

1 to us about the status?

2 CHAIRMAN GETZ: Let's see if we can
3 just, to close this out, a letter that would become part
4 of Exhibit 25, explaining whether it has or has not been
5 submitted.

6 MS. HOLLENBERG: Thank you.

7 WITNESS BAUMANN: All right.
8 Commissioner, we could just revise Exhibit 25 through a
9 data request, if you want, as opposed to a letter? We'll
10 do anything.

11 CHAIRMAN GETZ: Well, we already have
12 the data request.

13 WITNESS BAUMANN: Okay.

14 CHAIRMAN GETZ: I would just say, it's
15 only going to take a brief letter, and just make it a
16 two-page exhibit then.

17 MS. HOLLENBERG: Okay. Thank you.

18 BY MS. HOLLENBERG:

19 Q. Do you have a sense, Mr. Baumann, about whether or not
20 there have been any issues raised by the insurance
21 company or the insurer about the insurance claims?

22 A. (Baumann) Not in -- not particularly. You know, I
23 guess I would categorize what I have heard, because I
24 haven't been involved directly with it, but -- and it's

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[WITNESS PANEL: Baumann ~ White]

1 a fairly what I'll call "routine/non-routine
2 negotiation". And, there haven't been any surprises
3 that were raised with new -- what I call new theories
4 associated with replacement power, or O&M, for that
5 matter.

6 Q. And, do you have a sense of how long it typically takes
7 the insurer to process the claims, once your
8 discussions have reached this point?

9 A. (Baumann) I'm tempted to say "longer than I would
10 hope."

11 Q. Uh-huh.

12 A. (Baumann) But I really believe that, by the end of this
13 year, we will have clear direction and substantial
14 payment of these insurance claims.

15 Q. Okay.

16 A. (Baumann) Remember, there's always a delay, if you
17 recall on the insurance claims we received previously,
18 they're paid out, then they go into a kind of a holding
19 bank, and then there's a delay there, and then they're
20 ultimately paid out to PSNH. That has happened in the
21 past, which, again, is part of this timing of lag that,
22 it's not just the insurance company negotiations, but
23 it's also just physically getting the cash, so that we
24 can record it as known and measurable as a credit to

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[WITNESS PANEL: Baumann ~ White]

1 expense.

2 Q. Thank you.

3 MS. HOLLENBERG: One moment please.

4 (Atty. Hollenberg conferring with Mr.

5 Traum.)

6 BY MS. HOLLENBERG:

7 Q. You just mentioned a little bit about the payment
8 process. And, if you could just expand on that a
9 little bit and talk about who it's paid to before or do
10 you have a sense about that?

11 A. (Baumann) I don't specifically, but I know -- I know
12 the claims go through some clearing house, in effect,
13 before they come to us.

14 Q. Okay.

15 A. (Baumann) And, I remember, just remembering the last
16 time we had claims that were paid, you know, it was
17 "the check is in the mail" and "the check is in the
18 mail", and it took an additional month or two to get
19 the money. In particular, too, I know at December 31st
20 of last year, as a good example, we were told that it
21 would be soon in January that we got the monies. And,
22 I think -- so, I think we recognized it in December on
23 the books. And, to be honest with you, I wasn't
24 totally happy with that, because I didn't know if we

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[WITNESS PANEL: Baumann ~ White]

1 would get it in January, but we did it anyway. We
2 ended up getting that money I think in February or
3 March. So, you know, it's a clearing house delay, but
4 I really don't have any other details on that.

5 Q. Okay. Thank you. And, lastly, on the subject of the
6 Hydro-Quebec support costs and revenues, the proposed
7 Energy Service rate that we're talking about today
8 includes benefits or revenues associated with
9 Hydro-Quebec, is that correct?

10 A. (Baumann) Yes, it does.

11 Q. And, can you point to where those are reflected in the
12 filing? Or, where they would be?

13 A. (Baumann) Well, I wouldn't even say "subject to check".
14 They are in line -- well, I'm on Exhibit -- Attachment
15 RAB-2, Page 1.

16 Q. Uh-huh.

17 A. (Baumann) And, they would be in Line 21, "Purchases and
18 Sales".

19 Q. Okay. Do you have a sense of how much there is in the
20 Hydro-Quebec revenues included there?

21 A. (Baumann) I think the data request had "\$268,000".

22 Q. Okay. That your recollection of that amount was in
23 response to a data request in the -- was it in a
24 different docket, the 09 -- what number is it? Oh,

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1 okay. Docket 10-158, does that sound familiar?

2 A. (Baumann) Yes, it does. I'm hunting for it now.

3 Q. I guess I just wanted to get a sense on the record how
4 much, and I can show you your response, but it is
5 "268,000".

6 A. (Baumann) So, I can tell my family my memory is still
7 good. So, that's good.

8 Q. Yes. And, could you explain why those revenues
9 associated with the Hydro-Quebec are included in Energy
10 Service?

11 A. (Baumann) They are included in Energy Service, the
12 history behind this is that originally they were
13 included, and this is going back a few years, as
14 credits to Part 3. And, when Part 3 stranded costs
15 went away, somewhere around 2005, I believe, the
16 credits then were put into the Energy Service rate.
17 And, that's how they have been allocated, approved, you
18 know, over the years. Now, there's some discussion
19 about whether they really belong in the Energy Service
20 rate or not, versus following the support payments that
21 are in the transmission TCAM. And, you know, so, the
22 real reason is, it's what we have followed in the past.
23 Things have evolved, things have changed, migration has
24 changed maybe the thought process on this. But we

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[WITNESS PANEL: Baumann ~ White]

1 would propose at this time that (a) they're not that
2 large, and (b) there is still this outstanding question
3 that we talked about, in terms of migration and the
4 impact of that with respect to backup service and costs
5 in the ES that needs to be adjudicated before we start
6 moving the little stuff, before we get to the big
7 issue. So, that's why we would not support moving it
8 at this time. Although, there's certainly an argument
9 that could be made either way, as to whether or not it
10 should remain in ES or move to the TCAM.

11 Q. And, just to clarify, the support payments that you
12 reference, those are Hydro-Quebec support payments that
13 are included in the TCAM?

14 A. (Baumann) That's correct.

15 MS. HOLLENBERG: Okay. Thank you. No
16 other questions. Thank you.

17 CHAIRMAN GETZ: Thank you. Anything on
18 redirect, Mr. Eaton?

19 MR. EATON: No, I have no questions on
20 redirect.

21 CHAIRMAN GETZ: Okay. Then, the
22 witnesses are excused. Thank you, gentlemen. Is there
23 any objection to striking the identifications and
24 admitting the exhibits into evidence?

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1 (No verbal response)

2 CHAIRMAN GETZ: Hearing no objections,
3 they will be admitted into evidence. We'll provide an
4 opportunity for closing, but note we have two motions for
5 protective order; one filed on May 27, with respect to the
6 arrangement with the coal supplier that I think was
7 discussed on the stand, and we also have a motion on June
8 11th, with respect to generation output from the Lempster
9 Wind facility. So, in your closing, if any of the parties
10 want to weigh in on those motions, please do. So, we'll
11 begin with Mr. Patch.

12 MR. PATCH: I have no comments. Thank
13 you, Mr. Chairman.

14 CHAIRMAN GETZ: Thank you.
15 Ms. Hollenberg.

16 MS. HOLLENBERG: One moment please.

17 (Short pause.)

18 MS. HOLLENBERG: Thank you. The Office
19 of Consumer Advocate does not oppose the proposed Energy
20 Service rate before the Commission today. We are and have
21 been in the process of discussion with the Company through
22 various cases about the alignment of costs and revenues
23 associated with particular types of services. And,
24 certainly, the issue of the Hydro-Quebec revenues being

1 collected in one type of rate and the support costs being
2 collected in another type of rate is one that we will
3 continue to attempt to work with the Company towards a
4 resolution that works for everybody. And, I expect that
5 we will get into that further in this afternoon's hearing.
6 Thank you.

7 CHAIRMAN GETZ: Thank you. Ms. Amidon.

8 MS. AMIDON: Thank you. Staff does not
9 oppose either of the two motions for confidential
10 treatment. And, we do support the calculation of the
11 Energy Service rate of 8.78 cents to take effect for
12 services rendered on and after July 1, 2010.

13 CHAIRMAN GETZ: Thank you. Mr. Eaton.

14 MR. EATON: Thank you, Mr. Chairman.
15 The Company requests the 8.78 cents per kilowatt-hour rate
16 for effect on July 1st. We believe this is an accurate
17 rate that reflects costs through May and estimated costs
18 for June through December, and that it's just and
19 reasonable and ought to be approved by the Commission.

20 CHAIRMAN GETZ: Okay. Thank you. Then,
21 we'll close the hearing and take the matter under
22 advisement.

23 (Whereupon the hearing ended at 11:55
24 a.m.)

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