

1 STATE OF NEW HAMPSHIRE

2 PUBLIC UTILITIES COMMISSION

3
4 December 19, 2011 - 9:17 a.m.
5 Concord, New Hampshire6
7 RE: DE 11-217
8 PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
9 *Petition for Adjustment of Stranded*
10 *Cost Recovery Charge.*11
12 PRESENT: Chairman Thomas B. Getz, Presiding
13 Commissioner Clifton C. Below
14 Commissioner Amy L. Ignatius15
16 Sandy Deno, Clerk17
18 APPEARANCES: Reptg. Public Service Co. of New Hampshire:
19 Gerald M. Eaton, Esq.
20 Sarah B. Knowlton, Esq.21
22 Reptg. Residential Ratepayers:
23 Meredith Hatfield, Esq., Consumer Advocate
24 Stephen R. Eckberg
Donna L. McFarland
Office of Consumer AdvocateReptg. PUC Staff:
Suzanne G. Amidon, Esq.
Thomas C. Frantz, Director/Electric Division
Steven E. Mullen, Asst. Dir./Electric Div.

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

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P R O C E E D I N G

1
2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. I'm going to open the hearing in Docket DE
4 11-217. On September 23rd, 2011, Public Service Company
5 of New Hampshire filed a petition to adjust its Stranded
6 Cost Recovery Charge for effect with service rendered on
7 or after January 1, 2012. Order of notice was issued on
8 October 5th. After a prehearing conference on October 17,
9 a secretarial letter was issued, among other things,
10 scheduling the hearing for this morning.

11 We also have pending in this docket,
12 along with the Default Energy Service rate proceeding,
13 11-215, a Motion for Postponement of the hearings in the
14 two cases today. So, before we move onto that, let's take
15 appearances please.

16 MR. EATON: For Public Service Company
17 of New Hampshire, my name is Gerald M. Eaton. With me
18 today is Sarah B. Knowlton of the Law Department.

19 CHAIRMAN GETZ: Good morning.

20 MS. HATFIELD: Good morning,
21 Commissioners. Meredith Hatfield, for the Office of
22 Consumer Advocate, on behalf of residential ratepayers.
23 And, with me for the Office are Steve Eckberg and Donna
24 McFarland.

1 CHAIRMAN GETZ: Good morning.

2 MS. AMIDON: Good morning. Suzanne
3 Amidon, for Commission Staff. To my left is Steve Mullen,
4 the Assistant Director of the Electric Division, and to
5 his left is Tom Frantz, the Director of the Electric
6 Division.

7 CHAIRMAN GETZ: Okay. Good morning.

8 MS. AMIDON: Good morning.

9 CHAIRMAN GETZ: I want to talk for a
10 second about the Motion to Postpone. And, I guess one of
11 the issues, and correct me if I'm wrong, we would expect
12 to see more parties may show up for the 11-215 Default
13 Energy Service rate hearing? That seems to be a general
14 supposition among the parties.

15 MR. EATON: Conservation Law Foundation
16 is an intervenor in that proceeding.

17 CHAIRMAN GETZ: And, may be an
18 appearance. So, I guess I would do this. Defer until the
19 11-215 hearing a discussion of the motion. Let's go
20 through this docket and get the evidence in, and then we
21 will discuss the Motion to Postpone in that docket.

22 So, anything else before we proceed?

23 (No verbal response)

24 CHAIRMAN GETZ: Okay. Hearing nothing,

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1 then, Mr. Eaton.

2 MR. EATON: I'd like to call to the
3 stand Robert A. Baumann.

4 (Whereupon **Robert A. Baumann** was duly
5 sworn by the Court Reporter.)

6 **ROBERT A. BAUMANN, SWORN**

7 **DIRECT EXAMINATION**

8 BY MR. EATON:

9 Q. Mr. Baumann, would you please state your name for the
10 record.

11 A. My name is Robert Baumann.

12 Q. For whom are you employed?

13 A. I am employed by Northeast Utilities Service Company.
14 And, we provide services, financial and legal and other
15 services to the operating subsidiaries of Northeast
16 Utilities. And, I'm here on behalf of Public Service
17 Company of New Hampshire today.

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

19 A. I'm the Director of Revenue Regulation and Load
20 Resources. And, my duties include all the revenue
21 requirement calculations that are filed for PSNH, as
22 well as revenue requirement calculations in Connecticut
23 and Massachusetts.

24 Q. Have you previously testified before the Commission?

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1 A. Yes.

2 Q. Mr. Baumann, did you have testimony and exhibits
3 prepared by you or under your supervision in this
4 proceeding?

5 A. Yes.

6 Q. And, when were those exhibits first filed with the
7 Commission?

8 A. The original, what we call the "interim filing", was on
9 September 23rd, 2011. And, the updated filing was on
10 December 14th, 2011.

11 Q. Do you have the September 23rd document in front of
12 you?

13 A. Yes.

14 Q. And, were there any corrections or mistakes to that
15 testimony and those exhibits that you wish to make now?

16 A. No, there are none.

17 Q. And, as of that date, it was true and accurate to the
18 best of your knowledge and belief?

19 A. Yes.

20 MR. EATON: Mr. Chairman, I would like
21 that document dated September 23rd, 2011 be marked for
22 identification.

23 CHAIRMAN GETZ: So marked.

24 (The document, as described, was

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

3 BY MR. EATON:

4 Q. Now, Mr. Baumann, could you please turn your attention
5 to a document dated December 14th, 2011.

6 A. I'm there.

7 Q. And, what does that document contain, according to the
8 -- to the cover letter that was filed that day?

9 A. The document basically updates both the SCRC rate in
10 Docket 11-217 and the Energy Service rate in Docket
11 11-215. So, for today's hearing, the attachment for
12 the SCRC rate, which is Item Number 2 in the cover
13 memo, would be applicable today.

14 Q. And, do you have any corrections to make to the SCRC
15 exhibits?

16 A. No, I do not.

17 Q. And, they're true and accurate to the best of your
18 knowledge and belief?

19 A. Yes, they are.

20 MR. EATON: Mr. Chairman, we broke up
21 that November -- I'm sorry, December 14th filing, so that
22 I have the cover letter and the service list and just the
23 217 exhibits, which I'd like to mark as "Exhibit 2" for
24 identification.

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1 CHAIRMAN GETZ: Okay. So marked.

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

5 MR. EATON: Do you need copies of that
6 smaller one?

7 CHAIRMAN GETZ: Yes, that would help.

8 CMSR. IGNATIUS: Mr. Eaton, is it no
9 different than the ones that were marked "217" in the full
10 packet? You just separated them for convenience?

11 MR. EATON: Yes.

12 CMSR. IGNATIUS: All right.

13 MR. EATON: Yes. I'd like to keep the
14 record in this case restricted to the 217 information.

15 BY MR. EATON:

16 Q. Mr. Baumann, could you briefly summarize your testimony
17 and the rate that PSNH is requesting in this
18 proceeding?

19 A. The SCRC rate is increasing slightly from the current
20 rate on file at the Commission. And, really, it's a
21 very slight increase, primarily due to increasing costs
22 associated with above market IPP data, and, to a lesser
23 extent, a decrease in sales, which is also increasing
24 the rate slightly. But, as everybody knows, the above

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1 market portion of IPPs is part of the Stranded Cost
2 Recovery Charge. And, to the extent market prices
3 drop, which we will see when we get into the Energy
4 Service docket, the SCRC rate has a tendency to rise
5 slightly. But these rates are primarily driven by
6 those two factors; the cost factor and then, to a
7 lesser extent, the sales factor, the denominator of the
8 formula. We're actually proposing a rate of 1.23 cents
9 per kilowatt-hour.

10 And, I would just add, kind of off the
11 script here, to the extent the motion that we are going
12 to talk about later, it really has no impact on the
13 SCRC, because the SCRC costs for the 2012 rate year are
14 Rate Reduction Bonds and primarily above market IPPs.
15 And, in any scenario, those costs are going to be the
16 same. So, this hearing is really essential, even
17 before the motion, to talk about the SCRC rate. It
18 really isn't going to be impacted by anything in that
19 motion, because that's really all what I'll call
20 "non-SCRC" type costs.

21 Q. Do you have anything to add to your testimony, Mr.
22 Baumann?

23 A. No. No, I don't.

24 MR. EATON: Mr. Baumann is available for

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1 cross-examination.

2 CHAIRMAN GETZ: Thank you. Ms.
3 Hatfield.

4 MS. HATFIELD: Thank you, Mr. Chairman.
5 Good morning, Mr. Baumann.

6 WITNESS BAUMANN: Good morning.

7 **CROSS-EXAMINATION**

8 BY MS. HATFIELD:

9 Q. I think I heard you just say that in some ways it
10 doesn't matter what the level of the Energy Service
11 rate is that the Commission sets, that the SCRC would
12 still be 1.23 cents, is that correct?

13 A. Yes.

14 Q. Do you have a copy of the Motion to Postpone that PSNH
15 filed on December 14th?

16 A. Yes, I do.

17 Q. Could you please turn to Page 3.

18 A. I'm there.

19 Q. Could you please read Footnote 1.

20 A. Yes, that is correct. I did read it.

21 Q. So, Footnote 1 says that "The Company is requesting
22 that the hearing in [this case] also be postponed
23 because the calculation of that rate is dependent on
24 the above market cost of renewable power sold to PSNH

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1 under rate orders and long-term contracts which is
2 established in the Company's Energy Service rate
3 proceeding." Is that right?

4 A. Yes.

5 Q. But, if the Commission grants the Motion to Postpone in
6 the Energy Service rate and maintains the Energy
7 Service rate at the current amount, that won't impact
8 your proposed Stranded Cost rate, is that right?

9 A. Again, it wouldn't impact the projected costs in that
10 rate. So, I think the answer is "yes". It would not
11 impact it.

12 Q. So, if the Commission does postpone changing the
13 Stranded Cost rate and leaves it at 1.09 cents, what
14 happens over the next several months if PSNH doesn't
15 charge the full Stranded Cost rate that it needs to?

16 A. Well, if there was a delay in the SCRC rate going up,
17 you would begin to accrue modest under recoveries,
18 because the 1.09 rate would not be collecting the
19 projected total costs at the 1.23 level.

20 Q. And, would PSNH usually propose that ratepayers pay a
21 carrying cost associated with those types of under
22 collections?

23 A. Yes, that's the formula.

24 Q. And, so, the Company, would you then plan to update the

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1 stranded cost rate on July 1st or at some other time?

2 A. Well, depending on when the other rates were to change,
3 we would then update it, yes. And, that would include
4 the under-recovery that had accumulated.

5 MS. HATFIELD: Thank you, Mr. Chairman.
6 I have nothing further.

7 CHAIRMAN GETZ: Thank you. Ms. Amidon.

8 MS. AMIDON: Thank you. Good morning.

9 WITNESS BAUMANN: Good morning.

10 BY MS. AMIDON:

11 Q. Mr. Baumann, are there any costs in the filing
12 associated with the over market costs projected for the
13 contracts proposed with the Wood IPPs in Docket 11-184?

14 A. No, there are not.

15 Q. And, when do the current Part 2 costs end?

16 A. The current Part 2 costs end in mid 2013.

17 Q. If the Commission --

18 A. Excuse me. Excuse me. You said "Part 2"? So, you're
19 talking --

20 Q. Or the over market costs associated with the IPPs.

21 A. Oh, the IPPs. I'm sorry, I was -- I thought your
22 question referred to Part 1.

23 Q. The RRBs, no.

24 A. I always get the answer wrong, so I was very intent on

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1 getting it right today. But, the Part 2 costs, which
2 are the over market IPPs, continue for a period of
3 years. There will be a substantial decrease in 2015,
4 when the Bio-Energy contract ends. But they -- a lot
5 of these contracts go out for at least another ten or
6 twenty years.

7 Q. Now, when the Company made its September 23rd filing,
8 which is Exhibit 1, the Company was projecting an
9 over-recovery in Part 2 stranded costs, is that
10 correct? And, I think it's RAB-1, Page 1. Oh, I'm
11 sorry. It's -- I guess that was stranded costs
12 overall, is that correct?

13 A. You're on RAB-1, Page 1?

14 Q. Well, I'm trying to find this. It's on RAB-1, Page 1,
15 yes, Line 3.

16 A. Yes. That's the 2011 estimated accounting
17 over-/under-recovery. And, it's an over-recovery in
18 that filing of \$399,000.

19 Q. And, has that changed with the updated filing?

20 A. Yes. The updated filing has moved to an under-recovery
21 of \$1.4 million, rounded.

22 Q. Okay. And, would you please explain what the cause is
23 of that change, from an under-recovery to an
24 over-recovery -- I mean, an over-recovery to an

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1 under-recovery?

2 A. I don't have a specific calculation. But, again, what
3 drives the recoveries in this filing are the costs, the
4 over market costs, which can change drastically from
5 period to period, as well as the sales levels. I would
6 feel comfortable saying that it's probably the fact
7 that the market assumptions in the original filing in
8 September have changed into the December filing. And,
9 because of that change, there has been a change in the
10 defined costs in the SCRC for the calendar year 2011.

11 Q. And, by "market assumptions", what do you mean?

12 A. Well, we value the -- the IPPs are payments that are
13 above market. So, to the extent the assumed market
14 that is used in the Energy Service rate, to the assume
15 that -- to the extent that that market price changes,
16 the actual dollar amounts that are part of the Stranded
17 Cost Recovery Charge change, because they're the above
18 market portion.

19 Q. Okay. Thank you.

20 A. And, this is a million, two million dollar swing, which
21 I would be fairly certain was market price changing.

22 MS. AMIDON: Thank you. One moment
23 please.

24 (Atty. Amidon conferring with Mr. Mullen

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1 and Mr. Frantz.)

2 MS. AMIDON: We have no further
3 questions. Thank you.

4 CHAIRMAN GETZ: Thank you.

5 BY CMSR. IGNATIUS:

6 Q. Mr. Baumann, a question about your forecasted retail
7 sales, looking again at where the exhibit you were on,
8 RAB-1, Page 1, and comparing your September to December
9 filing. Your forecasted retail sales are dropping, in
10 Line 5. Can you explain why you've changed your
11 forecast?

12 A. Well, we updated the filings with the latest sales
13 projections. And, those sales projections for Public
14 Service Company of New Hampshire are down. I would say
15 probably because just the economy and the lack of
16 activity that we see in the economy.

17 Q. But, even since the September filing, when we were
18 already in rough shape in the economy, your projections
19 are it's dropped even further?

20 A. Yes. We normally revisit the budget for the next year
21 in the November/December time period, and we used -- we
22 use the latest values that we're given by the Load
23 Forecasting Department.

24 Q. Does it also reflect the level of migration of large

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1 customers?

2 A. No, it doesn't, because this is a nonbypassable rate.
3 So, this is really a phenomenon of the market, as
4 opposed to migration.

5 Q. So, although it says "megawatt-hour sales", independent
6 of the actual sale of energy, this is showing a
7 forecast of the amount of energy delivered over your
8 lines?

9 A. Yes, at the customer meter basis. That's correct.

10 CMSR. IGNATIUS: Thank you.

11 CHAIRMAN GETZ: Anything further, Mr.
12 Eaton?

13 MR. EATON: Nothing further.

14 CHAIRMAN GETZ: Okay. Seeing nothing
15 for the witness, you're excused. Thank you.

16 WITNESS BAUMANN: Thank you.

17 CHAIRMAN GETZ: Is there any objection
18 to striking the identifications and admitting the exhibits
19 into evidence?

20 (No verbal response)

21 CHAIRMAN GETZ: Hearing no objection,
22 they will be admitted into evidence. Well, we'll turn to
23 opportunity for closings, unless there's something else
24 prior to that. But I guess I would observe that we

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1 effectively have denied the Motion to Postpone the hearing
2 in this case. And, I take it that what we do in the
3 Default Energy Service case is the linchpin to how this
4 case is -- that the costs in this case are handled.

5 So, I'll turn, anything in the
6 opportunity for closings. Ms. Hatfield.

7 MS. HATFIELD: Thank you, Mr. Chairman.
8 We don't take a position on the figures that PSNH has
9 proposed. But, just with respect to postponing, if you
10 don't mind, I would like to just say one thing about that.
11 Because, as Mr. Baumann testified, the Company would be
12 under recovering stranded costs if the current level was
13 maintained, we do support the Company putting into place a
14 new Stranded Cost rate that tracks the actual estimated
15 amounts that they need to recover. Thank you.

16 CHAIRMAN GETZ: And, that would be
17 regardless of what happens in the other proceeding?

18 MS. HATFIELD: Yes.

19 CHAIRMAN GETZ: Ms. Amidon.

20 MS. AMIDON: Thank you. The Staff has
21 reviewed the filing, and we do not object to the
22 calculations that the Company made of the estimated
23 Stranded Cost Recovery Charge rates for 2012. We realize
24 that the Commission has a decision going forward whether

1 at what time to stage the particular rate changes. And,
2 so far as that goes, it has more bearing on the Energy
3 Service docket than this docket.

4 CHAIRMAN GETZ: Thank you. Mr. Eaton.

5 MR. EATON: Thank you, Mr. Chairman. If
6 the Commission decides not to continue the existing rate
7 until the temporary rate is established in Docket 11-250,
8 and the Commission decides to proceed with this docket, we
9 request that they approve the 1.23 cents per kilowatt-hour
10 amount that was submitted in our December 14th filing and
11 supported today by the record.

12 CHAIRMAN GETZ: All right. If there's
13 nothing further, then we'll close the hearing in this
14 docket. And, we will take a brief recess before we pick
15 up with the hearing in 11-215.

16 **(Whereupon the hearing regarding DE**
17 **11-217 ended at 9:39 a.m.)**