

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION



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June 19, 2012 - 10:13 a.m.
Concord, New Hampshire

RE: DE 11-217
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
*Petition for Adjustment of Stranded
Cost Recovery Charge.
(Hearing regarding midyear adjustment)*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:
Sarah B. Knowlton, Esq.

Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
Stephen R. Eckberg
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.

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

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 STEPHEN R. HALL

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4	Updated attachments to the Testimony of Robert A. Baumann (06-12-12)	7
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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DE 11-217. This is Public Service
4 Company of New Hampshire's request to adjust its Stranded
5 Cost Recovery Charge. On May 2nd, 2012, PSNH filed a
6 request to make a midterm adjustment to its Stranded Cost
7 Recovery Charge for effect July 1st, 2012. The proposal,
8 as initially filed, was for an increase in the average
9 SCRC rate from 1.23 cents per a kilowatt-hour to 1.94
10 cents per kilowatt-hour. And, on May 15th, 2012, we
11 issued an order of notice scheduling a hearing for this
12 morning.

13 So, let's begin with appearances please.

14 MS. KNOWLTON: Good morning,
15 Commissioners. My name is Sarah Knowlton. I'm Senior
16 Counsel at Public Service Company of New Hampshire.

17 CHAIRMAN IGNATIUS: Good morning.

18 MS. HOLLENBERG: Good morning,
19 Commissioners. Rorie Hollenberg and Stephen Eckberg, here
20 for the Office of Consumer Advocate.

21 CHAIRMAN IGNATIUS: Good morning.

22 MS. AMIDON: Good morning,
23 Commissioners. Suzanne Amidon, for Commission. And, with
24 me today is Steve Mullen, the Assistant Director of the

1 Electric Division.

2 CHAIRMAN IGNATIUS: Good morning,
3 everyone. Do we have any procedural matters to take up
4 before we begin with evidence?

5 (No verbal response)

6 CHAIRMAN IGNATIUS: Appears not. Then,
7 Ms. Knowlton, do you want to call your -- I've forgotten,
8 is it one or two witnesses? Just Mr. Baumann?

9 MS. KNOWLTON: Mr. Baumann, the Company
10 has prefiled testimony from Mr. Baumann, but we have two
11 rate impact exhibits that we would like to introduce today
12 that relate to this proceeding. The 11-215, which you'll
13 hear later today, and then the Transmission Cost
14 Adjustment Mechanism on Thursday. So, with the
15 Commission's indulgence, I'd like to call Mr. Hall as
16 well, since he'll be able to walk through those rate
17 impact exhibits.

18 CHAIRMAN IGNATIUS: Is there any
19 objection to that?

20 MS. AMIDON: No.

21 CHAIRMAN IGNATIUS: All right. Sounds
22 like a good idea.

23 MS. KNOWLTON: Then, the Company calls
24 Robert Baumann and Stephen Hall.

[WITNESS PANEL: Baumann~Hall]

1 (Whereupon **Robert A. Baumann** and
2 **Stephen R. Hall** were duly sworn by the
3 Court Reporter.)

4 **ROBERT A. BAUMANN, SWORN**

5 **STEPHEN R. HALL, SWORN**

6 **DIRECT EXAMINATION**

7 BY MS. KNOWLTON:

8 Q. Good morning, Mr. Baumann. I'll start with you. If
9 you would please state your full name for the record.

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

11 Q. By whom are you employed?

12 A. (Baumann) I am employed by Northeast Utilities Service
13 Company.

14 Q. What is your position and responsibilities?

15 A. (Baumann) I'm the Director of Revenue Requirements,
16 primarily associated with all of the -- revenue
17 requirements associated with Public Service Company of
18 New Hampshire, as well as revenue requirement
19 calculations in Connecticut and Massachusetts.

20 MS. KNOWLTON: I propose to mark for
21 identification the prefiled Testimony of Mr. Baumann,
22 which was filed in this docket as "Exhibit 3".

23 CHAIRMAN IGNATIUS: This is the May 2nd,
24 2012 testimony?

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[WITNESS PANEL: Baumann~Hall]

1 MS. KNOWLTON: That's correct. And,
2 then, what I plan to do is I'd like to mark for
3 identification, in addition, the -- as "Exhibit 4", the
4 June 12th, 2012 SCRC rate calculation that was filed with
5 the Commission.

6 CMSR. HARRINGTON: This, the May 2nd is
7 "Exhibit 3"?

8 MS. KNOWLTON: That's correct.

9 CHAIRMAN IGNATIUS: We'll mark that for
10 identification as "3".

11 (The document, as described, was
12 herewith marked as **Exhibit 3** for
13 identification.)

14 CHAIRMAN IGNATIUS: And, then, the June
15 12 updated exhibits to testimony is what you're asking to
16 mark as "Exhibit 4"?

17 MS. KNOWLTON: That's what I propose.

18 CHAIRMAN IGNATIUS: All right. We'll
19 mark it for identification.

20 (The document, as described, was
21 herewith marked as **Exhibit 4** for
22 identification.)

23 MS. KNOWLTON: Do the Commissioners need
24 copies?

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[WITNESS PANEL: Baumann~Hall]

1 CHAIRMAN IGNATIUS: No, I think we're
2 good. Thank you.

3 MS. KNOWLTON: All set.

4 BY MS. KNOWLTON:

5 Q. Mr. Baumann, do you have a document in front of you
6 that's been marked for identification as "Exhibit 3"?

7 A. (Baumann) Yes, I do.

8 Q. Would you identify what this document is please.

9 A. (Baumann) This document contained a short summary
10 testimony, under my name, that presented the initial
11 proposed Stranded Cost Recovery Charge rate that would
12 be effective on July 1, 2012. Within -- attached to
13 that testimony are the calculations that support the
14 originally proposed rate, or the initial rate of 1.94
15 cents per kilowatt-hour for the Stranded Cost Charge.

16 Q. Was this testimony prepared by you or under your
17 direction?

18 A. (Baumann) Yes.

19 Q. Do you have any corrections to your testimony today?

20 A. (Baumann) No.

21 Q. If I were to ask you the questions that are contained
22 in this testimony, would your answers be the same?

23 A. (Baumann) Yes.

24 Q. Would you give a brief summary of that prefiled

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1 testimony.

2 A. (Baumann) Excuse me?

3 Q. Would you give a brief summary of the prefiled
4 testimony, in terms of what the Company's request was
5 in that testimony?

6 A. (Baumann) Certainly. The Company requested an increase
7 in the current SCRC rate, which is 1.23 cents, to the
8 preliminary rate of 1. -- 1.94. Thank you, Mr. Hall.
9 And, the main reason for that increase is associated
10 with additional overmarket costs related to five new
11 independent wood-fired plants that were not part of the
12 rate in January through June, but will now be -- we're
13 proposing to be part of the rate for July through
14 December. Those rates were approved in a Commission
15 order in December, actually, the order really didn't
16 get finalized until January 2012, and that's why we
17 didn't have it in the rates beginning January 1st,
18 2012. So, within the calculation of the increase that
19 we're asking for is what I will call a "continuing
20 level" of those IPPs, the above-market piece, as well
21 as an under recovery portion for parts of January
22 through June of 2012.

23 Q. Do you have before you the document that was marked for
24 identification as "Exhibit 4"?

[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) Yes, I do.

2 Q. Would you describe what that document contains.

3 A. (Baumann) This document is really an update to the May
4 2nd Exhibit 3 rate document. And, what it does is, it
5 presents workpapers associated with the 1.88 cents per
6 kilowatt-hour SCRC -- SCRC rate that we are proposing
7 to be effective July 1, 2012. It's a slight decrease
8 from the initial rate as filed, primarily due to slight
9 variations in the above-market IPP costs, which reflect
10 a slight variation in market prices. That is a rate
11 that we are proposing today. And, again, it's higher
12 than the current rate of 1.23 cents, for the same
13 reasons as I mentioned previously.

14 MS. KNOWLTON: Thank you. I have two
15 more exhibits that I propose to mark for identification.
16 The first would be "Exhibit 5", which is the rate impact
17 of the proposed rate of this and other rate changes that
18 the Company are proposing in this docket, as well as DE
19 11-215, and then the Transmission Cost Adjustment
20 Mechanism docket, and the step increase docket from the
21 distribution rate case.

22 (Atty. Knowlton distributing documents.)

23 MS. KNOWLTON: And, the second document,
24 which I propose to mark as "Exhibit 6", reflects a

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[WITNESS PANEL: Baumann~Hall]

1 percentage change in each rate component, as well as the
2 rate changes expressed as a percentage of the total
3 revenues for each class.

4 (Atty. Knowlton distributing documents.)

5 CHAIRMAN IGNATIUS: Have all of these
6 been shared with the parties today?

7 MS. KNOWLTON: Yes, they have.

8 CHAIRMAN IGNATIUS: So, we'll mark for
9 identification as "5" the three-page "Retail Revenue by
10 Rate Class and Unbundled Component". And, as "Exhibit 5",
11 the one-page -- actually, two-page --

12 CMSR. HARRINGTON: Six.

13 CMSR. SCOTT: Both sides.

14 CHAIRMAN IGNATIUS: Thank you. As "6",
15 the two-page "Percentage Change in each Rate Component"
16 document.

17 (The documents, as described, were
18 herewith marked as **Exhibit 5** and
19 **Exhibit 6**, respectively, for
20 identification.)

21 BY MS. KNOWLTON:

22 Q. Mr. Hall, I'll turn to you now. Would you please state
23 your full name for the record?

24 A. (Hall) Stephen R. Hall.

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[WITNESS PANEL: Baumann~Hall]

1 Q. By whom are you employed?

2 A. (Hall) Public Service of New Hampshire.

3 Q. In what capacity?

4 A. (Hall) Rate and Regulatory Services Manager.

5 Q. And, what do your job duties entail?

6 A. (Hall) I'm responsible for docket management, tariff,
7 and rate administration, and pricing.

8 Q. Are you familiar with the Stranded Cost Recovery Charge
9 rate change that's been requested in this docket?

10 A. (Hall) Yes.

11 Q. And, do you have before you what's been marked for
12 identification as "Exhibits 5" and "6"?

13 A. (Hall) Yes, I do.

14 Q. Were these prepared by you or under your direction?

15 A. (Hall) Yes, they were.

16 Q. Would you please, let's start with Exhibit 5, would you
17 walk the Commission through what this document
18 reflects.

19 A. (Hall) Certainly. Exhibit 5 is a three-page exhibit.
20 The first page shows overall average rate level
21 expressed in cents per kilowatt-hour, by class, and by
22 rate component. "Rate component" being distribution,
23 transmission, stranded costs, and so on. And, what the
24 first page represents is today's rate level. The rates

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[WITNESS PANEL: Baumann~Hall]

1 that took effect on April 16, 2012. If you turn to the
2 next page of this exhibit, it's a similar table,
3 showing rates by rate class and rate component, but the
4 cents per kilowatt-hour amounts appearing in the table
5 are for the proposed rate levels for effect July 1,
6 2012. And, those proposals are in the step increase
7 docket, DE 12-110, which is the column that says
8 "distribution"; the TCAM docket, and I don't recall the
9 docket number of that offhand; this docket, which is a
10 Stranded Cost Recovery Charge docket; and the Energy
11 Service docket, which we'll be talking about this
12 afternoon. So, this page shows all of those proposed
13 rate levels by rate class and rate component, for
14 effect July 1st. The third page of this exhibit is
15 simply the difference between the amounts on Pages 1
16 and 2.

17 Q. So, can you just, for the Stranded Cost Recovery Charge
18 that we're here for this morning, --

19 A. (Hall) Yes. Sure.

20 Q. -- can you start with, just go through those pages and
21 indicate, you know, what those -- the proposed rate is,
22 what the current rate is, and then just show us that
23 change?

24 A. Yes. If you look at the bottom, on Page 1, at the

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[WITNESS PANEL: Baumann~Hall]

1 bottom of the column that's titled "SCRC", you see a
2 "Total Retail" line item that says "1.23 cents" per
3 kilowatt-hour. And, that is the overall average
4 Stranded Cost Recovery Charge rate level that's current
5 currently being billed. Similarly, if you look at Page
6 2, bottom line, under "Total Retail", in the column
7 headed -- titled "SCRC", you see an amount of "1.879
8 cents" per kilowatt-hour. Mr. Baumann referred to a
9 rate of 1. -- an overall average rate of "1.88 cents",
10 because of rounding, it's 1/1,000th of a cent lower.
11 And, that 1.879 cents is what PSNH is proposing for an
12 overall average SCRC rate for effect July 1, 2010
13 [2012?]. And, similarly, the third page shows the
14 difference between the 1.879 that we're proposing, and
15 the 1.23 cents that's currently in effect, or an
16 average change of 0.649 cents per kilowatt-hour.

17 MS. KNOWLTON: The Company has no
18 further questions for the witnesses and would make them
19 available for cross-examination. I'm sorry?

20 WITNESS HALL: Exhibit 6?

21 MS. KNOWLTON: Oh. Thank you, Mr. Hall.
22 I'm going too fast here. Exhibit 6, thank you.

23 BY MS. KNOWLTON:

24 Q. Was that document prepared by you or under your

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1 direction?

2 A. (Hall) Yes, it was.

3 Q. And, would you describe for the Commission what that
4 document contains?

5 A. (Hall) Sure. Exhibit 6 is a comparison in percentage
6 amounts of the rate changes that are expressed on Pages
7 1, 2, and 3 of Exhibit 5. And, what Exhibit 6 provides
8 is average change in percentage terms of each of those
9 proposed rate changes, for distribution, transmission,
10 stranded costs, and Energy Service.

11 The front page of Exhibit 6 shows the
12 percent change in each rate component. So, if I look
13 at "Residential Rate R", under "SCRC", it shows an
14 increase of "52.83 percent". That's the percent
15 increase in the average Stranded Cost Recovery Charge
16 portion of residential rates.

17 Q. And, can I stop you and ask you a question actually
18 there? Why is there a difference in the percentage
19 change by customer class?

20 A. (Hall) Because the costs are allocated to customer
21 classes on a pro rata basis, and then we apply rate
22 design, using test year billing determinants from our
23 last rate case. Larger customer classes are billed not
24 just on a cents per kilowatt-hour basis, but on both

[WITNESS PANEL: Baumann~Hall]

1 cents per kilowatt-hour and dollars per kilowatt, their
2 demand charges. And, because of the rate design that
3 we used, there will be some slight differences class by
4 class in the percent changes.

5 Q. Thank you. And, if you would now turn to the back side
6 of Exhibit 6 and walk through that.

7 A. (Hall) Sure. If you look at the back side of the
8 exhibit, and using the same line and column that I
9 referred to earlier, "Residential Rate R", under
10 "SCRC", you see a "3.96 percent" change. What that
11 means is, the SCRC rate change for the Residential
12 class that we're proposing, would result in a
13 3.96 percent overall rate change for that class. So,
14 the front is the change in the individual rate
15 component, the back side of the exhibit, the
16 percentages are changes in overall rate level for the
17 class. And, that's the only difference between them.

18 CHAIRMAN IGNATIUS: Before we go on, I
19 didn't get that.

20 WITNESS HALL: Okay.

21 CMSR. HARRINGTON: Makes two of us.

22 CHAIRMAN IGNATIUS: The difference
23 between the heading, on the second page, says it's a
24 "Percentage of Total Revenue for Each Class", --

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[WITNESS PANEL: Baumann~Hall]

1 WITNESS HALL: Maybe if I can walk
2 through an example, it might be easier.

3 CHAIRMAN IGNATIUS: Why don't you do it
4 again, that would be helpful. Thank you.

5 WITNESS HALL: Let's look at the bottom
6 line, "Total Retail" on the front of -- front page of
7 Exhibit 6. And, let's look at the "SCRC" column. You see
8 a total retail rate change of "52.79 percent". That's the
9 percent change in going from the average Stranded Cost
10 Recovery Charge of 1.23 cents, to the level that PSNH is
11 proposing of 1.88 cents. It's a little over a 50 percent
12 increase. Okay?

13 If you look at the back page of Exhibit
14 6, under "Total Retail", you see a "4.17 percent" change.
15 Going back to Exhibit 5, Page 3, you can see the cents per
16 kilowatt-hour change for stranded costs, under "Total
17 Retail", is 0.649 cents.

18 CMSR. HARRINGTON: Excuse me. When you
19 say "Page 3", you're referring just to the last page,
20 because there are different pages --

21 WITNESS HALL: Of Exhibit 5.

22 CMSR. HARRINGTON: Because these are
23 Page 4 of --

24 WITNESS HALL: Yes.

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[WITNESS PANEL: Baumann~Hall]

1 CMSR. HARRINGTON: Yes.

2 WITNESS HALL: It's paginated "Page 6 of
3 9".

4 CMSR. HARRINGTON: Okay.

5 WITNESS HALL: These are pages from a
6 spreadsheet. We didn't print out all of the pages. The
7 third page of Exhibit 5 is paginated "6 of 9". That 0.649
8 cents per kilowatt-hour, if you divide it by the -- you
9 divide that by the "Total Retail" line item on the front,
10 on the first page of Exhibit 5, far right-hand column,
11 "Total Revenue". I'm taking the 0.649 cent SCRC rate
12 change. I'm dividing it by 15.578 cents overall revenue
13 level. That results in a 4.17 percent change in overall
14 revenue level as a result of the SCRC rate change.

15 CMSR. HARRINGTON: So, if I get this
16 straight then, on Exhibit 6, on the bottom, where it says
17 "Total Retail", and you go to that "SCRC", "4.17". That's
18 the percentage increase of total revenue that the SCRC
19 increase caused?

20 WITNESS HALL: Yes, sir.

21 CMSR. HARRINGTON: All right. Now, I
22 understand. Thank you. Good explanation.

23 MS. KNOWLTON: The Company will now make
24 its witnesses available for cross-examination.

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[WITNESS PANEL: Baumann~Hall]

1 CHAIRMAN IGNATIUS: Ms. Hollenberg.

2 MS. HOLLENBERG: Thank you. Just one
3 question, Mr. Baumann.

4 **CROSS-EXAMINATION**

5 BY MS. HOLLENBERG:

6 Q. In calculating the stranded cost for this docket, or
7 the update for this docket, did the Company do anything
8 different than it's done in the past, in terms of the
9 calculations? Are there any changes in the
10 methodology?

11 A. (Baumann) No. There's no changes in the methodology.

12 MS. HOLLENBERG: No other questions.
13 Thank you.

14 CHAIRMAN IGNATIUS: Thank you. Ms.
15 Amidon.

16 MS. AMIDON: Thank you. With your
17 permission, I'd like to ask Mr. Mullen to conduct the
18 cross-examination.

19 CHAIRMAN IGNATIUS: That's fine.

20 MR. MULLEN: Good morning.

21 WITNESS BAUMANN: Good morning.

22 WITNESS HALL: Good morning.

23 BY MR. MULLEN:

24 Q. I think I'll talk a little about the future, and then

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[WITNESS PANEL: Baumann~Hall]

1 I'll go back in time. Mr. Baumann, you stated earlier
2 that the major reason for the proposed increase to the
3 Stranded Cost Charge relates to costs associated with
4 certain wood IPP contracts?

5 A. (Baumann) Yes. That's correct.

6 Q. And, how are those costs of those contracts currently
7 recovered in? Which rate components?

8 A. (Baumann) Well, the market costs associated with those
9 contracts, which are above market, the market cost is
10 recovered through the Energy Service charge and the
11 above-market costs are recovered here in the Stranded
12 Cost Recovery Charge.

13 Q. So, as changes in market prices happen, changes in the
14 level of those costs that are included in the Stranded
15 Cost Charge also change?

16 A. (Baumann) Yes.

17 Q. And, do you know when some of those end, those
18 contracts?

19 A. (Baumann) Well, the five that we're talking about, and
20 there is a sixth, but the five that we're talking about
21 are roughly 20-month contracts. So, I always think of
22 them as beginning in 2012, in the first part of 2012,
23 and ending somewhere in the end of 2013. I know there
24 is one other, I think it's the Springfield contract,

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[WITNESS PANEL: Baumann~Hall]

1 that will begin a little later. It's -- I don't think
2 it's quite as large as the other ones, but that will
3 also be about a 20-month contract as well. But,
4 primarily, they're impacting the rates in 2012 and
5 2013, the SCRC rates.

6 Q. I think you said there were "five", there's "five now
7 and there would be a sixth." Could I suggest that
8 maybe there's four, and then a fifth, that Springfield
9 would be the fifth one?

10 A. (Baumann) That sounds correct, yes.

11 Q. Okay. And, were some of them -- some of them are going
12 to end in May of 2013, is that correct?

13 A. (Baumann) Yes.

14 Q. So, when those end, we would expect to see a
15 corresponding decrease to the Stranded Cost Charge, all
16 else equal?

17 A. (Baumann) Yes.

18 Q. And, what's happening with Part 1 of the Stranded Cost
19 Charge in 2013?

20 A. (Baumann) Well, about midyear, in 2013, the Part 1
21 stranded costs, which is associated with Rate Reduction
22 Bonds, will cease. The Rate Reduction Bonds will be
23 paid in full, and there will be added pressure to
24 reduce the SCRC rate, or whatever you want to call it,

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1 in the midyear of 2013.

2 Q. Do you know, off the top of your head, about how much
3 of the SCRC rate is represented by Part 1 costs?

4 A. (Baumann) Yes. Let me give you a little summary,
5 because I have my little summary sheet here. Right
6 now, we're requesting about 1.9 cents, which is 1.88,
7 but I'm going to round these things so we don't get
8 lost in the numbers. In that 1.9 cents there is about
9 three quarters of a cent associated with the Rate
10 Reduction Bonds. And, then, there is also about
11 six-tenths of a cent associated with the IPPs. What
12 complicates the IPPs is that about half of that 0.6
13 cents is the under recovery incurred in the first six
14 months of this year, because they weren't in rates, and
15 the other three mills, or three-tenths of a cent, are
16 associated with the ongoing above-market costs for the
17 IPPs.

18 So, if you would look at the rate today
19 that we're proposing, which is approximately 1.9 cents,
20 1.88 to be exact. That 1.9 cent rate would be dropping
21 in the middle of next year, 2013, by about half of the
22 three quarters of a cent drop for Rate Reduction Bonds,
23 because you're going to have a half a year's worth of
24 impact, because Rate Reduction Bonds will be in effect

[WITNESS PANEL: Baumann~Hall]

1 for the first half of 2013. And, it would also drop in
2 2013, because the under recovery that we're proposing
3 to put in for the next six months will drop, will go
4 away next year.

5 So, to kind of summarize that whole
6 mess, if you have about a 1.9 cent ES -- or, SCRC rate
7 today, about 0.3 of it will drop associated with the
8 under recovery of 2012, that will be collected in 2012,
9 and about roughly, I'll round up, 0.4 for the RRBs for
10 2013. It's about three quarters of a cent. So, half
11 of 0.75, I'll just round it to 0.4. So, really, you're
12 looking at a 1.9 rate, minus the 0.3 under recovery,
13 minus about half of the RRB impact for the year, which
14 is about 0.4. Which would yield an SCRC rate of about
15 1.2 cents, overall, on average, for 2013. And, that's
16 assuming, when we propose 2013 rates, that we would
17 spread the decrease, that doesn't happen until midyear
18 of 2013, then we'd spread that RRB reduction throughout
19 the whole year. And, I would say, probably, I mean,
20 that has been our proposals in the past, when we've had
21 midyear changes in costs, up and down. And, I would
22 presume that might be the way we'd go. Certainly, that
23 hasn't been decided by those above us, but seem to be
24 the way to go. So, the rate in 2013 would be more on

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[WITNESS PANEL: Baumann~Hall]

1 average than the 1.2 cent category. Now, as you got
2 into 2014, the woods would start to drop off, these
3 five woods. And, your get a full impact of the rate
4 reduction bonds in 2014, because I only took half for
5 '13. And, that would -- that would be another
6 three-tenths of a cent for the woods, dropping off
7 roughly, and another three-tenths of a cent for the
8 woods dropping off roughly, and another three-tenths of
9 a cent for the SCR -- or, for the RRB reduction. So,
10 that would drop you down, in 2014, somewhere in about a
11 0.6 range, give or take, 0.6 cents for the SCRC.

12 Q. So, if I could summarize what you just said, based on
13 what we know today, while there be -- while you're
14 proposing an increase for the next six months of 2012,
15 going forward, there's some light at the end of the
16 tunnel, in terms of the Stranded Cost rate and where
17 it's headed?

18 A. (Baumann) Yes.

19 Q. If you turn to Exhibit 4, which is the June update, and
20 I'm looking at "Attachment RAB-1, Page 1 of 7".

21 A. (Baumann) I'm there.

22 Q. If I look at Line 6, am I correct that that's an
23 approximate \$26 million undercollection that you
24 propose to include in this rate?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) Yes.

2 Q. And, that's 100 percent of the undercollection,
3 correct?

4 A. (Baumann) Yes.

5 Q. And, going back to when the Commission first decided to
6 go to midyear reviews of the Stranded Cost and Energy
7 Service rate, what would you say is the main reason for
8 doing that?

9 A. (Baumann) Probably for recognition that costs are
10 incurred, you try to collect your costs as close to
11 being incurred from customers. So, you try to match,
12 match the recoveries with the costs, in terms of the
13 timing of when they're incurred.

14 Q. I think -- do you think that implementing a midyear
15 review was also to help mitigate the size of any over
16 or undercollections that could occur during the year?

17 A. (Baumann) Well, yes. And, that would certainly be a
18 secondary reason why you would necessarily take an
19 under or over recovery and collect it. That's always
20 kind of our secondary consideration. And, the first
21 consideration, obviously, is the matching principal of
22 cost causation with the customers who are served from
23 that cost. But, certainly, as a -- very important is
24 the -- what I'll call the "rate impacts" and the "rate

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1 path" which those costs might project.

2 Q. As part of that "matching principle" you just
3 mentioned, do you think part of -- or, a focus of the
4 midyear reviews is also to try to get over and you
5 undercollections as close to zero as possible at the
6 end of the year?

7 A. (Baumann) Yes, that's been one of the goals, if you
8 will, by rolling them all in on a six-month basis or a
9 midyear basis, in your question.

10 Q. Bear with me just a second here.

11 A. (Baumann) Could I just add one thing for clarity?

12 Q. Sure.

13 A. (Baumann) Ask my own question. If you go back to
14 RAB-1, Page 1 of 7, and at the end of Line 6, you
15 referred to is about a \$26 million under recovery.
16 About 11 million of that is associated with the first
17 six months of the year, when the rate wasn't in effect.
18 The way this rate calculates is it then puts in the
19 next six months of the year costs. So, that's a
20 projected under recovery at the end of the year in
21 2012. But we're only -- a little less than half there,
22 which is associated with the new woods.

23 Of that 26 million, over 23 million of
24 it is associated with the woods. So, without these

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1 woods, we would have had a pretty small under recovery.

2 So, I don't want people to think -- I
3 look at that "26 million" as matching the last six
4 months' costs, which are over half of that, but it also
5 includes about 11 million of under recoveries for the
6 previous amounts that we just didn't have in the rates,
7 because they weren't approved yet. So, I don't think
8 we're out of match on that total 26. We're only out of
9 match on about 11 million of it. Just to be clear.

10 Q. Okay. Now, turning to Exhibit 5. Either of you can
11 address this. Looking at the first page of Exhibit 5,
12 in the "SCRC" column, there was a discussion earlier
13 about the overall average SCRC rate of "1.23 cents".
14 Do you see that?

15 A. (Hall) I do.

16 Q. And, then, following Mr. Baumann's discussion earlier
17 about estimated changes to be expected in 2013 to the
18 SCRC rate, would I be correct to say that, adding those
19 in my head, or subtracting them in my head, that, all
20 else being equal, for 2013, we might be looking at a
21 rate that's just about where it is today?

22 A. (Baumann) Yes.

23 A. (Witness Hall nodding in the affirmative).

24 Q. So, in the interim, what we'd see is this little over

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[WITNESS PANEL: Baumann~Hall]

1 0.6 cent on average increase to the SCRC rate for the
2 remainder of 2012?

3 A. (Baumann) Correct. As proposed.

4 MR. MULLEN: Thank you. I have nothing
5 further.

6 CHAIRMAN IGNATIUS: Thank you.
7 Commissioner Harrington, questions?

8 CMSR. HARRINGTON: Yes. Good morning.

9 WITNESS BAUMANN: Good morning.

10 CMSR. HARRINGTON: Not too many.

11 BY CMSR. HARRINGTON:

12 Q. I couldn't quite follow all your logic there when you
13 were going back and forth with Mr. Mullen, so I'll
14 probably end up re-asking a couple of the questions.
15 But, starting out with, you said in your testimony that
16 the majority of the increase that was originally
17 proposed and then subsequently changed slightly, it
18 comes out to 0.65 cents per kilowatt-hour is due to the
19 wood-burning power plants' PPAs, is that correct?

20 A. (Baumann) Yes, it is.

21 Q. Can you quantify that a little bit more accurately? I
22 mean, is it 60.6 of that or is it, you know, does that
23 make up 75 percent of the increase? One hundred
24 percent? Just to get some idea. You said "mostly

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[WITNESS PANEL: Baumann~Hall]

- 1 due".
- 2 A. (Baumann) Sure. I can show you the exact numbers.
- 3 Q. Okay.
- 4 A. (Baumann) There's only a couple. If you turn to RAB-1,
- 5 Page 7, --
- 6 Q. Of which exhibit?
- 7 A. (Baumann) -- in Exhibit 4.
- 8 Q. Exhibit 4. So, this is not "1 of 7", but just plain
- 9 old "7"?
- 10 A. (Baumann) Yes. It's Page 7, Attachment RAB-1.
- 11 Q. Okay. So, it's the last page?
- 12 A. (Baumann) Yes. Sorry. And, if you look at the final
- 13 column, at Line 7, "Above Market Wood", --
- 14 Q. The 23?
- 15 A. (Baumann) 23.2.
- 16 Q. Uh-huh.
- 17 A. (Baumann) That's primarily the new woods, the new five
- 18 woods.
- 19 Q. And, how much -- I guess what I'm trying to figure out
- 20 is of that 0.65 cents per kilowatt-hour increase, --
- 21 A. (Baumann) Right.
- 22 Q. -- how much does that 23 million, how does that
- 23 translate into that?
- 24 A. (Baumann) Okay. If you take that 23.3 million, and you

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- 1 go over to Page 1 of 7, and you look at Line 6, Line 6
2 calculates the 0.65 change, which is on Line 8 --
- 3 Q. Excuse me. Slow down just a second.
- 4 A. (Baumann) I'm sorry.
- 5 Q. 1 of 7 on RAB-1, is this --
- 6 A. (Baumann) Yes.
- 7 Q. -- the "2012 SCRC Rate Calculation"?
- 8 A. (Baumann) Correct.
- 9 Q. Okay. And, Line 6 is "Total SCRC under/(over)
10 recovery"?
- 11 A. (Baumann) Right.
- 12 Q. Okay. And, that's the "25,668"?
- 13 A. (Baumann) Right.
- 14 Q. Okay.
- 15 A. (Baumann) 23.3 of that is the IPP that we just looked
16 at from Page 7.
- 17 Q. So, the ratios of those two figures would give me the
18 percentage of the increase that's due to the wood PPAs?
- 19 A. (Baumann) Right.
- 20 Q. Okay. That answers that question. Thank you. And, in
21 response to Mr. Mullen's question, I was just trying to
22 follow the -- you were going here. The wood plants are
23 due to expire, those contracts, sometime in 2013?
- 24 A. (Baumann) That's correct. On average, that's the

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1 20-month window.

2 Q. Okay.

3 A. (Baumann) They began in the early part of '12, and they
4 will run into mid 2013.

5 Q. And, is it because that they run part of the year, that
6 when you were talking about the rates in 2013, they
7 don't go down to represent seemly something from the
8 Rate Reduction Bonds, and then the total amount of the
9 wood, because if they're part of the year for the wood?

10 A. (Baumann) Well, yes, the above-market contracts/
11 agreements run out in the middle of 2013, and then they
12 just become regular generators at market.

13 Q. And, those contracts seem to be tied to market rates.
14 So, as the market rates go down, do the payments go up?

15 A. (Baumann) It's my understanding that the payments are
16 fixed, and that, if the market rates were to go down
17 during the term of the payments, your Energy Service
18 costs would go down slightly, because they're at
19 market, but your above-market would go up.

20 Q. Oh, I see.

21 A. (Baumann) But your total costs would not change.

22 CMSR. HARRINGTON: All right. Thank
23 you. That's all I have.

24 WITNESS BAUMANN: You're welcome.

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[WITNESS PANEL: Baumann~Hall]

1 CHAIRMAN IGNATIUS: Commissioner Scott.

2 CMSR. SCOTT: Good morning.

3 WITNESS BAUMANN: Good morning.

4 BY CMSR. SCOTT:

5 Q. Maybe you can educate me a little bit here. So, in
6 your discussions with Mr. Mullen, it was nice to hear
7 that, with the contracts for the IPPs going away, what
8 I heard was the projection was the SCRC would go down a
9 little bit in 2013, down further in 2014, correct?

10 A. (Baumann) That's correct.

11 Q. So, I'm trying to tie that with your undercollection,
12 the desire to have that done all in one lump, not
13 spread out, but done at once, correct?

14 A. (Baumann) Yes. The existing under recovery today is
15 about 11 million. And, you can actually -- you can
16 actually see that on Page 6 of that same exhibit we
17 were referring to, RAB-1, Page 6. If you look at Line
18 7, all the way over to the right, "10.853 million"?

19 Q. Yes.

20 A. (Baumann) That's the under recovery, when I say
21 "today", at the end of June of this year. And, then,
22 on Page 7, is again the continuing over recovered costs
23 of those IPP woods, and the total we were referring to
24 before was the "23.276". So, that's what I'll call a

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1 "continuing level of current costs".

2 So, what we have asked is that we
3 collect that 10.853 million over the next six months,
4 to, for lack of a better word, play "catch-up" on that
5 recovery. And, then, the remaining of -- the remaining
6 piece of that 23.3 million will be recovered on what
7 I'll call a "current basis", matching current costs
8 with the current bills.

9 Q. Well, my question is, and I can understand that, and
10 that makes sense. I just, given that the projection
11 for the stranded cost rate recovery are to be steadily
12 coming down, would there be some benefit or logic to
13 spreading the undercollection out, given that the SCRC
14 is going to be going down, so it would kind of level it
15 out, if you will?

16 A. (Baumann) Yes, I think there would be a lot of logic to
17 do that. We actually kind of discussed it internally,
18 when we were putting all these rates together, it's
19 kind of a flurry at the end, when you have all the
20 different rates going up and down all around. We have
21 proposed mitigation, which we'll talk about in the next
22 hearing, in the Energy Service rate. We've proposed
23 some type of smoothing in the Scrubber docket, which we
24 will hear on Thursday. This just didn't rise to as

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1 high a level of costs, so we just decided to look at
2 those two. But, if you were to include this rate in
3 there as well, the Company would have no objection to
4 that. It would be very reasonable.

5 CMSR. SCOTT: Okay. Thank you.

6 CHAIRMAN IGNATIUS: I have a few other
7 questions.

8 BY CHAIRMAN IGNATIUS:

9 Q. In looking at the updates from the original proposal
10 and today, your forecasted sales amount has gone up in
11 the updated amount, updated chart. Looking at your
12 RAB-1, Page 1, in the update, Exhibit 4, is higher.
13 Why is that?

14 A. (Baumann) Commissioner, I'm not really sure. I'm
15 assuming we might have had a different forecast deck.
16 It may have been a revision. That's subject to check,
17 but --

18 Q. All right. You're not aware of any particular uptick
19 in sales or something related to the economy or
20 anything else that would easily explain that?

21 A. (Baumann) No, I'm not. I mean, it's -- Mr. Hall is
22 informing me, it's seven-tenths of one percent. But it
23 certainly is an uptick. And, you know, I'd be glad to
24 look into that and see why that went up. I'm

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1 speculating, we may have had a more current forecast
2 deck that we used --

3 Q. All right.

4 A. (Baumann) -- in the update. We try to update, you
5 know, with whatever is most current.

6 MS. KNOWLTON: Commissioner Ignatius,
7 Mr. White is here, and that may be a question that he
8 could address. If you would like to have him sworn in,
9 we'd be glad to do that.

10 CHAIRMAN IGNATIUS: I guess it's a
11 question of magnitudes. To me, it looks like a big
12 number, because it's almost 30,000 increase. But, if it's
13 -- if the math works out to, what did you say, something
14 pretty --

15 WITNESS HALL: Seven-tenths.

16 WITNESS BAUMANN: Seven-tenths.

17 WITNESS HALL: Seven-tenths of a
18 percent.

19 CHAIRMAN IGNATIUS: Seven-tenths of a
20 percent, I think I'm willing to let it go.

21 MS. KNOWLTON: My understanding is is
22 that it is what Mr. Baumann says, that it was an update to
23 the forecast. That there was not any particular driver
24 event that was driving it, just the forecast was updated.

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1 CHAIRMAN IGNATIUS: All right. That's
2 fine.

3 BY CHAIRMAN IGNATIUS:

4 Q. Also, there's reference on a couple of the exhibits, I
5 think if you look at the new 5 and 6, they both state
6 that it's "assumed that all customers are receiving
7 service under the Energy Service rate." And, I
8 understand, for the distribution, transmission, SCRC,
9 those are all on distribution charges and have no
10 relation to what sort of service you're taking. But,
11 if the -- are there any of the components that are
12 based on the actual volume of sales from Energy Service
13 in ways in which that my not accurately reflect the
14 reality of what they were taking, who they're taking
15 their service from?

16 A. (Hall) I think the answer to your question is "yes".
17 But maybe the best way to answer it is so that I can
18 explain why we make this assumption. If you look at
19 Exhibit 6, the first page, the "Percentage Change in
20 each Rate Component", it's pretty straightforward. You
21 look at distribution alone, you calculate the percent
22 change, transmission, stranded costs, and so on.

23 But, if you want to look at or get an
24 idea of total overall rate impact or bill impact, you

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1 have to make some assumption with regard to "how much
2 is a customer paying for energy?", because energy is
3 the largest component of a bill. We don't have readily
4 available data on what everyone is paying for energy.
5 So, the simplifying assumption we make is we simply
6 plug in PSNH's Energy Service rate into that equation,
7 and that's used to calculate the percentages on the
8 second page, on the back page of Exhibit 6. And,
9 that's the only reason we do it, is to try to give the
10 Commission a rough idea of the percent change in
11 overall bill amounts for each rate component change.
12 Other than using the Energy Service rate, we don't know
13 what that would be. We'd have to -- we would have to
14 get information on what each customer is paying for
15 energy, plug that into the equation, and come up with a
16 revised number. And, we don't have that information.
17 Or, at least it's not readily available.

18 Q. So, for those, let's say, Residential Rate R customers
19 who are on Energy Service, they, if all of these things
20 went in as proposed, they would see a 1.49 percent
21 increase to their overall bill?

22 A. (Hall) Yes.

23 Q. And, to those Residential Rate R customers who have
24 migrated to an alternate supplier, they would see

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[WITNESS PANEL: Baumann~Hall]

1 something different from that, because you don't know
2 what their energy service -- what their equivalent
3 energy service rate is?

4 A. (Hall) Yes. And, if their energy service rate from a
5 competitive supplier is lower than PSNH's Energy
6 Service rate, the percent change amounts will be
7 higher, and vice versa, if the reverse holds.

8 CHAIRMAN IGNATIUS: All right. I think
9 that covers my concerns. Thank you.

10 CMSR. HARRINGTON: I just -- I had one
11 follow-up question I just wanted to ask. Would it be
12 appropriate to ask about the May 16th, 2012 filing? This
13 was a filing for both dockets, DE 11-217 and DE 11-215. I
14 don't know if --

15 CHAIRMAN IGNATIUS: This is the
16 quarterly filing, updating SCRC and Energy Service
17 revenues and expenses.

18 CMSR. HARRINGTON: It's dated "May 16th,
19 2012".

20 MS. KNOWLTON: We're just going to see
21 if we have a copy of that with us. May I approach the
22 witnesses and just give them a copy of that?

23 CHAIRMAN IGNATIUS: Please.

24 (Atty. Knowlton handing document to the

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1 witnesses.)

2 BY CMSR. HARRINGTON:

3 Q. This is just sort of an information question, more than
4 anything else. So, in that document, if you look
5 through to -- it's not paginated, but starting on Page
6 9a, 9b, *etcetera*, there's a series of charts there.
7 And, it shows "Public Service Company New Hampshire
8 2012 Energy Service and Stranded Cost Recovery
9 Reconciliation", and then it's different months in
10 there. Would it be accurate to say, looking at these,
11 under the column of "Energy Payment in cents per
12 kilowatt-hour", there's a huge disparity between what's
13 being paid. Where some clearly are at market rates,
14 the two and three cents, and others are well over that,
15 in the 12, sometimes 14, sometimes even 16. Are all
16 the ones that are in the double digits there, are those
17 the remaining QFs that we're still paying the over
18 market rate for?

19 A. (Hall) Yes.

20 Q. And, I don't, you know, I know you don't have an exact
21 number on this, but these are all scheduled to end
22 sometime, right?

23 A. (Hall) Yes. I believe there are one or two that go as
24 long as 2021 or something, or 2016. They have varying

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1 terms. They are either being paid under rate order
2 issued by the Commission or under contract. I think
3 most of them are under rate order.

4 Q. And, these are the leftover from the QF days from the
5 Jimmy Carter legacy, I guess?

6 A. (Hall) Yes.

7 CMSR. HARRINGTON: All right. I just
8 wanted to make sure I was reading that correctly. Thank
9 you.

10 BY CHAIRMAN IGNATIUS:

11 Q. Well, is that fair to say they're "leftover from back
12 when Mr. Carter was President"? Aren't some more
13 recently --

14 CMSR. HARRINGTON: Well, I think the
15 program was the QF, that's when it was started.

16 **BY THE WITNESS:**

17 A. (Hall) Most of these are legacy contracts. I was
18 looking for the five wood deals that we just approved.
19 They may be listed elsewhere.

20 A. (Baumann) Yes. I think they're found -- well, the
21 detail we've been looking at on Page 6.

22 BY CHAIRMAN IGNATIUS:

23 Q. I'm sorry, Page 6 of which?

24 A. (Baumann) I'm sorry. We were looking at the

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1 incremental costs associated with the new woods. But
2 I'm not sure they're listed there in detail.

3 BY CMSR. HARRINGTON:

4 Q. But I guess my question, maybe we can just end this up,
5 is that these ones that are substantially above market
6 rates are all some type of a contract or a rate set by
7 the Commission that are scheduled to expire over the
8 next few years?

9 A. (Baumann) Yes.

10 A. (Hall) Yes.

11 CMSR. HARRINGTON: That's what I was
12 trying to get to. Thank you.

13 WITNESS HALL: They have been around
14 awhile.

15 CMSR. HARRINGTON: Yes.

16 WITNESS HALL: I can tell you that, when
17 these first came out, I was able to actually read this
18 sheet.

19 WITNESS BAUMANN: Well, that was a long
20 time ago.

21 CHAIRMAN IGNATIUS: All right. Thank
22 you.

23 CMSR. HARRINGTON: That's all I have.

24 CHAIRMAN IGNATIUS: I don't think we

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[WITNESS PANEL: Baumann~Hall]

1 need to make that an exhibit. It's in the file as just
2 quarterly reporting that comes in. Is there any redirect?

3 MS. KNOWLTON: I have one question for
4 Mr. Baumann. Just a clarification question.

5 **REDIRECT EXAMINATION**

6 BY MS. KNOWLTON:

7 Q. I thought I heard you say -- you referred to a
8 "Scrubber", you referred to something in the Scrubber
9 docket being considered later this week. And, I just
10 wanted to clarify, I don't think that we have a
11 Scrubber proceeding later this week. We have a TCAM of
12 the Transmission Cost Adjustment Mechanism proceeding
13 on Thursday, and we're doing Energy Service later
14 today. And, just wanted to clarify that with you, make
15 sure that --

16 A. (Baumann) You're right.

17 Q. -- there is something that I'm not missing, and the
18 record is clear?

19 CMSR. HARRINGTON: A lot of us would be
20 missing that.

21 WITNESS BAUMANN: I'm having my own
22 hearing.

23 (Laughter.)

24 **BY THE WITNESS:**

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1 A. (Baumann) You're correct. We filed testimony with some
2 Scrubber detail, I believe it was last Friday, for the
3 future Scrubber docket. The reason my brain tied it in
4 today is that we pulled one page of that testimony out,
5 which will be presented probably in about ten minutes,
6 in the next docket. So, I had "Scrubber" on my brain.

7 MS. KNOWLTON: Thank you. That was it.

8 WITNESS BAUMANN: Thank you.

9 CHAIRMAN IGNATIUS: All right. And,
10 anything further?

11 (No verbal response)

12 CHAIRMAN IGNATIUS: Then, is there any
13 objection to striking the identification and making the
14 documents full exhibits?

15 (No verbal response)

16 CHAIRMAN IGNATIUS: Seeing none, we'll
17 do that. And, opportunity for closings? Ms. Hollenberg.

18 MS. HOLLENBERG: One moment please.

19 (Short pause.)

20 MS. HOLLENBERG: The Office of Consumer
21 Advocate has no objection to the Company's proposed
22 Stranded Cost Recovery Charge. Thank you.

23 CHAIRMAN IGNATIUS: Thank you. Ms.
24 Amidon.

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1 MS. AMIDON: Thank you. The Staff has
2 reviewed the filing. And, the Company appropriately
3 calculated the proposed SCRC rate, and provided the
4 supporting detail for its calculation. So, we recommend
5 that the Commission approve the proposed average rate of
6 1.88 cents per kilowatt-hour for effect for July 1. And,
7 while we recognize it is an increase over the existing
8 rate, we do not -- we would prefer that the Commission
9 direct the Company to recover the undercollection and not
10 defer those costs. Thank you.

11 CHAIRMAN IGNATIUS: Thank you. Ms.
12 Knowlton.

13 MS. KNOWLTON: Thank you. The Company
14 requests that the Commission approve a new SCRC rate of
15 1.88 cents per kilowatt-hour effective July 1st, 2012. As
16 the Commission has heard, this rate was calculated
17 consistent with the methodology that's been used in the
18 past, and, as Mr. Baumann's testimony demonstrates,
19 consistent with all applicable legal requirements.

20 As you've heard, the rate increase is
21 largely due to the wood contracts, which the Commission
22 has previously reviewed and approved. So, given that the
23 rate has been calculated appropriately and it's reflective
24 of the costs, the Company asks that the Commission approve

1 it as proposed.

2 CHAIRMAN IGNATIUS: Thank you. We will
3 take it under advisement. I understand an order would be
4 needed for effect for July 1st, and we will make sure that
5 we meet our deadlines. Thank you. With that, this
6 hearing is closed.

7 (Whereupon the hearing ended at 11:10
8 a.m.)

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