

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DE 14-238

Public Service Company of New Hampshire
Determination Regarding PSNH's Generation Assets

TESTIMONY
OF
RICHARD CHAGNON

September 18, 2015



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1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Richard Chagnon. My business address is 21 South Fruit Street,
4 Suite 10, Concord, NH 03301.

5 Q. Please state your position.

6 A. I am employed as a Utility Analyst in the Electric Division of the New Hampshire
7 Public Utilities Commission (Commission).

8 Q. Please describe your professional and educational experience.

9 A. I started at the Commission in May of 2015 as a Utility Analyst in the Electric Division.
10 Before joining the Commission, I was employed at Public Service of New Hampshire
11 (PSNH) for 36 years. My most recent position at PSNH was Division Manager of the
12 Seacoast Northern Division for 4 years. In this position I was responsible for account
13 executives assigned to the largest commercial and industrial customers, community
14 relations manager assigned to towns and community outreach programs, operations
15 manager assigned to six area work centers throughout the division, and associated staff
16 and crews. My responsibilities also included budgets, goals, employee safety,
17 environmental, employee relations, customers, and company policies and procedures.
18 Prior to my position as Division Manager, I held the position of Manager of Human
19 Resources for 4 years. In this position, I was responsible for implementing company
20 policies, employee training, employee discipline/promotion, employee compensation,
21 staffing, and internal investigations for over 1,400 employees in New Hampshire. I also
22 oversaw labor relations and labor contracts. Prior to my position as Manager of Human
23 Relations, I held the position of Manager of Customer Systems & Training in the

1 Customer Services Division for 3 years. In this position, I was responsible for directing
2 the requirements of the customer information system (CIS) for billing customer accounts,
3 CIS analysts, large power billing system, and the customer call center and credit
4 department training team. The other positions I held prior to this were Account
5 Executive, Conservation & Load Program Administrator, Credit & Collections Analyst,
6 Credit & Collections Supervisor, Meter Reading Supervisor, Meter Reading Foreman,
7 Line Worker and Meter Reader.

8 I received a Bachelor of Science Degree from Franklin Pierce College in
9 Marketing.

10 **Q. Have you previously testified before the Commission?**

11 **A. No I have not.**

12 **Q. What is the purpose of your testimony?**

13 **A. My testimony will give the Commission additional information to consider when**
14 **reviewing the individual rate components which are proposed in the Settlement**
15 **Agreement (SA) for Stranded Cost Recovery Charge (SCRC) allocation to**
16 **PSNH's customer classes.**

1 Q. What are the individual rate components which are proposed in the SA for SCRC
2 allocation to PSNH's customer classes?

3 A. On page 10 of the SA the Settling Parties propose that the SCRC be allocated to PSNH's
4 customer rate classes in accordance with the following rate design:¹

5	Rate Class LG (large commercial/industrial)	5.75% of revenue requirement
6	Rate Class GV (medium commercial/industrial)	20.00% of revenue requirement
7	Rate Class G (small commercial/industrial)	25.00% of revenue requirement
8	Rate Class R (residential)	48.75% of revenue requirement
9	Rate Class OL (outdoor lighting)	0.50% of revenue requirement

10 Q. Please explain the reasoning of the Settling Parties proposed allocation of the SCRC
11 as outlined on page 10 of the SA.

12 A. The testimony submitted by Senator Bradley and Senator Feltes on July 10, 2015², states
13 their position concerning the proposed allocation of SCRC:

14 [W]e believe the rate design takes into account all PSNH customer classes
15 and fairly allocates the costs -- and the savings -- of divestiture.
16 Moreover, the proposed rate design helps with the ability to attract and
17 retain employment across industries. The proposed rate design mitigates
18 to a large extent the impact of the non-bypassable charge on large PSNH

¹ Note that some PSNH commercial/industrial customers have both LG and GV accounts due to metering, delivery voltage requirements, rate design, customer locations, and other factors. Also note that some customers have several GV accounts which, if combined, would be as large as a LG customer. Thus, the distinction between LG and GV, and the similar distinction between GV and G customers, are for reasons that may not be particularly relevant to this docket.

² See testimony of Senator Bradley & Senator Feltes dated July 10, 2015, Docket Nos. DE 11-250 & DE 14-238, page 12, line number 18.

1 distribution customers who purchase energy service from a competitive
2 energy supplier. By mitigating the impact on large users in the LG
3 customer class -- particularly manufacturers -- we help attract and retain
4 employment in the manufacturing sector. But by also allowing for some
5 customer savings in the smaller customer classes, like the Residential
6 class, we keep more money in people's pockets, promoting consumer
7 spending and reducing costs, which helps attract and retain jobs in retail
8 and other consumer-driven industries.

9 Further, in the testimony of Thomas C. Frantz on July 17, 2015³, he states the following
10 reasons for the proposed allocation of SCRC:

11 Historically, stranded costs were allocated on an equi-proportional basis
12 across the various rate classes, but that was pre-restructuring and before
13 retail choice. Because such small percentages of the largest customers,
14 those on Rate LG and Rate GV, are currently on PSNH default service,
15 very few of the largest customers are paying any costs of the Scrubber or
16 other PSNH generation-related costs. During the past few years, less than
17 20% of the Rate LG customers and only about 25% of Rate GV
18 customers, approximately, were on PSNH's default service rate. As a
19 result, for most large commercial and industrial customers, divestiture and
20 the creation of stranded costs assessed against all distribution customers
21 would result in added costs. In order to get these two customer group's
22 support for the settlement, their proportion of the overall stranded cost
23 burden had to be reduced. Further, because these two customer groups
24 provide significant benefits to the economy through employment
25 opportunities as well as the production of goods and services, the settling
26 parties reached an agreement to minimize to the extent possible the future
27 stranded costs imposed on these ratepayers. At the same time, the
28 Settlement Agreement balances the increased burden on small residential
29 customers with the increased rate savings they will experience following
30 divestiture.

³ See testimony of Thomas C. Frantz dated July 17, 2015, Docket Nos. DE 09-035, DE 11-250 & DE 14-238, page 11, Bates number 286.

1 **Q. How will the individual rate components which are proposed in the SA for SCRC**
2 **allocation to PSNH's customer classes be reflected in actual rates to each class of**
3 **customer?**

4 **A. According to the testimony of Eric Chung on July 6, 2015⁴, which begins with an**
5 **estimated stranded cost total of \$507,196,000 in the first year (2017), the revenue**
6 **requirement in the amount of \$69,419,000 would be applied to each customer rate class**
7 **in the following manner:**

8	Rate Class LG	0.3050 cents per kWh
9	Rate Class GV	0.8355 cents per kWh
10	Rate Class G	1.0124 cents per kWh
11	Rate Class R	1.0632 cents per kWh
12	Rate Class OL	0.8959 cents per kWh

13 **Q. How will the individual rate components which are proposed in the SA for SCRC**
14 **allocation to PSNH's customer rate classes as reflected in the above schedule**
15 **increase average bills for each rate class of customer?**

16 **A. Clearly the "average bill" in each customer rate class does not necessarily reflect a**
17 **"typical bill". However, in an effort to determine a potential average bill, Staff reviewed**
18 **the total kWhs for each customer class as reported by PSNH for the calendar year of**
19 **2014, divided these kWhs by the number of customers in each rate class, and then**
20 **divided this number by 12 to reflect an average customer monthly usage. Then Staff**

⁴ See testimony of Eric Chung dated July 6, 2015, Docket No. DE 14-238, attachment EHC-1, Page 2.

1 referred to the “Typical Bill Comparisons, Including Default Energy Service” charts in
2 PSNH’s existing tariff effective July 1, 2015, and selected the closest kWh on the list of
3 each rate class of customer to determine the average bill for comparison reasons.
4 Specifically for Rate Class G, the calculated dollar amount used for an average bill came
5 from using 1,920 kWh and 13 kW demand. This was used since it best reflects an
6 average monthly usage for this rate class. Also, there was no close example in the
7 “Typical Bill Comparisons, Including Default Energy Service” charts that represented
8 this average usage. The monthly bill amount used for this rate class is \$381.45. The
9 schedule below reflects that analysis.

10	Rate Class LG	based on 900,000 average monthly kWh, the SA rate
11		allocation results in results in a 2.20% bill increase;
12	Rate Class GV	based on 100,000 average monthly kWh, the SA results in a
13		5.08% bill increase;
14	Rate Class G	based on 1,920 average monthly kWh, the SA results in a
15		5.10% bill increase;
16	Rate Class R	based on 600 average monthly kWh, the SA results in a
17		5.98% bill increase; and
18	Rate Class OL	based on used 240 average monthly kWh, the SA results in
19		a 2.84% bill increase.

20 **Q. Based on Staff’s analysis, what other factors do you believe the Commission should**
21 **consider regarding the allocation of SCRC by PSNH’s customer rate classes?**

22 **A. Senate Bill 221-FN, as amended and approved, expressly states that the Commission,**
23 **may incorporate rate designs that fairly allocate the costs of divestiture of**
24 **some or all of PSNH’s generation assets among customer classes. In**
25 **considering rate designs, the Commission shall consider the impacts on**

1 the economy in PSNH's service territory and the ability to attract and
2 retain employment across industries.

3 In the testimony submitted by Senator Bradley and Senator Feltes referenced above, they
4 state that,

5 the proposed rate design helps with the ability to attract and retain
6 employment across industries. The proposed rate design mitigates to a
7 large extent the impact of the non-bypassable charge on large PSNH
8 distribution customers who purchase energy service from a competitive
9 energy supplier. By mitigating the impact on large users in the LG
10 customer class -- particularly manufacturers -- we help attract and retain
11 employment in the manufacturing sector.

12 Staff recommends that the Commission also recognize that GV rate class customers have
13 also taken advantage of the benefits of a deregulated energy market, but through the
14 proposed SA, they will incur a SCRC more than double the LG proposed SCRC rate. It
15 is important to note that the total annual kWh use by all GV rate class customers is
16 greater than the total used by all LG rate class customers. G rate class customers, in turn,
17 use more than the PSNH populations of GV customers. Most G rate class customers
18 have not been able to take advantage of the benefits of a deregulated energy market due
19 to low electrical load factors and the lack of robust competitive pricing for this rate class
20 from energy suppliers. Awarding a more favorable SCRC rate to LG rate class customers
21 because of their size challenges the "fair and reasonable" mandate of the Commission. In
22 fact, the state economy relies on commercial and industrial businesses of all sizes, large
23 and small, to create and maintain jobs throughout the state. Senate Bill 221-FN outlines
24 that, "[i]n considering rate designs, the Commission shall consider the impacts on the
25 economy in PSNH's service territory and the ability to attract and retain employment

1 across industries.” One can interpret this to mean that “all industries”, even small
2 businesses, are important to the economic climate of New Hampshire.

3 Last, the residential rate class R customers have largely missed any opportunity to benefit
4 from purchasing electricity at a lower rate from energy suppliers as a result of
5 deregulation. To-date these customers, along with a majority of the G rate customers,
6 have been saddled with PSNH’s default energy service rate which currently includes a
7 portion of the cost of the Merrimack Station Scrubber. Staff recommends that the
8 Commission consider this and the fact that the SA states that the full scrubber cost will be
9 reflected in the PSNH energy services rate as of January 1, 2016. Most of these
10 customers, both R and G rate classes, will take on this rate increase by themselves until at
11 least January 1, 2017, if the Commission approves the PSNH divestiture SA.

12 **Q. Does Staff have any options for the Commission to consider in regards to the SCRC**
13 **allocation to PSNH’s customer classes if divestiture is ordered?**

14 **A.** Yes. Although historically stranded costs were allocated on an equi-proportional basis
15 across the various rate classes, Staff does not recommend this option because it causes
16 LG and GV rate class customers to be burdened with a higher percentage of the SCRC
17 costs related to the divestiture SA. Instead, Staff suggests that the Commission consider
18 an approach to the SCRC rate which equalizes the “average” increase to customers’ bills
19 in each of the LG, GV, and G customer rate classes while also taking account of the
20 residential (R) customer rate class for reasons stated earlier. *In the following illustrative*
21 *options, Staff has not changed the allocation of 0.50% originally proposed in the SA for*
22 *the OL rate class.*

1 Option A requires allocation of the SCRC costs based on equalizing the average increase to all
2 average customers' bills per customer rate class:

3	Rate Class LG	13.25% of revenue requirement
4	Rate Class GV	19.99% of revenue requirement
5	Rate Class G	24.91% of revenue requirement
6	Rate Class R	41.38% of revenue requirement
7	Rate Class OL	0.50% of revenue requirement

8 This allocation creates a first year (2017) monthly bill increase of 5.08% for all "average"
9 customers' bills in each of the LG, GV, G, and R customer rate classes.

Table 1

Staff Allocation Option A

2014 Billing Data from PSNH			Proposed by the Agreement				Staff Analysis of Option A			
			Stranded Cost				Stranded Cost			
			SA Proposed Allocation		Average Bill Percent Increase		Changed Allocation		Average Bill Percent Increase	
This option equalizes "average" monthly bill increase to 5.08% for all customer rate classes for the first year (excluding OL).			All Class Customers Pay the Rate Proposed in the Settlement Agreement		Average Bill Percent Increase		All "Average" LG, GV, G and R Customer Rate Classes have the same percent of increase to existing monthly bills.		Average Bill Percent Increase	
Rate Class	Residential		Percent Allocation	SCRC Rate (cents)	Monthly		Percent Allocation	SCRC Rate (cents)	Monthly	
Total Kwh delivered	3,183,065,000	40.26%	48.75%	1.0632	\$6.38	5.98%	41.38%	0.9024	\$5.41	5.08%
Number of customers	427,123	84.74%								
Average Monthly KWH Per Cust	621									
	Footnote 1	600	\$	106.68						
Rate Class	Small C&I Rate G									
Total Kwh delivered	1,714,139,000	21.68%	25.00%	1.0124	\$19.44	5.10%	24.91%	1.009	\$19.37	5.08%
Number of customers	74,415	14.76%								
Average KWH Per Cust	1,920									
	Footnote 2	1,920	\$	381.45						
Rate Class	Medium C&I Rate GV									
Total Kwh delivered	1,661,784,000	21.02%	20.00%	0.8355	\$835.48	5.08%	19.99%	0.835	\$835.00	5.08%
Number of customers	1,391	0.28%								
Average KWH Per Cust	99,556									
	Footnote 3	100,000	\$	16,450.96						
Rate Class	Large C&I Rate LG									
Total Kwh delivered	1,308,838,000	16.55%	5.75%	0.3050	\$2,744.75	2.20%	13.25%	0.7028	\$6,325.20	5.08%
Number of customers	123	0.02%								
Average KWH Per Cust	886,747									
	Footnote 4	900,000	\$	124,631.78						
Rate Class	Outdoor Lighting Rate OL									
Total Kwh delivered	38,741,000	0.49%	0.50%	0.8859	\$2.15	2.84%	0.50%	0.8858	\$2.15	2.84%
Number of customers	973	0.19%								
Average KWH Per Cust	240		100.00%				100.03%			
	Footnote 5	(1) 1000 high pressure sodium								
	Total Retail billed									
Total Kwh delivered	7,906,557,000		First year payment	\$69,419,000		First year payment	\$69,419,000			
Number of customers	504,024									

(Staff referred to the "Typical Bill Comparisons, Including Default Energy Service" charts in PSNH's existing tariff effective July 1, 2015 and selected the closest kWh on the list of each class of customer to determine the "average bill" for comparison reasons. *Except for rate G where there was not an example with similar "average" kWh in PSNH's examples.)

Footnote 1 Rate Class R, the dollar amount was used for a bill with 600 kWh. That bill amount is \$106.68 monthly.

Footnote 2 *Rate Class G, the dollar amount was used for a bill with 1,920 kWh and 13 kW demand (single phase service). That bill amount is \$381.45 monthly.

Footnote 3 Rate Class GV, the dollar amount was used for a bill with 100,000 kWh and 500 kW demand. That bill amount is \$16,450.96 monthly.

Footnote 4 Rate Class LG, the dollar amount was used for a bill with 900,000 kWh and 300 hours use. That amount is bill \$124,631.78 monthly.

Footnote 5 Rate Class OL, the dollar amount was used for a bill with (1) 1,000 high pressure sodium for 240 hours of use. That amount is bill amount is \$75.82 monthly.

- 1 Below please find an alternative allocation (Option B) to consider which creates a first
- 2 year (2017) monthly bill increase of 4.84% for all average customers' bills in each of the

1 LG, GV, and G customer rate classes while also considering the residential (R) customer
2 rate class for reasons stated earlier.

3 Rate Class LG 12.63% of revenue requirement

4 Rate Class GV 19.06% of revenue requirement

5 Rate Class G 23.75% of revenue requirement

6 Rate Class R 44.11% of revenue requirement

7 Rate Class OL 0.50% of revenue requirement

8 In this optional allocation, the SCRC rate charge of 0.962 cents per kWh is the same for
9 both G and R customer rate classes, and the average monthly bills for the R customer rate
10 class would increase by 5.41%, as illustrated below:

Table 2

Staff Allocation Option B

2014 Billing Data from PSNH			Proposed by the Agreement				Staff Analysis of Option B			
			Stranded Cost				Stranded Cost			
			SA Proposed Allocation				Changed Allocation			
This option equalizes "average" monthly bill increase to 4.84% for all customer G, GV and LG rate classes for the first year (excluding OL) while keeping the SCRC charge the same per kWh for customer R and G rate classes.			All Class Customers Pay the Rate Proposed in the Settlement Agreement		Average Bill Percent Increase	All "Average" LG, GV and G Customer Rate Classes have the same percent of increase to existing monthly bills			Average Bill Percent Increase	
Rate Class	Residential		Percent Allocation	SCRC Rate (cents)	Monthly		Percent Allocation	SCRC Rate (cents)	Monthly	
Total Kwh delivered	3,183,055,000	40.26%	48.75%	1.0632	\$6.38	5.98%	44.11%	0.962	\$5.77	5.41%
Number of customers	427,123	84.74%								
Average Monthly KWH Per Cust	621									
Footnote 1	600	\$ 106.68								
Rate Class	Small C&I Rate G									
Total Kwh delivered	1,714,139,000	21.68%	25.00%	1.0124	\$19.44	5.10%	23.75%	0.962	\$18.47	4.84%
Number of customers	74,415	14.76%								
Average KWH Per Cust	1,920									
Footnote 2	1,920	\$ 381.45								
Rate Class	Medium C&I Rate GV									
Total Kwh delivered	1,661,784,000	21.02%	20.00%	0.8355	\$835.48	5.08%	19.06%	0.796	\$796.00	4.84%
Number of customers	1,391	0.28%								
Average KWH Per Cust	99,556									
Footnote 3	100,000	\$ 16,450.96								
Rate Class	Large C&I Rate LG									
Total Kwh delivered	1,308,838,000	16.55%	5.75%	0.3050	\$2,744.75	2.20%	12.63%	0.67	\$6,030.00	4.84%
Number of customers	123	0.02%								
Average KWH Per Cust	886,747									
Footnote 4	900,000	\$124,631.78								
Rate Class	Outdoor Lighting Rate OL									
Total Kwh delivered	38,741,000	0.49%	0.50%	0.8959	\$2.15	2.84%	0.50%	0.8959	\$2.15	2.84%
Number of customers	973	0.19%								
Average KWH Per Cust	240	\$ 75.82	100.00%				100.05%			
Footnote 5	(1) 1000 high pressure sodium									
	Total Retail billed									
Total Kwh delivered	7,906,557,000				First year payment \$69,419,000				First year payment \$69,419,000	
Number of customers	504,024									

(Staff referred to the "Typical Bill Comparisons, Including Default Energy Service" charts in PSNH's existing tariff effective July 1, 2015 and selected the closest kWh on the list of each class of customer to determine the "average bill" for comparison reasons. *Except for rate G where there was not an example with similar "average" kWh in PSNH's examples.)

Footnote 1 Rate Class R, the dollar amount was used for a bill with 600 kWh. That bill amount is \$106.68 monthly.

Footnote 2 *Rate Class G, the dollar amount was used for a bill with 1,920 kWh and 13 kW demand (single phase service). That bill amount is \$381.45 monthly.

Footnote 3 Rate Class GV, the dollar amount was used for a bill with 100,000 kWh and 500 kW demand. That bill amount is \$16,450.96 monthly.

Footnote 4 Rate Class LG, the dollar amount was used for a bill with 900,000 kWh and 300 hours use. That amount is bill \$124,631.78 monthly.

Footnote 5 Rate Class OL, the dollar amount was used for a bill with (1) 1,000 high pressure sodium for 240 hours of use. That amount is bill amount is \$75.82 monthly.

1 Below please find a third alternative allocation (Option C) to consider which creates a
2 first year (2017) monthly bill increase of 4.43% for all average customers' bills in each of
3 the LG, GV, and G customer rate classes.

4	Rate Class LG	11.56% of revenue requirement
5	Rate Class GV	17.45% of revenue requirement
6	Rate Class G	21.75% of revenue requirement
7	Rate Class R	48.75% of revenue requirement
8	Rate Class OL	0.50% of revenue requirement

9 In this optional allocation of SCRC, R customer rate class average monthly bills would
10 increase by 5.98%. This is the same monthly bill increase for residential customers that
11 is proposed in the SA when using the same average bill assumptions as previously
12 explained in this testimony.

Table 3

Staff Allocation Option C

2014 Billing Data from PSNH			Proposed by the Agreement				Staff Analysis of Option C			
			Stranded Cost				Stranded Cost			
			SA Proposed Allocation				Changed Allocation			
This option equalizes "average" monthly bill increase to 4.43% for all customer G, GV and LG rate classes for the first year (excluding OL) while keeping the SCRC charge the same for the customer R rate class as the proposed SA.			All Class Customers Pay the Rate Proposed in the Settlement Agreement		Average Bill Percent Increase	All "Average" LG, GV and G Customer Rate Classes have the same percent of increase to existing monthly bills			Average Bill Percent Increase	
Rate Class	Residential		Percent Allocation	SCRC Rate	Monthly		Percent Allocation	SCRC Rate	Monthly	
Total Kwh delivered	3,183,055,000	40.26%	48.75%	1.0632	\$6.38	5.98%	48.75%	1.0632	\$6.38	5.98%
Number of customers	427,123	84.74%								
Average Monthly KWH Per Cust	621									
Footnote 1	600	\$ 106.68								
Rate Class	Small C&I Rate G									
Total Kwh delivered	1,714,139,000	21.68%	25.00%	1.0124	\$19.44	5.10%	21.75%	0.881	\$16.92	4.43%
Number of customers	74,415	14.76%								
Average KWH Per Cust	1,920									
Footnote 2	1,920	\$ 381.45								
Rate Class	Medium C&I Rate GV									
Total Kwh delivered	1,661,784,000	21.02%	20.00%	0.8355	\$835.48	5.08%	17.45%	0.729	\$729.00	4.43%
Number of customers	1,391	0.28%								
Average KWH Per Cust	99,556									
Footnote 3	100,000	\$ 16,450.96								
Rate Class	Large C&I Rate LG									
Total Kwh delivered	1,308,838,000	16.55%	5.75%	0.3050	\$2,744.75	2.20%	11.56%	0.613	\$5,517.00	4.43%
Number of customers	123	0.02%								
Average KWH Per Cust	886,747									
Footnote 4	900,000	\$ 124,631.78								
Rate Class	Outdoor Lighting Rate OL									
Total Kwh delivered	38,741,000	0.49%	0.50%	0.8959	\$2.15	2.84%	0.50%	0.8959	\$2.15	2.84%
Number of customers	973	0.19%								
Average KWH Per Cust	240	\$ 75.82	100.00%				100.01%			
Footnote 5	(1) 1000 high pressure sodium									
	Total Retail billed									
Total Kwh delivered	7,906,557,000				\$69,419,000		First year payment	\$69,419,000		
Number of customers	504,024									

(Staff referred to the "Typical Bill Comparisons, Including Default Energy Service" charts in PSNH's existing tariff effective July 1, 2015 and selected the closest kWh on the list of each class of customer to determine the "average bill" for comparison reasons. *Except for rate G where there was not an example with similar "average" kWh in PSNH's examples.)

Footnote 1 Rate Class R, the dollar amount was used for a bill with 600 kWh. That bill amount is \$106.68 monthly.

Footnote 2 *Rate Class G, the dollar amount was used for a bill with 1,920 kWh and 13 kW demand (single phase service). That bill amount is \$381.45 monthly.

Footnote 3 Rate Class GV, the dollar amount was used for a bill with 100,000 kWh and 500 kW demand. That bill amount is \$16,450.96 monthly.

Footnote 4 Rate Class LG, the dollar amount was used for a bill with 900,000 kWh and 300 hours use. That amount is bill \$124,631.78 monthly.

Footnote 5 Rate Class OL, the dollar amount was used for a bill with (1) 1,000 high pressure sodium for 240 hours of use. That amount is bill amount is \$75.82 monthly.

- 1 Below please find the allocation options for the Commission to consider when reviewing
- 2 the SCRC rate for each customer rate class in the event that the divestiture of PSNH
- 3 Generation assets are ordered in the manner outlined within the Settlement Agreement.

- 1 Table 4 represents the proposed allocation presented in the SA. Tables 5, 6 and 7
- 2 illustrate Staff's three optional SCRC allocations detailed above. Simple interest was
- 3 used for illustrative purposes.

Table 4

Original Allocation of SCRC as Proposed on the Settlement Agreement

Securitization Payment Summary
 Settlement Agreement Proposed Allocation of SCRC Charges

Percent Interest >>> 0.05
 Years to Pay >>>>>> 15

Original securitized amount from Cheng example: \$ 307,198 (000)

48.75%	25.00%	20.00%	5.75%	0.50%
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Below represents Eric Chung's members in Attachment ENC-1 pages 1 and 2 dated 7/9/15. \$ 507,198

Year	Principal Payment	Interest Payment	Admin Payment	Tax Stabilization	PPA's Impact	Total Payment	Balance	0.1455					Outdoor Lighting
								Residential	Small C&I	Medium C&I	Large C&I	Lighting	
								Actual 2014 KWH	3,183,095,000	1,714,139,000	1,661,794,000	1,308,834,000	34,741,000
								Allocation >>>	48.75%	25.00%	20.00%	5.75%	0.50%
1	2017	\$ 33,813	\$ 15,215.88	\$ 890	\$ 3,500	\$ 16,000	\$ 69,419	\$ 473,383	0.010832	0.010224	0.008853	0.005000	0.000999
2	2018	\$ 33,813	\$ 14,201.49	\$ 890	\$ 2,400	\$ 16,000	\$ 67,305	\$ 439,570	0.010808	0.009816	0.008100	0.004957	0.000886
3	2019	\$ 33,813	\$ 13,187.10	\$ 891	\$ 1,200	\$ 16,000	\$ 65,091	\$ 405,757	0.009969	0.009468	0.007694	0.004860	0.000840
4	2020	\$ 33,813	\$ 12,172.70	\$ 892		\$ 16,000	\$ 62,878	\$ 371,944	0.009830	0.009170	0.007568	0.004763	0.000815
5	2021	\$ 33,813	\$ 11,158.31	\$ 893		\$ 16,000	\$ 60,664	\$ 338,131	0.009475	0.009023	0.007448	0.004716	0.000794
6	2022	\$ 33,813	\$ 10,143.92	\$ 894		\$ 16,000	\$ 58,450	\$ 304,318	0.009320	0.008875	0.007324	0.004679	0.000784
7	2023	\$ 33,813	\$ 9,129.53	\$ 895		\$ 17,000	\$ 56,236	\$ 270,505	0.009164	0.008727	0.007202	0.004609	0.000773
8	2024	\$ 33,813	\$ 8,115.14	\$ 896		\$ 17,000	\$ 54,022	\$ 236,691	0.009162	0.008725	0.007200	0.004608	0.000772
9	2025	\$ 33,813	\$ 7,100.74	\$ 897		\$ 17,000	\$ 51,808	\$ 202,878	0.009207	0.008577	0.007078	0.004584	0.000759
10	2026	\$ 33,813	\$ 6,086.35	\$ 898		\$ 17,000	\$ 49,594	\$ 169,065	0.009252	0.008430	0.006956	0.004559	0.000745
11	2027	\$ 33,813	\$ 5,071.96	\$ 899		\$ 17,000	\$ 47,380	\$ 135,252	0.009297	0.008282	0.006834	0.004535	0.000732
12	2028	\$ 33,813	\$ 4,057.57	\$ 900		\$ 17,000	\$ 45,166	\$ 101,439	0.009342	0.008134	0.006712	0.004510	0.000719
13	2029	\$ 33,813	\$ 3,043.18	\$ 901		\$ 17,000	\$ 42,952	\$ 67,626	0.009388	0.007986	0.006590	0.004486	0.000706
14	2030	\$ 33,813	\$ 2,028.78	\$ 902		\$ 17,000	\$ 40,738	\$ 33,813	0.009433	0.007838	0.006468	0.004461	0.000693
15	2031	\$ 33,813	\$ 1,014.39	\$ 903		\$ 17,000	\$ 38,524	\$ 0	0.009478	0.007691	0.006346	0.004437	0.000680

Table 5

Staff Option A of Proposed SCRC Allocation

Securitization Payment Summary
 Potential (Option A) from Staff on Proposed Allocation of SCRC Charges

Percent Interest >>> 0.05
 Years to Pay >>>>>> 15

Original securitized amount from Cheng example: \$ 307,198 (000)

48.75%	25.00%	20.00%	5.75%	0.50%
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Below represents changes in allocation to each customer class. \$ 507,198

Year	Principal Payment	Interest Payment	Admin Payment	Tax Stabilization	PPA's Impact	Total Payment	Balance	0.1455					Outdoor Lighting
								Residential	Small C&I	Medium C&I	Large C&I	Lighting	
								Actual 2014 KWH	3,183,095,000	1,714,139,000	1,661,794,000	1,308,834,000	34,741,000
								Allocation >>>	41.38%	24.88%	18.98%	13.75%	0.93%
1	2017	\$ 33,813	\$ 15,215.88	\$ 890	\$ 3,500	\$ 16,000	\$ 69,419	\$ 473,383	0.029620	0.009616	0.007962	0.006699	0.000899
2	2018	\$ 33,813	\$ 14,201.49	\$ 890	\$ 2,400	\$ 16,000	\$ 67,305	\$ 439,570	0.029827	0.009825	0.007720	0.006495	0.000886
3	2019	\$ 33,813	\$ 13,187.10	\$ 891	\$ 1,200	\$ 16,000	\$ 65,091	\$ 405,757	0.029620	0.009819	0.007466	0.006381	0.000840
4	2020	\$ 33,813	\$ 12,172.70	\$ 892		\$ 16,000	\$ 62,878	\$ 371,944	0.029713	0.009812	0.007212	0.006268	0.000815
5	2021	\$ 33,813	\$ 11,158.31	\$ 893		\$ 16,000	\$ 60,664	\$ 338,131	0.029879	0.009872	0.007096	0.006170	0.000794
6	2022	\$ 33,813	\$ 10,143.92	\$ 894		\$ 16,000	\$ 58,450	\$ 304,318	0.029438	0.009431	0.006979	0.006072	0.000784
7	2023	\$ 33,813	\$ 9,129.53	\$ 895		\$ 16,000	\$ 56,236	\$ 270,505	0.029290	0.009291	0.006869	0.005974	0.000773
8	2024	\$ 33,813	\$ 8,115.14	\$ 896		\$ 17,000	\$ 54,022	\$ 236,691	0.029290	0.009289	0.006862	0.005973	0.000772
9	2025	\$ 33,813	\$ 7,100.74	\$ 897		\$ 17,000	\$ 51,808	\$ 202,878	0.029350	0.009148	0.006745	0.005875	0.000759
10	2026	\$ 33,813	\$ 6,086.35	\$ 898		\$ 17,000	\$ 49,594	\$ 169,065	0.029409	0.009008	0.006629	0.005777	0.000745
11	2027	\$ 33,813	\$ 5,071.96	\$ 899		\$ 17,000	\$ 47,380	\$ 135,252	0.029468	0.008868	0.006511	0.005680	0.000732
12	2028	\$ 33,813	\$ 4,057.57	\$ 900		\$ 17,000	\$ 45,166	\$ 101,439	0.029527	0.008728	0.006393	0.005582	0.000719
13	2029	\$ 33,813	\$ 3,043.18	\$ 901		\$ 17,000	\$ 42,952	\$ 67,626	0.029586	0.008588	0.006275	0.005484	0.000706
14	2030	\$ 33,813	\$ 2,028.78	\$ 902		\$ 17,000	\$ 40,738	\$ 33,813	0.029645	0.008448	0.006157	0.005386	0.000693
15	2031	\$ 33,813	\$ 1,014.39	\$ 903		\$ 17,000	\$ 38,524	\$ 0	0.029704	0.008308	0.006040	0.005288	0.000680

1 **Q. Does Staff have a position with respect to the SCRC allocation to PSNH's customer**
2 **classes?**

3 **A. Staff believes that all commercial and industrial businesses contribute to the economic**
4 **vitality of New Hampshire. Staff is not convinced that all customer rate classes have**
5 **been fully considered in the Settlement Agreement. This testimony is designed to**
6 **provide the Commission with options to consider when finalizing how SCRC should be**
7 **allocated among PSNH's customer rate classes if divestiture is ordered as proposed.**
8 **Although Staff allocation option A brings a balance to average customer bill increases**
9 **based on the assumptions in this testimony as a result of SCRC costs, Staff allocation**
10 **option B also considers relief to the R customer rate class while keeping the average**
11 **increase in customer bills for the LG, GV, and G customer rate classes the same.**
12 **Keeping the bill increase in LG, GV, and G customer rate classes equalized achieves a**
13 **balance to all commercial and industrial businesses within PSNH's service territory. As**
14 **stated previously, the New Hampshire economy relies on commercial and industrial**
15 **businesses of all sizes, large and small, to create and maintain jobs throughout the state.**
16 **Staff's allocation options reflect three of many options.**

17 **Q. Does this conclude your testimony regarding the allocation of stranded costs**
18 **through the SCRC mechanism proposed in the Agreement?**

A. Yes it does.

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