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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

June 17, 2015 - 10:10 a.m.
Concord, New Hampshire

NHPUC JUN18'15 PM 3:59

RE: DE 15-136
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY:
2015 Transmission Cost Adjustment
Mechanism (TCAM).

PRESENT: Chairman Martin P. Honigberg, Presiding

Sandy Deno, Clerk

APPEARANCES: **Reptg. Public Service of New Hampshire:**
Matthew J. Fossum, Esq.

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division
Thomas C. Frantz, Director/Electric Division

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

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I N D E X

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EDWARD A. DAVIS

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P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: Good morning.
3 We're here on Docket 15-136, which is the request by
4 Eversource Energy to change the transmission cost
5 adjustment mechanism, the rate associated with that.
6 There was one order of notice issued with all three
7 hearings. This is the only new docket that hasn't yet had
8 a hearing. And, so, we'll hear about how that TCAM rate
9 is set and what it is.

10 This is the third of four hearings
11 today. As everyone knows, Commissioner Scott will be
12 reviewing the transcript and the exhibits from this
13 hearing. And, we understand the time deadlines that we're
14 on.

15 So, before we go any further, let's take
16 appearances.

17 MR. FOSSUM: Good morning. Matthew
18 Fossum, representing Public Service Company of New
19 Hampshire doing business as Eversource Energy.

20 MS. CHAMBERLIN: Good morning. Susan
21 Chamberlin, Consumer Advocate. With me today is Jim
22 Brennan.

23 MS. AMIDON: Good morning. Suzanne
24 Amidon, for Commission Staff. And, I have Grant Siwinski,

[WITNESS PANEL: Shelnitz~Davis]

1 an Analyst with the Electric Division with me today.

2 CHAIRMAN HONIGBERG: Mr. Fossum, how
3 would you like to proceed?

4 MR. FOSSUM: The Company will have two
5 witnesses. I will note that the -- we'll go over this in
6 detail, in a little more detail, the testimony that was
7 previously submitted by Lois Jones will be adopted by
8 another Company witness, because Ms. Jones is out sick
9 today.

10 But, with that, I would invite Michael
11 Shelnitz and Ed Davis to the stand.

12 (Whereupon **Michael L. Shelnitz** and
13 **Edward A. Davis** were duly sworn by the
14 Court Reporter.)

15 **MICHAEL L. SHELNITZ, SWORN**

16 **EDWARD A. DAVIS, SWORN**

17 **DIRECT EXAMINATION**

18 BY MR. FOSSUM:

19 Q. Mr. Shelnitz, could you begin by stating your name,
20 your position, your place of employment, and your
21 responsibilities for the record please.

22 A. (Shelnitz) Yes. My name is Michael Shelnitz. I am a
23 Team Leader of New Hampshire Revenue Requirements for
24 Eversource Energy Service Company. My primary

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[WITNESS PANEL: Shelnitz~Davis]

1 responsibilities are related to calculating revenue
2 requirements associated with Energy Service, Stranded
3 Cost Adjustment, and the Transmission Cost Adjustment
4 Mechanism.

5 Q. And, Mr. Davis, could you provide the same information
6 for the record please.

7 A. (Davis) Sure. Good morning. My name is Edward A.
8 Davis. And, I'm the Director of Rates for Northeast
9 Utilities Service Company doing business as Eversource
10 Energy.

11 Q. And, Mr. Davis, are you -- I guess I'll do it in this
12 direction. Mr. Davis, did you submit any testimony or
13 attachments in this filing -- in this docket?

14 A. (Davis) Actually, Lois Jones had submitted prefiled
15 testimony and corresponding attachments. And, I am
16 here to adopt that.

17 Q. Okay. That's fine. Mr. Shelnitz, then did you submit
18 prefiled testimony and attachments back on June 11th in
19 this docket?

20 A. (Shelnitz) Yes, I did.

21 Q. And, the information in that testimony and attachments,
22 that was prepared by you or under your direction?

23 A. (Shelnitz) Yes, it was.

24 Q. And, it's true and accurate to the best of your

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[WITNESS PANEL: Shelnitz~Davis]

1 knowledge and belief today?

2 A. (Shelnitz) Yes.

3 Q. And, Mr. Davis, keeping in mind that the testimony was
4 filed by Ms. Jones and not you, have you reviewed the
5 testimony that Ms. Jones filed?

6 A. (Davis) Yes, I have.

7 Q. And, had you been asked the same questions as she,
8 would your answers have been the same?

9 A. (Shelnitz) Yes.

10 Q. And, the information that's in that testimony and
11 attachments is true and accurate to the best of your
12 knowledge and belief?

13 A. (Davis) Yes.

14 MR. FOSSUM: Thank you. With that, I
15 would enter the Company's June 11th filing in this docket
16 as "Exhibit 1" for identification.

17 CHAIRMAN HONIGBERG: So marked.

18 (The document, as described, was
19 herewith marked as **Exhibit 1** for
20 identification.)

21 BY MR. FOSSUM:

22 Q. And, Mr. Shelnitz, could you very briefly explain what
23 it is that's shown in the Company's filing and what the
24 Company is requesting here.

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1 A. (Shelnitz) Yes. What the Company is requesting is for
2 the next TCAM rate period, which will cover July 1st,
3 2015 through June 30th, 2016, a TCAM rate of 1.785
4 cents per kilowatt-hour. That would be a 0.143 cents
5 per kilowatt-hour increase as compared with the rate
6 that is currently being billed to customers, which is
7 1.642 cents per kilowatt-hour.

8 The main drivers behind the increase in
9 the rate, in the proposed rate, is an increase in
10 Regional Network Service expenses and a lower prior
11 year overrecovery included in the proposed rate, as
12 compared to the prior year. Those increases are
13 partially offset by a decrease in Local Network Service
14 costs and an increase in certain revenue credits that
15 are included in the rate calculation.

16 Q. And, just for clarity, the offsetting funds that you're
17 referring to, does that include a credit that the
18 Company is providing to customers as part of federal
19 litigation relating to ROE?

20 A. (Shelnitz) Included in the increase in the Regional
21 Network Service costs is an offsetting amount related
22 to the refunds to which you just described, which we
23 refer to as "ROE refunds" that are being made under
24 Complaint 1, or I should say the settlement of

[WITNESS PANEL: Shelnitz~Davis]

1 Complaint 1, which required refunds associated with the
2 ROE that was being calculated on certain transmission
3 investments.

4 Q. And, Mr. Davis, if I could turn your attention to what
5 has been marked in Exhibit -- or, in Docket 14-236 as
6 "Exhibit 7", looking at that exhibit, on the first
7 page, could you explain what's happening with the
8 transmission rates as shown in that exhibit please?

9 A. (Davis) Certainly. I believe you're referring to the
10 set of rate change percentages for the transmission
11 component of service. And, if you look down through
12 the column of changes by rate class, generally, you'll
13 see a "9.6 percent" increase for each rate class. But,
14 for our Rate B customers, there's a dramatic decrease
15 of "35.8 percent". Is that the sheet you're referring
16 to?

17 Q. Yes, that is.

18 A. (Davis) Okay. So, what's occurring there is, for our
19 Rate B customers, we have a specific methodology that
20 we use to allocate costs that has a base component and
21 then an incremental component. The base component is
22 basically an allocation of costs based on the load for
23 that class, which is different in character than
24 general customers, because those are Backup service

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[WITNESS PANEL: Shelnitz~Davis]

1 demands. So, we apply that methodology. And as a
2 result, two things have happened. There's been a
3 different share of the cost allocation since the last
4 test year, and also a lower load percentage allocation
5 of transmission-related costs. And, therefore, there
6 is a much lower resulting rate for Rate B customers.
7 So, compared to current rates, there's a significant
8 decrease in the -- in the unit rate for the base
9 component of the charges.

10 So, the incremental component of the
11 Rate B customers are receiving the 9.6 percent, which
12 is applied to all customers on all rate classes. But
13 this base component being a large decrease, compared to
14 current base rate levels, results in an overall
15 reduction of 35.8 percent just for that class.

16 Q. Have there been any changes in the calculation that the
17 Company does to come up with the rate adjustments, in
18 particular, for Rate B customers?

19 A. (Davis) No. The very same methodology that's been
20 employed in the past was applied in this case as well.

21 MR. FOSSUM: Thank you. They're
22 available for cross.

23 CHAIRMAN HONIGBERG: Ms. Amidon. I'm
24 sorry, Ms. Chamberlin.

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1 MS. CHAMBERLIN: Thank you.

2 **CROSS-EXAMINATION**

3 BY MS. CHAMBERLIN:

4 Q. Following up on the Rate B calculation, can you explain
5 what has caused this drastic change?

6 A. (Davis) Yes. Two things. Well, the main thing is
7 simply that the customers in Rate B, who happen to be
8 customers with generation, have required less Backup
9 service than they had in prior periods. So, their load
10 is much lower in this case. And, therefore, the
11 allocation of costs is lower.

12 Q. And, does that result in other customer classes picking
13 up more costs or does it simply result in the Rate B
14 getting a lower cost?

15 A. (Davis) I would characterize it as that class receiving
16 its appropriate load ratio share. Proportionally,
17 other classes would get, I guess, more of the costs,
18 the differential. If you want to compare to what --
19 let's say, a different period, where they had a
20 different allocation, they were, let's say, at the same
21 average. But, relative to the last period, less is
22 being allocated to this class as a result. So,
23 therefore, proportionally, more would go to the other
24 classes.

[WITNESS PANEL: Shelnitz~Davis]

1 Q. Do you expect this decrease to be the new normal for
2 Rate B or do you expect it to perhaps fluctuate again?

3 A. (Davis) Yes. There's nothing systematic about this
4 rate class. It's the individual customers in there,
5 and I believe there are about 22 customers on that
6 rate, the load will fluctuate based on their actual
7 behavior. So, I don't see a pattern in anything that
8 we would be able to rely on to say this is anything
9 clearly predictable in the future. And, I think that's
10 why this methodology is applied.

11 Q. Okay. For most of the costs in the TCAM, they are
12 under FERC regulation, is that correct?

13 A. (Davis) That's my understanding.

14 Q. And, there's a couple that, under the other
15 transmission costs, working capital allowance, that
16 would be something that would be under local or state
17 regulation, is that a fair characterization?

18 A. (Shelnitz) Yes. That's a fair characterization.

19 Q. Okay. So, most of these costs have been set by FERC
20 and are simply a pass-through?

21 A. (Shelnitz) Yes.

22 MS. CHAMBERLIN: Thank you. That's all
23 I have.

24 CHAIRMAN HONIGBERG: Now Ms. Amidon.

[WITNESS PANEL: Shelnitz~Davis]

1 MS. AMIDON: Thank you. Good morning.

2 WITNESS DAVIS: Good morning.

3 WITNESS SHELNITZ: Good morning.

4 BY MS. AMIDON:

5 Q. Mr. Shelnitz, I believe you testified about the -- I
6 think your discussion begins on Page 6 of your
7 testimony, but you talked about the "ROE refund".
8 Could you just explain that a little bit more?

9 A. (Shelnitz) Yes. In 2000 -- oh, jeez, I think it was
10 2014, the regulatory commissions in New England, as
11 well as other participants, filed a complaint against
12 the New England transmission owners -- well, they filed
13 a complaint with FERC that the ROEs being allowed for
14 new transmission investments to the New England
15 transmission owners were too high. The base ROE that
16 was in place at the time was, I believe, 11.14 percent.
17 Anyway, based on what occurred in that complaint, FERC
18 ruled that the base ROE should be reduced to
19 10.57 percent. And, this was for complaint period --
20 the refund period for Complaint 1, which covered
21 October 2011 through December 2012.

22 So, the New England transmission owners
23 recalculated what the revenue requirement would have
24 been with the new base ROE and proceeded to refund

[WITNESS PANEL: Shelnitz~Davis]

1 monies back to customers based on that new ROE level.
2 And, so, included within this filing, we have
3 approximately \$4.5 million of refunds based on that
4 calculation change due to Complaint 1.

5 Q. Well, I'm looking at Page 6 of your testimony, and
6 it -- I thought that the prior ROE was 11.74. Is that
7 what you said? And, I just didn't -- I thought I heard
8 "11.14"?

9 A. (Shelnitz) Yes. 11.14 was the prior base ROE.

10 Q. Okay.

11 A. (Shelnitz) The "11.74" that you are referring to -- or,
12 that you also see in the testimony, I should say, there
13 is a maximum ROE that is allowed. That certain
14 transmission investments were allowed incentives. And,
15 so, the base ROE, plus any incentives, the maximum they
16 could be is 11.74, after the new FERC ruling.

17 Q. And, so, even with this roughly \$4.5 million refund,
18 the RNS rates are still going up?

19 A. (Shelnitz) That's correct.

20 Q. And, that is just generally, as I understand it, just
21 generally due to transmission construction underway in
22 the region. Is there a better way to say that?

23 A. (Shelnitz) No, I think that's -- you have it correct.
24 There are some construction projects currently going on

1 in New England.

2 Q. To your knowledge, does FERC look at the transmission
3 projects and determine priority based on the least cost
4 options available to achieve a reliability in the
5 region?

6 A. (Shelnitz) I do not know how involved FERC is in the
7 governance. I know that ISO-New England --

8 Q. Okay.

9 A. (Shelnitz) -- will be involved in prioritizing.

10 Q. Do you know if they, to your knowledge, do they
11 consider any least cost projects in prioritizing
12 transmission?

13 A. (Shelnitz) I do not know that.

14 Q. And, to your knowledge, has there ever been an audit
15 done of transmission projects?

16 A. (Shelnitz) I don't know that either.

17 Q. Thank you. On Page 12, which is an attachment to your
18 testimony, Mr. Shelnitz, it's "MLS-1 Page 2".

19 A. (Shelnitz) I have it.

20 Q. So, at Line 43, I see a "Return on TCAM Working Capital
21 Allowance". And, if I look at the footnote, Footnote
22 1, it says "The return on the working capital allowance
23 is monthly O&M times (45 days/365 days) times
24 10.9656 percent." Is that right?

[WITNESS PANEL: Shelnitz~Davis]

1 A. (Shelnitz) Yes.

2 Q. So, could you explain why -- well, the first question I
3 think was answered by Mr. Goulding. But, to your
4 knowledge, there's been no investigation of whether a
5 lead/lag study would be a more appropriate measure of
6 the working capital requirement, is that right?

7 A. (Shelnitz) There has been no study, no.

8 Q. Okay. Could you explain why the percentage amount that
9 we see there, the 10.9656 percent?

10 A. (Shelnitz) Well, the percentage, the rate of return
11 there that you're seeing, the 10.96 percent --

12 Q. Uh-huh.

13 A. (Shelnitz) -- is being applied to the monthly working
14 capital, as opposed to the annual. So, that's why it's
15 using the full year's percentage, because it's being
16 applied to the monthly. If you had done the opposite,
17 you'd get the same answer.

18 Q. Okay. So, the Company earns a return on the working
19 capital allowance in this docket, just as it does in
20 the Energy Service proceeding?

21 A. (Shelnitz) Yes.

22 Q. Only the percentage is different?

23 A. (Shelnitz) It's just the way the mechanics of the
24 calculation are. It would be the same. I believe the

1 ES is using an annualized level of amount of expenses,
2 and then they apply a monthly rate against it. This is
3 using the opposite. It's using a monthly level of
4 expense times the annual rate. But you'd wind up, I
5 believe, with the same answer mathematically.

6 Q. Do you know how much return the Company earns on the
7 working capital, the dollar value?

8 A. (Shelnitz) Yes. On Page -- Bates Page 000011, you'll
9 see that the annual amount for this rate, for the
10 proposed rate period, is going to be \$2 million
11 approximately.

12 Q. Okay. And, that's included in the calculation of the
13 TCAM rate, is that fair to say?

14 A. (Shelnitz) Yes.

15 Q. Mr. Davis, I know you've adopted Ms. Jones' testimony.
16 Is it accurate to state that the methodology by which
17 the rate is calculated, the average TCAM rate, and the
18 Backup Delivery Service Rate B rate is calculated was
19 part of a Settlement Agreement approved by the
20 Commission?

21 A. (Davis) Yes. The base methodology was part of the
22 Settlement Agreement, which Ms. Jones mentioned in her
23 prefiled testimony.

24 Q. And, essentially, the way I read this testimony, Ms.

[WITNESS PANEL: Shelnitz~Davis]

1 Jones calculated the Rate B base component and then the
2 average TCAM rate consistent with that methodology. Do
3 you see the same thing?

4 A. (Davis) Yes. That's my understanding. And, then, just
5 for reference, the docket -- Settlement Agreement I was
6 referring to was Docket DE 06-028.

7 Q. Right. That was -- pardon me.

8 A. (Davis) I'm sorry, yes. So, the answer is "yes".

9 Q. Yes. And, the docket you referenced, that was the
10 Company's 2006 distribution rate case, if I recall
11 correctly? We can just say that. You don't have to
12 check that.

13 A. (Davis) From my recollection, --

14 Q. Okay.

15 A. (Davis) From my recollection, yes. I don't know if it
16 was a distribution rate case or a transmission --
17 bifurcation of transmission at that time. But, yes.

18 Q. Yes. Okay. Thank you. And, the most recent rate case
19 was in 2009, 09-035?

20 A. (Davis) Yes.

21 Q. And, there was reference made, and I apologize if,
22 Mr. Shelnitz, you're not the correct person to ask
23 this, Mr. Goulding referenced that there was an end to
24 the Distribution Revenue Sharing provision that was

[WITNESS PANEL: Shelnitz~Davis]

1 part of that Agreement. Do you recall him saying that?

2 A. (Shelnitz) Yes.

3 Q. And, that's because that Settlement Agreement has
4 expired, is that right?

5 A. (Shelnitz) That's my understanding.

6 MS. AMIDON: Okay. Well, that's my
7 understanding as well. I just wanted to get that in the
8 record. Thank you. I have nothing further.

9 CHAIRMAN HONIGBERG: Thank you.

10 BY CHAIRMAN HONIGBERG:

11 Q. Mr. Shelnitz, regarding the refunds, in your testimony,
12 on Page 7, you talk about "Complaints 2 and 3", which I
13 believe are about later time periods than Complaint 1
14 was about, is that correct?

15 A. (Shelnitz) Yes.

16 Q. Your testimony says that you expect -- or, the Company
17 expects decisions not before the middle of next year.
18 Is that your understanding still?

19 A. (Shelnitz) Yes. That is my understanding.

20 Q. If that case were to be resolved early enough in 2016,
21 would next year's TCAM proceeding reflect the results
22 of that?

23 A. (Shelnitz) Yes. If we had a final result that we could
24 forecast, then we would include it in next year's

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1 filing.

2 Q. If a final amount came in after this time period, say,
3 August or September of 2016, when would it be worked
4 into a filing?

5 A. (Shelnitz) It would be worked into the actual months
6 that are included in the next TCAM filing, which would
7 be in 2017.

8 Q. Is the TCAM rate one that can be reset midyear, for the
9 TCAM rate, which would be December -- which would be
10 January 1?

11 A. (Shelnitz) We typically have not done that. However,
12 the TCAM rate that we do file every year includes an
13 18-month reconciliation period preceding the forecast
14 period. So, it would definitely capture any changes.

15 Q. I don't recall Mr. Fossum directing you to Exhibit 7
16 from the earlier hearing, 14-236, the so-called "bingo
17 sheet". Is the bingo sheet relevant to this
18 proceeding?

19 MR. FOSSUM: I believe I asked Mr. Davis
20 to walk down what was shown on the bingo sheet, and that
21 what led to his discussion initially of the difference
22 that is shown between most of the rate classes and what is
23 shown in the Rate B calculations.

24 CHAIRMAN HONIGBERG: I may be

1 misremembering. I found that, those same numbers, on one
2 of his exhibits, is what I thought he was referred to. I
3 could be wrong. Let's go off the record for a minute.

4 (Brief off-the-record discussion
5 ensued.)

6 CHAIRMAN HONIGBERG: We're back on the
7 record. I have been reminded of Mr. Fossum's examination.
8 I apologize for the confusion on my part.

9 And, I don't have any other questions
10 for these witnesses. Mr. Fossum, do you have anything
11 further?

12 MR. FOSSUM: No thank you.

13 CHAIRMAN HONIGBERG: All right. I
14 think, with that, these witnesses can be excused.

15 We will strike the ID on the only
16 exhibit that was offered here, which is Exhibit 1, unless
17 there's an objection?

18 (No verbal response)

19 CHAIRMAN HONIGBERG: Seeing none, we'll
20 strike the ID. If there's nothing further, we're ready to
21 sum up?

22 (No verbal response)

23 CHAIRMAN HONIGBERG: Good enough.

24 Ms. Chamberlin.

1 MS. CHAMBERLIN: Thank you. The OCA
2 accepts the Company's calculation of the TCAM. The large
3 change in the Rate B does raise a question about the
4 application of the rate, something to look at in the
5 future. But there certainly is not significant evidence
6 at this point to recommend a change.

7 CHAIRMAN HONIGBERG: Ms. Amidon.

8 MS. AMIDON: Thank you. Staff has
9 reviewed the filing. And, we find that the Company
10 appropriately calculated the average TCAM rate. You know,
11 Staff remains concerned generally about the impact of the
12 TCAM rate on customer bills, 1.785 cents, even with the
13 refund that was provided in connection with the ROE, is
14 still an increase over the current rate.

15 And, despite that concern, we agree that
16 the Company appropriately calculated the rate.

17 CHAIRMAN HONIGBERG: Mr. Fossum.

18 MR. FOSSUM: Thank you. As with the
19 other rates we've discussed this morning, I appreciate the
20 comments of the OCA and the Staff in their reviewing and
21 accepting of what the Company has filed, and do understand
22 the concerns that have been raised.

23 With that said, I believe -- I would
24 note that the Company has performed the calculations in

1 this rate-setting as it has in prior TCAM rate-settings,
2 and believes that the calculations have shown a just and
3 reasonable rate for implementation on July 1st. And,
4 would ask that the Commission approve the rate as filed in
5 this docket on June 11th. Thank you.

6 CHAIRMAN HONIGBERG: All right. If
7 there's nothing else, we'll take this under advisement.
8 Commissioner Scott will be reviewing the transcript and
9 the exhibits. And, we understand we need to issue an
10 order in time for rates to be effective July 1. And, we
11 will adjourn this hearing.

12 **(Whereupon the hearing was adjourned at**
13 **10:36 a.m.)**