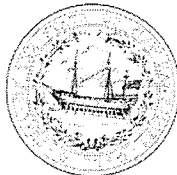


STATE OF NEW HAMPSHIRE

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| | |
|-------------------------|-----------|
| ORIGINAL | |
| N.H.P.U.C. Case No. | DE 10-160 |
| Exhibit No. | #13 |
| Witness | Ken Traum |
| DO NOT REMOVE FROM FILE | |

July 30, 2010

Debra Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-7319

RE: DE 10-160 PSNH Migration
OCA Prefiled Testimony

Dear Ms. Howland:

I enclose for filing with the Commission an original and six copies of the OCA's Testimony of Kenneth E. Traum in the above-reference docket.

Copies of this letter and the testimony will be distributed to the service list via electronic mail. Please do not hesitate to contact me with any questions. Thank you for your assistance.

Respectfully,

Meredith A. Hatfield
Consumer Advocate

cc: Service List via electronic mail

BEFORE THE STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

**In the matter of:
Public Service Company of New Hampshire
DE 10-160 Investigation into Effect of Customer Migration on Energy Service Rates**

**Phase 1
Direct Pre-Filed Testimony**

of

**Kenneth E. Traum
Assistant Consumer Advocate**

**on behalf of
The Office of the Consumer Advocate**

Dated: July 30, 2010

1 **Q: Please state your name, business address and title.**

2 A. My name is Kenneth E. Traum. I am the Assistant Consumer Advocate for the Office of
3 Consumer Advocate (OCA), which is located at 21 S. Fruit Street, Suite 18, Concord, New
4 Hampshire 03301. I have been employed by the OCA for approximately 21 years. I include
5 my resumé as Attachment 1.

6

7 **Q: Have you previously testified before the New Hampshire Utilities Commission**
8 **(Commission)?**

9 A: Yes, I have testified before the Commission on behalf of the OCA on many occasions,
10 including cases involving electricity, natural gas, water and telecommunications.

11

12 **Q: What is the purpose of this docket?**

13 A: This docket was opened by the Commission on June 11, 2010 to “investigate the issues
14 related to PSNH’s customer migration and PSNH’s practices for procuring power not
15 supplied by its own generation.” DE 10-160 Order of Notice, page 2. This followed Order
16 No. 25,061 issued on December 31, 2009 in DE 09-180, PSNH’s 2010 default Energy
17 Service (ES) case, in which the Commission stated its intention “to explore the interplay of
18 customer choice and migration issues with power procurement options for PSNH including
19 current practices, competitive procurement through Requests for Proposals (RFPs),
20 purchasing through the spot market or other market based options.” Order at p. 32. During
21 the technical session held on June 28, 2010 in this docket, the parties proposed, and the
22 Commission later approved, an approach that calls for several phases of testimony on

1 different topics. The first phase is on the topic of migration, which is the subject of this
2 testimony.

3

4 **Q: What are the specific items that you will cover in this testimony?**

5 A: I will briefly discuss the impacts of migration on PSNH's small customers, as described in
6 recent filings by the Company, as well as provide recent migration numbers from the two
7 other investor owned electric utilities. I will also describe a few possible approaches to
8 mitigate the negative impacts to PSNH's residential customers resulting from the migration
9 of PSNH's largest customers to competitive suppliers.

10

11 **Q: What policy guidance has the legislature provided on these issues?**

12 A: The Electric Restructuring statute, adopted in 1996, contains significant policy guidance in
13 several sections, including in Section 374-F:3, the "Restructuring Policy Principles." First,
14 the Purpose section states: "The most compelling reason to restructure the New Hampshire
15 electric utility industry is to reduce costs for all consumers of electricity by harnessing the
16 power of competitive markets." RSA 374-F:1. In addition, the Principle on "Customer
17 Choice" states:

18 Allowing customers to choose among electricity suppliers will help ensure fully
19 competitive and innovative markets. Customers should be able to choose among
20 options such as levels of service reliability, real time pricing, and generation
21 sources, including interconnected self generation."

22

23 RSA 374-F: 3, II. These are but a few of the overarching Principles that are intended to
24 guide electricity policy in the State.

25

26

1 **Q: What is the status of competitive markets in New Hampshire?**

2 A: Throughout New Hampshire, large commercial and industrial electric customers have
3 benefited from competitive markets by taking advantage of lower priced offerings from
4 competitive suppliers. As a result, many of those large users have migrated away from
5 utility-supplied default ES when it is in their economic interest to do so. Due to the current
6 low market prices, as of May 2010, 31.9% of PSNH's current load migrated to competitive
7 suppliers, and those are almost all large commercial or industrial customers. See Attachment
8 2, DE 09-180 PSNH Baumann/White Joint Technical Statement, June 11, 2010, at p. 2 Item
9 C8. However, even after more than ten years of electric restructuring, retail competitive
10 choices are still not available for smaller customers. There are a very small number of
11 accounts categorized as residential that have migrated, but overall residential customers lack
12 retail opportunities to access the power and benefits of the competitive market. As of June
13 2010, only 1,247 PSNH customers categorized as residential were receiving their electricity
14 from competitive suppliers¹. See Attachment 3, PSNH 2nd Quarter 2010 Customer Migration
15 Report, July 15, 2010.

16 Similarly, residential customers of Unitil Energy Systems (UES) and National Grid
17 (Grid) lack the opportunity to access the retail competitive market, despite the fact that they
18 are also legally entitled to do so. As of June 30, 2010, 35% of Grid's total kWh distribution
19 sales are supplied to customers who have migrated to competitive suppliers, but less than
20 0.1% of that total serves the 33 residential customers taking advantage of retail choice. See
21 Attachment 4, National Grid Quarterly Migration Report, July 6, 2010. For UES the
22 comparable figures as of April 2010, show that 31.4% of total sales showed migration to

¹ The OCA does not have data on how many of the customers categorized as residential are individual households.

1 competitive suppliers, but only 0.2% of residential customers, or 123 customers, are
2 receiving their service from competitive suppliers.² See Attachment 5, DE 10-028 UES
3 Direct Testimony of Robert S. Furino, at Schedule RSF-3, June 11, 2010. However, because
4 UES and Grid utilize Requests for Proposals (RFPs) to procure all of their customers' needs
5 for default ES (because the companies divested any assets and long term power commitments
6 during restructuring), their rates more closely reflect current market rates as default service is
7 provided, through the RFP process, by wholesale competitive suppliers.

8

9 **Q: When were the migration issues to be considered in this docket raised by PSNH?**

10 A: PSNH's 2010 default ES case (DE 09-180), first filed in September 2009, included
11 information showing that as customers migrated to third party suppliers during a time when
12 the marginal cost to serve is lower than the average cost to serve, the ES rate for the
13 remaining ES customers increased. PSNH estimated that for 2010, captive customers (those
14 who can not migrate) would experience a rate that is approximately 5% higher than it would
15 be absent current migration patterns. Specifically, when asked "what impact has the
16 increased level of migration had on the currently filed ES rate?" in DE 09-180, PSNH

17 Witness Baumann stated:

18 Increased migration levels have put upward pressure on the ES rate. The rate
19 included in this filing is approximately 5% higher than it would have been absent
20 migration. The end result of this increase in the ES rate is that **certain customers**
21 **that are unable to switch to a third party supply, predominately residential**
22 **customers, are now shouldering additional fixed costs**, while customers who
23 have switched have been afforded the opportunity to choose lower rates from
24 third party suppliers.

25

26 See Attachment 6, DE 09-180 PSNH Testimony of Robert A. Baumann, September 24, 2009,
27 page 5, line 18 - page 6, line 4 (emphasis added).

² Similarly, the OCA does not have data on if the customers of Grid and UES that are categorized as residential are individual households.

1 **Q: What level of migration was PSNH experiencing at that time?**

2 A: Mr. Baumann's statement was made when PSNH was experiencing 23% migration, and the
3 Company utilized that number as its assumption for 2010. However, as referenced
4 previously, in the mid-year update in June 2010 in DE 09-180, Mr. Baumann used the
5 updated actual migration percentage of 31.9%. See Attachment 2.

6

7 **Q: What was the cost impact according to PSNH?**

8 A: Mr. Baumann calculated the increased costs in default ES for 2010 resulting from migration
9 to be \$28 million. See Attachment 7, DE 09-180 PSNH Baumann Supplemental Testimony,
10 November 23, 2009 at p. 2 lines 10-13. This represents the amount of costs that were shifted
11 from those customers who have chosen to migrate, to captive customers who can't choose to
12 migrate, as a result of PSNH's current default ES structure.

13

14 **Q: Why does migration cause this cost shifting?**

15 A: Large customers who migrate currently have the opportunity to return to PSNH's default ES,
16 on a monthly basis, at a time of their choosing. This default supply is available to them at the
17 same rate as paid by all other customers who remained on the default service. One of the
18 weaknesses of this current model is that large customers and/or their suppliers can game the
19 system by taking PSNH default ES when the rates are below market, and then switching to a
20 competitive supplier when the PSNH default ES rate exceeds market. This is legal under the
21 current scheme, but it makes it very difficult for PSNH to plan for the every-changing
22 migration that results.

1 More specifically, if PSNH assumes low migration rates and purchases more than it
2 needs in advance, residential customers are likely to pay higher default ES rates when PSNH
3 tries to sell excess energy on the spot market at a loss. However, if PSNH assumes higher
4 migration rates and purchases less in advance than it turns out that it needs, residential
5 customers will again likely see higher default ES rates as PSNH will have to acquire
6 additional power on the spot market at rates higher than the default ES rate in order to serve
7 the unexpected load. Paradoxically, as I discuss below, it is the policy of the State to
8 encourage competition and access to a competitive electricity market, but the current design
9 of the system is unfortunately disadvantaging smaller customers. Therefore, in crafting
10 potential approaches to remedy the cost shifting that is occurring, we must be mindful that
11 competitive electric choice is the goal of State policy; migration therefore is not “the
12 problem” in and of itself. In fact, some would view high migration as success.

13
14 **Q: Do you believe that the current cost shifting experienced by PSNH default ES**
15 **customers is consistent with the Electric Restructuring law?**

16 A: No. RSA 374-F:3, VI states: “Restructuring of the electric utility industry should be
17 implemented in a manner that benefits all consumers equitably and does not benefit one
18 customer class to the detriment of another. Costs should not be shifted unfairly among
19 customers.” This is a key principle of Restructuring in my view. The policy of the State is to
20 encourage electric competition and migration, but not when it results in unfairly shifting
21 costs to customers who do not have the opportunity to migrate.

22

1 **Q: Does migration have the same negative impacts on small customers of National Grid**
2 **and Unitil?**

3 A: No. As I stated above, Grid and UES bid out the full requirements of their default ES
4 customers to third party competitive suppliers, because they divested all of their energy
5 assets and commitments during Restructuring. As a result, the migration risks are assumed
6 by the competitive suppliers, and therefore are recognized in the prices that those suppliers
7 bid to provide default ES for those utilities' customers. In addition, because there are
8 separate bids and different rates for the large and small customer classes, the bidders can
9 make their own assumptions about migration for the classes individually and build that risk
10 into their respective bid prices.

11

12 **Q: Did PSNH propose any solutions to avoid the cost-shifting to captive customers?**

13 A: Yes. In its mid-year 2010 ES update in DE 09-180 filed in May 2010, PSNH stated "it is still
14 our belief that a portion of the current ES costs should be removed from the ES rates and
15 recovered through a non-bypassable rate from all customers." See Attachment 8, DE 09-180
16 PSNH Baumann Testimony, May 4, 2010 at page 7 lines 13-15.

17

18 **Q: Does the OCA have any suggestions on how PSNH's ES methodology and management**
19 **can be changed so as to be more equitable for small customers while achieving the**
20 **Restructuring policy principles?**

21 A: Yes. The OCA has some ideas on ways to address this issue, and looks forward to the
22 discussion of these issues during this docket.

23

1 **Q: Please discuss the OCA's current ideas.**

2 A: I have numbered our current ideas to make them easy to reference.

3 1. One approach would be for PSNH to divest itself of its owned generation and contractual
4 commitments for energy. PSNH could then bid out its ES requirements for the different
5 customer classes, using RFPs in a manner consistent with how UES and Grid currently
6 manage their obligation to provide default ES. Alternatively, if PSNH retained its generation
7 assets, it could sell their outputs (energy, capacity, etc.) into the wholesale market and then
8 utilize the RFP model to provide default ES to its customers.

9 2. A second approach would be to allocate or assign all of the costs, as well as the outputs
10 (energy, capacity, etc.) from PSNH's units and contractual commitments to two general
11 groups of customers. One group would be comprised of residential customers who have a
12 very low migration rate. The second group would include large commercial and industrial
13 customers who are migrating at a much higher level. The allocation methodology between
14 the two groups would have to be determined. Under this approach, PSNH (or possibly
15 another entity) would make purchase and sales decisions in order to develop separate ES
16 rates and reconciliations for the two groups, rather than developing one rate as the Company
17 does today.

18 3. A third approach would be to quantify the costs that PSNH incurs in order to manage its
19 portfolio in a way that allows migrating customers to return on a month-to-month basis.
20 Those costs could then be recovered through a mechanism, perhaps similar to the current
21 Stranded Cost Recovery Charge, that is paid by all customers, rather than being recovered
22 through ES which is only paid by customers who do not migrate. This would avoid at least
23 some of the current cost shifting that is occurring, and would in essence require those who

1 can and do migrate to pay for at least some of the additional costs they impose on default ES
2 for the service of last resort option that it provides to them. We believe that this type of
3 approach is consistent with the language of RSA 374-F that allows that “the commission may
4 implement measures to discourage the misuse, or long-term use, of default service. RSA
5 374-F:3, V(e).

6 4. A fourth approach, which could be considered independently or in conjunction with
7 others, is similar to the method used in the natural gas industry. Specifically, gas customers
8 who choose a competitive supplier may not return to service provided by the utility for a year
9 due to capacity assignments. This type of stay-out provision could be developed for an
10 appropriate period of time for electric customers who choose to take service from a
11 competitive supplier. This would allow PSNH to develop a rate for those who do not
12 migrate, as well as rates for those who have migrated but who return to default ES within the
13 “stayout” period. The rate(s) for those who return would be more reflective of the costs of
14 providing that service, which would avoid any subsidization of returning customers by
15 captive customers. The OCA sees this approach as a way to reduce any opportunity to game
16 the system by migrating monthly to the detriment of non-migrating customers. However, we
17 also believe that such an approach can be crafted in order to avoid the prohibition against
18 “entry and exit fees (which) are not preferred recovery mechanisms” in RSA 374-F:3 XII (d).
19 We believe that all of these approaches are consistent with another provision of RSA 374-F,
20 which states:

21 ...the commission may approve alternative means of providing transition or
22 default services which are designed to minimize customer risk, not unduly harm
23 the development of competitive markets, and mitigate against price volatility
24 without creating new deferred costs, if the commission determines such means are
25 in the public interest.
26

1 RSA 374-F:3, V(d). However, it is possible that some changes may require legislative
2 amendments.

3 Finally, the Order of Notice in this docket also acknowledged that in DE 09-180 the
4 Commission stated that it would “undertake a review of the issues related to the “targeted
5 technology-based initiatives and/or targeted rate mechanisms.” In addition, in a Secretarial
6 Letter issued on July 26, 2010, the Commission directed the parties “to consider rate design
7 options, including pricing, to address the cost impact of migration.” At this time the OCA is
8 not prepared to recommend any such rate design options, but we are interested in exploring
9 them as the Docket proceeds. However, we do believe that the underlying issues causing the
10 current cost-shifting due to migration of PSNH’s large customers must be addressed, and that
11 any rate design options should be considered in conjunction with such changes.

12

13 **Q: Do you have any additional issues to raise at this time?**

14 A: No, although I do wish to reserve our rights to address additional issues and to respond to the
15 testimony of other parties as the Docket proceeds.

16

17 **Q: Does this conclude your testimony?**

18 A: Yes.

Kenneth E. Traum Qualifications

My name is Kenneth E. Traum. I am the Assistant Consumer Advocate for the Office of Consumer Advocate (OCA). My business address is 21 S. Fruit Street, Suite 18, Concord, New Hampshire 03301. I have been affiliated with the OCA for approximately twenty one (21) years.

I received a B.S. in Mathematics from the University of New Hampshire in June, 1971, and an MBA from UNH in June, 1973. Upon graduation, I first worked as an accountant/auditor for a private contractor and then for the New Hampshire State Council on Aging, before going to the New Hampshire Public Utilities Commission (NHPUC) in February, 1976. At the NHPUC I started as an Accountant III, advanced to a PUC Examiner and later become Assistant Finance Director.

In my positions with the NHPUC, I was involved in all aspects of rate cases, assisted others in the preparation of testimony and presented direct testimony, conducted cross examination of witnesses, directed and participated in audits of utilities, and performed other duties as required. While employed at the NHPUC, I was a member of the NARUC Regulatory Studies Program at Michigan State.

In 1984, I left the NHPUC for Bay State Gas Company. With Bay State, I was involved in various aspects of financial analysis for Northern Utilities, Inc., Granite State Gas Transmission, Inc., and Bay State Gas Company, as well as regulatory activities with regard to Maine, New Hampshire, Massachusetts and the FERC.

In early 1986, I returned to New Hampshire to join the EnergyNorth companies, where my areas of responsibility included cash management, regulatory affairs, forecasting and other financial matters. While with EnergyNorth, I was a member of the New England Utility Rate Forum and the New England Gas Association. I also represented the utility, which is the largest natural gas utility in New Hampshire, over a two year period in the generic Commission docket (DE 86-208) which developed a methodology for conducting gas marginal cost studies.

In 1989 I joined the Office of Consumer Advocate with overall responsibility for advising the Consumer Advocate and its Advisory Board on all Financial, Accounting, Economic and Rate Design issues which arise in the course of utility ratemaking or cases concerning determinations of revenue responsibility, competition, mergers, acquisitions and supply/demand issues. I assist the Consumer Advocate and the OCA Advisory Board in formulating policy, and in implementation of that policy. In that role, I have testified before the NHPUC on many occasions. In early 2005, I was promoted to Assistant Consumer Advocate.

I am a member of the NASUCA (National Association of State Utility Consumer Advocates), Committees on Electricity and Gas. I am currently on the Board of Directors for Granite State Independent Living (GSIL) and formerly served as Chair as well as a member on the GSIL's Finance and Audit Committees.



Public Service
of New Hampshire

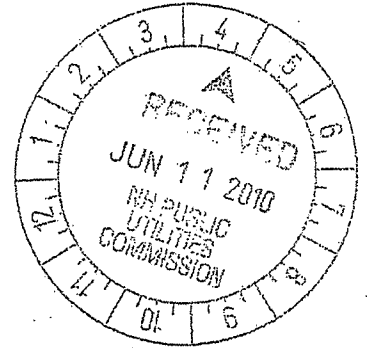
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The Northeast Utilities System

June 11, 2010

Debra A. Howland
Executive Director and Secretary
State of New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429



Re: PSNH - Default Energy Service Rate - Mid Term Adjustment - Docket No. DE 09-180

Dear Secretary Howland:

Enclosed please find an original and six copies of the revised attachments to the pre-filed Direct Testimony of Robert A. Baumann. Based upon more recent actual data through the end of May and newly forecasted data through December 31, 2010, Public Service Company of New Hampshire ("PSNH") is requesting a decrease in the Default Energy Service Rate ("ES") effective July 1, 2010. PSNH calculates that there will be a decrease from the current ES rate of 8.96 cents per kilowatt-hour to an ES rate of 8.78 cents per kilowatt-hour.

Also enclosed are seven copies of the prefiled Technical Statement of Robert A. Baumann and Frederick B. White explaining the factors contributing to the decrease ES rate. Copies of this filing have been provided to the persons on the attached service list pursuant to Puc §203.02 and Puc §203.11.

Very truly yours,

Gerald M. Eaton
Senior Counsel

Enclosures
cc: Service List

THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire
Energy Service Rate Mid-year Adjustment
Docket No. DE 09-180

Joint Technical Statement of Robert A. Baumann and Frederick B. White

June 11, 2010

A. Purpose of Technical Statement

This technical Statement is being submitted to explain the changes to PSNH's proposed Default Energy Service (ES) Rate effective July 1, 2010. This filing updates PSNH's ES filing that was submitted on May 4, 2010.

B. Proposed Rate

On May 4, 2010, PSNH filed a proposed mid-year ES rate of 8.57¢/kWh to be effective for the six month period July 1 through December 31, 2010. In this filing, PSNH is proposing a mid-year ES rate of 8.78¢/kWh to be effective July 1, 2010, which is a decrease of 0.18 cents from the currently effective ES rate of 8.96¢/kWh.

The increase from the May 4, 2010 filing to the June 11, 2010 filing is attributable to net additional actual and forecasted costs of \$6.2 million [a \$13.8 million revenue decrease, net of cost decrease of \$7.6 million]. The forecasted revenue decrease is primarily due to additional customer migration. The forecasted cost decrease is also primarily attributable to additional customer migration, offset in part with higher forward market electricity prices as of June 4, 2010.

C. Changes From May 4, 2010 Filing (Attachment RAB-2, page 3)

For the forecast period June through December 2010, the impact of updated higher forward market electricity prices and additional migration is an \$8.3 million decrease to overall ES costs, as explained below:

1. Forecasted coal costs are lower by \$1.3 million and coal generation is unchanged. \$2.3 million of lower costs is due to a credit for non-delivery and resale of previously scheduled contract coal. The initial filing reflected this resale in May 2010 but it will now occur in the June-December forecast period. This cost reduction is offset by the increase in cost in May (see item 11 below), resulting in no impact on the change to the rate as compared to the May 4, 2010 filing. This credit was partially offset by \$1.05 million of higher net coal costs at Merrimack and Schiller due to higher coal prices.

2. Wood costs are lower by \$0.9 million due to lower wood prices.

3. The table below shows the forward market electricity prices used in the May, 2010 filing, and current values for June through December, 2010, and the change for each month.

**Forward Electricity Prices and Changes Between
May, 2010 Filing and June, 2010 Forecasts
(\$/MWh)**

| | May-10 | | Jun-10 | | Change | |
|--------|-------------|-----------------|-------------|-----------------|-------------|-----------------|
| | <u>Peak</u> | <u>Off-peak</u> | <u>Peak</u> | <u>Off-peak</u> | <u>Peak</u> | <u>Off-peak</u> |
| Jun-10 | 43.33 | 33.17 | 47.75 | 36.16 | 4.42 | 2.99 |
| Jul-10 | 49.69 | 36.38 | 56.05 | 42.04 | 6.36 | 5.66 |
| Aug-10 | 49.69 | 36.38 | 57.08 | 41.66 | 7.39 | 5.28 |
| Sep-10 | 44.13 | 34.02 | 50.70 | 37.82 | 6.57 | 3.80 |
| Oct-10 | 44.60 | 35.13 | 50.06 | 38.95 | 5.46 | 3.82 |
| Nov-10 | 48.40 | 38.13 | 53.60 | 41.89 | 5.20 | 3.76 |
| Dec-10 | 54.03 | 43.30 | 58.65 | 48.48 | 4.62 | 5.18 |

4. IPP costs “at market” are higher by \$1.5 million reflecting higher forward electricity market prices, while volumes remain the same.

5. The cost of purchases, sales and congestion changed as follows:

- a. Peak and off-peak purchased power costs are lower by \$1.6 million and volumes are lower by 62 GWh.
- b. Surplus energy sales revenues are higher by \$4.5 million and volumes are higher by 70 GWh.
- c. Congestion and loss adjustment costs are higher by \$0.3 million.

These changes are a result of lower ES loads due to slightly lower forecasted sales, additional migration and forward market price changes. Changes in forward market electricity prices are shown above, and changes in the sales forecast and migration are shown below.

6. RPS costs are lower by \$0.3 million reflecting lower ES loads.

7. Capacity costs are lower by \$1.5 million resulting from lower capacity obligations due to lower loads.

8. Total ES sales are lower by 125 GWh. The table below shows the forecasted sales and migration (non-ES sales) used for the May filing and for this update. For consistency with rate setting, values are shown as measured at the customer meter. The amount of migration modeled in the update is as of May, 2010 and is 31.9% of forecasted total retail delivery sales. Overall, June through December 2010 sales are lower by 3.9% from the estimate which was used for calculating the ES Rate in PSNH’s May filing.

Changes to PSNH ES Sales Forecast

| | <u>May, 2010 Filing (MWh)</u> | | | <u>June, 2010 Update (MWh)</u> | | | <u>Change From May, 2010 (MWh)</u> | | | <u>% ES Sales Change</u> |
|----------|-------------------------------|---------------------|-----------------|--------------------------------|---------------------|-----------------|------------------------------------|---------------------|-----------------|--------------------------|
| | <u>PSNH Sales</u> | <u>Non-ES Sales</u> | <u>ES Sales</u> | <u>PSNH Sales</u> | <u>Non-ES Sales</u> | <u>ES Sales</u> | <u>PSNH Sales</u> | <u>Non-ES Sales</u> | <u>ES Sales</u> | |
| Jun-10 | 629,292 | 186,670 | 442,622 | 627,692 | 200,234 | 427,458 | (1,600) | 13,564 | (15,164) | -3.4% |
| Jul-10 | 722,162 | 214,218 | 507,944 | 718,562 | 229,221 | 489,341 | (3,600) | 15,003 | (18,603) | -3.7% |
| Aug-10 | 718,329 | 213,081 | 505,248 | 715,807 | 228,342 | 487,465 | (2,522) | 15,261 | (17,783) | -3.5% |
| Sep-10 | 625,986 | 185,689 | 440,297 | 621,452 | 198,243 | 423,209 | (4,534) | 12,554 | (17,088) | -3.9% |
| Oct-10 | 618,109 | 183,352 | 434,757 | 612,071 | 195,251 | 416,820 | (6,038) | 11,899 | (17,937) | -4.1% |
| Nov-10 | 617,816 | 183,266 | 434,550 | 606,545 | 193,488 | 413,057 | (11,271) | 10,222 | (21,493) | -4.9% |
| Dec-10 | 683,790 | 202,836 | 480,954 | 681,194 | 217,301 | 463,893 | (2,596) | 14,465 | (17,061) | -3.5% |
| Subtotal | 4,615,484 | 1,369,112 | 3,246,372 | 4,583,323 | 1,462,080 | 3,121,243 | (32,161) | 92,968 | (125,129) | -3.9% |

D. Other Cost Changes (\$0.7 million cost increase)

9. Actual and forecasted F/H O&M costs decreased by a net of \$1.2 million. This is due to actual F/H O&M decreasing by \$2.7 million from the 5/4/10 filing. In addition, this filing has been updated to reflect increase in costs of \$1.5 million associated with the transfer of the NHPUC Assessment and increased portion of uncollectible expense into the ES rate calculation consistent with the distribution rate case Settlement pending before the Commission. The costs from August 2009 – June 2010 (recoupment period) have been included reflecting a one year period of recovery consistent with the recovery of the recoupment balance in distribution rates.

10. Anticipated insurance proceeds associated with Merrimack have been updated using the latest amounts that have been or will be submitted as part of PSNH's claim to the insurer. Consistent with past filings, these amounts have been reduced by approximately 20% to reflect timing and/or recovery of the insurance proceeds. This resulted in an additional credit of \$3.4 million.

11. All other actual costs increased by \$5.3 million. One major reason for this increase was the delay in the coal resale that was anticipated to take place in May 2010 but has been delayed, accounting for \$2.3 million of this variance. (See the discussion in item 1 above.)

E. Revenue Changes (\$13.8 million revenue decrease)

12. The 2010 updated ES revenues decreased by \$13.8 million due to additional customer migration.

F. Customer Migration Update

13. The 6/11/2010 updated ES rate assumes a 31.9% migration level which represents the actual current migration level on PSNH's system as of May 31, 2010. PSNH also computed two alternative ES migration scenarios. The results of our calculations are as follows:

| <u>Average migration percentage</u> | <u>ES rate</u> |
|-------------------------------------|--------------------------------------|
| 31.9% | 8.78 cents/kWh (as filed & proposed) |
| 35.6% | 8.90 |
| 28.2% | 8.68 |



Public Service
of New Hampshire

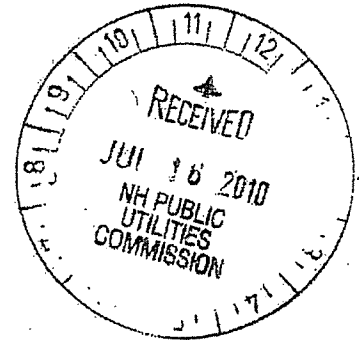
PSNH Energy Park
780 North Commercial Street, Manchester, NH 03101

Public Service Company of New Hampshire
P.O. Box 330
Manchester, NH 03105-0330
(603) 669-4000
www.psnh.com

The Northeast Utilities System

July 15, 2010

Debra A. Howland
Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-2429



Re: 2nd Quarter 2010 Customer Migration Report

Dear Ms. Howland:

In its Order No. 24,714 – Order Approving Energy Service Rate in Docket DE 06-125, the Commission directed PSNH to provide monthly data regarding the migration of its customers to the competitive market on a quarterly basis. Enclosed for filing with the Commission is a Customer Migration Report for the 2nd quarter of 2010. This report is being filed electronically with one paper copy being sent to the Commission.

We would be pleased to respond to any questions the Commission may have on this report.

Sincerely,

A handwritten signature in cursive script that reads "Stephen R. Hall".

Stephen R. Hall
Rate and Regulatory Services Manager

RJB:dm
Enclosures
cc: Meredith A. Hatfield, OCA

**Public Service Company of New Hampshire
Migration of Customers To and From the Competitive Energy Supply Market
2nd Quarter 2010 Report
to the New Hampshire Public Utilities Commission**

| | Customers Receiving Energy Service From the Competitive Market | | |
|--------------------|---|---|---|
| | Number of Customers Not Billed for PSNH's Energy Service | Total Kilowatt-hours Delivered (KWH) | Estimated Demand at the Time of PSNH's System Peak Reported to the ISO-NE (KW) |
| <u>April</u> | | | |
| Residential | 1,187 | 415,279 | |
| Small C&I Rate G | 4,076 | 22,167,947 | |
| Medium C&I Rate GV | 601 | 71,389,053 | |
| Large C&I Rate LG | 88 | 89,430,642 | |
| Lighting | <u>54</u> | <u>711,514</u> | |
| Total | 6,006 | 184,114,435 | 260,414 |
| <u>May</u> | | | |
| Residential | 1,186 | 398,175 | |
| Small C&I Rate G | 4,249 | 23,633,583 | |
| Medium C&I Rate GV | 623 | 74,278,720 | |
| Large C&I Rate LG | 87 | 90,591,548 | |
| Lighting | <u>54</u> | <u>602,728</u> | |
| Total | 6,199 | 189,504,754 | 454,873 |
| <u>June</u> | | | |
| Residential | 1,247 | 424,922 | |
| Small C&I Rate G | 4,448 | 25,551,219 | |
| Medium C&I Rate GV | 637 | 78,373,512 | |
| Large C&I Rate LG | 87 | 89,126,109 | |
| Lighting | <u>58</u> | <u>618,310</u> | |
| Total | 6,477 | 194,094,072 | 456,565 |



McLane, Graf,
Raulerson & Middleton
Professional Association

100 Market Street, Suite 301 | Portsmouth, NH 03802
Tel: 603.436.2818 | www.mclane.com

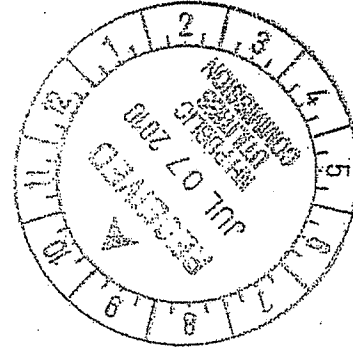
OFFICES IN:
MANCHESTER
CONCORD
PORTSMOUTH
WOBBURN, MA

SARAH B. KNOWLTON
Direct Dial: (603) 334-6928
Email: sarah.knowlton@mclane.com
Licensed in MA, ME and NH

July 6, 2010

Via Electronic and First Class Mail

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301



Re: **Granite State Electric Company d/b/a National Grid
Quarterly Customer Migration Report**

Dear Ms. Howland:

In accordance with Order No. 24,715 issued by the Commission on December 15, 2006, enclosed for filing please find Granite State Electric Company d/b/a National Grid's Quarterly Customer Migration Report for the second Quarter of 2010.

Thank you for your assistance with this matter. Please do not hesitate to call if you have any questions.

Very truly yours,

Sarah B. Knowlton

SBK/hsp

Enclosures

cc: PUC Librarian (via electronic mail)
Celia O'Brien, Esq.

CUSTOMER MIGRATION REPORT

Energy Service and Competitive Generation Customers for the 2nd Quarter of 2010

| Customer Rate Class | Energy Service | | | | | | Competitive Service | | | | | |
|---------------------|--|--------|---------|--|------------|------------|---|--------|---------|---|------------|------------|
| | April-10 | May-10 | June-10 | April-10 | May-10 | June-10 | April-10 | May-10 | June-10 | April-10 | May-10 | June-10 |
| | Number of Energy Service Customers | | | kWh Used by Energy Service Customers | | | Number of Competitive Service Customers | | | kWh Used by Competitive Service Customers | | |
| D | 33,589 | 33,581 | 33,672 | 19,825,758 | 17,394,245 | 21,687,642 | 33 | 33 | 33 | 31,459 | 26,861 | 27,997 |
| D-10 | 449 | 448 | 447 | 480,661 | 373,447 | 360,732 | 1 | 1 | 1 | 975 | 930 | 906 |
| T | 1,245 | 1,242 | 1,239 | 1,591,014 | 1,205,400 | 1,189,357 | 46 | 46 | 46 | 53,178 | 41,428 | 32,421 |
| G-1 | 67 | 67 | 69 | 7,957,660 | 7,839,940 | 9,120,470 | 51 | 52 | 50 | 18,410,056 | 18,719,530 | 22,745,086 |
| G-2 | 687 | 696 | 703 | 8,835,960 | 8,512,606 | 9,752,878 | 150 | 155 | 153 | 3,376,118 | 3,259,332 | 3,492,276 |
| G-3 | 5,095 | 5,129 | 5,130 | 6,640,400 | 6,159,765 | 7,024,503 | 408 | 420 | 421 | 506,377 | 476,857 | 546,735 |
| V | 20 | 20 | 20 | 22,931 | 16,881 | 24,689 | 1 | 1 | 1 | 1,969 | 1,623 | 776 |
| Streetlights | 84 | 86 | 90 | 206,044 | 176,333 | 201,626 | 16 | 16 | 15 | 232,379 | 198,867 | 223,475 |
| TOTAL | 41,236 | 41,269 | 41,370 | 45,560,428 | 41,678,617 | 49,361,897 | 706 | 724 | 720 | 22,612,511 | 22,725,428 | 27,069,672 |
| Customer Rate Class | Number of Energy Service Customers as % of Total | | | kWh Used by Energy Service Customers as % of Total | | | Number of Competitive Service Customers as % of Total | | | kWh Used by Competitive Service Customers as % of Total | | |
| D | 100% | 100% | 100% | 100% | 100% | 100% | 0% | 0% | 0% | 0% | 0% | 0% |
| D-10 | 100% | 100% | 100% | 100% | 100% | 100% | 0% | 0% | 0% | 0% | 0% | 0% |
| T | 96% | 96% | 96% | 97% | 97% | 97% | 4% | 4% | 4% | 3% | 3% | 3% |
| G-1 | 57% | 56% | 58% | 30% | 30% | 29% | 43% | 44% | 42% | 70% | 70% | 71% |
| G-2 | 82% | 82% | 82% | 72% | 72% | 74% | 18% | 18% | 18% | 28% | 28% | 26% |
| G-3 | 93% | 92% | 92% | 93% | 93% | 93% | 7% | 8% | 8% | 7% | 7% | 7% |
| V | 95% | 95% | 95% | 92% | 91% | 97% | 5% | 5% | 5% | 8% | 9% | 3% |
| Streetlights | 84% | 84% | 86% | 47% | 47% | 47% | 16% | 16% | 14% | 53% | 53% | 53% |
| TOTAL | 98% | 98% | 98% | 67% | 65% | 65% | 2% | 2% | 2% | 33% | 35% | 35% |

Prepared By: J. Jerz

Date: July 1, 2010

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

ROBERT S. FURINO

New Hampshire Public Utilities Commission

Docket No. DE 10-028

June 11, 2010

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| III. | SOLICITATION PROCESS | Page 4 |
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| V. | CONCLUSION | Page 8 |

LIST OF SCHEDULES

Schedule RSF-1: Bid Evaluation Report

Schedule RSF-2: Request for Proposals

Schedule RSF-3: Customer Migration Report

Schedule RSF-4: RPS Compliance Cost Estimates

Unitil Energy Systems, Inc.
Customer Migration ReportRETAIL SALES (kWh) by CUSTOMER CLASS
Competitive Generation Sales

| Month | DOMESTIC | REGULAR GENERAL | LARGE GENERAL | OUTDOOR LIGHTING | TOTAL |
|--------|----------|--------------------|------------------|---------------------|------------|
| May-09 | 0 | 2,402,188 | 18,762,045 | 110,147 | 21,274,380 |
| Jun-09 | 37,200 | 2,718,502 | 18,712,843 | 124,254 | 21,592,799 |
| Jul-09 | 46,200 | 2,969,404 | 20,579,313 | 124,500 | 23,719,417 |
| Aug-09 | 60,321 | 4,075,873 | 25,609,535 | 116,254 | 29,861,983 |
| Sep-09 | 64,641 | 4,693,181 | 24,758,410 | 124,561 | 29,640,793 |
| Oct-09 | 51,760 | 4,384,999 | 22,982,268 | 131,378 | 27,550,404 |
| Nov-09 | 75,425 | 4,236,124 | 22,613,600 | 121,259 | 27,046,408 |
| Dec-09 | 74,000 | 4,748,182 | 23,224,599 | 138,856 | 28,185,637 |
| Jan-10 | 144,826 | 5,811,224 | 23,282,497 | 184,862 | 29,423,409 |
| Feb-10 | 399,286 | 5,559,584 | 22,906,266 | 160,905 | 29,026,040 |
| Mar-10 | 330,571 | 5,306,658 | 21,823,475 | 165,668 | 27,626,371 |
| Apr-10 | 260,953 | 5,932,133 | 24,092,687 | 180,503 | 30,466,276 |

RETAIL SALES (kWh) by CUSTOMER CLASS
Total Sales

| Month | DOMESTIC | REGULAR GENERAL | LARGE GENERAL | OUTDOOR LIGHTING | TOTAL |
|--------|------------|--------------------|------------------|---------------------|-------------|
| May-09 | 32,677,515 | 25,809,216 | 27,738,173 | 712,691 | 86,937,595 |
| Jun-09 | 34,177,351 | 26,898,737 | 28,584,069 | 777,059 | 90,437,216 |
| Jul-09 | 39,487,448 | 30,258,996 | 31,048,428 | 785,781 | 101,580,653 |
| Aug-09 | 45,694,434 | 32,412,156 | 32,371,261 | 754,634 | 111,232,486 |
| Sep-09 | 43,197,838 | 31,253,101 | 31,169,381 | 742,015 | 106,362,335 |
| Oct-09 | 35,172,516 | 26,863,110 | 28,729,567 | 761,003 | 91,526,196 |
| Nov-09 | 35,880,892 | 25,482,064 | 28,037,649 | 701,170 | 90,101,775 |
| Dec-09 | 41,630,125 | 27,214,356 | 28,372,560 | 744,582 | 97,961,623 |
| Jan-10 | 52,034,217 | 31,417,267 | 28,962,938 | 781,671 | 113,196,093 |
| Feb-10 | 41,734,628 | 27,335,060 | 27,583,716 | 679,553 | 97,332,957 |
| Mar-10 | 37,052,932 | 25,613,525 | 26,369,617 | 683,355 | 89,719,429 |
| Apr-10 | 38,742,368 | 27,901,591 | 29,469,447 | 760,832 | 96,874,237 |

RETAIL SALES (kWh) by CUSTOMER CLASS
Competitive Generation Sales as a Percentage of Total Sales

| Month | DOMESTIC | REGULAR GENERAL | LARGE GENERAL | OUTDOOR LIGHTING | TOTAL |
|--------|----------|--------------------|------------------|---------------------|-------|
| May-09 | 0.0% | 9.3% | 67.6% | 15.5% | 24.5% |
| Jun-09 | 0.1% | 10.1% | 65.5% | 16.0% | 23.9% |
| Jul-09 | 0.1% | 9.8% | 66.3% | 15.8% | 23.4% |
| Aug-09 | 0.1% | 12.6% | 79.1% | 15.4% | 26.8% |
| Sep-09 | 0.1% | 15.0% | 79.4% | 16.8% | 27.9% |
| Oct-09 | 0.1% | 16.3% | 80.0% | 17.3% | 30.1% |
| Nov-09 | 0.2% | 16.6% | 80.7% | 17.3% | 30.0% |
| Dec-09 | 0.2% | 17.4% | 81.9% | 18.6% | 28.8% |
| Jan-10 | 0.3% | 18.5% | 80.4% | 23.6% | 26.0% |
| Feb-10 | 1.0% | 20.3% | 83.0% | 23.7% | 29.8% |
| Mar-10 | 0.9% | 20.7% | 82.8% | 24.2% | 30.8% |
| Apr-10 | 0.7% | 21.3% | 81.8% | 23.7% | 31.4% |

Unitil Energy Systems, Inc.
Customer Migration Report

CUSTOMER COUNT by CLASS
Customers Served by Competitive Generation

| Month | DOMESTIC | REGULAR GENERAL | LARGE GENERAL | OUTDOOR LIGHTING | TOTAL |
|--------|----------|-----------------|---------------|------------------|-------|
| May-09 | 0 | 172 | 84 | 45 | 301 |
| Jun-09 | 1 | 191 | 83 | 49 | 324 |
| Jul-09 | 1 | 196 | 86 | 50 | 333 |
| Aug-09 | 16 | 283 | 99 | 65 | 463 |
| Sep-09 | 16 | 317 | 99 | 71 | 503 |
| Oct-09 | 24 | 376 | 98 | 75 | 573 |
| Nov-09 | 27 | 391 | 98 | 77 | 593 |
| Dec-09 | 28 | 419 | 99 | 82 | 628 |
| Jan-10 | 85 | 428 | 97 | 87 | 697 |
| Feb-10 | 120 | 490 | 100 | 96 | 806 |
| Mar-10 | 124 | 488 | 101 | 97 | 810 |
| Apr-10 | 123 | 509 | 102 | 98 | 832 |

Total Customers

| Month | DOMESTIC | REGULAR GENERAL | LARGE GENERAL | OUTDOOR LIGHTING | TOTAL |
|--------|----------|-----------------|---------------|------------------|--------|
| May-09 | 63,731 | 10,816 | 150 | 1,834 | 76,531 |
| Jun-09 | 63,731 | 10,810 | 150 | 1,834 | 76,525 |
| Jul-09 | 63,765 | 10,831 | 151 | 1,832 | 76,579 |
| Aug-09 | 63,858 | 10,828 | 152 | 1,828 | 76,666 |
| Sep-09 | 63,819 | 10,810 | 151 | 1,820 | 76,600 |
| Oct-09 | 63,581 | 10,882 | 158 | 1,823 | 76,444 |
| Nov-09 | 63,480 | 10,774 | 151 | 1,819 | 76,224 |
| Dec-09 | 63,482 | 10,787 | 148 | 1,812 | 76,229 |
| Jan-10 | 63,280 | 10,789 | 149 | 1,814 | 76,032 |
| Feb-10 | 63,340 | 10,791 | 148 | 1,813 | 76,092 |
| Mar-10 | 63,437 | 10,818 | 149 | 1,813 | 76,217 |
| Apr-10 | 63,614 | 10,845 | 149 | 1,811 | 76,419 |

CUSTOMER COUNT by CLASS
Percentage of Customers Served by Competitive Generation

| Month | DOMESTIC | REGULAR GENERAL | LARGE GENERAL | OUTDOOR LIGHTING | TOTAL |
|--------|----------|-----------------|---------------|------------------|-------|
| May-09 | 0.0% | 1.6% | 56.0% | 2.5% | 0.4% |
| Jun-09 | 0.0% | 1.8% | 55.3% | 2.7% | 0.4% |
| Jul-09 | 0.0% | 1.8% | 57.0% | 2.7% | 0.4% |
| Aug-09 | 0.0% | 2.6% | 65.1% | 3.6% | 0.6% |
| Sep-09 | 0.0% | 2.9% | 65.6% | 3.9% | 0.7% |
| Oct-09 | 0.0% | 3.5% | 62.0% | 4.1% | 0.7% |
| Nov-09 | 0.0% | 3.6% | 64.9% | 4.2% | 0.8% |
| Dec-09 | 0.0% | 3.9% | 66.9% | 4.5% | 0.8% |
| Jan-10 | 0.1% | 4.0% | 65.1% | 4.8% | 0.9% |
| Feb-10 | 0.2% | 4.5% | 67.6% | 5.3% | 1.1% |
| Mar-10 | 0.2% | 4.5% | 67.8% | 5.4% | 1.1% |
| Apr-10 | 0.2% | 4.7% | 68.5% | 5.4% | 1.1% |



**Public Service
of New Hampshire**

Attachment 6
DE 09-180

PSNH Energy Park
780 North Commercial Street, Manchester, NH 03101

Public Service Company of New Hampshire
P.O. Box 330
Manchester, NH 03105-0330
(603) 669-4000
www.psnh.com

The Northeast Utilities System

September 24, 2009

Debra A. Howland
Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429



Re: Proposed Default Energy Service Rate for 2010 - Docket No. DE 09-XXX

Dear Ms. Howland:

Enclosed please find seven copies of the testimony and attachments of Robert A. Baumann containing an estimate and supporting documentation for a Default Energy Service rate applicable to PSNH's customers who take service under Default Energy Service Rate DE on and after January 1, 2010. Pursuant to RSA 369-B:3, IV(b)(1)(A), customers who take Default Energy Service from PSNH will be billed a Default Energy Service ("ES") rate equal to PSNH's actual, prudent and reasonable costs of providing the power, as approved by the Commission. Based upon the data contained herein, PSNH currently estimates an ES rate for effect on January 1, 2010 of 9.31 cents per kilowatt-hour. This change would be an increase of 0.28 cents per kilowatt-hour over the current ES rate of 9.03 cents per kilowatt-hour. PSNH is today making a contemporaneous filing of a decreased Stranded Cost Recovery Charge rate of 1.02¢ per kWh.

As in the case of the last proceeding, PSNH anticipates that the estimated ES rate will be revised during the course of this proceeding to incorporate the most recent estimates of fuel and energy prices. PSNH's requested rate will be based upon this revised estimate and supporting documentation filed prior to the final hearing on the merits and will reflect any estimated over or under recovery of ES for 2009. PSNH requests that the Commission open a docket and schedule a pre-hearing conference so that a procedural schedule can be established that will provide for an order by the Commission in sufficient time to enable the new Default Energy Service rate to take effect January 1, 2010.

Very truly yours,

Gerald M. Eaton
Senior Counsel

Enclosures
cc: Service List

GS6161 REV. 3-02

1 no longer applied to Part 3 stranded costs. ES reconciliation amounts beginning in February 2006
2 are now being deferred and are applied to future ES rate recoveries per the Commission's order
3 and findings in Docket No. DE 05-164, Order No. 24,579, dated January 20, 2006.

4 Q. Are the costs that PSNH has included in this ES rate filing consistent with the past ES
5 filings?

6 A. Yes, the major cost categories are consistent. The major cost categories in this ES filing are the
7 revenue requirements for owned generation assets and the costs of purchased power obligations.
8 In addition, Energy Service costs include the fuel costs associated with PSNH's generation assets,
9 the costs from supplemental energy and capacity purchases, certain ISO-NE ancillary service
10 charges and the cost of compliance with the Renewable Portfolio Standard (RPS) and RGGI. The
11 generation revenue requirements include non-fuel costs of generation, including non-fuel
12 operation and maintenance costs, allocated administrative and general costs, depreciation,
13 property taxes and payroll taxes, and a return on the net fossil/hydro investment.

14 Q. Please discuss the level of migration assumed in this filing.

15 A. The level of migration assumed in PSNH's filing reflects the current actual level of
16 approximately 23%. This is up from the assumed migration level of 18% that was embedded in
17 the current rates effective on August 1, 2009.

18 Q. What impact has the increased level of migration had on the currently filed ES rate?

19 A. Increased migration levels have put upward pressure on the ES rate. The rate included in this
20 filing is approximately 5% higher than it would have been absent migration. The end result of

1 this increase in the ES rate is that certain customers that are unable to switch to a third party
2 supply, predominately residential customers, are now shouldering additional fixed costs, while
3 customers who have switched have been afforded the opportunity to choose lower rates from
4 third party suppliers.

5 **Q. Will the upward pressure on ES rates continue into the future?**

6 **A.** Such a question can only be answered with knowledge of future migration levels and the related
7 levels of alternative market prices. During the current unprecedented market price decline,
8 suppliers have been successful in offering certain customers lower prices than the price calculated
9 in the ES rate formula. How long this price differential will last is not known, nor is the pricing
10 or terms of the current third party contracts. If market prices in the future increase once again
11 over the ES rate level, PSNH expects that some or all of these customers on third party supply
12 may migrate back to PSNH's ES default rate. If prices were to fall once again below the ES rate
13 level, we would expect that some of these returning customers would once again move to a third
14 party supply if it were in their economic interests to do so. This again would leave the remaining
15 customers with additional costs to shoulder.

16 **Q. Does PSNH have a proposal at this time that would address the issues raised above?**

17 **A.** Not at this time. PSNH believes that any solution to this issue should be vetted by all interested
18 parties through technical session discussions. We do believe that the restructuring law was not
19 intended to have one general group of customers shouldering additional costs as a result of
20 another group securing lower rates. To that end, the additional costs incurred may be the
21 unintended result of restructuring and therefore should be addressed appropriately.



**Public Service
of New Hampshire**

PSNH Energy Park
780 North Commercial Street, Manchester, NH 03101

Public Service Company of New Hampshire
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(603) 669-4000
www.psnh.com

The Northeast Utilities System

November 23, 2009

Debra Howland
Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

Re: DE 09-180 Default Energy Service Rate

Dear Secretary Howland:

Enclosed for filing in the docket captioned above is the direct testimony of Robert A. Baumann. Mr. Baumann will present this testimony at the hearing on December 10, 2009.

Very truly yours,

A handwritten signature in cursive script that reads "Stephen R. Hall" with "RN" written below it.

Stephen R. Hall, Manager
Rate & Regulatory Services



SRH:kn
Enclosures
cc: Service List

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
SUPPLEMENTAL PREPARED TESTIMONY OF ROBERT A. BAUMANN
2010 DEFAULT ENERGY SERVICE RATE CHANGE

Docket No. DE 09-180

1 **Q. Please state your name, business address and position.**

2 A. My name is Robert A. Baumann. My business address is 107 Selden Street, Berlin, Connecticut.
3 I am Director, Revenue Regulation & Load Resources for Northeast Utilities Service Company
4 (NUSCO). NUSCO provides centralized services to the Northeast Utilities (NU) operating
5 subsidiaries, including Public Service Company of New Hampshire (PSNH), The Connecticut
6 Light and Power Company, Yankee Gas Services Company and Western Massachusetts Electric
7 Company.

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

9 A. Yes. I have testified on numerous occasions before the Commission.

10 **Q. What is the purpose of your supplemental testimony?**

11 A. The purpose of this testimony is to provide additional information in this Docket related to the
12 topic of customer migration and its current impact on the ES rates that will take effect on
13 January 1, 2010. PSNH made a commitment to all parties at the noticed technical session in this
14 docket on October 19, 2009, to file supplemental testimony that specifically addressed the issue
15 of customer migration and its effect on the ES rates. Specifically, the issue to be addressed is the
16 increase in the ES rate attributable to customer migration as noted in our initial testimony filed on
17 September 24, 2009, in this docket.

1 Q. Please summarize the impact customer migration has had on the current ES rate?

2 A. This docket will set the ES rate on January 1, 2010 that will be billed to all customers who have
3 not chosen a third party supplier. The level of migration that was assumed in our initial filing
4 was 23%. Absent any migration, the ES rate would have been approximately 5% lower than the
5 rate as filed. If the ES rate is applied to customers consistent with past filings, the increase in the
6 ES rate due to migration will be borne by customers who did not, or could not chose a third party
7 supply. The majority of the customers who presently use PSNH's default energy service are
8 residential and smaller C&I customers. This general group of customers has limited options for a
9 third party supply in the market.

10 Q. What is the dollar impact of this 5% rate differential over a full year?

11 A. The impact of the migration-driven differential using the rates as filed on September 24, 2009 is
12 approximately \$28 million. This value will change when PSNH updates its ES proposal on
13 December 7, 2009.

14 Q. What are the underlying causes that have created this ES migration issue?

15 A. It is PSNH's obligation, as the supplier of last resort, to have a reliable and cost effective supply
16 at all times to meet its assigned load obligation for every hour of every day. To that end, PSNH
17 maintains a portfolio of power sources to meet current and future load obligations. These
18 significant power sources are PSNH's own generation and unit entitlements, IPP generation from
19 contracts and rate orders, contracted blocks of fixed purchase power sources, and anticipated
20 market power purchases, mostly through the daily ISO-NE interchange process. Over the past
21 few years, PSNH has planned and/or procured ahead of time a large portion of the load obligation
22 with its own generation, purchased power and IPP supplies to minimize future market exposure



Public Service
of New Hampshire

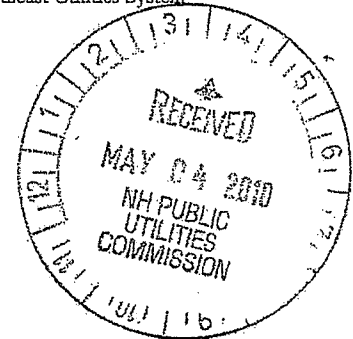
PSNH Energy Park
780 North Commercial Street, Manchester, NH 03101

Public Service Company of New Hampshire
P.O. Box 330
Manchester, NH 03105-0330
(603) 669-4000
www.psnh.com

The Northeast Utilities System

May 4, 2010

Debra A. Howland
Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429



Re: Interim Change in the Default Energy Service Rate Docket No. DE 09-180

Dear Ms. Howland:

Enclosed please find an original and six copies of the Prepared Direct Testimony of Robert A. Baumann with attachments and a Joint Technical Statement Robert A. Baumann and Frederick B. White containing a calculation and supporting documentation for a Default Energy Service (Energy Service) rate applicable to PSNH's customers who take service under Energy Service Rate DE on and after July 1, 2010. PSNH currently calculates that there will be a decrease from the current rate of 8.96 cents per kilowatt-hour to 8.57 cents per kilowatt-hour. This estimate includes actual costs through March 2010 and a projection of costs from April through December.

As was customary in the past, PSNH will file updated projections of costs and actual experience through April prior to the hearing in this matter; therefore, the rate PSNH ultimately requests may differ from the enclosed calculation. PSNH requests that the Commission reopen this proceeding and schedule a hearing so that a final determination of a rate may be made on or before June 28, 2010 to calculate and test all of the rate changes scheduled for July 1, 2010. Concurrently with this filing, PSNH is requesting the Commission to reopen the Stranded Cost Recovery Charge (SCRC) proceeding to enable PSNH to request a change in the SCRC on July 1, 2010. At the beginning of June PSNH will file a request for a new Transmission Cost Adjustment Mechanism rate also for effect on July 1, 2010.

Copies of this filing have been provided to the persons on the attached service list pursuant to Puc§203.02 and Puc §203.11.

Very truly yours,

Gerald M. Eaton
Senior Counsel

Enclosures
cc: Service List

1 **opportunity to choose an electric supplier. We are not persuaded that**
2 **PSNH has yet taken measures sufficient to address potential migration**
3 **and, therefore, we will require the Company to develop a meaningful range**
4 **of forecasts of customer migration as it prepares to recommend a mid-year**
5 **adjustment to its ES rate effective July 1, 2010.”**

6 The Commission's Order presented two issues associated with migration which will be
7 addressed below. These are (1) the issue of migration impacts on the small customers'
8 ES rates as discussed above and (2), the development of a meaningful forecasted range
9 for future migration for the ES rate calculations.

10 **Q. Explain the migration impacts on the small customers' ES rates resulting from the**
11 **migration of large customers to competitive suppliers.**

12 **A.**PSNH agrees that recent increases in the ES rate for small customers, due to migration
13 of larger customers, was not fully addressed in the last proceeding. It is still our belief
14 that a portion of the current ES costs should be removed from the ES rates and
15 recovered through a non-bypassable rate from all customers. Such a recovery would
16 then fairly spread the cost of back up supply to all customers, not just small customers.
17 We stand ready to take part in any effort that is deemed appropriate that would further
18 address this fairness issue.

19 **Q. What level of migration has PSNH used in this filing?**