

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
MID-TERM ADJUSTMENT EFFECTIVE JULY 1, 2010
2010 STRANDED COST RECOVERY CHARGE
RATE CHANGE
Docket No. DE 09-179

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,
3 Connecticut. I am Director, Revenue Regulation & Load Resources for Northeast
4 Utilities Service Company (NUSCO). NUSCO provides centralized services to the
5 Northeast Utilities (NU) operating subsidiaries, including Public Service Company of
6 New Hampshire (PSNH), The Connecticut Light and Power Company, Yankee Gas
7 Services Company and Western Massachusetts Electric 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 testimony?**

11 A. The purpose of my testimony is to provide a detailed overview of PSNH's request for a
12 mid-term adjustment to increase the current Stranded Cost Recovery (SCRC) rate
13 effective on July 1, 2010.

1 **Q. What is PSNH requesting in this proceeding?**

2 A. In this proceeding, PSNH is requesting that the Commission approve a mid-term
3 adjustment to the average SCRC rate for all customers effective July 1, 2010. This rate,
4 as calculated today, consistent with the concurrent ES rate filing requires an increase in
5 the current SCRC rate of 1.18¢/kWh to a rate of 1.24¢/kWh. This SCRC rate was based
6 on actual results through March 2010 and an updated forecast for the remainder of
7 2010. PSNH is proposing the SCRC rate change to take effect July 1, 2010 consistent
8 with its simultaneous proposal to change the ES rate. In addition, in early June 2010,
9 PSNH will also file its proposal to change the Transmission Cost Adjustment Mechanism
10 (TCAM) effective July 1, 2010.

11 **Q. Please describe the components of the SCRC and their application to this rate**
12 **request.**

13 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters
14 374-F and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549,
15 defined PSNH's stranded costs and categorized them into three different parts (i.e., Part
16 1, 2 and 3). Part 1 is composed of the RRB Charge which is calculated to recover the
17 principal, net interest, and fees related to Rate Reduction Bonds. Part 2 costs are
18 "ongoing" stranded costs consisting primarily of the over-market value of energy
19 purchased from independent power producers (IPPs) and the amortization of payments
20 previously made for IPP buy-downs and buy-outs as approved by the Commission. In
21 addition, the SCRC has a return component, consisting primarily of the stipulated return

1 on deferred taxes related to securitized stranded costs. The return is a benefit to
2 customers which reduces the overall SCRC level. Part 3 costs, which were primarily the
3 amortization of non-securitized stranded costs, were recovered fully in June 2006.

4 Pursuant to Order No. 25,056 issued in Docket No. DE 09-179, PSNH is currently billing
5 an average SCRC rate of 1.18¢/kWh which was made effective for the period January 1,
6 2010 through December 31, 2010.

7 **Q. Please describe the detailed support for the calculation of the average SCRC rate**
8 **provided in Attachment RAB-1.**

9 A. Attachment RAB-1, pages 1-3, provides a summary of 2010 cost information related to
10 Part 1 and Part 2 costs, amortization of securitized assets and ongoing cost activity.
11 Pages 4 through 7 provide the detailed cost information by month related to Part 1 and
12 Part 2 costs.

13 **Q. Describe what has transpired during the SCRC period beginning January 1, 2010.**

14 A. The current average SCRC rate of 1.18¢/kWh became effective on January 1, 2010 for
15 the twelve month period January through December 2010. The primary reason for the
16 recommended increase in the rate to 1.24 cents is due to lower market prices which in
17 turn increased the over-market portion of purchases from the IPPs included in the
18 SCRC.

19 **Q. How are PSNH's mandated purchased power obligations from IPPs valued in the**
20 **SCRC?**

1 A. The over-market portion of purchases from the IPPs is considered to be a stranded cost
2 and is recovered as Part 2 cost through the SCRC. The market value of the IPP is
3 reflected in the Energy Service rate, which PSNH is proposing to decrease on July 1,
4 2010 in a concurrent filing made under separate cover. This treatment is consistent with
5 the Restructuring Settlement and the Commission's Order in Docket No. DE 02-166.

6 **Q. When will PSNH provide an update to the proposed SCRC Rate?**

7 A. The filing will be updated in about 4 weeks to reflect actual results for April 2010 and for
8 any other significant changes.

9 **Q. Does the Commission need to make a determination at this time of the prudence**
10 **of the costs incurred since January 1, 2010?**

11 A. No. Those issues will be addressed in the Stranded Cost Recovery Charge
12 reconciliation which has traditionally been filed in early May following the calendar year
13 when those costs were incurred and collected.

14 **Q. Does PSNH require Commission approval of this rate by a specific date?**

15 A. Yes. Due to the number of rate components that will change, PSNH requests approval
16 of the proposed SCRC rate by June 28 to allow sufficient time to test thoroughly and bill
17 on our regular schedule without delaying billing for service rendered as of July 1, 2010.
18 Therefore, PSNH requests that the Commission reopen this proceeding so that the
19 procedural schedule can be set to review this filing and approve the SCRC rate in a
20 timely manner.

1 **Q.** **Does this conclude your testimony?**

2 **A.** Yes, it does.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2010 SCRC RATE CALCULATION

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	<u>Stranded Cost</u>	<u>Source</u>
1 Part 1 - Rate recovery bonds (RRB)	\$ 61,412	RAB-1 Page 3
2 Part 2 - Ongoing SCRC Costs	28,202	RAB-1 Page 3
3 Part 2 - 2009 Actual SCRC under/(over) Recovery	<u>3,883</u>	RAB-1 Page 3
4 Total Updated SCRC Cost (L1+L2+L3)	\$ 93,497	
5 Total Updated SCRC Revenue @ 1.18 cents/kwh	<u>91,291</u>	RAB-1 Page 3
6 Total SCRC under/(over) Recovery (L4 - L5)	2,206	
7 Forecasted Retail MWH Sales - July - December 2010	<u>3,986,192</u>	
8 Increase in SCRC Rate - cents/kwh (L6 / L7)	0.06	
9 Current SCRC rate approved in DE 09-179 - cents/kwh	<u>1.18</u>	
10 Updated SCRC Rate - cents/kwh (L8 +L9)	<u>1.24</u>	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2010 SCRC RATE CALCULATION

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<u>SCRC Cost</u>	<u>Actual January 2010</u>	<u>Actual February 2010</u>	<u>Actual March 2010</u>	<u>Re-estimate April 2010</u>	<u>Re-estimate May 2010</u>	<u>Re-estimate June 2010</u>	<u>Total for the six months ended 6/30/10</u>	<u>Source</u>
1 SCRC Part 1 Costs	\$ 4,999	\$ 5,149	\$ 5,149	\$ 5,220	\$ 4,972	\$ 4,972	\$ 30,462	Attachment RAB-1, Page 4
2 SCRC Part 2 Costs	1,721	1,975	3,152	2,727	2,662	2,302	14,540	Attachment RAB-1, Page 6
3 2009 SCRC under(over) Recovery	3,883	-	-	-	-	-	3,883	
4 Total SCRC Cost	\$ 10,603	\$ 7,124	\$ 8,302	\$ 7,947	\$ 7,635	\$ 7,275	\$ 48,885	
5 Total SCRC Revenue @ 1.18 cents/kwh	8,303	7,125	7,344	6,982	7,075	7,426	44,254	
6 SCRC under/(over) Recovery	\$ 2,301	\$ (1)	\$ 958	\$ 965	\$ 559	\$ (151)	\$ 4,631	
7 Retail MWH Sales	696,711	611,006	623,942	591,690	599,611	629,292	3,752,252	

8 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2010 SCRC RATE CALCULATION

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<u>SCRC Cost</u>	Re-estimate						Total for the twelve months ended 12/31/10	Source
	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010		
1 SCRC Part 1 Costs	\$ 4,972	\$ 5,295	\$ 5,295	\$ 5,295	\$ 5,046	\$ 5,046	\$ 61,412	Attachment RAB-1, Page 5
2 SCRC Part 2 Costs	2,274	2,049	1,983	2,298	2,570	2,487	28,202	Attachment RAB-1, Page 7
3 2009 SCRC under(over) Recovery	-	-	-	-	-	-	3,883	
4 Total SCRC Cost	\$ 7,247	\$ 7,344	\$ 7,279	\$ 7,593	\$ 7,616	\$ 7,533	\$ 93,497	
5 Total SCRC Revenue @ 1.18 cents/kwh	8,522	8,476	7,387	7,294	7,290	8,069	91,291	
6 SCRC under/(over) Recovery	\$ (1,275)	\$ (1,132)	\$ (108)	\$ 299	\$ 326	\$ (536)	\$ 2,206	
7 Retail MWH Sales	722,162	718,329	625,986	618,109	617,816	683,790	7,738,444	

8 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2010 SCRC RATE CALCULATION

SECURITIZED COSTS

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SCRC Part 1 Amortization of Securitized Assets		Actual January 2010	Actual February 2010	Actual March 2010	April 2010	Re-estimate May 2010	June 2010	Total for the six months ended 6/30/10
1	<u>Principal</u>							
2	Amortization of Seabrook cost	\$ 3,778	\$ 3,982	\$ 3,982	\$ 3,982	\$ 3,812	\$ 3,812	\$ 23,347
3	Amortization of MP 3	120	126	126	126	121	121	741
4	Amortization of RRB1 financing cost	89	94	94	94	90	90	549
5	Total	3,987	4,202	4,202	4,202	4,022	4,022	24,637
6	<u>Interest and Fees</u>							
7	RRB1 Interest	948	886	887	951	883	883	5,438
8	RRB fees	64	61	61	67	67	67	386
9	Total	1,012	947	948	1,018	950	950	5,824
10	Total SCRC Part 1 cost	<u>\$ 4,999</u>	<u>\$ 5,149</u>	<u>\$ 5,149</u>	<u>\$ 5,220</u>	<u>\$ 4,972</u>	<u>\$ 4,972</u>	<u>\$ 30,462</u>

11 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2010 SCRC RATE CALCULATION

SECURITIZED COSTS

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SCRC Part 1 Amortization of Securitized Assets	Re-estimate						Total for the twelve months ended 12/31/10
	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	
1 Principal							
2 Amortization of Seabrook cost	\$ 3,812	\$ 4,180	\$ 4,180	\$ 4,180	\$ 4,011	\$ 4,011	\$ 47,719
3 Amortization of MP 3	121	133	133	133	127	127	1,515
4 Amortization of RRB1 financing cost	90	98	98	98	94	94	1,122
5 Total	4,022	4,411	4,411	4,411	4,232	4,232	50,357
6 Interest and Fees							
7 RRB1 Interest	883	818	818	818	747	747	10,268
8 RRB fees	67	67	67	67	67	67	787
9 Total	950	885	885	885	813	813	11,055
10 Total SCRC Part 1 cost	<u>\$ 4,972</u>	<u>\$ 5,295</u>	<u>\$ 5,295</u>	<u>\$ 5,295</u>	<u>\$ 5,046</u>	<u>\$ 5,046</u>	<u>\$ 61,412</u>

11 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2010 SCRC RATE CALCULATION

PART 2 ONGOING COSTS

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	Actual January 2010	Actual February 2010	Actual March 2010	April 2010	Re-estimate May 2010	June 2010	Total for the six months ended 06/30/10
SCRC Part 2 Ongoing Costs							
Ongoing Costs - IPP							
1 Amortization and return on IPP							
2 Buydown/Buyout Savings	\$ 237	\$ 249	\$ 271	\$ 271	\$ 267	\$ 238	\$ 1,534
3 IPP Ongoing costs:							
4 Total IPP Cost	5,441	4,488	5,470	5,381	5,349	4,372	30,501
5 less: IPP at Market Cost	3,439	2,244	2,089	2,431	2,475	1,842	14,520
6 Above Market IPP Cost	2,002	2,245	3,381	2,950	2,874	2,530	15,981
7 Total Part 2 Costs	\$ 2,239	\$ 2,494	\$ 3,652	\$ 3,221	\$ 3,141	\$ 2,768	\$ 17,515
Ongoing Costs - Return							
8 2009 Adjustment	11						11
9 Return on ADIT - Securitized							
10 Stranded Costs	(490)	(478)	(467)	(460)	(449)	(438)	(2,781)
11 Return on Yankee Decommissioning							
12 Obligations and CVEC, net of deferred taxes	(51)	(50)	(45)	(50)	(49)	(48)	(293)
13 Yankee Contract Obligations Adjustment (1)	(2)						(2)
14 Return on SCRC deferred balance	13	10	12	16	19	20	90
15 Total Part 2 Return	\$ (518)	\$ (519)	\$ (500)	\$ (494)	\$ (479)	\$ (466)	\$ (2,975)
16 Total Part 2 Ongoing Costs and Return	\$ 1,721	\$ 1,975	\$ 3,152	\$ 2,727	\$ 2,662	\$ 2,302	\$ 14,540
17 Amounts shown above may not add due to rounding.							

(1) Reflects adjustment to amortization balance associated with a Maine Yankee FERC settlement.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2010 SCRC RATE CALCULATION

PART 2 ONGOING COSTS

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SCRC Part 2 Ongoing Costs	Re-estimate						Total for the twelve months ended 12/31/10
	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	
1 Amortization and return on IPP							
2 Buydown/Buyout Savings	\$ 216	\$ 209	\$ 211	\$ 221	\$ 238	\$ 250	\$ 2,879
3 IPP Ongoing costs:							
4 Total IPP Cost	4,488	4,054	3,655	4,406	5,205	5,598	57,907
5 less: IPP at Market Cost	1,972	1,763	1,440	1,899	2,456	2,954	27,004
6 Above Market IPP Cost	2,516	2,291	2,215	2,507	2,749	2,644	30,903
7 Total Part 2 Costs	\$ 2,732	\$ 2,500	\$ 2,426	\$ 2,728	\$ 2,987	\$ 2,894	\$ 33,782
Ongoing Costs - Return							
8 2009 Adjustment							11
9 Return on ADIT - Securitized							
10 Stranded Costs	(427)	(415)	(403)	(390)	(378)	(367)	(5,160)
11 Return on Yankee Decommissioning							
12 Obligations and CVEC, net of deferred taxes	(47)	(46)	(45)	(44)	(43)	(42)	(559)
13 Yankee Contract Obligations Adjustment							(2)
14 Return on SCRC deferred balance	16	9	5	4	4	2	130
15 Total Part 2 Return	\$ (457)	\$ (452)	\$ (442)	\$ (430)	\$ (417)	\$ (406)	\$ (5,580)
16 Total Part 2 Ongoing Costs and Return	\$ 2,274	\$ 2,049	\$ 1,983	\$ 2,298	\$ 2,570	\$ 2,487	\$ 28,202
17 Amounts shown above may not add due to rounding.							