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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

December 10, 2009 - 10:03 a.m.
Concord, New Hampshire

NHPUC JAN06'10 PM 1:16

RE: DE 09-179
PUBLIC SERVICE OF NEW HAMPSHIRE:
Petition for Adjustment of Stranded
Cost Recovery Charge.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:
Gerald M. Eaton, Esq.

Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Kenneth E. Traum, Asst. Consumer Advocate
Office of Consumer Advocate

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

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

ORIGINAL

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I N D E X

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PAGE NO.

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WITNESS: ROBERT A. BAUMANN

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Direct examination by Mr. Eaton

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Cross-examination by Ms. Hatfield

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Cross-examination by Ms. Amidon

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WITNESS: STEVEN E. MULLEN

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Direct examination by Ms. Amidon

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Cross-examination by Ms. Hatfield

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Interrogatories by Cmsr. Ignatius

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CLOSING STATEMENTS BY:

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Ms. Hatfield

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Ms. Amidon

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Mr. Eaton

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E X H I B I T S

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EXHIBIT NO.

D E S C R I P T I O N

PAGE NO.

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Petition for Adjustment of
Stranded Cost Recovery Charge,
including the testimony, exhibits
and attachments of Robert A. Baumann
(09-24-09)

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Filing consisting of revised exhibits
of Robert A. Baumann (12-07-09)

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Testimony of Steven E. Mullen,
including attachments (11-23-09)

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{DE 09-179} {12-10-09}

1 PROCEEDING

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in docket DE 09-179. On
4 September 24, 2009, Public Service Company of New
5 Hampshire filed a petition for adjustment to its Stranded
6 Cost Recovery Charge for effect with service rendered on
7 and after January 1, 2010. An order of notice was issued
8 on October 5, setting a prehearing conference for
9 October 19th, and, subsequently, a secretarial letter was
10 issued on October 26 approving a procedural schedule in
11 this docket.

12 Can we take appearances please.

13 MR. EATON: For Public Service Company
14 of New Hampshire, my name is Gerald M. Eaton. Good
15 morning.

16 CHAIRMAN GETZ: Good morning.

17 MS. HATFIELD: Good morning,
18 Commissioners. Meredith Hatfield, for the Office of
19 Consumer Advocate, on behalf of residential ratepayers.
20 And, with me from the Office is Ken Traum.

21 CHAIRMAN GETZ: Good morning.

22 MS. AMIDON: Good morning. I'm Suzanne
23 Amidon, here for Commission Staff. And, with me today is
24 Steve Mullen, who is the Assistant Director of the

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[WITNESS: Baumann]

1 Electric Division.

2 CHAIRMAN GETZ: Okay. Good morning. Is
3 there anything we need to address before the Company
4 proceeds?

5 (No verbal response)

6 CHAIRMAN GETZ: Hearing nothing, then,
7 Mr. Eaton.

8 MR. EATON: I would like to call
9 Mr. Robert A. Baumann to the stand.

10 (Whereupon Robert A. Baumann was duly
11 sworn and cautioned by the Court
12 Reporter.)

13 ROBERT A. BAUMANN, SWORN

14 DIRECT EXAMINATION

15 BY MR. EATON:

16 Q. Could you please state your name for the record.

17 A. My name is Robert Baumann.

18 Q. For whom are you employed, what is your position, and
19 what are your duties?

20 A. I am employed by Northeast Utilities Service Company.
21 I'm the Director of Revenue Regulation and Load
22 Resources. My duties are to represent all of the
23 operating companies, including Public Service Company
24 of New Hampshire, in any type of generation energy or

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[WITNESS: Baumann]

1 rate filings that are put forth to the various
2 Commissions in each of the states that we represent.

3 Q. Have you previously testified before this Commission?

4 A. Yes, I have.

5 Q. And, what's the purpose of your testimony today?

6 A. The purpose of my testimony today is to support the
7 Company's application for a Stranded Cost Recovery
8 Charge to be effective on January 1, 2010.

9 Q. Do you have a copy of the September 24th, 2009 filing?

10 A. Yes.

11 Q. What does that contain?

12 A. That filing contains Company testimony, and a
13 calculation in support of the SCRC rate as originally
14 filed on September 24th.

15 Q. And, is the Company's petition also included in that
16 filing?

17 A. Yes.

18 Q. Did you cause the testimony to be prepared either by
19 you or under your supervision?

20 A. Yes.

21 Q. Is it true and accurate to the best of your knowledge
22 and belief?

23 A. Yes.

24 Q. Do you have any corrections to make to it?

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[WITNESS: Baumann]

1 A. No.

2 Q. And, you adopt it as your prefiled testimony today?

3 A. Yes, sir.

4 MR. EATON: Could we have that marked as
5 "Exhibit 1" for identification?

6 CHAIRMAN GETZ: So marked.

7 (The document, as described, was
8 herewith marked as Exhibit 1 for
9 identification.)

10 BY MR. EATON:

11 Q. Mr. Baumann, do you have in front of you a filing made
12 in this proceeding on December 7, 2009?

13 A. Yes.

14 Q. And, could you describe that filing.

15 A. That's an update to the original filing we made in
16 September, using additional actual data. And, again,
17 it supports a -- it's really just a calculation cover
18 letter, and supports a January 1st, 2010 SCRC proposed
19 rate by PSNH.

20 Q. And, did you have those exhibits prepared by you or
21 under your supervision?

22 A. Yes.

23 Q. And, do you have any corrections to make to them?

24 A. No.

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[WITNESS: Baumann]

1 Q. Are they true and accurate to the best of your
2 knowledge and belief?

3 A. Yes.

4 MR. EATON: Could we have that marked as
5 "Exhibit 2" for identification?

6 CHAIRMAN GETZ: So marked.

7 (The document, as described, was
8 herewith marked as Exhibit 2 for
9 identification.)

10 BY MR. EATON:

11 Q. Mr. Baumann, could you please explain the initial
12 filing and the rate that PSNH requested.

13 A. Certainly. The current SCRC rate today is 1.14 cents
14 per kilowatt-hour. The proposed rate, in both the
15 September -- well, in the September 24th filing and the
16 December 7th filing, consistent with that current rate
17 methodology, is 1.02 cents. The rates happen to be the
18 same from September to the December filing, because
19 there were slight additions and reductions in certain
20 costs, above-market costs. There was a slight change
21 in the sales levels assumed, because we updated it for
22 current sales projections. And, net/net, they just
23 happen to come out to the same rate, which is 1.02
24 cents per kilowatt-hour.

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[WITNESS: Baumann]

1 Contained in our September filing, and
2 as proposed in our December filing, we have requested a
3 proposal to move certain costs associated with a
4 renegotiated agreement with a former Bio-Energy
5 facility, from the Energy Service rate to the Stranded
6 Cost Recovery Charge. And, specifically, it's about
7 \$12.5 million of above-market costs that will be
8 incurred in 2010 associated with that renegotiated
9 agreement. So, today, we sit before you,
10 Commissioners, and request an SCRC rate of 1.18 cents
11 per kilowatt-hour. So, the difference between the
12 1.02, which I'll refer to as "traditional", and the new
13 proposed rate, with Bio-Energy moved, would be 1.18
14 cents per kilowatt-hour. Later on this morning we'll
15 talk of the Energy Service rate I'm sure at length
16 about this issue as well.

17 Q. Was Bio-Energy a small power producer?

18 A. Yes.

19 Q. And, these contracts replaced what? Is your
20 understanding of what these contracts replaced?

21 A. Well, it's my understanding that the former Bio-Energy,
22 which is no longer part of these contracts, was
23 replaced by a third party, another third party. And,
24 that the renegotiated rates that were approved for

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[WITNESS: Baumann]

1 these contracts were lower than the initial, initial
2 contract with Bio-Energy.

3 MR. EATON: I'm sorry, I didn't give a
4 copy of those exhibits.

5 (Atty. Eaton distributing documents.)

6 BY MR. EATON:

7 Q. Mr. Baumann, do you have anything to add to your
8 testimony?

9 A. I guess I'd like to add one thing for the record. As
10 part of the SCRC filing, Mr. Mullen, from the Staff,
11 filed some testimony and mentioned a recommendation
12 that should be considered in the future by the
13 Commission, that would, in effect, accelerate certain
14 recoveries of stranded costs, Part 2 stranded costs, in
15 I think it was 2013, by the end of June, I think, 2013.
16 And, just for the record, the Company felt that that
17 was a valid proposal and should be something that, you
18 know, could be considered for the future. And, that's
19 all I have.

20 MR. EATON: Thank you. The witness is
21 available for cross-examination.

22 CHAIRMAN GETZ: Thank you. Ms.
23 Hatfield.

24 MS. HATFIELD: Thank you, Mr. Chairman.

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[WITNESS: Baumann]

1 Good morning, Mr. Baumann.

2 WITNESS BAUMANN: Good morning.

3 CROSS-EXAMINATION

4 BY MS. HATFIELD:

5 Q. You just discussed the Company's proposal to shift
6 costs related to Bio-Energy from Energy Service to the
7 Stranded Cost Recovery Charge, is that correct?

8 A. Yes.

9 Q. And, you mentioned the amount of approximately
10 \$12.5 million, is that correct?

11 A. Yes. That's the over-market portion.

12 Q. And, when you specify that that's the "over-market
13 portion", do I understand correctly that there are
14 costs related to Bio-Energy that will remain in Energy
15 Service, those are the market costs that aren't
16 over-market?

17 A. That's correct. It would really be handled
18 consistently with all the other IPPs that we handle
19 today, where the market portion would stay in ES, and
20 over-market would be moved.

21 Q. So, that amount would change from year to year?

22 A. Yes.

23 Q. And, what is the last year under your current proposal
24 that that amount would be finished being recovered from

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[WITNESS: Baumann]

1 ratepayers?

2 A. The final date of the Bio-Energy --

3 Q. Yes.

4 A. -- or the replaced Bio-Energy? I don't have the date
5 off the top of my head, I'm sorry.

6 Q. But you provided it either in your filing or in
7 discovery?

8 A. I don't recall, I'm trying to bring up my discovery
9 brain, I don't recall it being in this case. I'm sure
10 it's somewhere. We filed end dates before, and we
11 could certainly get that subject to --

12 Q. Do you think that perhaps you provided that information
13 in the Energy Service case that we're going to be
14 discussing later today?

15 A. I think we probably did. If you can tell me what that
16 was, I'll take it subject to check.

17 MS. HATFIELD: Well, the OCA is
18 satisfied that it's in the record of the Energy Service
19 case. If the Commission would like, we could make a
20 record request just to get that date in this case as well.

21 CHAIRMAN GETZ: Well, Mr. Mullen, do you
22 have that available?

23 MR. MULLEN: I'm looking. I believe --
24 I'm looking at a date that says "July 31st, 2015".

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[WITNESS: Baumann]

1 CHAIRMAN GETZ: Is this in your -- an
2 attachment to your testimony, Mr. Mullen?

3 MR. MULLEN: Yes.

4 CHAIRMAN GETZ: Do you see that, Mr.
5 Baumann?

6 WITNESS BAUMANN: Is this in the ES
7 testimony or SCRC testimony?

8 MR. MULLEN: SCRC testimony, Attachment
9 SEM-1. If you look at Line 6.

10 WITNESS BAUMANN: Yes, I see it.
11 Subject to check, I'm sure it's accurate.

12 MS. HATFIELD: Thank you very much. No
13 further questions.

14 CHAIRMAN GETZ: Thank you. Ms. Amidon.

15 MS. AMIDON: Thank you. Good morning,
16 Mr. Baumann.

17 WITNESS BAUMANN: Good morning.

18 BY MS. AMIDON:

19 Q. I'm looking at Exhibit 2, which is the December 7th
20 filing, RAB-1, Page 1. And, if you go to the bottom of
21 that page, there's a footnote. And, the footnote says
22 "Consistent with testimonies of Robert A. Baumann of
23 11/23 and S.E. Mullen of 12/2/09 regarding certain
24 costs", then it goes on with changes that were made.

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[WITNESS: Baumann]

1 Are you referring to the testimony in docket 09-180,
2 PSNH's Energy Service docket? I believe you are.

3 A. With respect to Mr. Mullen's, yes.

4 Q. Yes. And, with respect to yours as well?

5 A. Well, yes.

6 Q. Yes. Okay.

7 A. Yes.

8 MS. AMIDON: That's all I had, just that
9 one clarification.

10 CHAIRMAN GETZ: Thank you. Okay.
11 Nothing from the Bench. Do you have any redirect, Mr.
12 Eaton?

13 MR. EATON: No, I do not.

14 CHAIRMAN GETZ: Then, the witness is
15 excused. Thank you, Mr. Baumann. Ms. Amidon.

16 MS. AMIDON: I'd like to call Steve
17 Mullen to the stand please.

18 (Whereupon Steven E. Mullen was duly
19 sworn and cautioned by the Court
20 Reporter.)

21 STEVEN E. MULLEN, SWORN

22 DIRECT EXAMINATION

23 BY MS. AMIDON:

24 Q. Good morning, Mr. Mullen.

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[WITNESS: Mullen]

1 A. Good morning.

2 Q. For the record, would you please state your name, your
3 employment, and the position that you occupy in that
4 employment.

5 A. My name is Steve Mullen. I am employed by the New
6 Hampshire Public Utilities Commission. And, I'm the
7 Assistant Director of the Electric Division.

8 Q. And, have you testified before this Commission before?

9 A. Yes, I have.

10 Q. Okay. Do you have before you a document that was filed
11 with the Commission on November 23rd, with a cover
12 letter signed by me?

13 A. Yes.

14 Q. And, could you please explain what the attachment is to
15 that letter?

16 A. That is my prefiled direct testimony.

17 Q. And, do you have any corrections or additions to that
18 testimony?

19 A. No, I do not.

20 MS. AMIDON: Thank you. Mr. Mullen is
21 available for cross.

22 WITNESS MULLEN: Wouldn't you like to
23 mark it?

24 MS. AMIDON: Oh. Yes, I would. Thank

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[WITNESS: Mullen]

1 you, Mr. Mullen. Mr. Chairman, I guess this would be
2 "Exhibit 3", is that correct?

3 CHAIRMAN GETZ: It is so marked.

4 (The document, as described, was
5 herewith marked as Exhibit 3 for
6 identification.)

7 MS. AMIDON: Thank you.

8 CHAIRMAN GETZ: Ms. Hatfield.

9 MS. HATFIELD: Thank you, Mr. Chairman.

10 Good morning, Mr. Mullen.

11 WITNESS MULLEN: Good morning.

12 CROSS-EXAMINATION

13 BY MS. HATFIELD:

14 Q. Could you please turn to your testimony on Page 6.

15 A. I'm there.

16 Q. And, on Line 5, and the following lines, you discuss a
17 recommendation that you are proposing that you describe
18 as "[shortening] the remaining time for PSNH to collect
19 some of its Part 2 stranded costs", is that correct?

20 A. That's correct.

21 Q. Could you briefly describe what you're proposing.

22 A. One of the components that remains in PSNH's Part 2
23 stranded costs is an amortization of upfront payments
24 that were made for some buyouts or buydowns of certain

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[WITNESS: Mullen]

1 IPP contracts, along with PSNH's share of the savings
2 related to those buyouts or buydowns. Those are being
3 amortize over what was the original life of the rate
4 orders or contracts. What I propose is, as I look down
5 the road at stranded costs, there's also Part 1 that
6 relates to the amortization of securitization bonds.
7 Those will terminate, and the last payment will be made
8 in April of 2013. So, as I look at the amortization of
9 these buyouts and buydowns, I saw that, with the
10 termination of the Part 1 payments, which are
11 approximately \$5 million a month, I provided an
12 opportunity to try and clean up some of the stranded
13 costs and maybe get them fully collected prior to when
14 they otherwise would have been fully collected.

15 Q. And, does Attachment SEM-1 show the current
16 amortization?

17 A. Yes, it does.

18 Q. And, does Attachment SEM-2 illustrate your proposal?

19 A. Yes, it does.

20 Q. In terms of the time frame, when -- I think you
21 described this as a "future" possibility, in what year
22 would the Commission need to consider this and what
23 year would PSNH need to implement it?

24 A. Well, it would just need to be actually implemented in

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[WITNESS: Mullen]

1 2013. Any decision by the Commission could happen any
2 time prior to that. It doesn't impact the SCRC rate
3 for 2010, 2011, or 2012. It would only impact the rate
4 in 2013. But it's just one of those things, as I get
5 older, I have to write things down before I forget
6 them.

7 Q. The following page of your testimony, especially on
8 Lines 8 and the lines following, you talk about the
9 potential impacts to customers and to PSNH. Could you
10 briefly talk about the benefits that you see?

11 A. Sure. By fully collecting these costs prior to when
12 they otherwise would have, there's less of a time that
13 customers would see these costs in the stranded cost
14 rate, because now they would end in 2013, rather than
15 2020. Over that time, using the current return that
16 I've applied to it, I've calculated that, on a nominal
17 basis, customers will pay about approximately \$1.1
18 million less of total return. However, PSNH will still
19 fully collect the costs that it's entitled to, but they
20 will just collect them sooner.

21 So, in terms of a net present value
22 basis as you look it, well, it could, using the current
23 return, it's actually slightly better for PSNH. And,
24 from the customer side, you just have to figure what

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[WITNESS: Mullen]

1 the appropriate discount rate would be for customers,
2 as to whether or not it has the same impact or a
3 different impact.

4 Q. I believe that PSNH made its proposal, a specific
5 proposal to move the above-market Bio-Energy
6 replacement power costs from Energy Service to stranded
7 costs after you filed your testimony. So, I wanted to
8 ask you, do you have a position on that proposal by
9 PSNH?

10 A. I'm in favor of that.

11 Q. If that is approved by the Commission, would you
12 consider that as part of your proposal, so that those
13 costs would also potentially be paid off sooner?

14 A. I think that's a little bit of a different -- that's
15 the other part of Part 2 that remains. That would
16 still be the over-market portion of IPP purchases, so
17 that would run its course still through 2015. That
18 wouldn't impact the buyout or buydown amortization that
19 I'm talking about in my proposal.

20 MS. HATFIELD: Thank you. I have no
21 further questions.

22 CHAIRMAN GETZ: Mr. Eaton?

23 MR. EATON: No questions, your Honor.

24 BY CMSR. IGNATIUS:

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[WITNESS: Mullen]

1 Q. Mr. Mullen, can you elaborate a little on what you just
2 said, the distinguishing, if both the Method 2 proposal
3 from PSNH were adopted and your suggestion of
4 accelerating payments in 2013, what remains of Part 2
5 stranded costs? What would remain?

6 A. The two main parts of Part 2 that still remain are the
7 amortization of these buyouts and buydowns that are
8 discussed in my proposal, as well as the over-market
9 portion of purchases from IPPs. Those go in accordance
10 with the terms of the contract or the rate orders that
11 still exist. So, if Method 2 in PSNH's Energy Service
12 proceeding, is approved, what would go to Part 2
13 related to that would just be the over-market portion
14 of this replacement contract for the Bio-Energy. So,
15 it wouldn't impact the buyouts or buydowns.

16 Q. And, is your proposal -- is your recommendation on the
17 accelerated payment any different if Method 2 were
18 adopted?

19 A. No.

20 Q. Does it affect the savings, the timing, the expenses to
21 ratepayers in any way?

22 A. No.

23 CMSR. IGNATIUS: Thank you.

24 CHAIRMAN GETZ: Ms. Amidon?

{DE 09-179} {12-10-09}

[WITNESS: Mullen]

1 MS. AMIDON: Nothing. Thank you.

2 CHAIRMAN GETZ: Okay. Then, the witness
3 is excused. Thank you, Mr. Mullen. Is there any
4 objection to striking the identifications and admitting
5 the exhibits into evidence?

6 (No verbal response)

7 CHAIRMAN GETZ: Hearing no objection,
8 they will be admitted into evidence. Is there anything
9 else we need to address before opportunity for closings?

10 (No verbal response)

11 CHAIRMAN GETZ: Hearing nothing, then,
12 Ms. Hatfield.

13 MS. HATFIELD: Thank you, Mr. Chairman.
14 The OCA does not oppose PSNH's proposed Stranded Cost
15 Recovery Charge for 2010. And, we do support PSNH's
16 proposal to move the over-market Bio-Energy replacement
17 power costs from Energy Service to the Stranded Cost
18 Charge. And, we also support further discussion and
19 further consideration of Mr. Mullen's proposal that the
20 Commission would take up in a future year. Thank you.

21 CHAIRMAN GETZ: Thank you. Ms. Amidon.

22 MS. AMIDON: Thank you. Staff has
23 investigated the filing and has determined that the SCRC
24 is appropriately calculated, and, as you heard from Mr.

1 Mullen, supports the addition of the over-market costs of
2 the Bio-Energy contract. We support the petition as
3 modified by the December 7th filing, and urge the
4 Commission to approve it.

5 CHAIRMAN GETZ: Thank you. Mr. Eaton.

6 MR. EATON: Thank you. We request the
7 Commission to approve the rate of 1.18 cents per
8 kilowatt-hour for 2010. I realize that the approval of
9 the switch of Bio-Energy must be also considered in docket
10 09-180, but we believe that these costs more properly
11 belong in stranded costs as an over-market purchase that
12 replaced a very expensive IPP rate order purchase.

13 As Mr. Baumann said in his direct
14 examination, PSNH does not object to the proposal that Mr.
15 Mullen had made concerning accelerated recovery of the
16 buyout and buydown amounts. And, we agree with that
17 proposal. And, the Commission can approve it now or just
18 give an indication of when that ought to be filed with the
19 Commission.

20 CHAIRMAN GETZ: Anything further this
21 morning?

22 (No verbal response)

23 CHAIRMAN GETZ: Then, we will close the
24 hearing in docket 09-179 and take the matter under

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1 advisement.

2 (Whereupon the hearing ended at 10:28
3 a.m.)

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