

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

June 23, 2011 - 2:44 p.m.
Concord, New Hampshire

NHPUC JUN29'11 PM 3:41

RE: DE 11-082
PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE:
*Recovery of February 2010
Wind Storm Costs.*

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

Sandy Deno, Clerk

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

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Steven E. Mullen, Asst. Dir./Electric Div.
Grant Siwinski, Electric Division

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

ORIGINAL

I N D E X

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WITNESS PANEL: **ROBERT A. BAUMANN**
 STEPHEN R. HALL

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CHAIRMAN GETZ: Okay. We'll open the hearing in Docket DE 11-082. On April 15, 2011, Public Service Company of New Hampshire filed a request to recover through rates the net storm restoration costs incurred during the wind storm of February 2010. The Company proposes to increase distribution rates on July 1 by \$3,056,000, and which will provide a four year recovery period for the storm cost estimates of \$12,225,000. Order of notice was issued on June 10 setting the hearing for this afternoon.

MR. EATON: For Public Service Company
of New Hampshire, my name is Gerald M. Eaton. Good
afternoon.

MS. AMIDON: Good afternoon,
Commissioners. Suzanne Amidon, for Commission Staff.
And, with me today is Steve Mullen, the Assistant Director
of the Electric Division, and Grant Siwinski, who is an
analyst in the Electric Division.

CHAIRMAN GETZ: Good afternoon. And, I'll note for the record that the Office of Consumer Advocate filed a letter on June 22nd stating the OCA's

1 position with respect to this proceeding. And, I'll also
2 note that the affidavit of publication has been filed.
3 So, Mr. Eaton, are you ready to proceed?

4 MR. EATON: Yes, I am. We have a panel
5 of witnesses that will be testifying today. Mr. Baumann
6 will speak to the wind storm costs and Mr. Hall will speak
7 to the Renewable Energy Default Service request. Also, if
8 the Commission has any detailed questions about that, that
9 program and the costs involved, either in the past or
10 what's proposed, we have the administrator of that rate is
11 available here, but only will need to answer questions if
12 there are any. I think that the Consumer Advocate, in her
13 letter, reserved the right to look over a recent report
14 filed concerning that rate. And, Mr. Hall will also
15 testify concerning the modification of the time when PSNH
16 files its report on executive compensation.

17 So, with that, I would like to call
18 Robert A. Baumann and Stephen R. Hall.

19 (Whereupon **Robert A. Baumann** and
20 **Stephen R. Hall** were duly sworn and
21 cautioned by the Court Reporter.)

22 **ROBERT A. BAUMANN, SWORN**

23 **STEPHEN R. HALL, SWORN**

24 **DIRECT EXAMINATION**

1 BY MR. EATON:

2 Q. Mr. Baumann, would you please state your name for the
3 record please.

4 A. (Baumann) My name is Robert A. Baumann.

5 Q. And, for whom are you employed?

6 A. (Baumann) I'm employed by Northeast Utilities Service
7 Company, which is a subsidiary of Northeast Utilities,
8 and we supply financial services to all of the
9 operating subsidiaries of Northeast Utilities, one of
10 which is Public Service Company of New Hampshire.

11 Q. What is your position and what are your duties in that
12 position?

13 A. (Baumann) I'm the Director of Revenue Regulation and
14 Load Resources for Northeast Utilities Service Company.
15 And, my responsibilities involve the revenue
16 requirement calculations and filings in New Hampshire
17 for Public Service Company of New Hampshire, as well as
18 various revenue requirement filings for the other
19 operating subsidiaries of Northeast Utilities.

20 Q. Mr. Baumann, do you have in front of you a document
21 that's dated April 15th, 2011, under a two-page cover
22 letter signed by myself, containing a technical
23 statement?

24 A. (Baumann) Yes.

[WITNESS PANEL: Baumann~Hall]

1 Q. Do you recognize that document?

2 A. (Baumann) Yes, I do.

3 Q. Could you please describe it for the record.

4 A. (Baumann) I'll call this document a "compliance
5 document". As part of the Settlement Agreement in
6 09-035, there was a placeholder put in there for the
7 February 2010 wind storm, which was not part of the
8 distribution revenue requirements in that case. And,
9 when those dollars were available and reconciled, we,
10 PSNH, were to file a proposal for recovery of those
11 dollars, which we did on April 15th, 2011.

12 And, essentially, what our filing asked
13 for was a four year recovery of the storm costs that
14 were net of insurance and net of any costs that were
15 capitalized, to be put into rates July 1st, 2011 over a
16 four year period and to be recovered over a four year
17 period. And, so, in the original filing, we had a
18 change in revenue requirements of \$3.056 million
19 annually for four years, to recover a gross number of
20 approximately \$12.2 million. So, the supporting -- the
21 testimony was filed in support of that, along with a
22 calculation of those values.

23 Q. Is the April 15th filing true and accurate to the best
24 of your knowledge and belief?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) Yes.

2 Q. And, do you adopt it today?

3 A. (Baumann) Yes.

4 MR. EATON: Could I 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. Hall, do you have in front of you a filing dated
12 April 29th, 2011?

13 A. (Hall) Yes.

14 Q. Well, can I back up? Mr. Baumann, did I hear you
15 correctly or did I mishear you that you described the
16 wind storm as a "February 2011 wind storm"?

17 A. (Baumann) I think I said "February 2010". If I didn't,
18 it should be "2010".

19 Q. Okay. Thank you. I may have misheard. Mr. Hall, do
20 you recognize -- first of all, could you please state
21 your name for the record.

22 A. (Hall) Stephen R. Hall.

23 Q. And, for whom are you employed?

24 A. (Hall) Public Service of New Hampshire.

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[WITNESS PANEL: Baumann~Hall]

1 Q. And, what is your position and what are your duties?

2 A. (Hall) Rate and Regulatory Services Manager. I'm
3 responsible for regulatory relations, pricing and rate
4 design, and rate and tariff administration.

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

6 A. (Hall) Yes.

7 Q. And, do you have in front of you an April 29th, 2011
8 filing under your cover letter?

9 A. (Hall) Yes, I do.

10 Q. And, please describe that document.

11 A. (Hall) Certainly. This is a filing containing
12 testimony where we are requesting two things from the
13 Commission. First, we're requesting the recovery of
14 the incremental costs incurred associated with the
15 marketing and promotion of the Renewable Default Energy
16 Service rate. And, second, we're requesting that the
17 Commission modify a portion of their order in PSNH's
18 last rate case, Docket DE 09-035, to modify the filing
19 deadline and time frame for annual reports that PSNH is
20 required to file on executive compensation. And, my
21 testimony describes the reasons for that request.

22 Q. Do you have any corrections to make to the April 29th,
23 2011 filing?

24 A. (Hall) No.

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[WITNESS PANEL: Baumann~Hall]

1 Q. And, it's true and accurate to the best of your
2 knowledge and belief?

3 A. (Hall) Yes.

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

5 A. (Hall) Yes, I do.

6 MR. EATON: Could I have that marked as
7 Exhibit 2 for identification?

8 CHAIRMAN GETZ: So marked.

9 (The document, as described, was
10 herewith marked as **Exhibit 2** for
11 identification.)

12 BY MR. EATON:

13 Q. Mr. Baumann, after your filing was made on April 15th
14 regarding the February 2010 wind storm costs, did the
15 Company have conversations with Staff and the OCA
16 concerning what should be the final request?

17 A. (Baumann) Yes, we did.

18 Q. And, has the Company reached an agreement with Staff
19 concerning what should be -- what should be recovered?

20 A. (Baumann) Yes, we did.

21 Q. And, could you summarize what that -- what that
22 agreement will be?

23 A. (Baumann) The agreement basically started with the
24 April 15th filing, which asked for a four year recovery

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[WITNESS PANEL: Baumann~Hall]

1 of the net wind storm costs. The final agreement and
2 the agreement that I believe we will make an exhibit in
3 a second is -- calls for the removal of about \$4,000 of
4 costs associated with a lost discount and a truck
5 billing issue, as well as the application of insurance
6 proceeds against the outstanding storm costs on a more
7 expedited basis, which, in effect, lowers the return
8 dollars in the calculation of the total cost to be
9 recovered over four years, and that amounted to about
10 \$250,000 of lower return. The calculations have been
11 revised, and I think we're going to be filing them very
12 soon.

13 But that is kind of the sum and
14 substance of the agreement, from a dollar perspective.
15 There were other issues that were presented in that
16 agreement. The dollar -- the dollar calculation is
17 available for us to put forth.

18 Q. Do you have a -- Mr. Baumann, do you have a spreadsheet
19 that's entitled "Settlement Agreement Compliance 2010
20 Wind Storm Costs"?

21 A. (Baumann) Yes.

22 Q. And, you believe that reflects the proper calculation
23 of what the Company, the Staff, and the OCA have agreed
24 to, as far as recovery of the wind storm costs?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) Yes, it does.

2 Q. And, can you explain what's on those, what's on those
3 three pages of that document?

4 A. (Baumann) Sure. On Page 1, there are two columns. The
5 first column reflects what we filed on April 15th,
6 which was a request for 3,056,000 over a three year
7 period of additional revenue requirements. The
8 "Revised" column, which is the right-hand column, the
9 revenue requirements drop to \$3,010,000. And, what
10 this does is outline the differences, but
11 essentially it has applied the assumption of insurance
12 proceeds sooner than what we applied it at. We were
13 using accrual accounting, but we basically agreed that
14 we should go away from accrual accounting. That's one
15 thing to be concerned with accrual accounting from a
16 book perspective. But, from a recovery and a return
17 perspective, we reflected the insurance proceeds six
18 months earlier than what we had filed on April 15th.
19 That brought down the reserve calculations -- excuse
20 me, the return calculations, as I mentioned before,
21 about \$253,000. This also reflects, in the "Revised"
22 column, the calculation of the reduction of \$4,000
23 approximately, related to those other two items that
24 are noted in Footnote 5 on Page 1 of 3.

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[WITNESS PANEL: Baumann~Hall]

1 Page 2 of 3 really supports Line 17 on
2 Page 1 of 3. And, what that -- what that shows is the
3 remaining return over the recovery period of four years
4 and what that would be. So, it's a calculation in
5 support of the return over the next four years. And,
6 that's the \$1,152,000. And, that decreased slightly
7 from the original filing as well, because that reflects
8 the fact that we have less return in the future because
9 we have -- we have lowered our total costs today by
10 about \$250,000 of return. So, you're kind of giving up
11 the return on the return. And, you can see that
12 difference on Page 1, is only about -- it's about
13 \$17,000, which is over four years the return on the
14 return you are giving up in this agreement.

15 And, the third page is really a -- it's
16 a return calculation, and it's broken out so that we
17 can clearly see the differences. On the top row, going
18 across, the top rows are in support of what we
19 originally filed, in terms of actual data through May
20 and estimate for June. So, slightly different from
21 what we filed, because we filed, if you recall, our
22 filing was done in April. But these are the actual
23 amounts that have been recorded on the books, except
24 for June, but that will be recorded, it's a pretty

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1 accurate number.

2 And, the lower part of the calculation,
3 which is the -- it's called a "recalculation of costs",
4 Number 2 on Page 3 of 3, shows the return dollars after
5 the agreement was reached and what the agreement did to
6 the return dollars. Basically, what it did was, the
7 original filing assumed that the insurance proceeds
8 would be applied in March, at the end of March 2011.
9 The new proposed settlement or agreement moves that
10 back to September of 2010, six months back. So, you
11 could see, if you look in the middle -- well, the
12 column that's titled "2010 Return", about two-thirds of
13 the way over on the calculation, you can see that the
14 return originally was \$889,000, and that has dropped.
15 And, that's through 12/31/10, the end of 2010. That's
16 dropped to \$797,000 below, which is a \$92,000 decrease.

17 And, then, if you move all the way over
18 to the right on this Page 3, the "2011 Return" for the
19 six months 2011 through June, was in actual on the
20 books 531,000, it will now be 370,000, which is a
21 decrease of \$161,000.

22 Those two numbers added together, the
23 \$92,000, plus the \$161,000, is the \$253,000 I talked
24 about before of lower return as a result of this

[WITNESS PANEL: Baumann~Hall]

1 proposed agreement.

2 MR. EATON: Mr. Chairman, could we have
3 this document that Mr. Baumann has just been describing
4 marked as "Exhibit 3" for identification?

5 CHAIRMAN GETZ: So marked.

6 (The document, as described, was
7 herewith marked as **Exhibit 3** for
8 identification.)

9 BY MR. EATON:

10 Q. Mr. Hall, regarding the wind storm costs, I believe
11 I'll ask you because you may have some more direct
12 knowledge, did the Staff Auditing Division audit the
13 costs of the February 2010 wind storm?

14 A. (Hall) Yes.

15 Q. And, did they visit the Company and inspect the
16 Company's books regarding the wind storm costs?

17 A. (Hall) Yes.

18 Q. And, would you characterize it as very thorough audit?

19 A. (Hall) Absolutely.

20 Q. So, they could find things like the truck charge and
21 the lost discount, which were -- which were rather
22 minute details of all the costs that were involved in
23 the February wind storm?

24 A. (Hall) Yes. They went through a significant amount of

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[WITNESS PANEL: Baumann~Hall]

1 data, invoices.

2 Q. And, PSNH responded to several written interrogatories

3 --

4 A. (Hall) Yes.

5 Q. -- from the Staff Audit Division?

6 A. (Hall) Yes.

7 Q. Do either of you gentlemen have anything to add to your
8 testimony?

9 A. (Baumann) No, I do not.

10 A. (Hall) Nor do I.

11 MR. EATON: Thank you. These witnesses
12 are available for cross-examination.

13 CHAIRMAN GETZ: Thank you. Ms. Amidon.

14 MS. AMIDON: Yes. I'm just going to
15 complain it first, with your permission, how we're going
16 to proceed. As you know, the Commission, for
17 administrative efficiency, decided to incorporate the
18 request to recover the renewable energy products marketing
19 costs and the amendment to Order Number 123 [25,123?] in
20 the wind storm docket. So, I am going to address those
21 two issues, and Mr. Mullen, who participated in the
22 Settlement Agreement in 09-035, which led to this issue
23 about how to deal with the wind storm funds, will be
24 asking questions regarding that piece of it, if that's

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1 okay with you?

2 CHAIRMAN GETZ: That's fine.

3 MS. AMIDON: Thank you. Good afternoon.

4 **CROSS-EXAMINATION**

5 BY MS. AMIDON:

6 Q. Mr. Hall, with respect to the modification of the
7 Commission's order, I believe it's Order Number 25,123,
8 that provided a specified deadline for PSNH to file its
9 annual reports on executive compensation. Is it your
10 understanding that there's no disagreement from OCA or
11 from Staff as to the request to change the time for
12 that filing?

13 A. (Hall) Yes, that's my understanding.

14 Q. And, it's true that the reason that we had to include
15 that matter in an order of notice and in a hearing is
16 because RSA 365:28, I believe, requires any amendment
17 to orders to be subject to appropriate notice and
18 hearing, is that correct?

19 A. (Hall) Yes.

20 Q. Okay. Thank you. Now, I want to move to the
21 incremental marketing costs. Do you recall, Mr. Hall,
22 that there was a Settlement Agreement in Docket 09-186
23 regarding the Renewable Default Energy Service rate?

24 A. (Hall) Yes.

[WITNESS PANEL: Baumann~Hall]

1 Q. And, subject to check, would you agree that there was a
2 provision in that Partial Settlement Agreement
3 providing for program review of the program?

4 A. (Hall) Yes.

5 Q. And, again, subject to check, would you agree that that
6 settlement says that, after the program had been in
7 place for 12 months, PSNH shall make a report to
8 Commission Staff and, following receipt of the report,
9 Staff, the OCA, and PSNH and other interested parties
10 will confer and consider possible changes to the rate
11 or other aspects of the Renewable Default Energy
12 Service Program?

13 A. (Hall) Yes, I agree that's what it says.

14 Q. And, we were talking earlier, do you agree that there
15 was an electronic copy of that report filed with the
16 Commission last Thursday, June 16th?

17 A. (Hall) Yes.

18 Q. And, it's fair to say that OCA, Staff, and the Company
19 have not had a chance to talk about any aspects of the
20 plan for 2011 for marketing the program or any other
21 aspect of the program prior to this day?

22 A. (Hall) Correct. That discussion has to take place.

23 Q. Okay. Do you further recall that the Commission did
24 allow the Company to recover through distribution rates

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[WITNESS PANEL: Baumann~Hall]

1 marketing promotion costs, subject, I believe, to an
2 annual cap of \$125,000?

3 A. (Hall) Yes.

4 Q. An amount for which you're requesting recovery in this
5 instance is, I believe it's in the neighborhood --
6 well, \$72,717, rounding it off?

7 A. (Hall) Yes. Approximately \$73,000.

8 Q. So, it's consistent with the Settlement Agreement, and
9 it's below the amount that was the CAP, if you will,
10 that the Commission imposed on that expense, is that
11 correct?

12 A. (Hall) Yes. Yes. And, it's the actual amount that we
13 incurred during the first year of the program.

14 Q. Did you have a chance to look at the OCA's letter on
15 this matter?

16 A. (Hall) I read it this morning.

17 MS. AMIDON: Okay. One moment please.

18 (Atty. Eaton handing document to Witness
19 Hall.)

20 MS. AMIDON: Oh. Thank you.

21 BY MS. AMIDON:

22 Q. The reason I referred to the letter is that Staff
23 agrees with the OCA's position, which is -- and I
24 wanted to know what the Company thought of the position

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[WITNESS PANEL: Baumann~Hall]

1 that's articulated in the fourth paragraph to that
2 letter that begins "With respect to the portion of the
3 filing related to the Company's renewable energy rate".
4 Did you have a chance to read that paragraph?

5 A. (Hall) Yes, I did.

6 Q. And, do you have -- do you disagree with the approach
7 that's recommended by the Consumer Advocate?

8 A. (Hall) No, I agree with it. I have no issue with it
9 whatsoever.

10 MS. AMIDON: Okay. Thank you. Those
11 are the only questions I have on this matter. And, I will
12 now turn it over to Mr. Mullen.

13 MR. MULLEN: Thank you.

14 BY MR. MULLEN:

15 Q. Before we leave this subject, Mr. Hall, if you could
16 turn to Page 2 of your testimony, in Exhibit 2?

17 A. (Hall) I'm there.

18 Q. At the top of the page, there's a table detailing the
19 costs for which you're seeking recovery. And, it looks
20 like you marketed the Renewable Energy rate to 5,000
21 customers?

22 A. (Hall) I don't believe that's the case. I believe that
23 we originally marketed to 15,000 customers. The 5,000
24 customers, the "5,000" numbers that you see for "Allied

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[WITNESS PANEL: Baumann~Hall]

1 Printing" were for brochures and other related
2 promotional material. The direct marketing was to
3 15,000 customers.

4 Q. And, I realize that there was a report filed on the
5 16th. How would you describe the participation, in
6 terms of numbers of customers, in the Renewable rate?

7 A. (Hall) Participation is low, but not at -- that is
8 something that was anticipated. I think, over time, as
9 we market the program and it becomes more well known,
10 participation will increase.

11 Q. And, correct me if I'm wrong, part way through the year
12 the Company also made a filing, which the Commission
13 approved, to reduce the rates that were being charged
14 in the Renewable rate?

15 A. (Hall) Yes.

16 Q. Do you know if the number of participating customers
17 increased after that happened?

18 A. (Hall) I don't believe there was any substantive change
19 in the number of customers, although we continue to add
20 a few customers here and there over time. But I can't
21 say whether there's any relationship between customers
22 being added and the reduction in the rate.

23 Q. Now, you mentioned earlier that your direct mail
24 campaign was to 15,000 customers?

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[WITNESS PANEL: Baumann~Hall]

1 A. (Hall) Yes.

2 Q. And, as I look again on Page 2, it appears that's what
3 you plan to do going forward as well?

4 A. (Hall) Yes.

5 Q. And, that will be something that the Staff and OCA will
6 discuss with the Company as we review the report and
7 look further to see what the Company plans for the
8 future?

9 A. (Hall) Yes.

10 Q. Okay. Onto the wind storm, Mr. Baumann.

11 A. (Baumann) W-u-u-u-u. [sic]

12 Q. Taking a look at Exhibit Number 3, Page 1 of that.

13 A. (Baumann) I'm there.

14 Q. I'm trying to see where it says in here -- correct
15 that, I'll go to Page 3. Footnote (1) at the bottom
16 talks about a "stipulated rate of return"?

17 A. (Baumann) That's correct.

18 Q. That was a defined term from the Company's
19 Restructuring Settlement Agreement, in docket DE
20 99-099, is that correct?

21 A. (Baumann) Yes, it was.

22 Q. Is it also correct that that rate of return has been
23 applied to the Major Storm Reserve since its inception
24 in that docket?

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1 A. (Baumann) Yes.

2 Q. And, when I say "applied to", I mean, if there's any
3 under collections or over collections, that rate gets
4 applied?

5 A. (Baumann) Right. It would be any over or under
6 collections that accumulate prior to, say, going into
7 rates.

8 Q. Okay.

9 A. (Baumann) That's right. You're correct in saying the
10 reserve, it's the amount that you put as a reserve to,
11 in this situation, recover in the future.

12 Q. And, since that -- since Docket 99-099, the amount of
13 the annual accruals that have been approved to go into
14 that reserve account have changed over time through
15 rate cases or some other filings based on the storm
16 results that you've encountered?

17 A. (Baumann) Correct.

18 Q. Could you briefly describe the stipulated rate of
19 return and say how that might differ from the rate of
20 return that was in the 09-035 Settlement?

21 A. (Baumann) Sure. Stipulated rate of return assumes a
22 60 percent debt/40 percent equity cap. structure, and
23 it assumes an 8 percent equity return, or an ROE. The
24 allowed cap. structure in the rate case had something

[WITNESS PANEL: Baumann~Hall]

1 much closer to a 50/50 cap. structure, so more equity.
2 And, it had an allowed ROE of 9.67 percent. So, the
3 total allowed return on rate base, which has the equity
4 and the debt, for the rate case was higher than the
5 stipulated return. Because the stipulated return used
6 smaller numbers, from a return perspective, and less
7 weighting to equity, so it's a lower return calculation
8 than the actual allowed.

9 Since the inception of the Storm
10 Reserve, the stipulated return has always been used to
11 calculate return and carrying costs on any reserve
12 balance that's accumulated. And, then, as we were to
13 apply certain regulatory assets that had been deferred
14 into rates, those dollars usually were applied at the
15 allowed rate of return, if they went into distribution
16 rates. In this situation, again, the allowed rate of
17 return is a little higher than the stipulated rate of
18 return. What we had in the Settlement Agreement, we
19 talked about this issue in the Settlement Agreement,
20 and there's a paragraph in there that says "for any
21 future assets that are created, you shall use the
22 allowed rate of return as return on those assets."

23 Q. Could I just interrupt you?

24 A. (Baumann) Oh, sure.

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[WITNESS PANEL: Baumann~Hall]

1 Q. When you say "Settlement Agreement", you're talking
2 about the 09-035 distribution case Settlement
3 Agreement?

4 A. (Baumann) Correct.

5 Q. Okay. Thank you.

6 A. (Baumann) And, so, we put that clause in there, because
7 we didn't know, from my perspective, you know, if
8 something came up, and you had a return calculation
9 needed, you needed to have some type of agreement as to
10 what the return would be on that. When we incurred the
11 costs for the storm, which was in February of 2010, we
12 were -- we had already incurred the wind storm, and
13 then the Settlement took place later during the Spring
14 of 2010. So, when we went to calculate a return and
15 file a return request from the Commission for the
16 storm, we didn't believe that that was something new.
17 And, so, we didn't use the higher cost of capital from
18 the rate case, we used the lower cost of capital from
19 the stipulated return calculation, because we just --
20 we didn't think that that was in keeping with the rate
21 case. Because, at the time when we talked about it, it
22 was more "gee, things we don't know about in the
23 future". Well, we knew about the storm. But it never
24 was really specifically discussed. But, in this

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1 proposal that we have all seemed to have agreed upon,
2 we're using the stipulated return. I don't think that
3 that's a deviation from the Settlement Agreement from
4 the rate case, because I just don't think the storm
5 applied to that.

6 So, that's -- it's kind of the summary
7 of what's in the stipulated return and kind of how we
8 got there through the rate case process, and how it's
9 really not that applicable to the rate case process,
10 because it was an asset, if you will, that was already
11 incurred prior to that settlement that we agreed upon
12 in the rate case.

13 Q. And, as you said as part of your summary, the
14 stipulated rate of return is a lower overall return
15 than the return that was in the 09-035 Settlement?

16 A. (Baumann) Yes.

17 Q. Okay. Now, if I could direct your attention to Page 1
18 of Exhibit 3, Line 15. Could you explain what's shown
19 on that line?

20 A. (Baumann) I'm sorry, this is Page 1?

21 Q. Page 1 of Attachment 3 [Exhibit 3?].

22 A. (Baumann) Yes.

23 Q. Line 15 says "Less: Fifty percent of the projected
24 balance"?

[WITNESS PANEL: Baumann~Hall]

1 A. (Baumann) Thank you. Sorry. Yes. We came up with,
2 after taking the total costs and taking out various
3 items, capitalization of certain costs and other costs,
4 and the application of the insurance proceeds, we came
5 down with a number, and we felt that -- we looked at
6 the reserve balance that has accumulated. And, in the
7 current settlement in the 09-035 case, we are
8 amortizing collecting \$3.5 million a year, and that was
9 approved by the Commission in that case.

10 So, the balance, we projected the
11 balance as of the end of June of this year to be about
12 a little over \$7 million. So, our proposal on Line 15
13 was to take 50 percent of that balance and apply it
14 against this storm, leaving approximately \$3.6 million
15 left in the reserve for future storms. Because, when
16 we set the reserve up and set the level up of about
17 \$3.5 million a year, we felt that it was necessary to
18 keep a reserve balance in the reserve, because that's
19 why you have reserves, for future storms. So, we
20 didn't suggest we go down to zero. We took 50 percent
21 of it, and feel that we left a representative value in
22 the reserve for future storms.

23 Q. Now, consistent with that line, and I don't see it
24 written anywhere on the exhibit, part of the agreement

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[WITNESS PANEL: Baumann~Hall]

1 that was reached between PSNH, Staff, and the OCA was
2 to, for future years, to operate in a similar manner.
3 In other words, you just mentioned the three and a half
4 million dollars of annual accruals into the storm
5 reserve per the 09-035 Settlement. And, how would you
6 treat -- what would you do going forward each July 1st
7 in relation to the balance in that reserve account?

8 A. (Baumann) As part of this agreement, it was suggested
9 by Staff, and we agreed to it, that a year from now,
10 every July 1st, if your reserve balance has grown, and,
11 you know, God willing, if we don't have any storms, any
12 major storms between now and next July, we should have
13 an additional three and a half million dollars in
14 there, or a total of about 7 million, that we would
15 write that down to the three and a half million dollar
16 level every year, if you had a surplus in that, over
17 and above 3.5 million, and apply that against the
18 outstanding uncollected balance of this wind storm.
19 And, essentially, what you would do is you would be
20 shortening up the recovery period of that wind storm
21 balance. So that you could potentially recover it
22 quicker than the anticipated four years in the
23 agreement.

24 Q. Without doing that, if the Storm Reserve grew to, say,

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[WITNESS PANEL: Baumann~Hall]

1 \$6 million, what would you do with the excess over the
2 three and a half, notwithstanding this settlement, this
3 agreement?

4 A. (Baumann) Well, that amount would stay in the Storm
5 Reserve. And, it would remain there and continue to
6 accumulate until you used it and applied it against
7 another storm.

8 Q. It could also be refunded to customers, correct?

9 A. (Baumann) Well, yes, you could refund it to customers.
10 Again, the intent of the reserve is to have money in a
11 reserve for storms. I'd be lying if I didn't say it, I
12 think if someone were to ask me to refund it all to
13 customers, I'd say "well, then, we have no reserve
14 left." And, the whole idea about a reserve is that you
15 have a balance. But, certainly, it's customer money.
16 And, you know, again, it's been set up in anticipation
17 of future storms. But it could be, it could be
18 refunded to customers. In this situation, we're saying
19 "apply about 50 percent of it to this amount, so that
20 customers will pay about \$3.6 million less right off
21 the bat, in terms of the revenue requirement level."

22 Q. Just to be clear, I was only asking about the excess
23 over the three and a half million to refund to
24 customers, not the entire balance.

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1 A. (Baumann) Right.

2 Q. And, that has been done in the past, has it not?

3 A. (Baumann) Yes. It has.

4 Q. So, by reaching this agreement as we have, we could
5 really avoid a situation where there could be two,
6 simultaneously a refund to customers of certain excess
7 in the reserve, as well as return accruing at the same
8 level on this unrecovered wind storm costs. Instead,
9 what we've done is say, "Well, rather than do both
10 things at the same time, we could apply what could be a
11 refund and put it right against the storm recovery and,
12 therefore, speed it up, and lower the total return that
13 would accrue?

14 A. (Baumann) That's correct. Just to add, too, is the
15 reserve that is on the books, the 3.5, or if it grows
16 even more, that that also accumulates a return on it to
17 the customers' -- to the customers' return side. And,
18 again, that is at the stipulated rate of return as
19 well. So, whether it's an asset or a liability, it's
20 -- we are applying the stipulated rate of return to
21 both sides of the equation.

22 Q. And, now, we've agreed on a four year recovery period,
23 correct?

24 A. (Baumann) Yes.

[WITNESS PANEL: Baumann~Hall]

1 Q. In terms of going forward for future storms, future
2 major storms like this, we also agree that that is not
3 a precedent, in terms of recovery period. And, we'll
4 be able to take into account specific circumstances of
5 storms and other issues that may be going on with the
6 Company's rates at the time?

7 A. (Baumann) Yes. We are certainly in agreement with that
8 premise.

9 MR. MULLEN: Thank you. I have nothing
10 further.

11 MS. AMIDON: Thank you, Mr. Chairman.

12 CHAIRMAN GETZ: Thank you. Commissioner
13 Ignatius.

14 CMSR. IGNATIUS: Thank you.

15 BY CMSR. IGNATIUS:

16 Q. Mr. Hall, on the executive compensation timing issue,
17 without a change that's been requested, the report of
18 compensation would be due October -- excuse me,
19 August 1st, 2011, correct?

20 A. (Hall) Yes.

21 Q. And, if this change were to go into effect, your
22 testimony says the date "would be accelerated to
23 April 30th." Does that mean "April 30th, 2012"?

24 A. (Hall) Yes.

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[WITNESS PANEL: Baumann~Hall]

1 Q. So, is there a gap where there would have been a report
2 this summer that now is, in effect, delayed until
3 April 30th?

4 A. (Hall) I don't believe so. And, that's because we made
5 a filing on April 30th, 2011, for calendar year 2010
6 information.

7 Q. All right. Thank you. On the Renewable Default
8 Service rate, and this is looking at Exhibit 2, Mr.
9 Hall, your testimony on Page 2. The listing of
10 expenditures made referred to the rate as the "Green
11 Rate". Is that right? Is that what you call your
12 program?

13 A. (Hall) Yes.

14 Q. And, are all of the ads that were run in the direct
15 mail campaign specific to the Green Rate proposed or
16 Green Rate product itself?

17 A. (Hall) Yes.

18 Q. So, they weren't general advertisements about the value
19 of renewable generation?

20 A. (Hall) Correct.

21 Q. And, in your proposals for the coming year, lower on --
22 later down on that same Page 2, you anticipate a couple
23 of large print ad campaigns and some other
24 advertisements. You don't mention "Green Rate" in

[WITNESS PANEL: Baumann~Hall]

1 those proposals. But are they going to be specific to
2 the Green Rate product?

3 A. (Hall) Yes.

4 Q. Will they address generalized renewable benefits or
5 will they really be geared towards this particular
6 rate?

7 A. (Hall) I guess that depends on the outcome of
8 discussions with Staff and OCA. Our intent was to have
9 it geared specifically toward this rate.

10 Q. All right. And, you'll run any draft advertisements
11 past the OCA and the Staff before they go to print?

12 A. (Hall) Sure.

13 CMSR. IGNATIUS: Thank you. No other
14 questions. Thanks.

15 CHAIRMAN GETZ: Thank you. Any
16 redirect, Mr. Eaton?

17 MR. EATON: No redirect. Thank you.

18 CHAIRMAN GETZ: Then, the witnesses are
19 excused. Thank you, gentlemen.

20 WITNESS HALL: Thank you.

21 CHAIRMAN GETZ: Any objection to
22 striking the identifications and admitting the exhibits
23 into evidence?

24 (No verbal response)

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1 CHAIRMAN GETZ: Hearing no objection,
2 they will be admitted into evidence. Anything we need to
3 address before opportunity for closings?

4 (No verbal response)

5 CHAIRMAN GETZ: Hearing nothing, then,
6 Ms. Amidon.

7 MS. AMIDON: Thank you. Regarding the
8 recovery of marketing -- the incremental marketing costs
9 of \$72,717 in the Renewable Service Option, we think that
10 the Company should be allowed to recover those amounts.
11 But we would not request the Company to approve at this
12 time any of the proposed marketing plans described in the
13 testimony, and instead allow the OCA, Staff, and the
14 Company to meet and evaluate the report as was part of the
15 Settlement Agreement in Docket DE 09-186, which
16 established this rate.

17 Regarding the changing in the date by
18 which the Company must file its executive compensation
19 report, we agree with the Company's request. And, as we
20 noted, that it's pretty much a formality here. The OCA
21 had also expressed a concurrence with that proposal.

22 And, finally, we ask that the Commission
23 approve the revised wind storm filing by the Company that
24 was made in conformance with the agreement that was

1 reached with OCA and Staff on how those monies should be
2 recovered. Thank you.

3 CHAIRMAN GETZ: Thank you. Mr. Eaton.

4 MR. EATON: Thank you. We really
5 appreciate the Commission's and Staff and the OCA agreeing
6 to the change in the executive compensation reporting.
7 Because it was originally set up based upon when the rate
8 change took place in the last rate case. However, making
9 a filing based upon a split year was very difficult to
10 compute things in the compensation packages, such as
11 pension benefits, which are always computed on a calendar
12 basis, a year-end calendar basis. So, this makes it much
13 more easy for us to file a report with data that we know
14 is per books and the same type of data that's reported in
15 our SEC filings.

16 We went ahead with a filing in April,
17 but, knowing that we had to come to the Commission to get
18 approval for this change, because it was part of a
19 settlement agreement that was approved and subject to a
20 hearing, so that's why the hearing request is before you
21 today.

22 The incremental revenues for the
23 Renewable Default Energy Service rate were specifically
24 designed to encourage customers to join that rate and were

1 not lumped in with other -- with other promotional or
2 institutional advertising by the Company. And, that is
3 the approach we think we'll be having with the future
4 costs for the campaign to come up. And, we fully agree
5 with the idea of working with the Staff and the OCA
6 concerning how that program should go forward.

7 With respect to the wind storm costs,
8 it's taken a while for us to, quite frankly, for PSNH, to
9 get all those costs together, and then have the Staff
10 conduct their audit. It was a very thorough audit, and I
11 think there were well over 40 written requests that we
12 responded to, in addition to having the Audit Staff look
13 at our books over the course of several visits to the
14 Company.

15 As was explained, there was a balance of
16 more than three and a half million dollars in the Major
17 Storm Cost Reserve, and it's quite appropriate that we use
18 that at this time to reduce the balance in that reserve to
19 what it's intended to have, which is about three and a
20 half million, and apply that to the February wind storm
21 costs, before we have a special separate recovery of those
22 costs. So, it makes sense to do that. And, we're pleased
23 to be able to agree on the stipulated rate of return to
24 apply to the balance as that gets -- as that gets paid

1 down. And, hopefully, there will be no storms in the next
2 year and we'll be able to reduce it again by anything
3 that's over the three and a half million dollars in the
4 Major Storm Reserve and get this paid off well before the
5 four year amortization period is over. Thank you.

6 CHAIRMAN GETZ: Okay. Thank you. Then,
7 we'll close the hearing and take the matter under
8 advisement.

9 (Whereupon the hearing ended at 3:34
10 p.m.)