

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM)
Docket No. DE 10-158

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

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

8 **Q. What are your responsibilities as Director - Revenue Regulation and Load**
9 **Resources?**

10 A. I have overall responsibility for the planning and coordination of revenue
11 requirement filings for PSNH, and for the planning, coordination, and
12 implementation of fuel and generation recovery mechanisms and all other fuel
13 recovery matters for the NU operating companies, before regulatory
14 commissions including the New Hampshire Public Utilities Commission (PUC or
15 the Commission).

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

1 A. Yes. I have testified in numerous hearings for PSNH. I have also testified in
2 proceedings before the Connecticut Department of Public Utility Control, the
3 Massachusetts Department of Public Utilities, and the Federal Energy Regulatory
4 Commission (FERC).

5 **Q. What is the purpose of your testimony?**

6 A. My testimony supports PSNH's transmission cost adjustment mechanism
7 (TCAM) filing for rates effective July 1, 2010. The testimony and supporting
8 attachments present the actual reconciliation period through May 2010 for
9 transmission costs in this TCAM filing as well as the proposed overall average
10 TCAM rate for the forecast period to be effective July 1, 2010.

11 **Q. What is PSNH requesting in this filing?**

12 A. PSNH is requesting approval of a forecasted overall average retail transmission
13 rate to be effective July 1, 2010, for a twelve month billing period. In addition, we
14 are requesting approval of the reconciliation of actual transmission costs and
15 recoveries for the calendar year 2009. Our requests are in accordance with the
16 Commission's approval of the settlement in PSNH's rate case, Docket No. DE
17 06-028, which included a provision for a transmission cost adjustment
18 mechanism.

19 **Q. Will anyone else be providing testimony in support of this filing?**

1 A. Yes. Stephen R. Hall will be filing testimony in support of the proposed retail
2 transmission rates. In his testimony he will detail the rates applicable to each
3 individual rate class and component.

4 **Q. Describe the types of costs included in this TCAM filing.**

5 A. There are two different groups of costs within this TCAM filing. The first group of
6 costs consists of four cost categories of “wholesale transmission” costs. The
7 second group consists of three cost categories of “other transmission” costs.

8 The “wholesale transmission” costs are as follows:

- 9 1) Regional Network Service (RNS) costs
- 10 2) Local Network Service (LNS) costs
- 11 3) Reliability costs
- 12 4) Scheduling and Dispatch (S&D) costs.

13 All of these costs are regulated by the Federal Energy Regulatory Commission
14 (FERC). Except for LNS costs, these costs are charged to PSNH by ISO-NE.

15 These costs are discussed below in more detail.

16 1) RNS costs support the regional transmission infrastructure throughout New
17 England. RNS costs are charged to PSNH by ISO-NE in accordance with ISO-
18 NE FERC Electric Tariff No. 3 Open Access Transmission Tariff (ISO-NE OATT)
19 approved by the FERC. RNS costs are billed to all entities in the region that
20 have RNS load responsibility, such as PSNH, based on their monthly peak load.

1 2) LNS costs encompass Northeast Utilities' (NU) transmission costs that are not
2 recovered in regional rates. This rate calculation is approved by FERC and is
3 billed to PSNH based on PSNH's load ratio share of the NU system. PSNH's
4 load ratio share is calculated using a rolling 12 month coincident peak (12 CP).

5 3) Reliability costs include costs such as Black Start, VAR support, and other
6 uplift costs that are related to generation reliability. These reliability costs are
7 billed to all entities in the region that have RNS load responsibility, such as
8 PSNH, based on their monthly peak load.

9 4) S&D costs are associated with services provided by ISO-NE related to
10 scheduling, system control and dispatch services. These costs are billed by ISO-
11 NE to all entities in the region that have RNS load responsibility, such as PSNH,
12 based on their monthly peak load, in accordance with the ISO-NE OATT.

13 The "other transmission" costs are as follows:

- 14 A) Hydro-Quebec (HQ) support costs;
15 B) New Hampshire Public Utilities Commission assessment costs; and
16 C) TCAM working capital allowance return.

17 These other transmission costs were previously recovered through PSNH's
18 distribution rates, but will be transferred in total or in part to the TCAM for
19 recovery pending Commission approval of the "Settlement Agreement on
20 Permanent Distribution Service Rates" (Settlement Agreement) between PSNH,

1 the Commission Staff, and the Office of Consumer Advocate (OCA) in Docket
2 No. DE 09-035. If the Settlement Agreement is approved by the Commission,
3 these costs will be recovered through the TCAM effective August 1, 2009, the
4 date when permanent distribution rates in DE 09-035 will be effective. These
5 costs are discussed below in more detail.

6 A) Hydro-Quebec support costs are costs associated with FERC approved
7 contractual agreements between NU subsidiaries, including PSNH, and other
8 New England utilities to provide support for transmission and terminal facilities
9 that are used to import electricity from HQ in Canada. Under these agreements,
10 PSNH is charged its proportionate share of O&M and capital costs for a thirty
11 year period ending in 2020. PSNH's share of any revenues associated with the
12 HQ facility is returned to customers through the Energy Service (ES) rate.

13 B) NHPUC assessment costs were previously charged to and recovered from
14 customers through distribution rates. The Settlement Agreement revenue
15 requirement calculation allocates these costs to ES (61.9%), distribution (29.8%)
16 and the TCAM (8.3%) for recovery through all three of these rates.

17 C) When the TCAM was initially approved in Docket No. DE 06-028, there was
18 no provision for a working capital allowance in the TCAM. The TCAM working
19 capital allowance continued to be included with the distribution working capital
20 allowance. As part the Settlement Agreement, the distribution revenue
21 requirement calculation excludes working capital on transmission costs in

1 anticipation that those requirements would be recovered through the TCAM.

2 This filing reflects that assumption.

3 **Q. Please describe the overall mechanics of the TCAM as they are presented**
4 **in this filing.**

5 A. The TCAM is a mechanism that allows PSNH to fully recover defined FERC
6 and/or Commission approved transmission costs. The TCAM rate is based on
7 reconciliations of historic transmission costs and forecasted future transmission
8 costs using the latest approved FERC transmission rates.

9 There are two basic premises of the TCAM. First, the TCAM sets retail
10 transmission rates for a defined future billing period based on transmission cost
11 estimates using current budget and forecast data that is supported by the latest
12 known FERC approved transmission rates and other budget data. Most of this
13 data is provided by ISO-NE. This future billing period is referred to as the
14 "forecast period".

15 Secondly, the TCAM provides all available actual cost and revenue (recovery)
16 data for the period just prior to the forecast period which will be referred to as the
17 "reconciliation period". The reconciliation period contains as much actual cost
18 data that is available at the time of filing. Any over- or under-recoveries that are
19 incurred in each billing period are rolled into the subsequent billing period as part
20 of the next TCAM rate.

1 **Q. What is the forecast period used in this filing, and what is the reconciliation**
2 **period?**

3 A. The forecast period in this filing is the twelve month period July 2010 through
4 June 2011. The reconciliation period includes actual calendar year 2009 and
5 actual January through May 2010 costs, as well as estimated costs for June
6 2010.

7 **Q. Do the transmission rate forecasts contained in this filing reflect the most**
8 **current FERC rates that were effective on June 1, 2010?**

9 A. Yes.

10 **Q. What then, is PSNH proposing as its annual TCAM rate in this filing?**

11 A. PSNH is proposing a forecasted overall average TCAM rate of 1.501 cents/kWh
12 as compared to the current rate in effect of 1.195 cents/kWh. The increase in the
13 rate is due to two general areas of increase. These areas are [1] increased
14 FERC approved transmission rates effective June 1, 2010 that are higher than
15 the previous years rates reflecting higher overall transmission revenue
16 requirements and [2] the inclusion of certain costs in the TCAM that were
17 previously included in the distribution rates and will be included in the TCAM rate
18 pending an approval by the Commission related to the current distribution rate
19 case settlement. This shift of costs between recovery mechanisms created a
20 larger prior period under recovery adjustment as well as higher forecasted costs.
21 Finally, the prior period under recovery is higher, in part, due to actual 2009
22 transmission revenue requirement for Schedule 21-NU transmission service

1 being higher than estimated, primarily due to significantly lower Regional
2 Network Service (RNS) revenue credits in actual when compared to the forecast.
3 The RNS revenue credits were lower as a result of significantly lower New
4 England peak loads in 2009.

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

6 A. Yes, PSNH requests final approval of the proposed TCAM rate change early in
7 the week of June 28, 2010 to allow for the implementation of a July 1, 2010
8 change in rates.

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

10 A. Yes, it does.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION

Page **Attachment RAB - 1**

- 1 TCAM Rate Calculation - July 2010 through June 2011
- 1a TCAM Rate Calculation - Comparison of Forecast to Currently Allowed TCAM
- 2 Forecasted Costs - July 2010 through June 2011
- 3 Actual Costs - January 2009 through June 2009
- 4 Actual Costs - July 2009 through December 2009
- 5 Actual and Forecasted Costs - January 2010 through June 2010
- 6 Actual Revenues - January 2009 through June 2009
- 7 Actual Revenues - July 2009 through December 2009
- 8 Actual and Forecasted Revenues - January 2010 through June 2010

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION**

(Dollars in 000's)

| | TCAM Rate Calculation July 2010 Through June 2011 | Forecasted Summary | Reference: Attachment RAB-1 |
|----|--|-------------------------------|--|
| 1 | | | |
| 2 | | | |
| 3 | Regional Network Service (RNS) | \$ 84,246 | Page 2 |
| 4 | Scheduling and Dispatch (S&D) | 2,142 | Page 2 |
| 5 | Local Network Service (LNS) | 10,270 | Page 2 |
| 6 | Reliability | 4,839 | Page 2 |
| 7 | Hydro-Quebec Support Costs | 5,499 | Page 2 |
| 8 | NHPUC Assessment | 313 | Page 2 |
| 9 | Return on TCAM Working Capital | 1,451 | Page 2 |
| 10 | Revenue Credits | (1,389) | Page 2 |
| 11 | | | |
| 12 | Total Forecasted Costs | \$ 107,371 | |
| 13 | | | |
| 14 | Cumulative Estimated (Over) / Under Recovery | 9,552 (1) | Page 5 |
| 15 | | | |
| 16 | Total Costs | \$ 116,922 | |
| 17 | | | |
| 18 | Forecasted Retail MWH Sales | 7,788,871 | Page 2 |
| 19 | | | |
| 20 | Forecasted TCAM Rate--cents per kWh | <u>1.501</u> | |
| 21 | | | |

(1) - The \$9.6M includes \$8.5M of rebilling for the 2009 FY Schedule 21 true-up, \$5.7M of costs that were previously recovered through the distribution rate, net of lower TCAM costs, primarily RNS costs, of \$4.6M. The \$5.7M of costs previously recovered through the distribution rate includes \$4.2M of Hydro-Quebec support costs, \$1.2M of return on working capital, and \$0.3M of NHPUC assessment costs. This filing assumes these costs will be recovered in TCAM consistent with the proposed settlement agreement in Docket DE 09-035, effective August 2009.

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION

(Dollars in 000's)

Note: This schedule is provided as an aid to analysis and is not part of the rate calculation

| | (A) | (B) | (C) | (A)-(C)=(D) |
|--|---------------------|-----------------------|-----------------------|--------------|
| TCAM Rate Calculation | Forecasted | Currently Allowed (1) | Currently Allowed (2) | |
| | 12 mths- 06/2011 | 11 mths- 06/2010 | Annualized | Delta |
| 1 <u>Comparison of Forecast to Currently Allowed</u> | | | | |
| 2 | | | | |
| 3 Regional Network Service (RNS) | \$ 84,246 | \$ 74,318 | \$ 81,074 | \$ 3,171 |
| 4 Scheduling and Dispatch (S&D) | 2,142 | 1,872 | 2,042 | 100 |
| 5 Local Network Service (LNS) | 10,270 | 2,498 | 2,725 | 7,546 |
| 6 Reliability | 4,839 | 3,524 | 3,845 | 994 |
| 7 Hydro-Quebec Support Costs | 5,499 | - | - | 5,499 |
| 8 NHPUC Assessment | 313 | - | - | 313 |
| 9 Return on TCAM Working Capital | 1,451 | - | - | 1,451 |
| 10 Revenue Credits | <u>(1,389)</u> | <u>(1,378)</u> | <u>(1,503)</u> | <u>114</u> |
| 11 | | | | |
| 12 Sub-total | \$ 107,371 | \$ 80,834 | \$ 88,183 | \$ 19,188 |
| 13 | | | | |
| 14 Prior Period (Over) / Under Recovery | <u>9,552</u> | <u>4,382</u> | <u>4,382</u> | <u>5,170</u> |
| 15 | | | | |
| 16 Total | \$ 116,922 | \$ 85,216 | \$ 92,565 | \$ 24,358 |
| 17 | | | | |
| 18 Retail MWH Sales | 7,788,871 | 7,131,582 | 7,779,908 | |
| 19 | | | | |
| 20 TCAM Rate--cents per kWh | <u>1.501</u> | <u>1.195</u> | | |

22 (1) DE 09-114; Order 24,992 dated July 24, 2009

23
24 (2) The prior period was 11 months in length. Accordingly, the Prior Period Costs (column B), excluding the under-recovery
25 amount, have been annualized using the formula, [Prior Period Costs / 11 months] X 12, to permit a comparison with
26 Forecasted Costs (column A).

27
28 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
July 2010 through June 2011

(Dollars in 000's)

| Forecasted | | | | | | | |
|--|--------------|----------------|-------------------|-----------------|------------------|------------------|---|
| | July 2010 | August 2010 | September 2010 | October 2010 | November 2010 | December 2010 | Six Months July-December Subtotal |
| 1 <u>Retail Transmission Cost</u> | | | | | | | |
| 2 | | | | | | | |
| 3 Regional Network Service (RNS) | 7,815 | 8,697 | 7,858 | 7,355 | 6,009 | 6,468 | 44,202 |
| 4 | | | | | | | |
| 5 Scheduling and Dispatch (S&D) | 199 | 221 | 200 | 187 | 153 | 165 | 1,124 |
| 6 | | | | | | | |
| 7 Local Network Service (LNS) | 561 | 561 | 562 | 564 | 565 | 564 | 3,379 |
| 8 | | | | | | | |
| 9 Reliability | 403 | 403 | 403 | 403 | 403 | 403 | 2,420 |
| 10 | | | | | | | |
| 11 Hydro-Quebec Support Costs (1) | 462 | 462 | 462 | 462 | 462 | 462 | 2,770 |
| 12 | | | | | | | |
| 13 NHPUC Assessment (1) | 26 | 26 | 26 | 26 | 26 | 26 | 156 |
| 14 | | | | | | | |
| 15 Return on TCAM Working Capital Allowance (1, 2) | 128 | 140 | 129 | 122 | 103 | 109 | 731 |
| 16 | | | | | | | |
| 17 Under-recovery TCAM, previous TCAM Year | 9,552 | - | - | - | - | - | 9,552 |
| 18 | | | | | | | |
| 19 Revenue Credits (3) | (116) | (116) | (116) | (116) | (116) | (116) | (695) |
| 20 | | | | | | | |
| 21 Retail Transmission Operating Costs | \$ 19,030 | \$ 10,394 | \$ 9,524 | \$ 9,004 | \$ 7,605 | \$ 8,082 | \$ 63,639 |
| 22 | | | | | | | |
| 23 Estimated Retail MWH Sales | 718,562 | 715,807 | 621,452 | 612,071 | 606,545 | 681,194 | 3,955,631 |
| 24 | | | | | | | |
| 25 | | | | | | | |
| 26 | | | | | | | |
| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 <u>Retail Transmission Cost</u> | | | | | | | |
| 30 | | | | | | | |
| 31 Regional Network Service (RNS) | 7,069 | 7,382 | 6,944 | 6,777 | 5,982 | 5,890 | 40,043 |
| 32 | | | | | | | |
| 33 Scheduling and Dispatch (S&D) | 180 | 188 | 177 | 172 | 152 | 150 | 1,018 |
| 34 | | | | | | | |
| 35 Local Network Service (LNS) | 1,146 | 1,148 | 1,146 | 1,146 | 1,153 | 1,153 | 6,892 |
| 36 | | | | | | | |
| 37 Reliability | 403 | 403 | 403 | 403 | 403 | 403 | 2,420 |
| 38 | | | | | | | |
| 39 Hydro-Quebec Support Costs (1) | 455 | 455 | 455 | 455 | 455 | 455 | 2,729 |
| 40 | | | | | | | |
| 41 NHPUC Assessment (1) | 26 | 26 | 26 | 26 | 26 | 26 | 156 |
| 42 | | | | | | | |
| 43 Return on TCAM Working Capital Allowance (1, 2) | 125 | 130 | 124 | 121 | 110 | 109 | 720 |
| 44 | | | | | | | |
| 45 Under-recovery TCAM, previous TCAM Year | - | - | - | - | - | - | - |
| 46 | | | | | | | |
| 47 Revenue Credits (3) | (116) | (116) | (116) | (116) | (116) | (116) | (695) |
| 48 | | | | | | | |
| 49 Retail Transmission Operating Costs | \$ 9,289 | \$ 9,616 | \$ 9,159 | \$ 8,985 | \$ 8,165 | \$ 8,070 | \$ 53,284 |
| 50 | | | | | | | |
| 51 Estimated Retail MWH Sales | 718,620 | 633,627 | 647,148 | 603,306 | 604,454 | 626,085 | 3,833,240 |
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Note 1-- This item assumes Commission approval of the proposed settlement agreement (SA) filed in docket DE 09-035. The distribution revenue requirements in the proposed SA are based on Hydro-Quebec support costs, a portion of the NHPUC assessment, and a return on TCAM working capital being recovered through the TCAM rate.

Note 2-- The return on the working capital allowance is monthly O&M x (45 days/365 days) x 10.9656% (allowed 7.513% incl tax gross-up)

Note 3--ISO-NE Credits and NOATT Schedule 2 revenues

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
January-June 2009

(Dollars in 000's)

| | Balance 12/31/2008 | Actuals | | | | | | Total | Reference |
|---|-----------------------|------------------|---------------|---------------|-------------|--------------|-------------|-------|-------------|
| | January 2009 | February 2009 | March 2009 | April 2009 | May 2009 | June 2009 | | | |
| 1 Retail Transmission Costs | | | | | | | | | |
| 2 | | | | | | | | | |
| 3 Retail Transmission Operating Revenues | \$ (7,389) | \$ (5,626) | \$ (6,292) | \$ (5,374) | \$ (5,810) | \$ (5,954) | \$ (36,445) | | RAB-1, Pg 6 |
| 4 | | | | | | | | | |
| 5 Regional Network Service (RNS) | 5,163 | 4,978 | 4,884 | 4,616 | 4,177 | 4,191 | 28,009 | | |
| 6 | | | | | | | | | |
| 7 Scheduling and Dispatch | 146 | 140 | 138 | 130 | 118 | 119 | 791 | | |
| 8 | | | | | | | | | |
| 9 Local Network Service (LNS) (1) | 1,164 | 1,044 | 1,235 | 1,099 | 2,589 | 331 | 7,463 | | |
| 10 | | | | | | | | | |
| 11 Reliability | 323 | 341 | 316 | 315 | 306 | 331 | 1,932 | | |
| 12 | | | | | | | | | |
| 13 Hydro-Quebec Support Costs (2) | - | - | - | - | - | - | - | | |
| 14 | | | | | | | | | |
| 15 NHPUC Assessment (2) | - | - | - | - | - | - | - | | |
| 16 | | | | | | | | | |
| 17 Return on TCAM Working Capital Allowance (2, 3) | - | - | - | - | - | - | - | | |
| 18 | | | | | | | | | |
| 19 Revenue Credits | (107) | (107) | (106) | (107) | (108) | (108) | (644) | | |
| 20 | | | | | | | | | |
| 21 Retail Transmission Operating Costs | \$ 6,689 | \$ 6,397 | \$ 6,466 | \$ 6,053 | \$ 7,082 | \$ 4,864 | \$ 37,551 | | |
| 22 | | | | | | | | | |
| 23 (Over) / Under-Recovery | \$ (700) | \$ 771 | \$ 174 | \$ 679 | \$ 1,272 | \$ (1,089) | \$ 1,107 | | |
| 24 | | | | | | | | | |
| 25 Cumulative (Over) / Under-Recovery | \$ 2,667 | \$ 1,967 | \$ 2,738 | \$ 2,912 | \$ 3,591 | \$ 4,863 | \$ 3,774 | | |
| 26 | | | | | | | | | |
| 27 Calculation of Return/Deferral | | | | | | | | | |
| 28 | | | | | | | | | |
| 29 Average Balance | 2,317 | 2,353 | 2,825 | 3,252 | 4,227 | 4,318 | | | |
| 30 | | | | | | | | | |
| 31 Deferred tax calculation-- | | | | | | | | | |
| 32 Deferred tax rate | 39.550% | 39.550% | 39.550% | 39.550% | 39.550% | 39.550% | | | |
| 33 | | | | | | | | | |
| 34 ADIT on the average balance | \$ (916) | \$ (931) | \$ (1,117) | \$ (1,286) | \$ (1,672) | \$ (1,708) | | | |
| 35 | | | | | | | | | |
| 36 Average Balance, Net of ADIT | \$ 1,401 | \$ 1,422 | \$ 1,708 | \$ 1,966 | \$ 2,555 | \$ 2,610 | | | |
| 37 | | | | | | | | | |
| 38 x Return at Prime Rate | 0.2708% | 0.2708% | 0.2708% | 0.2708% | 0.2708% | 0.2708% | | | |
| 39 | | | | | | | | | |
| 40 Return-Monthly | \$ 4 | \$ 4 | \$ 5 | \$ 5 | \$ 7 | \$ 7 | \$ 32 | | |
| 41 | | | | | | | | | |
| 42 Cumulative Return | \$ 4 | \$ 8 | \$ 12 | \$ 18 | \$ 25 | \$ 32 | | | |
| 43 | | | | | | | | | |
| 44 Cumulative (Over) / Under Recovery, Including Return | \$ 1,971 | \$ 2,746 | \$ 2,924 | \$ 3,609 | \$ 4,887 | \$ 3,805 | | | |

46 Note 1--May 2009 LNS includes \$1.5M of rebilling for the FY 2008 Schedule 21 true-up. The decrease in June 2009 LNS reflects regional projects now being billed through
47 RNS.

48
49 Note 2-- This item assumes Commission approval of the proposed settlement agreement (SA) filed in docket DE 09-035. The distribution revenue requirements in the
50 proposed SA are based on Hydro-Quebec support costs, a portion of the NHPUC assessment, and a return on TCAM working capital being recovered through the TCAM
51 rate.

52
53 Note 3-- The return on the working capital allowance is monthly O&M x (45 days/365 days) x 10.9656% (allowed 7.513% incl tax gross-up)

54
55 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
July-December 2009

(Dollars in 000's)

| | Balance 06/30/2009 | Actuals | | | | | | Total | Reference |
|---|-----------------------|----------------|-------------------|-----------------|------------------|------------------|-------------|-------|-------------|
| | July 2009 | August 2009 | September 2009 | October 2009 | November 2009 | December 2009 | | | |
| 1 Retail Transmission Costs | | | | | | | | | |
| 2 | | | | | | | | | |
| 3 Retail Transmission Operating Revenues | \$ (6,299) | \$ (8,563) | \$ (7,527) | \$ (7,399) | \$ (7,120) | \$ (8,507) | \$ (45,416) | | RAB-1, Pg 7 |
| 4 | | | | | | | | | |
| 5 Regional Network Service (RNS) | 5,285 | 6,919 | 7,782 | 5,902 | 5,595 | 5,954 | 37,437 | | |
| 6 | | | | | | | | | |
| 7 Scheduling and Dispatch | 137 | 175 | 197 | 149 | 142 | 151 | 951 | | |
| 8 | | | | | | | | | |
| 9 Local Network Service (LNS) | 262 | 223 | 226 | 224 | 224 | 226 | 1,384 | | |
| 10 | | | | | | | | | |
| 11 Reliability | 301 | 266 | 295 | 327 | 291 | 296 | 1,776 | | |
| 12 | | | | | | | | | |
| 13 Hydro-Quebec Support Costs (2) | - | 381 | 357 | 381 | 406 | 390 | 1,915 | | |
| 14 | | | | | | | | | |
| 15 NHPUC Assessment (2) | - | 2 | 26 | 26 | 26 | 26 | 106 | | |
| 16 | | | | | | | | | |
| 17 Return on TCAM Working Capital (2, 3) | - | 108 | 120 | 95 | 90 | 95 | 508 | | |
| 18 | | | | | | | | | |
| 19 Revenue Credits | (108) | (100) | (107) | (114) | (114) | (154) | (696) | | |
| 20 | | | | | | | | | |
| 21 Retail Transmission Operating Costs | \$ 5,877 | \$ 7,973 | \$ 8,896 | \$ 6,991 | \$ 6,660 | \$ 6,983 | \$ 43,381 | | |
| 22 | | | | | | | | | |
| 23 (Over) / Under-Recovery | \$ (422) | \$ (590) | \$ 1,369 | \$ (409) | \$ (460) | \$ (1,524) | \$ (2,035) | | |
| 24 | | | | | | | | | |
| 25 Cumulative (Over) / Under-Recovery | \$ 3,805 | \$ 3,383 | \$ 2,793 | \$ 4,162 | \$ 3,754 | \$ 3,294 | \$ 1,770 | | |
| 26 | | | | | | | | | |
| 27 Calculation of Return/Deferral | | | | | | | | | |
| 28 | | | | | | | | | |
| 29 Average Balance | 3,594 | 3,088 | 3,478 | 3,958 | 3,524 | 2,532 | | | |
| 30 | | | | | | | | | |
| 31 Deferred tax calculation-- | | | | | | | | | |
| 32 Deferred tax rate | 39.550% | 39.550% | 39.550% | 39.550% | 39.550% | 39.550% | | | |
| 33 | | | | | | | | | |
| 34 ADIT on the average balance | \$ (1,421) | \$ (1,221) | \$ (1,375) | \$ (1,565) | \$ (1,394) | \$ (1,001) | | | |
| 35 | | | | | | | | | |
| 36 Average Balance, Net of ADIT | \$ 2,172 | \$ 1,867 | \$ 2,102 | \$ 2,393 | \$ 2,130 | \$ 1,530 | | | |
| 37 | | | | | | | | | |
| 38 x Return at Prime Rate | 0.2708% | 0.2708% | 0.2708% | 0.2708% | 0.2708% | 0.2708% | | | |
| 39 | | | | | | | | | |
| 40 Return-Monthly | \$ 6 | \$ 5 | \$ 6 | \$ 6 | \$ 6 | \$ 4 | \$ 33 | | |
| 41 | | | | | | | | | |
| 42 Cumulative Return | \$ 6 | \$ 11 | \$ 17 | \$ 23 | \$ 29 | \$ 33 | | | |
| 43 | | | | | | | | | |
| 44 Cumulative (Over) / Under Recovery, Including Return | \$ 3,389 | \$ 2,804 | \$ 4,179 | \$ 3,777 | \$ 3,323 | \$ 1,803 | | | |
| 45 | | | | | | | | | |

46 Note 2-- This item assumes Commission approval of the proposed settlement agreement (SA) filed in docket DE 09-035. The distribution revenue requirements in the
47 proposed SA are based on Hydro-Quebec support costs, a portion of the NHPUC assessment, and a return on TCAM working capital being recovered through the
48 TCAM rate.

49
50 Note 3-- The return on the working capital allowance is monthly O&M x (45 days/365 days) x 10.9656% (allowed 7.513% incl tax gross-up)

51
52 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
January-June 2010

(Dollars in 000's)

| | Balance 12/31/2009 | Actuals | | | | | Forecasted June 2010 | Total | Reference |
|---|-----------------------|-----------------|------------------|---------------|---------------|-------------|----------------------------|-------------|-------------|
| 1 Retail Transmission Costs | | January 2010 | February 2010 | March 2010 | April 2010 | May 2010 | | | |
| 2 | | | | | | | | | |
| 3 Retail Transmission Operating Revenues | | \$ (8,199) | \$ (7,206) | \$ (7,437) | \$ (6,918) | \$ (7,638) | \$ (7,841) | \$ (45,239) | RAB-1, Pg 8 |
| 4 | | | | | | | | | |
| 5 Regional Network Service (RNS) | | 7,129 | 6,415 | 6,346 | 5,860 | 5,211 | 5,441 | 36,401 | |
| 6 | | | | | | | | | |
| 7 Scheduling and Dispatch (S&D) | | 180 | 162 | 161 | 148 | 132 | 138 | 922 | |
| 8 | | | | | | | | | |
| 9 Local Network Service (LNS) (1) | | 418 | 475 | 423 | 427 | 8,823 | 556 | 11,122 | |
| 10 | | | | | | | | | |
| 11 Reliability | | 309 | 335 | 354 | 356 | 341 | 345 | 2,040 | |
| 12 | | | | | | | | | |
| 13 Hydro-Quebec Support Costs (2) | | 465 | 207 | 400 | 372 | 376 | 462 | 2,281 | |
| 14 | | | | | | | | | |
| 15 NHPUC Assessment (2) | | 26 | 26 | 26 | 26 | 26 | 26 | 157 | |
| 16 | | | | | | | | | |
| 17 Return on TCAM Working Capital (2, 3) | | 115 | 103 | 104 | 97 | 202 | 94 | 715 | |
| 18 | | | | | | | | | |
| 19 Revenue Credits | | (116) | (116) | (117) | (117) | (117) | (112) | (695) | |
| 20 | | | | | | | | | |
| 21 Retail Transmission Operating Costs | | \$ 8,526 | \$ 7,607 | \$ 7,697 | \$ 7,171 | \$ 14,992 | \$ 6,950 | \$ 52,944 | |
| 22 | | | | | | | | | |
| 23 (Over) / Under-Recovery | | \$ 327 | \$ 402 | \$ 261 | \$ 253 | \$ 7,354 | \$ (891) | \$ 7,705 | |
| 24 | | | | | | | | | |
| 25 Cumulative (Over) / Under-Recovery | \$ 1,803 | \$ 2,130 | \$ 2,532 | \$ 2,792 | \$ 3,045 | \$ 10,399 | \$ 9,508 | | |
| 26 | | | | | | | | | |
| 27 Calculation of Return/Deferral | | | | | | | | | |
| 28 | | | | | | | | | |
| 29 Average Balance | | 1,966 | 2,331 | 2,662 | 2,919 | 6,722 | 9,954 | | |
| 30 | | | | | | | | | |
| 31 Deferred tax calculation-- | | | | | | | | | |
| 32 Deferred tax rate | | 39.550% | 39.550% | 39.550% | 39.550% | 39.550% | 39.550% | | |
| 33 | | | | | | | | | |
| 34 ADIT on the average balance | | \$ (778) | \$ (922) | \$ (1,053) | \$ (1,154) | \$ (2,659) | \$ (3,937) | | |
| 35 | | | | | | | | | |
| 36 Average Balance, Net of Accum. Def. Income Taxes | | \$ 1,189 | \$ 1,409 | \$ 1,609 | \$ 1,764 | \$ 4,064 | \$ 6,017 | | |
| 37 | | | | | | | | | |
| 38 x Return at Prime Rate | | 0.2708% | 0.2708% | 0.2708% | 0.2708% | 0.2708% | 0.2708% | | |
| 39 | | | | | | | | | |
| 40 Return-Monthly | | \$ 3 | \$ 4 | \$ 4 | \$ 5 | \$ 11 | \$ 16 | \$ 43 | |
| 41 | | | | | | | | | |
| 42 Cumulative Return | | \$ 3 | \$ 7 | \$ 11 | \$ 16 | \$ 27 | \$ 43 | | |
| 43 | | | | | | | | | |
| 44 Cumulative (Over) / Under Recovery, Including Return | | \$ 2,133 | \$ 2,539 | \$ 2,804 | \$ 3,061 | \$ 10,426 | \$ 9,552 | | |

45
46 Note 1--May 2010 LNS includes \$8.5M of rebilling for the FY 2009 Schedule 21 true-up.

47
48 Note 2-- This item assumes Commission approval of the proposed settlement agreement (SA) filed in docket DE 09-035. The distribution revenue requirements in the
49 proposed SA are based on Hydro-Quebec support costs, a portion of the NHPUC assessment, and a return on TCAM working capital being recovered through the
50 TCAM rate.

51
52 Note 3-- The return on the working capital allowance is monthly O&M x (45 days/365 days) x 10.9656% (allowed 7.513% incl tax gross-up)

53
54 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
January - June 2009

(Dollars in 000's)

| | | Actuals | | | | | | |
|---|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | | January | February | March | April | May | June | |
| | | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | Total |
| 1 | Retail Transmission Revenues | | | | | | | |
| 2 | | | | | | | | |
| 3 | Transmission Revenue - Billed | \$ (6,551) | \$ (6,522) | \$ (5,806) | \$ (5,714) | \$ (5,705) | \$ (5,598) | \$ (35,896) |
| 4 | | | | | | | | |
| 5 | Transmission Revenue - Unbilled | (837) | 896 | (486) | 339 | (105) | (355) | (548) |
| 6 | | | | | | | | |
| 7 | Total | <u>\$ (7,389)</u> | <u>\$ (5,626)</u> | <u>\$ (6,292)</u> | <u>\$ (5,374)</u> | <u>\$ (5,810)</u> | <u>\$ (5,954)</u> | <u>\$ (36,445)</u> |
| 8 | | | | | | | | |
| 9 | | | | | | | | |

10 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
July-December 2009

(Dollars in 000's)

| | | Actuals | | | | | | |
|---|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | | July | August | September | October | November | December | Total |
| | | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | |
| 1 | Retail Transmission Revenues | | | | | | | |
| 2 | | | | | | | | |
| 3 | Transmission Revenue - Billed | \$ (6,044) | \$ (7,680) | \$ (8,247) | \$ (7,377) | \$ (7,083) | \$ (7,632) | \$ (44,063) |
| 4 | | | | | | | | |
| 5 | Transmission Revenue - Unbilled | (255) | (883) | 720 | (23) | (37) | (875) | (1,353) |
| 6 | | | | | | | | |
| 7 | Total | <u>\$ (6,299)</u> | <u>\$ (8,563)</u> | <u>\$ (7,527)</u> | <u>\$ (7,399)</u> | <u>\$ (7,120)</u> | <u>\$ (8,507)</u> | <u>\$ (45,416)</u> |
| 8 | | | | | | | | |
| 9 | | | | | | | | |

10 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
January-June 2010

(Dollars in 000's)

| | Actuals | | | | | Forecasted | Total |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | January 2010 | February 2010 | March 2010 | April 2010 | May 2010 | June 2010 | |
| Retail Transmission Revenues | | | | | | | |
| Transmission Revenue - Billed | \$ (8,384) | \$ (7,861) | \$ (7,383) | \$ (7,218) | \$ (7,252) | \$ (7,841) | \$ (45,940) |
| Transmission Revenue - Unbilled | 185 | 656 | (54) | 300 | (386) | - | 701 |
| Total | <u>\$ (8,199)</u> | <u>\$ (7,206)</u> | <u>\$ (7,437)</u> | <u>\$ (6,918)</u> | <u>\$ (7,638)</u> | <u>\$ (7,841)</u> | <u>\$ (45,239)</u> |

Amounts shown above may not add due to rounding.