Public Service of New Hampshire

ORIGINAL
N.H.P.U.C. Case No. DE 10-158
Exhibit No. #2
Witness Panel
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The Northeast Utilities System

June 11, 2010

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

Re: Transmission Cost Adjustment Mechanism - Docket No. DE 10-158

Dear Ms. Howland:

Enclosed please find seven copies of the testimony and attachments of Robert A. Baumann containing a sample calculation of the average rate to be applied on and after July 1, 2010. PSNH currently estimates that there will be an increase in the average rate from the current 1.195 cents per kilowatt-hour to 1.501 cents per kilowatt-hour. PSNH is also filing herewith testimony and attachments prepared by Stephen R. Hall on the calculation of the actual charges for each class.

PSNH understands that the hearing on this proceeding will be conducted in the afternoon of June 23, 2010. Copies of this filing have been provided to the persons on the attached service list pursuant to Puc§203.02 and Puc §203.11.

Very truly yours,

Gerald M. Eaton
Senior Counsel

Enclosures
cc: Service List

Service List
Docket DE 10-158

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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

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

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

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

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

Q. Have you previously testified before the Commission?

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

Q. What is the purpose of your testimony?

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

Q. What is PSNH requesting in this filing?

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

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

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

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

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

The "wholesale transmission" costs are as follows:

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

All of these costs are regulated by the Federal Energy Regulatory Commission (FERC). Except for LNS costs, these costs are charged to PSNH by ISO-NE. These costs are discussed below in more detail.

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

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

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

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

The "other transmission" costs are as follows:

A) Hydro-Quebec (HQ) support costs;

B) New Hampshire Public Utilities Commission assessment costs; and

C) TCAM working capital allowance return.

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

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

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

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

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

anticipation that those requirements would be recovered through the TCAM. This filing reflects that assumption.

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

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

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

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

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

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

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

A. Yes.

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

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

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

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

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

Q. Does this conclude your testimony?

A. Yes, it does.

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

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
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
12	Total Forecasted Costs	$ 107,371		
14	Cumulative Estimated (Over) / Under Recovery	9,552	(1)	Page 5
16	Total Costs	$ 116,922		
18	Forecasted Retail MWH Sales	7,788,871		Page 2
20	Forecasted TCAM Rate--cents per kWh	1.501		

(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

	TCAM Rate Calculation	(A) Forecasted 12 mths- 06/2011	(B) Currently Allowed (1) 11 mths- 06/2010	(C) Currently Allowed (2) Annualized	(A)-(C)=(D) Delta
1	**Comparison of Forecast to Currently Allowed**				
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	(1,389)	(1,378)	(1,503)	114
11					
12	Sub-total	$ 107,371	$ 80,834	$ 88,183	$ 19,188
13					
14	Prior Period (Over) / Under Recovery	9,552	4,382	4,382	5,170
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	1.501	1.195		
21					

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 Perod 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						
	Retail Transmission Cost	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	Six Months July-December Subtotal
3	Regional Network Service (RNS)	7,815	8,697	7,858	7,355	6,009	6,468	44,202
5	Scheduling and Dispatch (S&D)	199	221	200	187	153	165	1,124
7	Local Network Service (LNS)	561	561	562	564	565	564	3,379
9	Reliability	403	403	403	403	403	403	2,420
11	Hydro-Quebec Support Costs (1)	462	462	462	462	462	462	2,770
13	NHPUC Assessment (1)	26	26	26	26	26	26	156
15	Return on TCAM Working Capital Allowance (1, 2)	128	140	129	122	103	109	731
17	Under-recovery TCAM, previous TCAM Year	9,552	-	-	-	-	-	9,552
19	Revenue Credits (3)	(116)	(116)	(116)	(116)	(116)	(116)	(695)
21	Retail Transmission Operating Costs	$ 19,030	$ 10,394	$ 9,524	$ 9,004	$ 7,605	$ 8,082	$ 63,639
23	Estimated Retail MWH Sales	718,562	715,807	621,452	612,071	606,545	681,194	3,955,631

		Forecasted							
	Retail Transmission Cost	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	Six Months Jan-June Subtotal	Twelve Months July 10 - June 11 Total
31	Regional Network Service (RNS)	7,069	7,382	6,944	6,777	5,982	5,890	40,043	84,246
33	Scheduling and Dispatch (S&D)	180	188	177	172	152	150	1,018	2,142
35	Local Network Service (LNS)	1,146	1,148	1,146	1,146	1,153	1,153	6,892	10,270
37	Reliability	403	403	403	403	403	403	2,420	4,839
39	Hydro-Quebec Support Costs (1)	455	455	455	455	455	455	2,729	5,499
41	NHPUC Assessment (1)	26	26	26	26	26	26	156	313
43	Return on TCAM Working Capital Allowance (1, 2)	125	130	124	121	110	109	720	1,451
45	Under-recovery TCAM, previous TCAM Year	-	-	-	-	-	-	-	9,552
47	Revenue Credits (3)	(116)	(116)	(116)	(116)	(116)	(116)	(695)	(1,389)
49	Retail Transmission Operating Costs	$ 9,289	$ 9,616	$ 9,159	$ 8,985	$ 8,165	$ 8,070	$ 53,284	$ 116,922
51	Estimated Retail MWH Sales	718,620	633,627	647,148	603,306	604,454	626,085	3,833,240	7,788,871

53 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
54 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
55 rate.

57 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)

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

61 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							
		Balance	January	February	March	April	May	June		
1	**Retail Transmission Costs**	12/31/2008	2009	2009	2009	2009	2009	2009	Total	Reference
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		
45										

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 throug
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 th
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)

			Actuals							
		Balance	July	August	September	October	November	December		
1	**Retail Transmission Costs**	06/30/2009	2009	2009	2009	2009	2009	2009	Total	Reference
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)

			Actuals					Forecasted		
		Balance	January	February	March	April	May	June		
1	**Retail Transmission Costs**	12/31/2009	2010	2010	2010	2010	2010	2010	Total	Reference
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 th
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 th
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	
1	**Retail Transmission Revenues**	2009	2009	2009	2009	2009	2009	Total
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**	$ (7,389)	$ (5,626)	$ (6,292)	$ (5,374)	$ (5,810)	$ (5,954)	$ (36,445)
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						
1	**Retail Transmission Revenues**	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	Total
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	$ (6,299)	$ (8,563)	$ (7,527)	$ (7,399)	$ (7,120)	$ (8,507)	$ (45,416)
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	
		January	February	March	April	May	June	
1	**Retail Transmission Revenues**	2010	2010	2010	2010	2010	2010	Total
2								
3	Transmission Revenue - Billed	$ (8,384)	$ (7,861)	$ (7,383)	$ (7,218)	$ (7,252)	$ (7,841)	$ (45,940)
4								
5	Transmission Revenue - Unbilled	185	656	(54)	300	(386)	-	701
6								
7	**Total**	$ (8,199)	$ (7,206)	$ (7,437)	$ (6,918)	$ (7,638)	$ (7,841)	$ (45,239)
8								
9								
10	Amounts shown above may not add due to rounding.							

Docket DE 10-158
Exhibit No. 2

STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITY COMMISSION

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM

PREPARED TESTIMONY OF
STEPHEN R. HALL

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

A. My name is Stephen R. Hall. My business address is PSNH Energy Park, 780 North Commercial Street, Manchester, New Hampshire. I am Rate and Regulatory Services Manager for Public Service Company of New Hampshire ("PSNH").

Q. Have you previously testified before the Commission?

A. Yes, I have testified on numerous occasions before the Commission over the past thirty years.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to propose transmission prices for effect July 1, 2010 under the Transmission Cost Adjustment Mechanism (TCAM). My testimony proposes specific rates and charges for transmission based on the transmission revenue requirement contained in the attachments to Mr. Baumann's testimony.

Q. Have you calculated specific rates and charges for transmission for all rate classes?

A. Yes, we have. The proposed rates and charges are included in Attachment SRH-1.

Q. Please describe generally the transmission pricing rate design contained in Attachment SRH-1.

A. The design of transmission prices was contained in the settlement agreement in Docket No. DE 06-028. The settlement agreement describes the design of transmission pricing for Backup Delivery Service Rate B specifically, and for all other rate classes in general. For Rate B, the settlement agreement provides that transmission costs be recovered through a demand charge, and it splits the demand charge into two components for rate calculation purposes: a base component and an incremental component[1]. The settlement agreement describes the cost allocation for the base component, and it also states that other transmission prices will be calculated through an equi-proportional adjustment.

Q. Please describe how the base component of the Rate B demand charge was determined.

A. First, the ratio of average Rate B demands to average total PSNH demands at the time of the monthly NU system peaks was calculated. The calculation of that ratio is shown on Page 2 of Attachment SRH-2. Once the ratio was calculated, the Rate B base component revenue requirement for the forecast period was determined by multiplying the ratio by the total transmission revenue requirement for the forecast period included in Mr. Baumann's Attachment RAB-1. The Rate B base component forecasted revenue requirement is shown on line 7 of Page 1 of Attachment SRH-2. The base component reconciliation from the prior period was then added to the base component forecasted revenue requirement to determine the total base component revenue requirement (line 11 of Page 1 of Attachment SRH-2). The Rate B base component rate was then determined by dividing the total base component revenue requirement by projected billing demand. As shown on Page 1 of Attachment SRH-2, that calculation produces a Rate B base component rate of $0.95 per kW or kVA per month.

Q. How did you calculate the base component reconciliation?

A. The base component reconciliation calculation is shown on Page 3 of Attachment SRH-2. It was calculated by multiplying the prior period transmission revenue requirement by the base component ratio for the prior period. The base component revenue for the prior period was then subtracted from the base component revenue requirement to determine the base component reconciliation (in this case, an under-recovery).

[1] For billing purposes, the two components are summed so only one demand charge is billed.

Q. How did you forecast the data to perform the calculations described above?

A. For the contribution to the monthly NU system peaks, we used historical data as a proxy for what will occur in the prospective period because there is no other reasonable way to forecast Rate B contributions to peak load. The projected billing demand for Rate B was based on actual data for the reconciliation period, with adjustments that could reasonably be anticipated. For total transmission revenue requirements, we used the data provided in Mr. Baumann's testimony.

Q. How did you calculate all other transmission rates and charges?

A. The transmission rate calculations were based on billing determinants for the 2009 test year, as proformed in Docket No. DE 09-035. On Attachment SRH-3, we multiplied the forecasted TCAM rate provided in Mr. Baumann's attachment by test year MWH sales to produce the target transmission revenue for the test year. From that test year revenue requirement, we subtracted special pricing revenue imputed at the average transmission rate level and the Rate B base component revenue which was calculated based on test year billing determinants on Attachment SRH-4. The result of this subtraction is the amount to be recovered from all other customers. Revenue and the resulting rates and charges were determined by proportionally adjusting all currently-effective revenue and rates to the level necessary to recover the transmission revenue requirement net of the Rate B base amount. The allocation of transmission revenue to class under this methodology is shown on Attachment SRH-3.

Q. Does this complete your testimony?

A. Yes, it does.

Attachment SRH-1
Dated: June 11, 2010

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
TRANSMISSION RATES PROPOSED FOR EFFECT ON JULY 1, 2010

Rate	Blocks	(1) Current Rates Effective 08/01/2009	(2) 07/01/2010 Proposed Rates
R	All KWH	$ 0.01307	$ 0.01625
Uncontrolled Water Heating	All KWH	$ 0.01010	$ 0.01255
Controlled Water Heating	All KWH	$ 0.01010	$ 0.01255
R-OTOD	On-peak KWH	$ 0.01307	$ 0.01625
	Off-peak KWH	$ 0.00853	$ 0.01060
G	Load charge (over 5 KW)	$ 3.38	$ 4.20
	First 500 KWH	$ 0.01217	$ 0.01513
	Next 1,000 KWH	$ 0.00458	$ 0.00569
	All additional KWH	$ 0.00246	$ 0.00306
Space Heating	All KWH	$ 0.01217	$ 0.01513
G-OTOD	Load charge	$ 2.23	$ 2.77
LCS	Radio-controlled option	$ 0.01010	$ 0.01255
	8-hour option	$ 0.01010	$ 0.01255
	10 or 11-hour option	$ 0.01010	$ 0.01255
GV	First 100 KW	$ 4.52	$ 5.62
	All additional KW	$ 4.52	$ 5.62
LG	Demand charge	$ 4.44	$ 5.52
B	Demand charge	$ 0.88	$ 1.31
OL, EOL	All KWH	$ 0.00894	$ 0.01111

Notes:
(1) Current rates are based on a retail average transmission rate of 1.195 ¢/KWH.
(2) Proposed rates are based on a retail average transmission rate of 1.501 ¢/KWH.
The calculation of the Rate B charge is shown on Attachment SRH-4. All other rates have been calculated by equi-proportionally adjusting current rates by the ratio necessary to recover the remaining transmission revenue requirement.

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

1	**Base Component Revenue Requirement**			
2				
3	Total Transmission Revenue Requirement	$	116,922,000	RAB-1, Page 1, Line 16
4				
5	Times Base Component Ratio		0.66573%	SRH-2, Page 2
6				
7	Base Component Forecasted Revenue Requirement	$	778,390	
8				
9	Base Component Reconciliation	$	212,862	SRH-2 Page 3
10				
11	Base Component Revenue Requirement	$	991,253	
12				
13	Rate B Projected Billing Demand		1,041,610	
14				
15	Rate B Base Component (L11/L13)	$	0.95	per kW or kVA

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

1	**Contribution to NU System Peak (KW)**			
2	**Period Ending 6/30/10**			Ratio of
3				Rate B to
4		Rate B	Total PSNH	Total PSNH
5				
6	Jul '09	1,922	1,389,093	
7	Aug	2,898	1,559,154	
8	Sep	3,401	1,184,316	
9	Oct	14,157	1,121,400	
10	Nov	5,300	1,196,094	
11	Dec	44,138	1,430,449	
12	Jan '10	3,281	1,286,070	
13	Feb	1,350	1,275,081	
14	Mar	6,084	1,175,853	
15	Apr (1)	6,728	1,042,050	
16	May (1)	6,000	1,101,000	
17	Jun (1)	6,000	1,449,609	
18	Average	8,438	1,267,514	0.66573%

(1) Estimated data

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

1	**Estimated Base Component Reconciliation, 12 months ending June 30, 2010**			
2				
3	Prior Period Transmission Revenue Requirement:			
4				
5	Retail Transmision Operating Costs	$	96,325,000	RAB-1, Pages 4 & 5, line 21
6	(Over)/Underrecovery, period ending 6/30/09	$	3,805,000	RAB-1, Page 4, line 25
7	Return on monthly (over)/underrecovery, period ending 6/30/10	$	76,000	RAB-1, Pages 4 & 5, line 40
8				
9	Prior Period Transmission Revenue Requirement	$	100,206,000	
10				
11	Times Base Component Ratio		0.66573%	SRH-2, Page 2
12				
13	Prior Period Base Component Revenue Requirement	$	667,106	
14				
15	Base Component Reconciliation for 12-Month Period Ending 6/30/09	$	137,065	SRH-2, Page 5, line 21
16				
17	Total Base Component Revenue Requirement	$	804,171	
18				
19	Base Component Revenue (actual through 5/10; 6/10 estimated)	$	591,309	
20				
21	Estimated Base Component Reconciliation, 12 months ending 6/30/10	$	212,862	

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

1	**Actual Contribution to NU System Peak (KW)**			
2	**Period Ending 6/30/09**			Ratio of
3				Rate B to
4		Rate B	Total PSNH	Total PSNH
5				
6	Jul '08	9,345	1,508,181	
7	Aug	9,090	1,405,016	
8	Sep	1,715	1,365,700	
9	Oct	1,368	1,164,590	
10	Nov	1,347	1,271,782	
11	Dec	10,077	1,416,229	
12	Jan '09	1,511	1,360,671	
13	Feb	8,871	1,336,775	
14	Mar	10,957	1,264,363	
15	Apr	9,404	1,139,736	
16	May	3,785	1,156,648	
17	Jun	9,843	1,079,565	
18				
19	Average	6,443	1,289,105	0.49978%

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

1	**Actual Base Component Reconciliation, 12 months ending June 30, 2009**			
2				
3	Prior Period Transmission Revenue Requirement:			
4				
5	Retail Transmision Operating Costs	$	75,531,000	RAB-1, P3, L21 & 2009 RAB-1 P4, L17
6	(Over)/Underrecovery, period ending 6/30/08	$	2,006,000	2009 RAB-1, P4, L21
7	Return on monthly (over)/underrecovery, period ending 6/30/09	$	72,000	RAB-1, P3, L40 & 2009 RAB-1, P4, L36
8				
9	Prior Period Transmission Revenue Requirement	$	77,609,000	
10				
11	Times Base Component Ratio		0.49978%	SRH-2, Page 4
12				
13	Prior Period Base Component Revenue Requirement	$	387,878	
14				
15	Base Component Reconciliation for 12-Month Period Ending 6/30/08	$	(227,971)	2009 SRH-2, P5, L21
16				
17	Total Base Component Revenue Requirement	$	159,907	
18				
19	Actual Base Component Revenue, Period Ending 6/30/09	$	22,842	
20				
21	Actual Base Component Reconciliation, 12 months ending 6/30/09	$	137,065	

Attachment SRH-3
Dated: June 11, 2010

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
ALLOCATION OF JULY 1, 2010 TRANSMISSION REVENUE TO CLASS
BASED ON BILLING DETERMINANTS FOR THE 2009 TEST YEAR

1	Retail delivery sales for the 2009 test year	7,657,472	MWH
2	Forecasted TCAM Rate (from Attachment RAB-1, Page 1, Line 20)	$ 0.01501	per KWH
3	Target transmission revenue based on the test year: Line (1) x Line (2)	$ 114,939	(000)
4	Special pricing delivery sales included in Line (1)	4,709	MWH
5	Transmission revenue from special pricing at proposed rate level: Line (2) x Line (4)	$ 71	(000)
6	Rate B Base Component Revenue, based on the test year (from Attachment SRH-4)	$ 925	(000)
7	Transmission revenue to be recovered from all other classes: Line (3) - Line (5) - Line (6)	$ 113,943	(000)

		(1)	(2)	(3)	(4)
		Revenue at 08/01/2009 Rate Level	07/01/2010 Revenue Target	Increase $	Increase %
	Standard Tariff Customers excluding Rate B Base Component				
	Residential Rates R, R-OTOD	$ 39,518	$ 49,118	$ 9,600	24.29%
	General Service Rates G, G-OTOD	20,867	25,937	5,069	24.29%
	Primary General Service Rate GV	19,182	23,842	4,660	24.29%
	GV Rate B - incremental component only	9	11	2	24.29%
	Large General Service Rate LG	11,453	14,235	2,782	24.29%
	LG Rate B - incremental component only	274	340	66	24.29%
	Outdoor Lighting Rates OL, EOL	369	459	90	24.29%
	Total	**$ 91,673**	**$ 113,943**	**$ 22,270**	**24.29%**
	Special Pricing Customers, at Retail Average Rate				
	Rate LG (4,709 MWH)	**57**	**71**	**14**	**24.56%**
	Rate B Base Component				
	GV Rate B - base component	$ 18	$ 29	$ 11	61.02%
	LG Rate B - base component	557	896	340	61.02%
	Total	**$ 575**	**$ 925**	**$ 351**	**61.02%**
	Total, all customers	**$ 92,304**	**$ 114,939**	**$ 22,634**	**24.52%**
	Total Rate B, incremental plus base:				
	Rate GV	$ 27	$ 40	$ 13	48.91%
	Rate LG	830	1,237	406	48.91%
	Total	$ 857	$ 1,277	$ 419	48.91%

Notes:
(1) The result of applying rates effective August 1, 2009 to test year billing determinants.
(2) Special pricing revenue was imputed at the overall average rate. The Rate B base component was taken from Attachmen SRH-4. Revenue targets for all other classes were calculated by equi-proportionally adjusting current revenues.
(3) Column (2) - Column (1).
(4) Column (3) / Column (1).

Attachment SRH-4
Dated: June 11, 2010

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
CALCULATION OF TRANSMISSION REVENUE AND RATES FOR RATE B CUSTOMERS
BASED ON SETTLEMENT AGREEMENT ARTICLE V, SECTION 5.1.1. AND
BILLING DETERMINANTS FOR THE 2009 TEST YEAR

	(1)	(2)	(3)	(4)	(5)	(6)
	Test Year Billing Demand	Base Component of Rate	Revenue from Base Component	Allocated Revenue from Incremental Component	Incremental Component of Rate	Total Base Plus Incremental Rate
Rate B customers on Rate GV	30,468	$ 0.95	$ 28,944.60	$ 10,982.15	$ 0.36	$ 1.31
Rate B customers on Rate LG	943,642	$ 0.95	896,459.90	340,134.54	$ 0.36	$ 1.31
Total Rate B customers	974,110		$ 925,404.50	$ 351,116.69		

(2) From Attachment SRH-2, Page 1.
(3) Column (1) x Column (2).
(4) From Attachment SRH-3, Column (2), Lines 22 and 25.
(5) Column (4) / Column (1).
(6) Column (2) + Column (5).