

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 11-133

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?**

17 A. Yes. I have testified in numerous hearings for PSNH. I have also testified in
18 proceedings before the Connecticut Department of Public Utility Control, the

1 Massachusetts Department of Public Utilities, and the Federal Energy Regulatory
2 Commission (FERC).

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

4 A. My testimony supports the PSNH transmission cost adjustment mechanism
5 (TCAM) filing for rates effective July 1, 2011. The testimony and supporting
6 attachments present the actual reconciliation period through May 2011 for
7 transmission costs in this TCAM filing as well as the proposed TCAM rate for the
8 forecast period to be effective July 1, 2011.

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

10 A. PSNH is requesting approval of a forecasted retail transmission rate to be
11 effective July 1, 2011, for a twelve month billing period. In addition, we are
12 requesting approval of the reconciliation of actual transmission costs and
13 recoveries for the calendar year 2010. Our requests are in accordance with the
14 Commission's approval of the settlement in the PSNH rate case, Docket DE 06-
15 028, which included a provision for a transmission cost adjustment mechanism.

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

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

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

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

5 The “wholesale transmission” costs are as follows:

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

10 All of these costs are regulated by the Federal Energy Regulatory Commission
11 (FERC) and charged to PSNH by ISO-NE. These costs are discussed below in
12 more detail.

13 1) RNS costs support the regional transmission infrastructure throughout New
14 England. RNS costs are charged to PSNH by ISO-NE based upon tariffs
15 approved by the FERC. RNS costs are billed to all entities in the region that
16 have RNS load responsibility, such as PSNH, based on their monthly peak load.

17 2) LNS costs encompass Northeast Utilities’ (NU) local transmission costs that
18 are not included in the FERC-jurisdictional RNS tariff. These billings are also
19 governed by FERC approved tariffs, and are based on costs allocated to PSNH
20 based on their NU load ratio share. PSNH’s load ratio share is calculated using a
21 rolling twelve month coincident peak (12 CP).

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

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

9 The "other transmission" costs are as follows:

10 A) Hydro-Quebec (HQ) support costs and related revenues

11 B) New Hampshire Public Utility Commission (NHPUC) assessment costs

12 C) TCAM working capital allowance return

13 These other transmission costs were previously recovered through PSNH's
14 distribution rates, but were transferred in total or in part to the TCAM for recovery
15 as part of a negotiated "Settlement Agreement on Permanent Distribution Service
16 Rates" (Settlement Agreement) between PSNH, the Commission staff, and the
17 Office of Consumer Advocate (OCA) in docket DE 09-035. These costs are
18 discussed below in more detail.

19 A) Hydro-Quebec support costs are costs associated with FERC approved
20 contractual agreements between NU subsidiaries, including PSNH, and other

1 New England utilities to provide support for transmission and terminal facilities
2 that are used to import electricity from HQ in Canada. Under these agreements,
3 PSNH is charged its proportionate share of O&M and capital costs for a thirty
4 year period ending in 2020.

5 PSNH's share of any revenues associated with the HQ facility was previously
6 returned to customers through the Energy Service (ES) rate. Effective July 1,
7 2010, consistent with the requirements of NHPUC Order 25,122, PSNH began
8 returning its share of any HQ facility revenues to customers as a revenue credit
9 in the TCAM.

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

14 C) When the TCAM was initially approved in Docket DE 06-028; there was no
15 provision for a working capital allowance in the TCAM. The TCAM working
16 capital allowance continued to be included with the distribution working capital
17 allowance. As part the Settlement Agreement, the distribution revenue
18 requirement calculation excluded working capital on transmission costs.
19 Therefore, the TCAM includes a working capital allowance using the 45 day
20 formula.

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

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

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

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

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

3 A. The forecast period in this filing is the twelve month period July 2011 through
4 June 2012. The eighteen month reconciliation period includes actual calendar
5 year 2010 and actual January 2011 through May 2011 costs, as well as
6 estimated costs for June 2011.

7 **Q. Do the transmission rate forecasts contained in this filing reflect the most**
8 **current FERC rates that were effective on June 1, 2011?**

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 average TCAM rate of 1.189 cents/kWh as
12 compared to the current rate in effect of 1.501 cents/kWh. This decrease in the
13 rate is driven by a prior period over recovery in the proposed rate which is
14 replacing a prior period under recovery in the current rate. The over recovery
15 reflects a true-up recorded in May 2011 related to the costs and revenues for the
16 period January 1, 2010 to December 31, 2010 which results in credits to LNS
17 customers such as PSNH. The credits reflect lower LNS revenue requirements
18 in actual versus what was billed to LNS customers. These lower LNS revenue
19 requirements were caused by higher RNS revenue credits in actual as a result of
20 higher actual RNS loads than forecasted. In July 2010, New England
21 experienced the highest peak load since 2006.

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

2 A. Yes, PSNH would request final approval of the proposed TCAM rate change
3 early in the week of June 27, 2011 to allow for the implementation of a July 1,
4 2011 change in rates.

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

6 A. Yes, it does.