

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
TRANSMISSION COST ADJUSTMENT MECHANISM
Docket No. DE 08-_____

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).

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

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

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

7 A. My testimony supports the second annual PSNH transmission cost adjustment
8 mechanism (TCAM) filing for rates effective July 1, 2008. The testimony and
9 supporting attachments present the actual reconciliation period for transmission
10 costs in this TCAM filing as well as the proposed TCAM rate for the forecast
11 period to be effective July 1, 2008.

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

13 A. PSNH is requesting approval of the reconciliation of transmission costs from July
14 1, 2007 through June 30, 2008, as well as approval of an annual forecasted retail
15 transmission rate and related costs to be effective July 1, 2008. PSNH's
16 proposal is in accordance with the Commission's approval of the settlement in
17 the PSNH rate case, Docket DE 06-028, which included a provision for a
18 transmission cost adjustment mechanism. In addition, this filing is consistent
19 with the Commission's most recent TCAM order which approved the initial
20 reconciliation and rate filing for the TCAM in Docket No. 07-068 (Order No.
21 24,770 issued 6/29/07).

1 **Q. Will anyone else be providing testimony in support of this filing at this**
2 **time?**

3 A. No, not at this time. Stephen R. Hall will be filing testimony in support of the new
4 retail transmission rates when this initial filing is updated for the latest known
5 transmission rates during the first week of June. In his testimony he will detail
6 the rates applicable to each individual rate class.

7 **COSTS RECOVERED THROUGH THE TCAM**

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

9 A. There are four major cost categories that are defined as “transmission” costs in
10 this TCAM filing. The major categories are: 1) Regional Network Service (RNS)
11 costs, 2) Local Network Service (LNS) costs, 3) Reliability costs, and 4)
12 Scheduling and Dispatch (S&D) costs. All of these costs are approved by the
13 Federal Energy Regulatory Commission (FERC) and charged to PSNH. These
14 costs are discussed below in more detail.

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

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

6 Reliability costs include costs such as Black Start, VAR support, Reliability Must
7 Run (RMR), and other uplift costs that are related to generation reliability. These
8 reliability costs are billed to PSNH by ISO-NE based on FERC-approved tariffs.
9 Black Start, VAR and other uplift costs are billed to all entities in the region that
10 have RNS load responsibility, such as PSNH, based on their monthly peak load.
11 RMR costs are billed only to entities in the specifically defined reliability region
12 (such as New Hampshire) in which the RMR generator is located, based on their
13 monthly peak load. PSNH is not currently being charged RMR as there are no
14 generating units in New Hampshire at this time that have received FERC
15 approval for an RMR Agreement.

16 S&D costs are associated with services provided by NEPOOL related to
17 scheduling, system control and dispatch services. These costs are billed to all
18 entities in the region that have RNS load responsibility, such as PSNH, based on
19 their monthly peak load, in accordance with the applicable FERC tariff.

1 **TCAM MECHANICS**

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

4 A. The TCAM is a mechanism that allows PSNH to fully recover defined FERC
5 approved transmission costs and allows interested parties, including the
6 Commission, the opportunity to periodically adjust the TCAM rate level as
7 necessary, based on reconciliations of historic transmission costs and forecasted
8 future transmission costs.

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

14 Secondly, the TCAM provides all available actual cost and revenue (recovery)
15 data for the period just prior to the forecast period which will be referred to as the
16 “reconciliation period”. The reconciliation period contains as much actual cost
17 data that is available at the time and is continually updated as more actual data
18 becomes available. Any over- or under-recoveries that are incurred in each
19 billing period are rolled into the subsequent billing period as part of the next
20 TCAM rate. This process will ensure that PSNH has recovered no more and no
21 less than its actually incurred transmission costs for each billing period.

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 2008 through
4 June 2009. The reconciliation period is the prior twelve month period July 2007
5 through June 2008. As noted above, the forecast period average TCAM rate is
6 based on current budget and forecast data. In this filing, the reconciliation period
7 contains actual cost and recovery data for the first nine months (July 2007 –
8 March 2008) and forecasted cost and recovery data for April, May and June
9 2008.

10 **Q. Do the transmission rate forecasts contained in this filing reflect the most**
11 **current FERC rates that will be in effective June 1, 2008?**

12 A. No. As of the date of this filing, these rates have not been released by ISO-NE.
13 ISO-NE anticipates that these new rates will be available on or around June 2,
14 2008. In this filing, PSNH is providing the latest budget and forecast cost
15 information in support of the proposed transmission rates. We will update the
16 forecast data shortly after the final rates are released by ISO-NE. In addition, we
17 will update the reconciliation period actual data for April which will be available in
18 mid May.

1 **PSNH TCAM RATE PROPOSAL**

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

3 A. In Attachment RAB-1 we have provided a forecasted annual average
4 transmission rate for the twelve months July 2008 – June 2009 using current
5 budget and forecast data. The transmission rate also includes a current
6 projected over-recovery balance of TCAM costs at June 30, 2008.

7 This data produces a forecasted average transmission rate of 0.910 cents/kWh
8 as compared to the current rate in effect of 0.752 cents/kWh. PSNH's retail
9 transmission costs are expected to increase over prior year primarily as a result
10 of the ongoing investment in regional transmission reliability projects. As noted
11 previously, PSNH will update this data shortly after ISO-NE releases the new
12 transmission rates to be billed to utilities based on FERC approved tariffs
13 effective June 1, 2008. PSNH is proposing that the Commission approve the
14 Company's update of this annual average rate which will be filed as soon as the
15 information is available.

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

17 A. Yes, PSNH requests final approval of the proposed TCAM rate change by June
18 24, 2008, in order to implement the new rate for bills rendered as of July 1, 2008.
19 This timing would provide PSNH additional time for testing of the rate change
20 which will take place concurrent with the switchover of the current Customer
21 Service Billing System (CS) to the new system (C2) in the first week of July 2008.

1 Therefore, PSNH requests that the Commission commence a proceeding so that
2 the procedural schedule can be set to review this filing and approve the rate
3 change in a timely manner.

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

5 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 2008 through June 2009
- 1a TCAM Rate Calculation - Comparison of Forecast to Currently Allowed TCAM
- 2 Forecasted Costs - July 2008 through June 2009
- 3 Actual Costs - January 2007 through June 2007
- 4 Actual Costs - July 2007 through December 2007
- 5 Actual and Forecasted Costs - January 2008 through June 2008
- 6 Actual Revenues - January 2007 through June 2007
- 7 Actual Revenues - July 2007 through December 2007
- 8 Actual and Forecasted Revenues - January 2008 through June 2008

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

(Dollars in 000's)

1	TCAM Rate Calculation	Forecasted	Reference:
2	July 2008 Through June 2009	Summary	Attachment RAB-1
3	Regional Network Service, includes Scheduling and Dispatch	\$ 55,859	Page 2
4	Local Network Service (LNS)	17,296	Page 2
5	Reliability	3,462	Page 2
6	Amortization of Recoupment Asset	-	Page 2
7	Revenue Credits	(1,043)	Page 2
8			
9	Total Forecasted Costs	\$ 75,575	
10			
11	Cumulative Estimated (Over) / Under Recovery	(521)	Page 4
12			
13	Total Costs	\$ 75,054	
14			
15	Forecasted Retail MWH Sales	8,249,774	Page 2
16			
17	Forecasted TCAM Rate--cents per kWh	<u>0.910</u>	
18			
19			
20	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)

TCAM Rate Calculation		Forecasted	Currently	
Comparison of Forecast to Previously Allowed		12 mths-06/2009	Allowed (1) 12 mths-06/2008	Delta
1				
2				
3	Regional Network Service, includes Scheduling and Dispatch	\$ 55,859	\$ 41,214	\$ 14,645
4	Local Network Service (LNS)	17,296	12,026	5,270
5	Reliability	3,462	3,113	349
6	Amortization of Recoupment Asset	-	5,723	(5,723)
7	Revenue Credits	(1,043)	(857)	(186)
8				
9	Sub-total	\$ 75,575	\$ 61,219	\$ 14,356
10				
11	Prior Period (Over) / Under Recovery	(521)	1,309	(1,830)
12				
13	Total	\$ 75,054	\$ 62,528	\$ 12,526
14				
15	Retail MWH Sales	8,249,774	8,313,979	(64,205)
16				
17	Comparison -TCAM Rate--cents per kWh	<u>0.910</u>	<u>0.752</u>	<u>0.158</u>
18				
19				
20	Amounts shown above may not add due to rounding.			
21				
22	(1) DE 07-068; Order 24,770 dated June 29, 2007			

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
July-December 2007

(Dollars in 000's)

Actuals

	Balance 06/30/2007	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007	Total	Reference
1 Retail Transmission Costs									
2									
3 Retail Transmission Operating Revenues		\$ (5,617)	\$ (5,658)	\$ (4,932)	\$ (5,095)	\$ (4,866)	\$ (5,310)	\$ (31,478)	RAB-1, Pg 7
4									
5 Regional Network Service (RNS)		3,839	3,139	3,831	3,307	2,533	2,880	19,529	
6									
7 Scheduling and Dispatch		184	151	184	159	124	138	938	
8									
9 Local Network Service (LNS)		715	535	354	632	544	491	3,271	
10									
11 Reliability		224	317	265	316	308	265	1,694	
12									
13 Amortization of Recoupment Asset, and Return		477	477	477	477	477	477	2,862	
14									
15 Revenue Credits		(87)	(114)	(113)	(112)	(112)	(121)	(660)	
16									
17 Retail Transmission Operating Costs		\$ 5,352	\$ 4,505	\$ 4,997	\$ 4,778	\$ 3,872	\$ 4,130	\$ 27,634	
18									
19 (Over) / Under-Recovery		\$ (265)	\$ (1,153)	\$ 65	\$ (317)	\$ (993)	\$ (1,180)	\$ (3,844)	
20									
21 Cumulative (Over) / Under-Recovery		\$ 2,036	\$ 1,771	\$ 618	\$ 683	\$ 365	\$ (628)	\$ (1,808)	
22									
23 Calculation of Return/Deferral									
24									
25 Average Balance		1,903	1,194	650	524	(131)	(1,218)		
26									
27 Deferred tax calculation--									
28 Deferred tax rate		39.550%	39.550%	39.550%	39.550%	39.550%	39.550%		
29									
30 ADIT on the average balance		\$ (753)	\$ (472)	\$ (257)	\$ (207)	\$ 52	\$ 482		
31									
32 Average Balance, Net of ADIT		\$ 1,150	\$ 722	\$ 393	\$ 317	\$ (79)	\$ (736)		
33									
34 x Return at Prime Rate		0.6875%	0.6875%	0.6875%	0.6458%	0.6250%	0.6250%		
35									
36 Return-Monthly		\$ 8	\$ 5	\$ 3	\$ 2	\$ (0)	\$ (5)	\$ 13	
37									
38 Cumulative Return		\$ 8	\$ 13	\$ 16	\$ 18	\$ 17	\$ 13		
39									
40 Cumulative (Over) / Under Recovery, Including Return		\$ 1,778	\$ 631	\$ 698	\$ 383	\$ (611)	\$ (1,796)		

42 (1) Effective July 1, 2007, PSNH began to recover the \$5.5M TCAM Recoupment Asset and a return of \$0.2M consistent with the requirements of dockets DE 06-028 and DE 07-068

45 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM) CALCULATION
January - June 2007

(Dollars in 000's)

	Actuals						
	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007	Total
1 Retail Transmission Revenues							
2							
3 Transmission Revenue - Billed	\$ (3,304)	\$ (3,383)	\$ (3,225)	\$ (3,079)	\$ (2,884)	\$ (3,126)	\$ (19,001)
4							
5 Transmission Revenue - Unbilled	(108)	229	41	207	(329)	(1,063)	(1,023)
6							
7 Total	\$ (3,412)	\$ (3,153)	\$ (3,184)	\$ (2,872)	\$ (3,214)	\$ (4,188)	\$ (20,024)
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 2007

(Dollars in 000's)

	Actuals						
	July	August	September	October	November	December	Total
	2007	2007	2007	2007	2007	2007	
1 <u>Retail Transmission Revenues</u>							
2							
3 Transmission Revenue - Billed	\$ (5,407)	\$ (5,692)	\$ (5,449)	\$ (5,007)	\$ (4,861)	\$ (5,185)	\$ (31,601)
4							
5 Transmission Revenue - Unbilled	(209)	34	517	(89)	(5)	(125)	123
6							
7 Total	<u>\$ (5,617)</u>	<u>\$ (5,658)</u>	<u>\$ (4,932)</u>	<u>\$ (5,095)</u>	<u>\$ (4,866)</u>	<u>\$ (5,310)</u>	<u>\$ (31,478)</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 2008

(Dollars in 000's)

	Actuals			Forecasted			Total
	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	
1 Retail Transmission Revenues							
2							
3 Transmission Revenue - Billed	\$ (5,285)	\$ (5,169)	\$ (4,890)	\$ (4,766)	\$ (4,936)	\$ (5,119)	\$ (30,165)
4							
5 Transmission Revenue - Unbilled	(148)	474	(186)	-	-	-	140
6							
7 Total	<u>\$ (5,433)</u>	<u>\$ (4,696)</u>	<u>\$ (5,076)</u>	<u>\$ (4,766)</u>	<u>\$ (4,936)</u>	<u>\$ (5,119)</u>	<u>\$ (30,025)</u>
8							
9							

10 Amounts shown above may not add due to rounding.