

ORIGINAL

N.H.P.U.C. Case No. DE 12-159

Exhibit No. #1

Witness Panel 1

THE STATE OF NEW HAMPSHIRE

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION MOVE FROM FILE

PREPARED TESTIMONY OF ROBERT A. BAUMANN

TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM)

Docket No. DE 12-159

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 Requirements, for Northeast Utilities
4 Service Company which provides centralized services to the Northeast Utilities'
5 (NU) operating subsidiaries, Public Service Company of New Hampshire
6 (PSNH), The Connecticut Light and Power Company, Yankee Gas Services
7 Company, NSTAR Electric Company, NSTAR Gas Company, and Western
8 Massachusetts Electric Company.

9 Q. What are your responsibilities as Director - Revenue Requirements?

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 PSNH's transmission cost adjustment mechanism
8 (TCAM) filing for rates effective July 1, 2012. The testimony and supporting
9 attachments present the actual reconciliation period through May 2012 for
10 transmission costs in this TCAM filing as well as the proposed TCAM rate for the
11 forecast period to be effective July 1, 2012.

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

13 A. PSNH is requesting approval of a forecasted average retail transmission rate to
14 be effective July 1, 2012, for a twelve month billing period. In addition, we are
15 requesting approval of the reconciliation of actual transmission costs and
16 recoveries for the calendar year 2011. Our requests are in accordance with the
17 Commission's approval of the settlement in Docket DE No. 06-028 (PSNH
18 Distribution Rate Case), which included a provision for a transmission cost
19 adjustment mechanism.

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

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

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

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

9 The “wholesale transmission” costs are as follows:

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

14 All of these costs are regulated by the FERC. These costs are discussed below
15 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 based upon tariffs
18 approved by the FERC. RNS costs are billed to all entities in the region that
19 have RNS load responsibility, such as PSNH, based on their monthly peak load.

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

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

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

14 The "other transmission" costs are as follows:

- 15 A) Hydro-Quebec (HQ) support costs and related revenues
- 16 B) NHPUC assessment costs allocated to the TCAM
- 17 C) TCAM working capital allowance return

18 These other transmission costs were previously recovered through PSNH's
19 distribution rates, but were transferred in total or in part to the TCAM for
20 recovery, effective July 1, 2010, as part of a negotiated "Settlement Agreement

1 on Permanent Distribution Service Rates” (Settlement Agreement) between
2 PSNH, the Commission Staff, and the Office of Consumer Advocate (OCA) in
3 Docket No. DE 09-035 that was approved in Order No. 25,123. These costs are
4 discussed below in more detail.

5 A) Hydro-Quebec support costs are costs associated with FERC approved
6 contractual agreements between NU subsidiaries, including PSNH, and other
7 New England utilities to provide support for transmission and terminal facilities
8 that are used to import electricity from HQ in Canada. Under these agreements,
9 PSNH is charged its proportionate share of O&M and capital costs for a thirty
10 year period ending in 2020.

11 PSNH's share of any revenues associated with the HQ facility was previously
12 returned to customers through the Energy Service (ES) rate. Effective July 1,
13 2010, consistent with the requirements of NHPUC Order No. 25,122, in the 2010
14 TCAM Docket No. DE 10-158, PSNH began returning its share of any HQ facility
15 revenues to customers as a revenue credit in the TCAM.

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

1 C) When the TCAM was initially approved in Docket No. DE 06-028, there was
2 no provision for a working capital allowance in the TCAM. The TCAM working
3 capital allowance continued to be included with the distribution working capital
4 allowance. As part the Settlement Agreement, the distribution revenue
5 requirement calculation excluded working capital on transmission costs.
6 Therefore, the TCAM includes a working capital allowance using the 45 day
7 formula.

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

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

14 There are two basic premises of the TCAM. First, the TCAM sets transmission
15 rates for a defined future billing period based on transmission cost estimates
16 using current budget and forecast data supported by the latest known FERC
17 approved transmission rates. This future billing period is referred to as the
18 “forecast period”.

19 Secondly, the TCAM provides all available actual cost and revenue (recovery)
20 data for the eighteen month period just prior to the forecast period. This eighteen
21 month period will be referred to as the “reconciliation period”. The reconciliation

1 period contains as much actual cost data that is available at the time of filing.
2 Any over- or under-recoveries that are incurred in the billing period are rolled into
3 the subsequent billing period as part of the next TCAM rate.

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

6 A. The forecast period in this filing is the twelve month period July 2012 through
7 June 2013. The eighteen month reconciliation period includes actual calendar
8 year 2011 and actual January 2012 through May 2012 costs, as well as
9 estimated costs for June 2012.

10 **Q. Do the transmission rate forecasts contained in this filing reflect the most**
11 **current FERC rates that were effective on June 1, 2012?**

12 A. Yes.

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

14 A. PSNH is proposing a forecasted average TCAM rate of 1.359 cents/kWh as
15 compared to the current average rate of 1.189 cents/kWh. The increase in the
16 TCAM rate is driven primarily by an increase in the RNS rate for the 2012-2013
17 TCAM period when compared to the prior period. This increase in the RNS rate
18 is primarily a result of increased Pooled Transmission Facilities (PTF) revenue
19 requirements.

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

2 A. Yes, PSNH is requesting final approval of the proposed TCAM rate change early
3 in the week of June 25, 2012 to allow for the implementation of a July 1, 2012
4 change in rates.

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

6 A. Yes, it does.