

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF MICHAEL L. SHELNITZ
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM)

Docket No. DE 15-136

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

2 A. My name is Michael L. Shelnitz. My business address is 107 Selden Street, Berlin,
3 Connecticut. I am employed by Eversource Energy as the Team Lead of New Hampshire
4 Revenue Requirements and in that position I provide service to Public Service Company
5 of New Hampshire d/b/a Eversource Energy (“Eversource”).

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

7 A. Yes. I have previously sponsored testimony before the Commission in ES and SCRC
8 mid-year rate adjustment and annual reconciliation dockets as well as TCAM rate
9 adjustment dockets.

10 **Q. What are your current responsibilities?**

11 A. I am currently responsible for the calculation of New Hampshire revenue requirements for
12 Eversource, as well as the filings associated with Eversource’s Energy Service charge,
13 Stranded Cost Recovery Charge and Transmission Cost Adjustment Mechanism.

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

15 A. My testimony supports Eversource’s TCAM filing for rates effective July 1, 2015. The
16 testimony and supporting attachments present the actual reconciliation period through

1 April 2015 for transmission costs in this TCAM filing as well as the proposed TCAM rate
2 for the forecast period to be effective July 1, 2015.

3 **Q. What is Eversource requesting in this filing?**

4 A. Eversource is requesting approval of a forecasted average retail transmission rate to be
5 effective July 1, 2015, for a twelve-month billing period. In addition, we are requesting
6 approval of the reconciliation of actual transmission costs and revenues for the calendar
7 year 2014. Our requests are in accordance with the Commission's approval of the
8 settlement in Docket No. DE 06-028 (Distribution Rate Case), which included a provision
9 for a transmission cost adjustment mechanism.

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

11 A. Yes. Lois B. Jones will be filing testimony in support of the proposed retail transmission
12 rates. In her testimony, she will detail the rates applicable to each individual rate class.

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

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

17 The "wholesale transmission" costs are as follows:

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

1 All of these costs are regulated by the FERC. These costs are discussed below in more
2 detail.

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

7 2) LNS costs encompass Eversource Energy's local transmission costs that are not
8 included in the FERC-jurisdictional RNS tariff. These billings are also governed by
9 FERC approved tariffs, and are based on costs allocated to Eversource based on load ratio
10 share. Eversource's load ratio share is calculated using a rolling twelve-month coincident
11 peak (12 CP).

12 3) Reliability costs include costs such as Black Start and VAR support that are related to
13 electric reliability. These reliability costs are billed to all entities in the region that have
14 RNS load responsibility, such as Eversource, based on their monthly peak load.

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

19 The "other transmission" costs are as follows:

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

1 B) TCAM working capital allowance return

2 These other transmission costs were previously recovered through Eversource's
3 distribution rates, but were transferred in total or in part to the TCAM for recovery,
4 effective July 1, 2010, as part of a negotiated "Settlement Agreement on Permanent
5 Distribution Service Rates" (Settlement Agreement) between Eversource, the Commission
6 Staff, and the Office of Consumer Advocate (OCA) in Docket No. DE 09-035 that was
7 approved in Order No. 25,123. These costs are discussed below in more detail.

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

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

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

1 excluded working capital on transmission costs. Therefore, the TCAM includes a working
2 capital allowance using the 45-day formula.

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

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

9 There are two premises that form the basis of the TCAM. First, the TCAM sets
10 transmission rates for a defined future billing period based on transmission cost estimates
11 using current budget and forecast data supported by the latest known FERC approved
12 transmission rates. This future billing period is referred to as the “forecast period”.
13 Second, the TCAM provides all available actual cost and revenue (recovery) data for the
14 eighteen-month period just prior to the forecast period. This eighteen-month period is
15 referred to as the “reconciliation period”. Any over- or under-recoveries that are incurred
16 in the billing period are rolled into the subsequent billing period as part of the next TCAM
17 rate.

18 **Q. What is the forecast period used in this filing, and what is the eighteen- month**
19 **reconciliation period?**

20 A. The forecast period in this filing is the twelve-month period July 2015 through June 2016.
21 The eighteen-month reconciliation period includes actual calendar year 2014 and actual
22 January 2015 through April 2015 costs, as well as estimated costs for May and June 2015.

1 **Q. Are there any new items included in this filing?**

2 A. Yes, there are ROE refunds resulting from a FERC order included in this filing.

3 **Q. Please provide the background of these ROE refunds.**

4 A. Beginning in 2011, three separate complaints were filed at FERC by combinations of New
5 England state attorneys general, state regulatory commissions, consumer advocates,
6 consumer groups, municipal parties and other parties (the "Complainants") seeking to
7 reduce the allowed ROE on certain transmission investments. In the first complaint
8 ("Complaint 1"), filed in 2011, the Complainants alleged that the New England
9 Transmission Owners' ("NETOs") base ROE of 11.14 percent was unjust and
10 unreasonable asserting that the rate was excessive due to changes in the capital markets,
11 and sought an order to reduce this ROE prospectively from the date of a final order from
12 FERC and for the 15-month period October 1, 2011 to December 31, 2012 (the "first
13 complaint refund period"). In the second and third complaints ("Complaints 2 and 3")
14 filed in 2012 and 2014, respectively, the Complainants again challenged the NETOs' base
15 ROE, seeking refunds for the 15-month periods beginning December 27, 2012 and July
16 31, 2014, respectively.

17 In 2014, FERC determined that the base ROE should be set at 10.57 percent for Complaint
18 1, and that a utility's maximum ROE including any incentive adders should not exceed
19 11.74 percent. As such, FERC ordered the NETOs to provide refunds to customers for the
20 first complaint refund period, and additionally required the use of the new base ROE of
21 10.57 percent prospectively from October 16, 2014.

1 **Q. Please explain how refunds resulting from Complaint 1 were included in this filing.**

2 A. Eversource's transmission revenue requirements department was required to provide a
3 calculated refund amount based on the new allowed ROEs to ISO-New England for
4 inclusion in RNS rates to be billed to transmission customers. These adjusted RNS rates
5 are being billed to transmission customers, which includes Eversource, from December
6 2014 through August 2015. Based on the rates being charged for the period December
7 2014 through May 2015, Eversource has received approximately \$3 million of refunds
8 (including interest), and these refunds are included in this filing as reduced RNS expense
9 in these months. Additionally, the filing includes projected RNS refunds of
10 approximately \$1.1 million more (including interest), for the forecasted months of June
11 2015 through August 2015. Finally, the filing includes a projected LNS refund of \$0.4
12 million in September 2015. The total refund from both rates is approximately \$4.5 million
13 (including interest).

14 **Q. Are there any refunds resulting from Complaints 2 and 3 included in this filing?**

15 A. No, there are no refunds resulting from Complaints 2 and 3 included in this filing as a final
16 FERC decision regarding these complaints is not expected until mid-year 2016.

17 **Q. Do the transmission rate forecasts contained in this filing reflect the most current
18 FERC rates that were to be effective on June 1, 2015?**

19 A. Yes.

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

21 A. Eversource is proposing a forecasted average TCAM rate of 1.785 cents/kWh as compared
22 to the current average rate of 1.642 cents/kWh. The increase in the average TCAM rate is

1 driven primarily by the following factors: RNS expense that is higher in the forecast
2 period than in the currently allowed period and a lower prior year over recovery in the
3 forecast period than in the currently allowed period. These factors were partially offset by
4 a decrease in LNS expense and an increase in certain revenue credits in the forecast period
5 as compared to the currently allowed period.

6 **Q. Does Eversource require Commission approval of this rate by a specific date?**

7 A. Yes, Eversource is requesting final approval of the proposed TCAM rate change by June
8 25, 2015 to allow for the implementation of a July 1, 2015 change in rates.

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

10 A. Yes, it does.