

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF DAVID F. BIDMEAD
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM)

Docket No. DE 16-566

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

2 A. My name is David F. Bidmead. My business address is 107 Selden Street, Berlin, Connecticut.
3 I am employed by Eversource Energy as a Senior Revenue Requirements Analyst -- New
4 Hampshire and in that position I provide service to Public Service Company of New Hampshire
5 d/b/a Eversource Energy ("Eversource").

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

7 A. No, I have not. This TCAM filing is the first time I am sponsoring testimony before the
8 Commission. I have testified in proceedings before the Connecticut Public Utilities Regulatory
9 Authority.

10 **Q. Please describe your educational background.**

11 A. I graduated from the University of Connecticut in 1991 with a Bachelor of Science degree in
12 Business Administration, majoring in Accounting.

13 **Q. Please describe your professional experience.**

14 A. After graduation, I worked in public accounting for 3 years with McGladrey & Pullen, LLP. I
15 later held accounting positions at Southern New England Telephone Company and ESPN, and
16 in July 2001 I joined Northeast Utilities (now Eversource Energy) as an analyst in the Fuel
17 Accounting and Recovery Department. Since joining Eversource Energy I have held positions

1 of increasing responsibility through my current position as Senior Revenue Requirements
2 Analyst – NH. I am registered as a Certified Public Accountant (CPA) in the State of
3 Connecticut.

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

5 A. I currently prepare and/or review the calculation of New Hampshire revenue requirements for
6 Eversource, as well as the filings associated with Eversource’s Energy Service charge, Stranded
7 Cost Recovery Charge and Transmission Cost Adjustment Mechanism.

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

9 A. My testimony supports Eversource’s TCAM filing for rates effective July 1, 2016. The
10 testimony and supporting attachments present the actual reconciliation period through May
11 2016 for transmission costs in this TCAM filing as well as the proposed TCAM rate for the
12 forecast period to be effective July 1, 2016.

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

14 A. Eversource is requesting approval of a forecasted average retail transmission rate to be effective
15 July 1, 2016, for a twelve-month billing period. In addition, we are requesting approval of the
16 reconciliation of actual transmission costs and revenues for the calendar year 2015. Our
17 requests are in accordance with the Commission’s approval of the settlement in Docket No. DE
18 06-028 (Distribution Rate Case), which included a provision for a transmission cost adjustment
19 mechanism.

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

21 A. Yes. Lois B. Jones will be filing testimony in support of the proposed retail transmission rates.
22 In her testimony, she will detail the rates applicable 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 costs
3 consists of four cost categories of “wholesale transmission” costs. The second group consists of
4 two 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 FERC. These costs are discussed below in more detail.

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

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

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

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

5 The “other transmission” costs are as follows:

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

7 B) TCAM working capital allowance return

8 These other transmission costs were previously recovered through Eversource’s distribution
9 rates, but were transferred in total or in part to the TCAM for recovery, effective July 1, 2010,
10 as part of a negotiated “Settlement Agreement on Permanent Distribution Service Rates”
11 (Settlement Agreement) between Eversource, the Commission Staff, and the Office of
12 Consumer Advocate (OCA) in Docket No. DE 09-035 that was approved in Order No. 25,123.

13 These costs are discussed below in more detail.

14 A) Hydro-Quebec support costs are costs associated with FERC approved contractual
15 agreements between Eversource and other New England utilities to provide support for
16 transmission and terminal facilities that are used to import electricity from HQ in Canada.

17 Under these agreements, Eversource is charged its proportionate share of O&M and capital
18 costs for a thirty-year period ending in 2020.

19 Eversource’s share of any revenues associated with the HQ facility was previously returned to
20 customers through the Energy Service (ES) rate. Effective July 1, 2010, consistent with the
21 requirements of NHPUC Order No. 25,122, in the 2010 TCAM Docket Number DE 10-158,

1 Eversource began returning its share of any HQ facility revenues to customers as a revenue
2 credit in the TCAM.

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

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

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

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

3 A. The forecast period in this filing is the twelve-month period July 2016 through June 2017. The
4 eighteen-month reconciliation period includes actual calendar year 2015 and actual January
5 2016 through May 2016 costs, as well as estimated costs for June 2016.

6 **Q. Please provide the background of the FERC ROE Complaints.**

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

19 On April 29, 2016 a fourth complaint (Complaint 4) was filed with the FERC by Eastern
20 Massachusetts Consumer-Owned Systems (EMCOS). The NETOS filed an Answer to the
21 Complaint on June 3, 2016 requesting that FERC dismiss this Complaint.

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

6 **Q. Have the refunds resulting from Complaint 1 been included in the TCAM?**

7 A. Yes, the refunds associated with Complaint 1 were included in the 2015 reconciliation period.

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

9 A. No, there are no refunds resulting from Complaints 2 and 3 included in this filing as a final
10 FERC decision regarding these complaints is not expected until late 2016 or early 2017.

11 **Q. Are there any refunds resulting from Complaint 4 included in this filing?**

12 A. No, as the Complaint was recently filed in April 2016.

13 **Q. Do the transmission rate forecasts contained in this filing reflect the most current FERC
14 rates that were to be effective on June 1, 2016?**

15 A. Yes.

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

17 A. Eversource is proposing a forecasted average TCAM rate of 2.193 cents/kWh as compared to
18 the current average rate of 1.785 cents/kWh. The increase in the average TCAM rate is driven
19 primarily by the following factors: RNS and LNS expenses that are higher in the forecast period

1 than in the currently allowed period, as well as a prior year under recovery in the forecast period
2 compared to a prior year over recovery in the currently allowed period.

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

4 A. Yes, Eversource is requesting final approval of the proposed TCAM rate change by June 28,
5 2016 to allow for the implementation of a July 1, 2016 change in rates.

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

7 A. Yes, it does.