



Public Service
of New Hampshire

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The Northeast Utilities System

ORIGINAL	
Case No.	DE 10-257
Exhibit No.	#1
Witness	R. Baumann + White
DO NOT REMOVE FROM FILE	

September 21, 2010

Debra A. Howland
Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Re: Proposed Default Energy Service Rate for 2011 - Docket No. DE 10-

Dear Ms. Howland:

Enclosed please find seven copies of the testimony and attachments of Robert A. Baumann containing an estimate and supporting documentation for a Default Energy Service rate applicable to PSNH's customers who take service under Default Energy Service Rate D on and after January 1, 2011. Pursuant to RSA 369-B:3, IV(b)(1)(A), customers who take Default Energy Service from PSNH will be billed a Default Energy Service ("ES") rate equal to PSNH's actual, prudent and reasonable costs of providing the power, as approved by the Commission. Based upon the data contained herein, PSNH currently estimates an ES rate for effect on January 1, 2011 of 8.68 cents per kilowatt-hour. This change would reflect a decrease of 0.10 cents per kilowatt-hour over the current ES average rate of 8.78 cents per kilowatt-hour. PSNH is today making a contemporaneous filing of a decreased Stranded Cost Recovery Charge rate of 1.18¢ per kWh.

As in the case of the last ES proceeding, PSNH anticipates that the estimated ES rate will be revised during the course of this proceeding to incorporate the most recent estimates of fuel and energy prices. PSNH's requested rate will be based upon this revised estimate and supporting documentation filed prior to the final hearing on the merits and will reflect any estimated over or under recovery of ES for 2010. PSNH requests that the Commission open a docket and schedule a pre-hearing conference so that a procedural schedule can be established that will provide for an order by the Commission in sufficient time to enable the new Default Energy Service rate to take effect January 1, 2011.

Very truly yours,

Gerald M. Eaton
Senior Counsel

Enclosures
cc: Service List

Service List
Docket DE 10-XXX

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THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
2011 DEFAULT ENERGY SERVICE RATE CHANGE
Docket No. DE 10-___

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

2 A. My name is Robert A. Baumann. My business address is 107 Selden Street, Berlin,
3 Connecticut. I am Director, Revenue Regulation & Load Resources for Northeast
4 Utilities Service Company (NUSCO). NUSCO provides centralized services to the
5 Northeast Utilities (NU) operating subsidiaries, including Public Service Company of
6 New Hampshire (PSNH), The Connecticut Light and Power Company, Yankee Gas
7 Services Company and Western Massachusetts Electric Company.

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

9 A. Yes. I have testified on numerous occasions before the Commission.

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

11 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
12 the necessary approvals to set the Default Energy Service (ES) rate applicable to
13 PSNH's customers who take service under Rate DE that will take effect on January 1,
14 2011.

1 **Q. Please provide the historic and current ES rates.**

2 A. In this proceeding, PSNH is requesting the Commission to determine an updated, single
3 ES rate for all customers effective January 1, 2011, based on a forecast of PSNH's costs
4 of providing such power for the calendar year 2011.

5 The table below outlines ES rates in effect from May 1, 2001 to the present for
6 residential, small general service customers (Group 1) and large commercial and
7 industrial customers (Group 2).

Date of Service

May 2001 - January 2003	(a) 4.40 cents per kWh
February 2003 - January 2004	(b) 4.60/4.67
February 2004 - July 2004	5.36
August 2004 - January 2005	5.79
February 2005 - July 2005	6.49
August 2005 - January 2006	7.24
February 2006 - June 2006	9.13
July 2006 - December 2006	8.18
January 2007 - June 2007	8.59
July 2007 - December 2007	7.83
January 2008 – June 2008	8.82
July 2008 – December 2008	9.57
January 2009 – July 2009	9.92
August 2009 – December 2009	9.03
January 2010 – June 2010	8.96
July 2010 – December 2010	8.78

- (a) Set by statute for all retail customers.
(b) Small C&I and residential rate set by statute (4.60 cents).
Large C&I rate set on forecasted costs (4.67 cents).

1 Initially, Energy Service rates were set by statute. Beginning in February 2003, the
2 Energy Service rate for large commercial and industrial customers (Group 2) was based
3 on PSNH's forecast of "actual, prudent and reasonable costs" (4.67 cents). Beginning in
4 February 2004, the Energy Service rate for all retail customers was based on a forecast
5 of PSNH's "actual, prudent and reasonable costs."

6 In its initial decision in Docket No. DE 03-175 (Order No. 24,252), the Commission
7 reiterated its desire to avoid ES cost deferrals. As a way to minimize these deferrals, the
8 Commission provided any interested party the option of making an interim ES rate filing
9 in July, with the objective of setting a revised ES rate effective on August 1.

10 This interim process has been used in recent years. Beginning in 2007, the ES rate year
11 was adjusted to coincide with the calendar year January – December. In 2010, the ES
12 Rate was adjusted effective July 1, 2010.

13 **Q. Is PSNH proposing a specific ES rate at this time?**

14 A. No, we are not. In prior ES proceedings, the Commission has required PSNH to utilize
15 market information that is most current as of the hearing date. In light of that precedent,
16 at this time PSNH is supplying preliminary market data and operational data for its
17 owned generation as well as for existing power purchase obligations (such as IPPs).
18 PSNH will formally propose an ES rate, and provide a rate calculation based on updated
19 market information, prior to the anticipated hearing in December 2010. This updated
20 filing will use the same calculation methodologies as in previous proceedings and will
21 also reflect any updated ES over or under recovery from 2010.

1 **Q. Has PSNH performed a preliminary calculation of what its projected actual,**
2 **prudent, and reasonable costs of providing Energy Service will be from January 1,**
3 **2011 through December 31, 2011?**

4 A. Yes. PSNH has made a preliminary calculation of the ES rate using the latest available
5 information. As shown on Attachment RAB-1, for the period from January 1, 2011
6 through December 31, 2011, PSNH's prudent and reasonable cost of providing ES is
7 projected to be 8.68 cents per kWh.

8 **Q. Please provide an overview of how customers acquire generation services and**
9 **how the ES cost recovery mechanism works.**

10 A. As a result of electric industry restructuring, customers may choose their source of
11 generation service. PSNH's customers may obtain generation service from an approved
12 competitive supplier, or they may choose to continue to receive their energy from PSNH
13 in the form of Default Energy Service.

14 Historically, through January 31, 2006, all ES reconciliation amounts (over or under
15 recoveries) were applied against Part 3 stranded costs. With the elimination of Part 3 of
16 the SCRC in June 2006, all ES reconciliation amounts effective with ES recovery
17 beginning February 1, 2006, were no longer applied to Part 3 stranded costs. ES
18 reconciliation amounts beginning in February 2006 are now being deferred and are
19 applied to future ES rate recoveries per the Commission's order and findings in Docket
20 No.DE 05-164, Order No. 24,579, dated January 20, 2006.

1 **Q. Are the costs that PSNH has included in this ES rate filing consistent with the past**
2 **ES filings?**

3 A. Yes, the major cost categories are consistent. The major cost categories in this ES filing
4 are the revenue requirements for owned generation assets and the costs of purchased
5 power obligations. In addition, Energy Service costs include the fuel costs associated
6 with PSNH's generation assets, the costs from supplemental energy and capacity
7 purchases, certain ISO-NE ancillary service charges and the cost of compliance with the
8 Renewable Portfolio Standard (RPS) and Regional Greenhouse Gas Initiative (RGGI).
9 The generation revenue requirements include non-fuel costs of generation, including
10 non-fuel operation and maintenance costs, allocated administrative and general costs,
11 depreciation, property taxes and payroll taxes, and a return on the net fossil/hydro
12 investment.

13 **Q. Please discuss the level of migration assumed in this filing.**

14 A. The level of migration assumed in PSNH's filing reflects the current actual level of
15 approximately 30.7%. This value represents the actual current migration level on
16 PSNH's system as of August 31, 2010. With respect to Commission's Order in No.
17 25,061 in Docket No. DE 09-180, PSNH has also forecasted two alternative ES
18 migration scenarios and calculated the corresponding ES rates. Actual historic trend of
19 the last eight months was used in developing the high and low migration alternatives.
20 These two alternative scenarios are for discussion purposes only. The results of our
21 calculations are as follows:

	<u>Average migration percentage</u>	<u>ES rate</u>
1		
2	30.7%	8.68 cents/kwh (Preliminary estimate in this filing)
3	33.1%	8.77
4	28.3%	8.60

5 PSNH has proposed an ES rate based on the latest known migration value at August 31,
6 2010 and has not presumed that customers will migrate more or less than what is now
7 actually known. We recommend that the proposed ES rate be approved, especially in
8 light of unresolved effects that migration is having on the ES rate for small customers
9 which is the subject of another docket, DE 10-160.

10 **Q. How is PSNH's mandated purchased power obligations (IPPs) valued in**
11 **calculating the ES rate?**

12 A. PSNH includes IPP generation as a source of power to meet PSNH's load requirements,
13 and that power is valued based on projected market costs (energy and capacity). The
14 over-market portion of purchases from the IPPs are treated as a stranded cost and
15 recovered through Part 2 of the Stranded Cost Recovery Charge. This treatment is
16 consistent with the Restructuring Settlement and the Commission's Order in Docket DE
17 02-166. As market prices drop, the value of IPP purchases recovered through the ES
18 rate drops. However, at the same time, there is a corresponding increase to the SCRC
19 rate for the above-market value of IPP purchases. To properly match the recovery of
20 IPP costs, PSNH will also simultaneously file for a change in the SCRC rate effective
21 January 1, 2011.

1 **Q. Does PSNH plan to minimize cost deferrals through a mid-term adjustment?**

2 A. If a rate adjustment is deemed necessary, PSNH (or any interested party) could file a
3 petition in early June prior to the beginning of the second half of the Energy Service Year
4 requesting a change in the Default Energy Service for the remaining six months of the
5 year. The Commission would revisit the rate in an abbreviated investigation. PSNH
6 would submit actual and estimated data on a date specified by the Commission to allow
7 the parties and Staff sufficient time to address the need for an interim adjustment during
8 the 2011 Energy Service Year.

9 **Q. Please describe the detailed support for the calculation of the ES rate.**

10 A. Attachment RAB-2 provides detailed cost and revenue components relating to PSNH's
11 generating costs, and also provides a breakdown of market purchases and sales. Page
12 3 of the attachment provides further detail relating to the energy simulation for the period
13 January 1, 2011 through December 31, 2011. Page 4 provides further detail on the
14 forecasted market value of IPP generation. Page 5 provides a breakdown of
15 Fossil/Hydro Operation and Maintenance costs and page 6 provides a detailed
16 calculation of the return on Fossil/Hydro investment. Attachment RAB-3 provides the
17 detailed cost and revenue components relating to the reconciliation of 2010.

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

19 A. Yes, PSNH needs final approval of the proposed ES rate by December, 30 2010, in
20 order to implement the new rate for service rendered on and after January 1, 2011.
21 Therefore, PSNH requests that the Commission commence a proceeding so that the
22 procedural schedule can be set to review this filing and approve the ES rate in a timely
23 manner.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2011 ENERGY SERVICE RATE CALCULATION
(Dollars in 000's)

Summary of Forecasted Energy Service Cost For January 2011 Through December 2011	TOTAL COST	Cents per KWH	Reference
Fossil energy costs	\$ 145,689	\$ 2.70	Attachment RAB-2, page 2
F/H O&M, depreciation & taxes	152,339	2.83	Attachment RAB-2, page 2
Return on rate base	43,187	0.80	Attachment RAB-2, page 2
ISO-NE ancillary	6,624	0.12	Attachment RAB-2, page 2
Capacity	13,806	0.26	Attachment RAB-2, page 2
NH RPS	10,808	0.20	Attachment RAB-2, page 2
RGGI costs	3,707	0.07	Attachment RAB-2, page 2
Vermont Yankee	7,602	0.14	Attachment RAB-2, page 2
IPP costs (1)	28,836	0.54	Attachment RAB-2, page 2
Purchases and sales	56,830	1.05	Attachment RAB-2, page 2
Return on ES Deferral	(44)	(0.00)	Attachment RAB-2, page 2
Total Forecasted Energy Service Cost	\$ 469,384	\$ 8.71	
2009 ES Over/Under Recovery	(1,482)	(0.03)	Attachment RAB-3, page 1
Net Forecasted Energy Service Cost	\$ 467,902		
Forecasted Retail MWH Sales	5,389,252	8.68	
Forecasted Energy Service Rate - cents Per KWH (line 30 / Line 32)	\$ 8.68		

36 (1) The IPP costs represent the forecasted market value of IPP generation.

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2011 ENERGY SERVICE RATE CALCULATION
(Dollars in 000's)

	January 2011 Estimate	February 2011 Estimate	March 2011 Estimate	April 2011 Estimate	May 2011 Estimate	June 2011 Estimate	Reference
Energy Service Cost							
Fossil energy costs	\$ 14,923	\$ 12,797	\$ 13,189	\$ 11,989	\$ 12,402	\$ 12,742	RAB-2, P3
F/H O&M, depreciation & taxes	10,552	9,968	16,291	12,910	10,695	10,863	RAB-2, P5
Return on rate base	3,635	3,625	3,568	3,525	3,548	3,595	RAB-2, P6
ISO-NE ancillary (inc. Congestion and Loss Adj.)	577	523	497	493	455	797	RAB-2, P3
Capacity	1,258	1,258	883	883	883	1,262	RAB-2, P3
NH RPS	999	881	899	826	837	870	RAB-2, P3
RGGI costs	376	330	333	329	328	322	RAB-2, P3
Vermont Yankee	693	649	692	669	683	645	RAB-2, P3
IPP costs (1)	2,714	2,725	2,375	2,276	2,262	2,191	RAB-2, P4
Purchases and sales	3,846	3,458	3,170	2,584	2,283	3,405	RAB-2, P3
Return on ES Deferral	(4)	(8)	(7)	(4)	(5)	(7)	
Total Energy Service Cost	\$ 39,568	\$ 36,207	\$ 41,890	\$ 36,480	\$ 34,372	\$ 36,685	
Forecasted Retail MWH Sales	498,004	439,104	448,474	411,956	417,173	433,877	
Energy Service Cost - cents per kwh	7.95	8.25	9.34	8.86	8.24	8.46	

(1) The IPP costs represent the forecasted market value of IPP generation.

Amounts shown above may not add due to rounding.

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2011 ENERGY SERVICE RATE CALCULATION
(Dollars in 000's)

	July 2011 Estimate	August 2011 Estimate	September 2011 Estimate	October 2011 Estimate	November 2011 Estimate	December 2011 Estimate	Total	Reference
Energy Service Cost								
Fossil energy costs	\$ 14,674	\$ 14,276	\$ 9,524	\$ 7,218	\$ 7,799	\$ 14,158	\$ 145,689	RAB-2, P3
F/H O&M, depreciation & taxes	11,782	11,498	17,958	18,536	10,501	10,784	152,339	RAB-2, P5
Return on rate base	3,619	3,609	3,601	3,591	3,616	3,655	43,187	RAB-2, P6
ISO-NE ancillary (inc. Congestion and Loss Adj.)	862	854	662	171	218	515	6,624	RAB-2, P3
Capacity	1,262	1,262	1,262	1,198	1,198	1,198	13,806	RAB-2, P3
NH RPS	999	990	863	854	847	943	10,808	RAB-2, P3
RGGI costs	366	359	246	172	186	361	3,707	RAB-2, P3
Vermont Yankee	679	662	646	221	670	693	7,602	RAB-2, P3
IPP costs (1)	2,466	2,495	2,190	2,223	2,339	2,578	28,836	RAB-2, P4
Purchases and sales	5,129	5,310	6,899	9,274	8,165	3,308	56,830	RAB-2, P3
Return on ES Deferral	(9)	(11)	(7)	4	8	5	(44)	
Total Energy Service Cost	\$ 41,829	\$ 41,305	\$ 43,846	\$ 43,460	\$ 35,546	\$ 38,198	\$ 469,384	
Forecasted Retail MWH Sales	498,164	493,875	430,279	425,701	422,338	470,308	5,389,252	
Energy Service Cost - cents per kwh	8.40	8.36	10.19	10.21	8.42	8.12	8.71	

(1) The IPP costs represent the forecasted market value of IPP generation.

Amounts shown above may not add due to rounding.

PUBLIC SERVICE RATE COMPANY OF NEW HAMPSHIRE
2011 ENERGY SERVICE RATE CALCULATION

PSNH Generation (GWh) and Expense (\$000)
IPP's Priced at Market Rate

		Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total	
1															
2	Hydro:	Energy	31,124	26,488	34,815	39,686	37,382	28,327	22,178	19,888	16,457	23,078	32,32	31,206	342,949
3															
4	Coal:	Energy	342,744	311,136	303,895	309,375	308,955	295,363	323,238	323,238	231,999	162,181	174,785	335,662	3,422,571
5		Energy Expense	\$ 13,258	12,040	11,727	11,964	11,978	11,488	12,482	12,482	8,762	6,380	6,988	12,970	132,519
6															
7	Wood:	Energy	27,951	25,246	27,951	0,827	14,164	25,436	26,283	26,283	25,436	27,951	27,050	27,951	282,529
8		Energy Expense	\$ 1,353	1,222	1,353	40	686	1,232	1,273	1,232	1,353	1,310	1,353	13,680	
9		Revenue Credit	\$ (516)	(466)	(516)	(15)	(261)	(469)	(485)	(469)	(516)	(499)	(516)	(5,213)	
10															
11	Nuclear:	Energy	15,349	14,374	15,334	14,818	15,126	14,285	15,029	14,664	14,314	4,906	14,846	15,349	168,394
12		Energy Expense	\$ 693	649	692	669	683	645	679	662	646	221	670	693	7,602
13															
14	Newington:	Energy	11,160	0,000	9,300	0,000	0,000	7,440	21,080	14,880	0,000	0,000	0,000	4,340	68,200
15		Energy Expense	\$ 827	-	624	-	-	492	1,404	1,006	-	-	-	350	4,703
16															
17	IPP's:	Energy	49,633	49,633	49,633	49,633	49,633	49,633	49,633	49,633	49,633	49,633	49,633	49,633	595,596
18		Energy Expense	\$ 2,495	2,506	2,156	2,057	2,043	2,094	2,369	2,398	2,093	2,062	2,178	2,417	26,868
19		ICAP	\$ 219	219	219	219	219	97	97	97	97	161	161	161	1,968
20															
21	Peak Purchase:	Energy	17,363	12,458	8,756	1,464	1,197	11,917	34,291	27,477	49,336	64,642	57,084	13,149	299,134
22		Expense	\$ 1,015	792	460	77	75	632	1,974	1,625	2,478	3,009	2,837	832	15,806
23															
24	Known Purchases	Energy	41,635	38,048	42,157	39,432	38,287	39,088	34,678	39,478	37,488	37,618	39,432	40,296	467,637
25		Expense	\$ 3,328	3,086	3,464	3,213	3,152	3,249	2,909	3,324	3,111	3,117	3,213	3,258	38,424
26															
27	Offpeak Purchase:	Energy	13,451	7,900	8,951	2,973	5,579	10,031	20,881	22,795	32,684	80,700	60,820	9,127	275,892
28		Expense	\$ 733	436	405	129	222	408	1,002	1,081	1,375	3,157	2,469	496	11,913
29															
30	Surplus Energy Sales	Energy	(23,423)	(20,624)	(26,218)	(22,275)	(28,870)	(22,391)	(20,135)	(15,718)	(2,026)	(0,232)	(9,052)	(29,033)	(219,997)
31		(Credit)	\$ (1,230)	(856)	(1,159)	(835)	(1,166)	(885)	(756)	(720)	(65)	(9)	(354)	(1,278)	(9,313)
32															
33	Congestion and Loss Adjustment		\$ 319	294	248	229	237	219	253	246	86	(25)	38	312	2,456
34															
35	Total Energy GWH		526,987	464,659	474,574	435,933	441,453	459,129	527,156	522,618	455,321	450,477	446,918	497,680	5,702,905
36	Total Energy Expense		\$ 22,495	19,923	19,674	17,747	17,868	19,202	23,200	22,989	19,346	18,910	19,010	21,049	241,413
37															
38															
39	ISO-NE Ancillary		\$ 258	229	249	264	218	578	610	608	576	196	179	203	4,168
40	NH RPS		\$ 999	881	899	826	837	870	999	990	863	854	847	943	10,808
41	RGGI Costs		\$ 376	330	333	329	328	322	366	359	246	172	186	361	3,707
42															
43	Capacity (sold)/bought MW-mo		294	294	206	206	206	373	373	373	373	354	354	354	3,763
44	Capacity (sold)/bought Cost (\$000)		\$ 1,258	1,258	883	883	883	1,262	1,262	1,262	1,262	1,198	1,198	1,198	13,806

Amounts shown above may not add due to rounding.

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2011 ENERGY SERVICE RATE CALCULATION**

1 **Forecasted PSNH IPP Market Value - January - December 2011**

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Month	IPP GWh	IPP Energy at Mkt Value (\$000)	Capacity MW	ICAP Value \$/kw-mo	ICAP (\$000)	Total (\$000)	Total \$/MWh
January	49.633	2,495	51.3	4.28	219	2,714	54.69
February	49.633	2,506	51.3	4.28	219	2,725	54.91
March	49.633	2,156	51.3	4.28	219	2,375	47.86
April	49.633	2,057	51.3	4.28	219	2,276	45.87
May	49.633	2,043	51.3	4.28	219	2,262	45.58
June	49.633	2,094	28.7	3.38	97	2,191	44.14
July	49.633	2,369	28.7	3.38	97	2,466	49.68
August	49.633	2,398	28.7	3.38	97	2,495	50.27
September	49.633	2,093	28.7	3.38	97	2,190	44.12
October	49.633	2,062	47.6	3.38	161	2,223	44.79
November	49.633	2,178	47.6	3.38	161	2,339	47.12
December	49.633	2,417	47.6	3.38	161	2,578	51.94
Total	595.596	26,868			1,968	28,836	48.41

Amounts shown above may not add due to rounding.

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2011 ENERGY SERVICE RATE CALCULATION
Fossil / Hydro O&M, Depreciation & Taxes Detail
(Dollars in 000's)

	January 2011 Estimate	February 2011 Estimate	March 2011 Estimate	April 2011 Estimate	May 2011 Estimate	June 2011 Estimate	July 2011 Estimate	August 2011 Estimate	September 2011 Estimate	October 2011 Estimate	November 2011 Estimate	December 2011 Estimate	Total
Fossil / Hydro O&M, Depr. & Taxes													
F/H Operation & Maintenance Cost	\$ 7,736	\$ 7,138	\$ 13,343	\$ 9,891	\$ 7,695	\$ 7,700	\$ 8,648	\$ 8,477	\$ 14,788	\$ 15,524	\$ 7,521	\$ 7,599	\$ 116,060
F/H Depreciation Cost	1,862	1,862	1,863	1,863	1,870	1,885	1,887	1,889	1,889	1,898	1,902	1,933	22,603
F/H Property Taxes	762	762	762	962	962	962	962	962	962	962	962	962	10,941
F/H Payroll Taxes	191	205	177	195	169	168	286	172	169	153	117	137	2,137
Amort. of Asset Retirement Obligation	-	-	145	-	-	148	-	-	151	-	-	153	597
Total F/H O&M, Depr. and Taxes	\$ 10,552	\$ 9,968	\$ 16,291	\$ 12,910	\$ 10,695	\$ 10,863	\$ 11,782	\$ 11,498	\$ 17,958	\$ 18,536	\$ 10,501	\$ 10,784	\$ 152,339

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2011 ENERGY SERVICE RATE CALCULATION
FOSSIL/HYDRO RETURN ON RATE BASE
(Dollars in 000's)

	January 2011 Estimate	February 2011 Estimate	March 2011 Estimate	April 2011 Estimate	May 2011 Estimate	June 2011 Estimate	July 2011 Estimate	August 2011 Estimate	September 2011 Estimate	October 2011 Estimate	November 2011 Estimate	December 2011 Estimate	Total
11 <u>Return on Rate Base</u>													
12													
13													
14 <u>Rate base</u>													
15 Net Plant	304,337	302,924	301,512	303,316	307,464	306,320	305,437	304,437	306,740	308,994	316,113	315,713	
16													
17 Working Capital Allow. (45 days of O&M)	14,309	14,309	14,309	14,309	14,309	14,309	14,309	14,309	14,309	14,309	14,309	14,309	14,309
18 Fossil Fuel Inventory	55,326	54,628	47,108	47,141	47,178	47,216	47,253	47,291	47,321	47,353	47,396	47,446	
19 Mat'ls and Supplies	55,501	55,552	55,677	55,823	56,037	56,427	56,520	56,635	56,927	57,029	57,355	58,198	
20 Prepayments	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428	2,428	
21 Deferred Taxes	(17,123)	(15,961)	(16,020)	(15,918)	(14,905)	(18,194)	(17,048)	(15,788)	(17,418)	(20,177)	(19,210)	(17,099)	
22 Other Regulatory Obligations	(17,551)	(18,844)	(20,337)	(21,549)	(22,778)	(12,567)	(14,034)	(15,487)	(17,158)	(18,411)	(19,653)	(20,936)	
23 <u>Total Rate Base (L15 thru L22)</u>	<u>397,226</u>	<u>395,035</u>	<u>384,676</u>	<u>385,549</u>	<u>389,732</u>	<u>395,938</u>	<u>394,865</u>	<u>393,824</u>	<u>393,148</u>	<u>391,524</u>	<u>398,736</u>	<u>400,058</u>	
24													
25 Average Rate Base (prev + curr month)	397,226	396,131	389,856	385,113	387,641	392,835	395,401	394,345	393,486	392,336	395,130	399,397	
26 x Return	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	
27 <u>Return (L25 x L26)</u>	<u>\$ 3,635</u>	<u>\$ 3,625</u>	<u>\$ 3,568</u>	<u>\$ 3,525</u>	<u>\$ 3,548</u>	<u>\$ 3,595</u>	<u>\$ 3,619</u>	<u>\$ 3,609</u>	<u>\$ 3,601</u>	<u>\$ 3,591</u>	<u>\$ 3,616</u>	<u>\$ 3,655</u>	<u>\$ 43,187</u>

Amounts shown above may not add due to rounding.

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION
(Dollars in 000's)

10 Summary of Actual and Forecasted Energy Service

11 Cost For January 2010 Through December 2010	TOTAL COST	Cents per KWH (2)	Reference
12			
13 Fossil energy costs	\$ 175,892	3.21	Attachment RAB-2, page 2
14 F/H O&M, depreciation & taxes	132,404	2.42	Attachment RAB-2, page 2
15 Return on rate base	41,129	0.75	Attachment RAB-2, page 2
16 ISO-NE ancillary	1,542	0.03	Attachment RAB-2, page 2
17 Capacity	14,179	0.26	Attachment RAB-2, page 2
18 NH RPS	9,256	0.17	Attachment RAB-2, page 2
19 RGGI costs	5,339	0.10	Attachment RAB-2, page 2
20 Vermont Yankee	6,990	0.13	Attachment RAB-2, page 2
21 IPP costs (1)	26,973	0.49	Attachment RAB-2, page 2
22 Purchases and sales	81,281	1.48	Attachment RAB-2, page 2
23 Return on ES Deferral	358	0.01	Attachment RAB-2, page 2
24 Merrimack projected O&M insurance proceeds	(6,500)	(0.12)	Attachment RAB-2, page 2
25 Merrimack projected RPC insurance proceeds	(8,700)	(0.16)	Attachment RAB-2, page 2
26 2009 Actual ES under/(over) recovery	4,442	0.08	Attachment RAB-2, page 2
27			
28 Total Updated Energy Service Cost	\$ 484,585	8.84	
29 Total Updated Revenue at 8.96 cents per kwh	486,067		
30 Energy Service (Over)/Under Recovery	(1,482)		
31			

Amounts shown above may not add due to rounding.

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION
(Dollars in 000's)

	January 2010 Actual	February 2010 Actual	March 2010 Actual	April 2010 Actual	May 2010 Actual	June 2010 Actual	Reference
Energy Service Cost							
Fossil energy costs	\$ 17,238	\$ 16,427	\$ 16,133	\$ 11,963	\$ 12,131	\$ 15,568	RAB-2, P3
F/H O&M, depreciation & taxes	10,525	9,974	10,983	12,916	12,943	13,037	RAB-2, P5
Return on rate base	3,514	3,513	3,206	3,343	3,343	3,427	RAB-2, P6
ISO-NE ancillary (inc. Congestion and Loss Adj.)	(591)	124	154	(142)	109	(79)	RAB-2, P3
Capacity	2,290	1,673	1,779	1,086	1,264	1,092	RAB-2, P3
NH RPS	994	994	994	994	994	(609)	RAB-2, P3
RGGI costs	550	528	538	493	466	523	RAB-2, P3
Vermont Yankee	646	563	655	485	46	636	RAB-2, P3
IPP costs (1)	3,743	2,244	2,089	2,315	2,340	2,146	RAB-2, P4
Purchases and sales	9,062	5,537	4,264	6,501	8,400	5,528	RAB-2, P3
Return on ES Deferral	15	18	22	26	32	38	
Merrimack projected O&M insurance proceeds	-	-	-	-	-	-	
Merrimack projected RPC insurance proceeds	-	-	-	-	-	-	
2009 Actual ES under/(over) recovery	4,442	-	-	-	-	-	
Total Energy Service Cost Re-estimate	\$ 52,428	\$ 41,595	\$ 40,817	\$ 39,980	\$ 42,068	\$ 41,307	
Total Energy Service Revenue	47,803	39,681	39,333	34,987	37,497	40,506	
ES Under/(Over) Recovery	4,625	1,914	1,484	4,993	4,571	801	
Retail MWH Sales	533,440	442,851	438,928	390,467	418,512	452,042	
Energy Service Cost - cents per kwh	9.83	9.39	9.30	10.24	10.05	9.14	

(1) January 2010 IPP costs include \$305k of ES true-up to actual.

Amounts shown above may not add due to rounding.

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2010 ENERGY SERVICE RATE CALCULATION
(Dollars in 000's)

	July 2010 Actual	August 2010 Actual	September 2010 Re-Estimate	October 2010 Re-Estimate	November 2010 Re-Estimate	December 2010 Re-Estimate	Total	Reference
Energy Service Cost								
Fossil energy costs	\$ 18,394	\$ 16,605	\$ 12,283	\$ 8,150	\$ 15,016	\$ 15,984	\$ 175,892	RAB-2, P3
F/H O&M, depreciation & taxes	10,988	10,453	13,810	9,037	8,615	9,122	132,404	RAB-2, P5
Return on rate base	3,511	3,511	3,438	3,361	3,424	3,538	41,129	RAB-2, P6
ISO-NE ancillary (inc. Congestion and Loss Adj.)	162	460	526	108	342	369	1,542	RAB-2, P3
Capacity	366	801	923	843	843	1,218	14,179	RAB-2, P3
NH RPS	828	828	798	786	779	875	9,256	RAB-2, P3
RGGI costs	578	550	264	176	328	346	5,339	RAB-2, P3
Vermont Yankee	634	653	624	663	648	670	6,990	RAB-2, P3
IPP costs	2,133	1,610	1,474	1,843	2,287	2,747	26,973	RAB-2, P4
Purchases and sales	9,113	7,608	7,921	9,991	3,071	4,284	81,281	RAB-2, P3
Return on ES Deferral	37	35	38	40	37	21	358	
Merrimack projected O&M insurance proceeds	-	-	-	-	-	(6,500)	(6,500)	
Merrimack projected RPC insurance proceeds	-	-	-	-	-	(8,700)	(8,700)	
2009 Actual ES under/(over) recovery	-	-	-	-	-	-	4,442	
Total Energy Service Cost Re-estimate	\$ 46,744	\$ 43,114	\$ 42,099	\$ 34,999	\$ 35,390	\$ 23,975	\$ 484,585	
Total Energy Service Revenue at 8.78	\$ 48,875	\$ 43,978	\$ 37,812	\$ 37,242	\$ 36,906	\$ 41,447	\$ 486,067	
ES Under/(Over) Recovery	\$ (2,131)	\$ (864)	\$ 4,287	\$ (2,243)	\$ (1,515)	\$ (17,473)	\$ (1,482)	
Retail MWH Sales	556,540	501,151	430,666	424,165	420,336	472,067	5,481,165	
Energy Service Cost - cents per kwh	8.40	8.60	9.78	8.25	8.42	5.08	8.84	

Amounts shown above may not add due to rounding.

PUBLIC SERVICE RATE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION

PSNH Generation (GWh) and Expense (\$000)
IPP's Priced at Market Rate

		Sep-10	Oct-10	Nov-10	Dec-10	Total	
1							
2	Hydro:	Energy	16.457	23.078	32.320	31.206	103.061
3							
4	Coal:	Energy	267.834	178.355	333.690	344.813	1,124.692
5		Energy Expense	\$ 11,478	7,266	14,160	14,631	47,535
6							
7	Wood:	Energy	25.435	27.951	27.050	27.951	108.387
8		Energy Expense	\$ 1,263	1,388	1,343	1,388	5,380
9		Revenue Credit	\$ (458)	(503)	(487)	(503)	(1,951)
10							
11	Nuclear:	Energy	14.314	15.207	14.846	15.349	59.716
12		Energy Expense	\$ 624	663	648	670	2,605
13							
14	Newington:	Energy	0.000	0.000	0.000	6.400	6.400
15		Energy Expense	\$ -	-	-	469	469
16							
17	IPP's:	Energy	33.454	42.086	51.937	56.294	183.771
18		Energy Expense	\$ 1,334	1,624	2,068	2,528	7,554
19		ICAP	\$ 140	219	219	219	799
20							
21	Peak Purchase:	Energy	38,546	44,063	0.000	1,714	84,323
22		Expense	\$ 1,846	1,966	-	111	3,923
23							
24	Known Purchases	Energy	78.206	79.133	80.150	86.612	324.101
25		Expense	\$ 6,493	6,546	6,595	7,159	26,793
26							
27	Offpeak Purchase:	Energy	20.394	56.541	0.583	3.271	80.789
28		Expense	\$ 789	2,109	28	174	3,100
29							
30	Surplus Energy Sales	Energy	(38.909)	(17.562)	(95.777)	(74.069)	(226.317)
31		(Credit)	\$ (1,207)	(630)	(3,552)	(3,160)	(8,548)
32							
33	Congestion and Loss Adjustment		\$ (54)	(155)	122	124	38
34							
35	Total Energy GWH		455.731	448.852	444.799	499.541	1,848.923
36	Total Energy Expense	\$	22,249	20,493	21,145	23,810	87,696
37							
38							
39	ISO-NE Ancillary	\$	580	262	220	245	1,307
40	NH RPS	\$	798	786	779	875	3,239
41	RGGI Costs	\$	264	176	328	346	1,113
42							
43	Capacity (sold)/bought MW-mo		216	197	197	285	894
44	Capacity (sold)/bought Cost (\$000)	\$	923	843	843	1,218	3,828

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION

1 **Forecasted PSNH IPP Market Value - September - December 2010**

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4	IPP Energy at							
5	Month	IPP GWh	Mkt Value (\$000)	Capacity MW	ICAP Value \$/kw-mo	ICAP (\$000)	Total (\$000)	Total \$/MWh
6	September	33.454	1,334	32.8	4.28	140	1,474	44.07
7	October	42.086	1,624	51.3	4.28	219	1,843	43.80
8	November	51.937	2,068	51.3	4.28	219	2,287	44.04
9	December	56.294	2,528	51.3	4.28	219	2,747	48.81
10	Total	183.771	7,554			799	8,353	45.45

Amounts shown above may not add due to rounding.

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION
Fossil / Hydro O&M, Depreciation & Taxes Detail
(Dollars in 000's)

	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	Total
Fossil / Hydro O&M, Depr. & Taxes	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate	Estimate	Estimate	
F/H Operation & Maintenance Cost	\$ 7,812	\$ 7,297	\$ 8,200	\$ 10,262	\$ 10,218	\$ 10,314	\$ 8,130	\$ 7,690	\$ 11,011	\$ 6,368	\$ 5,980	\$ 6,311	\$ 99,594
F/H Depreciation Cost	1,752	1,750	1,753	1,748	1,748	1,765	1,799	1,811	1,792	1,797	1,794	1,831	21,340
F/H Property Taxes	720	720	773	687	795	751	751	751	723	723	723	723	8,840
F/H Payroll Taxes	205	171	194	173	136	161	262	155	168	149	118	139	2,031
Amort. of Asset Retirement Obligation	36	36	63	46	46	46	46	46	116	-	-	118	599
Total F/H O&M, Depr. and Taxes	\$ 10,525	\$ 9,974	\$ 10,983	\$ 12,916	\$ 12,943	\$ 13,037	\$ 10,988	\$ 10,453	\$ 13,810	\$ 9,037	\$ 8,615	\$ 9,122	\$ 132,404

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION
FOSSIL/HYDRO RETURN ON RATE BASE
(Dollars in 000's)

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	January 2010 Actual	February 2010 Actual	March 2010 Actual	April 2010 Actual	May 2010 Actual	June 2010 Actual	July 2010 Actual	August 2010 Actual	September 2010 Estimate	October 2010 Estimate	November 2010 Estimate	December 2010 Estimate	Total
<u>Return on Rate Base</u>													
<u>Rate base</u>													
Net Plant	283,340	283,340	277,517	277,517	277,517	295,754	295,754	295,754	281,702	281,655	295,480	304,837	
Working Capital Allow. (45 days of O&M)	12,543	12,543	12,543	12,543	12,543	12,543	12,543	12,543	12,605	12,605	12,605	12,605	
Fossil Fuel Inventory	81,748	81,748	65,480	65,480	65,480	55,298	55,298	55,298	55,000	55,000	55,000	55,000	
Mat'ls and Supplies	53,616	53,616	53,762	53,762	53,762	48,299	48,299	48,299	48,000	48,000	48,000	48,000	
Prepayments	2,428	2,428	2,292	2,292	2,292	1,755	1,755	1,755	1,789	1,789	1,789	1,789	
Deferred Taxes	(20,454)	(20,454)	(18,780)	(18,780)	(18,780)	(21,295)	(21,295)	(21,295)	(20,487)	(20,105)	(18,856)	(16,535)	
Other Regulatory Obligations	(12,409)	(12,409)	(15,521)	(15,521)	(15,521)	(8,696)	(8,696)	(8,696)	(11,055)	(11,946)	(12,846)	(13,643)	
<u>Total Rate Base (L15 thru L22)</u>	<u>400,812</u>	<u>400,812</u>	<u>377,293</u>	<u>377,293</u>	<u>377,293</u>	<u>383,658</u>	<u>383,658</u>	<u>383,658</u>	<u>367,554</u>	<u>366,998</u>	<u>381,172</u>	<u>392,053</u>	
Average Rate Base (prev + curr month)	400,924	400,812	389,053	377,293	377,293	380,476	383,658	383,658	375,606	367,276	374,085	386,613	
x Return	0.8765%	0.8765%	0.8765%	0.8860%	0.8860%	0.8860%	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	0.9152%	
<u>Return (L25 x L26)</u>	<u>\$ 3,514</u>	<u>\$ 3,513</u>	<u>\$ 3,206</u>	<u>\$ 3,343</u>	<u>\$ 3,343</u>	<u>\$ 3,427</u>	<u>\$ 3,511</u>	<u>\$ 3,511</u>	<u>\$ 3,438</u>	<u>\$ 3,361</u>	<u>\$ 3,424</u>	<u>\$ 3,538</u>	<u>\$ 41,129</u>

Amounts shown above may not add due to rounding.