BEFORE THE STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

In the matter of:)
Public Service Company of New Hampshire)
Distribution Service Rate Case)
DE 09-035)

DIRECT TESTIMONY OF
THE OFFICE OF CONSUMER ADVOCATE

BY

KENNETH E. TRAUM
ASSISTANT CONSUMER ADVOCATE

AND

STEPHEN R. ECKBERG
UTILITY ANALYST

JANUARY 15, 2010

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. Please state your names, business address, and titles.

A. (Traum) My name is Kenneth E. Traum. I am the Assistant Consumer Advocate for the Office of Consumer Advocate (OCA), which is located at 21 South Fruit Street, Suite 18, Concord, New Hampshire 03301.

A. (Eckberg) My name is Stephen R. Eckberg, and I am a Utility Analyst with the OCA. My business address is the same as Mr. Traum's.

Q. Mr. Traum, does this testimony include a summary of your education and experience?

A. Yes, a summary of my qualifications to testify on behalf of the OCA can be found at OCA Attachment 1.

Q. Mr. Traum, have you previously testified before the New Hampshire Public Utilities Commission (Commission)?

A. Yes, I have testified before the Commission on behalf of the OCA on many occasions.

Q. Mr. Eckberg, does this testimony include a summary of your education and experience?

A. Yes, a summary of my qualifications to testify on behalf of the OCA can be found at OCA Attachment 2.

Q. Mr. Eckberg, have you previously testified before the Commission?

A. Yes, in several cases.

Q. Please summarize the purpose of your testimony.

A. Our testimony is filed on behalf of the OCA, in response to the filing by Public Service Company of New Hampshire (PSNH) of new Distribution rate schedules in June 2009, and as revised on December 15, 2009 (PSNH's Rate Case Filing).

II. SUMMARY OF PSNH'S RATE CASE FILING

Q. Please summarize PSNH's request regarding its Distribution sector revenue requirement.

A. Based on the updated schedules dated December 15, 2009, PSNH seeks a $50,873,000 annual permanent increase to its distribution segment revenues, a step adjustment that provides an additional $16,771,000 in revenues annually for a combined increase effective July 1, 2010 of $67,644,000. PNSH also seeks additional rate increases through step adjustments of approximately $1.5 million each, effective June 30, 2011 and June 30, 2013, related to the proposed enhancement of PSNH's Reliability Enhancement Program (REP). With regard to its new REP proposal (REP II), PSNH proposes to increase its distribution sector revenue requirement by $4 million as part of the $16,771,000 step on July 1, 2010. PSNH also raised the issue of "attrition" and incorporated several proposals to address this issue through rates.

Q. Please summarize PSNH's proposed rate design.

A. PSNH proposes to allocate the proposed revenue requirement increase equally across all customer classes, resulting in an increase to each class of 20.95%. Within the Residential Rate R, PSNH seeks to allocate a higher percentage of the revenue increase to the Customer Charge, from $8.93/month to $12.00/month or a 34.4% increase. PSNH proposes a usage rate increase of 13.8%, to go from $0.02914/kWh to $0.03315/kWh.

III. SUMMARY OF THE OCA'S RECOMMENDATIONS

Q. Please summarize the OCA's recommendations concerning PSNH's proposed revenue requirement increases.

A. The OCA recommends that the Commission reduce PSNH's proposed permanent increase on July 1, 2010 by at least $14,717,569. The OCA also recommends that the Commission reduce PSNH's July 2010 step increase by at least $2,428,531 and, therefore, decrease the total increase that will go into effect on July 1, 2010 by at least $17,146,100. Because we expect the Commission Staff to file testimony on the issues of cost of capital, depreciation, capital recovery calculation ("CRC") and pension and OPEB costs, we reserve our rights to comment and to make recommendations on those issues at the hearing related to any additional reductions to the proposed permanent increase and step adjustment. The table below sets forth a list of proposed adjustments and the corresponding amounts, as well as the overall impact on PSNH's request. A detailed description of each proposed adjustment follows.

DE 09-035
PSNH Rate Case
Table of OCA Proposed Adjustments

Item #	OCA Testimony Reference	OCA Proposed Adjustment	Impact on 12/15/09 Updated Rev. Req.	Impact on 7/1/2010 Step Adjustment
1	IV.A.1.a	Fully Depreciated Legacy Systems	$ (218,394)	
2	IV.A.1.b	Ice Storm Costs already recovered through Distribution Base rates	$ (520,000)	
3	IV.A.1.c	Donations	$ (706,566)	
4	IV.A.1.d	Bus & Econ Advertising Expenses	$ (332,545)	
5	IV.A.1.e	Incentive Compensation	$ (1,338,936)	
6	IV.A.1.f	Payroll Vacant Positions	$ (289,000)	
7	IV.A.1.g	Payroll Overtime	$ (351,039)	
8	IV.A.1.h	Other Test Year Expenses	$ (392,534)	
9	IV.A.1.i	C2 System Training	$ (638,000)	
10	IV.A.1.j	Other Post-Employment Benefits	$ (247,000)	
11	IV.A.1.k	Uncollectible Expense	$ (1,350,000)	
12	IV.A.1.l	Customer Experience Employees	$ (871,262)	
13	IV.A.1.m	Lobbying Expenses	$ (60,998)	
14	IV.A.1.n	Electric Assistance Program	$ (43,078)	
15	IV.A.1.o	Rate Base/Depreciation Year End 2008	$ (6,576,217)	
16	IV.A.2.a	12/2008 Ice Storm Due to Lost Revenues	$ (782,000)	
17	IV.B.1.a	Amortizations Ending by 7/1/2010		$ (1,329,000)
18	IV.B.1.b	Fully Depreciated Legacy Systems		$ (327,450)
19	IV.B.1.c	Distribution Sector allocation of Company Electric Use		$ 1,400,932
20	IV.B.*1* .d	Hydro-Quebec Support Payments		$ (5,284,503)
21	IV.B.*1* .e	NHPUC Assessment		$ (2,346,191)
22	IV.B.*1* .f	Transmission O&M in Wrkg Cap		$ (1,118,536)
23	IV.B.*1* .g	Rate Base/Depreciation Year End 2009		$ 6,576,217
		TOTAL	$ (14,717,569)	$ (2,428,531)
		As Filed by PSNH	$ 50,873,000	$ 16,771,000
		Total Impact of OCA adjustments on PSNH Request	$ 36,155,431	$ 14,342,469

Q. Please summarize the OCA's recommendations concerning PSNH's proposed allocation of the revenue requirement increase and rate design.

A. The OCA recommends that the Commission approve PSNH's proposal to allocate the revenue requirement increase equally across all customer classes. Although not addressed specifically in PSNH's Rate Case Filing, the OCA recommends that the Commission direct PSNH to use the same allocation methodology for any step increases approved. The OCA does not oppose PSNH's proposal to increase the Customer Charge for the Residential Rate R class by a larger percentage than the increase in the usage rate, though we believe that it sends an anti-conservation signal to customers as discussed further below. We discuss our rate design recommendations in more detail later in our testimony.

<u>IV. THE OCA'S PROPOSED REVENUE REQUIREMENT ADJUSTMENTS</u>

A. PERMANENT RATE INCREASE

1. EXPENSE ADJUSTMENTS

<u>a. FULLY DEPRECIATED LEGACY INFORMATION SYSTEM INVESTMENTS</u>

Q. Please describe the first recommended adjustment to the PSNH's proposed revenue requirement for permanent rates, a reduction to expenses of $218,394.

A. In response to discovery, PSNH identified certain capital investments in its legacy customer service information system that were fully depreciated in 2009. *See* PSNH's Response to Tech Session 3-15 (OCA Attachment 3). Because these costs have been fully depreciated, PSNH's proposed revenue requirement for permanent rates should be reduced by $218,394 ($166,179 + $52,215). *Id*.

b. DECEMBER 2008 ICE STORM COSTS

Q. Please describe the next recommended adjustment to the Company's proposed revenue requirement for permanent rates, a reduction to expenses of $520,000.

A. In response to discovery, PSNH stated that a portion of the total December 2008 Ice Storm costs included in its calculation of the proposed revenue requirement for permanent rates, or $1,569,800, would have been incurred absent the ice storm and recovered through its base rates. *See* PSNH's Response to OCA 1-58 (OCA Attachment 4). This amount, which PSNH proposed to recover over a 59-month period, equates to $26,607 a month plus carrying costs, or $520,000 annually.

Q. Before turning to the next recommended adjustment, do you have any other comment about PSNH's request to recover its December 2008 Ice Storm Costs?

A. Yes. Assuming that the Commission allows PSNH to recover its 2008 Ice Storm costs, the Commission should require PSNH to reduce its distribution revenue requirement by the amount approved on an annual basis, effective July 1, 2014 when the allowed costs are fully recovered.

c. DONATIONS

Q. Please describe the next recommended adjustment to PSNH's proposed revenue requirement, a reduction in expenses of $706,566.

A. PSNH's updated revenue requirement (December 15, 2009) includes $695,000 related to charitable donations. *See* PSNH Response to Tech Session 3-12 (OCA Attachment 5). This amount should be removed because charitable contributions should not be borne by ratepayers. *See e.g.*, Re EnergyNorth Natural Gas, Inc., 77 N.H. PUC 354, 360 (1992). Because the $695,000 was originally included in PSNH's calculation of its working capital requirement, that calculation must also be revised. The revenue impact of that revision is a further reduction of $11,566, making the total reduction $706,566.

d. BUSINESS AND ECONOMIC DEVELOPMENT ADVERTISING

Q. Please describe the next recommended adjustment to PSNH's proposed revenue requirement increase, a reduction in expenses of $332,545.

A. In addition to other permissible advertising costs, PSNH included $327,101 of "Business and Economic Development Advertising" expenses in its proposed revenue requirement. *See* PSNH's Response to Staff 3-17 (OCA Attachment 6). PSNH failed to demonstrate that these advertising expenses fall within the categories of advertising activities for which an electric utility may recover the costs from ratepayers, specifically advertising related to safety or emergencies, rate or financial assistance information, employment opportunities, energy efficiency, or "consistent with [its] approved least cost integrated resource plan." *See* Puc 310.03. In addition, the identification of these costs as "Business and Economic Development," is consistent with "institutional activity" or "promotional activity" and "institutional advertising" or "promotional advertising," *see* Puc 310.01 (c), (h), (d) and (i), respectively, the recovery of which from ratepayers in prohibited. *See* Puc 310.02. Therefore, PSNH's revenue requirement for the purpose of permanent rates should be reduced by $332,545, which includes an additional reduction of $5,444 necessary to reflect the reduction in working capital related to this adjustment.

e. INCENTIVE COMPENSATION

Q. Please describe the OCA's next recommended adjustments to PSNH's proposed revenue requirement, a reduction of $1,338,936 for incentive compensation expenses.

A. PSNH included $5,548,255 of incentive compensation in the calculation of the revenue requirement for permanent rates. *See* PSNH's Response to OCA 1-4 (OCA Attachment 7). The OCA recommends that of this amount, $1,317,019 relating to incentive compensation for corporate officers of Company's parent, Northeast Utilities should be recovered from the Company's shareholders, rather than its ratepayers. The amount $21,917 should also be added to the reduction related to a corresponding reduction in working capital needs.

Q. What information formed the basis for the OCA's recommended reduction to expense on this issue?

A. The OCA's recommendation is based upon copies of incentive plans provided by the Company in response to discovery, and is further informed by recent distribution rate cases involving PSNH's affiliate Connecticut Light & Power Company (CL&P) at the Connecticut Department of Public Utilities (CT DPU).

Q. Specifically, what does this amount represent?

A. The OCA's understanding of the information provided by the Company is that the $1,317.019 represents the PSNH Distribution Sector Allocation of the total amounts of certain Incentive Program payments made in 2008 to Corporate Officers. Referring to

OCA Attachment 7 this amount represents the sum of $8,838, $251,530, and $1,056,651 which amounts are shown in the table on page 2 of that attachment as related to "Corporate" Functional Area with Goals and Weightings related to "Time-Vested Restricted Share Units" and also the 2006-2008 Long Term Incentive Program.

Q. You stated that this amount is only part of PSNH Distribution Sector Allocation amount to certain officers. What was the total amount of incentive compensation paid to those officers?

A. The Company provided information showing that in 2008, the NU Chairman, Mr. Shivery, earned $5,363,994 in bonus, annual incentive, and long-term incentive over his annual base salary of $1,067,404; Mr. Olivier earned $1,238,694 in bonus, annual incentive, and long-term incentive over his annual base salary of $550,962; NU Senior Vice President and General Counsel, Mr. Butler earned $1,078,067 in bonus, annual incentive, and long-term incentive over his annual base salary of $418,542; and NU Senior Vice President and Chief Financial Officer Mr. McHale earned $1,156,891 in bonus, annual incentive, and long-term incentive over his annual base salary of $508,654. Bonus, annual incentive and long-term incentive payments to these four officers as stated above, totals $8,837,646. See PSNH Response to Staff 4-013-RV-01 page 2 of 5 (OCA Attachment 8)[1]. The total compensation to these four officers, which also includes compensation elements other than those above, in 2008 was reported to be $14,129,666 of which a portion was allocated to the PSNH Distribution Sector. *See* PSNH Response to OCA 1-T-013b (OCA Attachment 9).

[1] The OCA has attached the redacted version of PSNH's Response to Staff 4-013-RV-01 page 2 of 5 to this testimony. The OCA will file the confidential attachment under separate cover.

Q. What aspects of the Company's incentive plans have you considered in your recommendation on this issue?

A. The Company provided copies of : 1) the NU 2009-2011 Long-Term Incentive Program – Officers; 2) the 2007-2009 Amended Long-Term Incentive Program – Officers; 3) the NU 2008-2010 Long –Term Incentive Program-Officers; 4) the NU 2009 Annual Incentive Program Plan for Executives including PSNH 2009 Goals; 5) PSNH 2009 Non-Officer Incentive Goals for Business Staff; 6) PSNH 2009 Non-Officer Incentive Goals for Customer Operations and; 7) PSNH 2009 Non-Officer Incentive Goals for Energy Delivery. The OCA has reviewed this material, including the plan goals for officers and non-officers. *See* PSNH Response to TS-01-TECH-003 (OCA Attachment 10)[2].

Q. What are the OCA's conclusions after reviewing these incentive plans?

A. The OCA concludes that the Long-Term Incentive Program – Officers for both 2007 - 2009, 2008 - 2010 and 2009 - 2011 are based exclusively on four equally weighted goals which are: 1) Cumulative Adjusted Net Income; 2) Return on Equity; 3) Credit Rating and 4) Total Shareholder Return relative to a comparative group of utilities. Payments under these Programs apply to certain Officers who were not identified in the data response (OCA Attachment 10). The OCA believes that these corporate financial goals clearly benefit shareholders of the Company to a far greater degree than the Company's ratepayers. It is the OCA's understanding that for ratemaking purposes, an expense should be related to providing service, and should provide a benefit to ratepayers. The

[2] The OCA does not have a redacted version of page 9, and PSNH has requested that the OCA not disclose that page publicly. For that reason, the OCA will file the confidential portion of this Attachment under separate cover.

Company's expenses included in this case for its Long-Term Incentive Program – Officers do not appear to meet this standard. Therefore, the OCA recommends that the Commission direct the Company to recover these amounts from shareholders rather then from ratepayers in the requested revenue requirement.

Q. What are the OCA's conclusions regarding the other incentive compensation amounts included in the filing?

A. As discussed above, the OCA has reviewed the copies of all incentive plans provided by the Company. The OCA concludes that the other incentive plans listed above all include a wide mix of goals and metrics which address financial but also customer service, workforce planning and safety, stewardship (safety and environmental) goals. These are very briefly summarized in the table provided by the Company in OCA Attachment 7. Whereas these plans address a broad mix of Company performance metrics, it is not possible with the information provided for the OCA to make any further recommendation about whether any portion of incentive payments under those plans should more appropriately be collected from shareholders than ratepayers.

Q. Are there any goals and metrics in those plans that you wish to highlight?

A. Yes there are. As mentioned above, there is a wide mix of goals and metrics included in some of these plans and these cover a very broad range of Company issues. For example: 1) Implement strategy addressing anti-coal pressures; 2) Achieve Merrimack Scrubber Project Milestones; 3) Achieve MK2 guaranteed output increase; 4) Number of grants awarded in Community Development program; 5) Achieve Energy Efficiency

Shareholder Incentive target; and others. While the OCA does not question whether these goals are reasonable from PSNH's perspective, we do question whether any incentive payments earned based on such goals are appropriate for inclusion in Distribution Rates.

Q. Does the OCA have any further recommendation regarding Incentive Compensation Plans?

A. Yes. Because Incentive Compensation is such a difficult subject area for all parties to be comfortable with, the OCA suggests that the Commission should take two steps to promote better understanding and productive engagement of all parties on this issue. First, we recommend that the Commission require the Company to file an annual report on the operation and performance of its incentive compensation plans. The report should include an accounting of all amounts paid under each plan with Officers and executives listed individually and showing allocations to each PSNH business (generation, distribution, transmission), all amounts recorded as earned but not paid, and an evaluation of the plan's success in meeting its stated goals, including controlling overall employee compensation costs. Second, the OCA recommends that the Commission engage the services of a consultant with special expertise in executive compensation to assist with the review and evaluation of these annual reports. The OCA believes that expert services would be extremely beneficial to assist in this process.

Q. Again, what amount specifically, is the OCA recommending the Commission allow for incentive compensation?

A. The Company included a request for $5,548,255. The OCA recommends that the Commission direct the Company to recover $1,317,019 (as well as $21,917 related to working capital) of that request from its shareholders rather than its ratepayers, leaving $4,231,236 or approximately 76% of the Company's request in the revenue requirement.

Q. You mentioned earlier that the OCA's recommendation was also informed by recent rate cases involving PSNH's affiliate in Connecticut, CL&P. Would you please address that further?

A. Yes. In its 2007 rate case CL&P, on its own initiative, withdrew 100% of its executive incentive compensation expense, in the amount of $3.511 million, and the CT DPU allowed CL&P to recover through rates only 75% of non-executive incentive compensation. *See* Decision of the CT DPU, Application of the Connecticut Light and Power Company to Amend Rate Schedules, Docket 07-07-01, dated January 28, 2008, pp. 1, 58-60.[3] The disallowance of 25% of non-executive incentive compensation was based in part upon a finding that there exists a "perceptible tilt in plan goals and objectives towards shareholder benefits." *Id*. at p. 60. Second, on January 8, 2010, CL&P filed a distribution rate case at the CT DPU. In this 2010 rate case filing, CL&P does not seek recovery of any executive incentive compensation, and CL&P also only requested recovery of only 75% of non-executive incentive compensation. *See* Executive Summary

[3] http://www.dpuc.state.ct.us/dockhist.nsf/8e6fc37a54110e3e852576190052b64d/4149ff0d4a5fff4f8525755a005ad328/$FILE/070701-012808.doc

of Application of the Connecticut Light and Power Company to Amend Its Rate Schedules by Jeffrey D. Butler, (OCA Attachment 11).

Q. Is the OCA aware of other jurisdictions where regulatory bodies have eliminated all or portions of incentive compensation?

A. Yes. The OCA is aware of a recent case in Massachusetts in which the MA Department of Public Utilities (DPU) excluded incentive compensation from a utility's rates in a natural gas rate case. *See* DPU Order issued February 2, 2009, Petition of New England Gas Company for a General Increase in Gas Rates, Docket 08-035 (available at http://www.env.state.ma.us/dpu/docs/gas/08-35/2209dpuord.pdf). In that case, the DPU found that "the Company has failed to demonstrate that the Annual Incentive Plan for SUG's [Southern Union Company, the parent of New England Gas] corporate employees and the Amended Bonus Plan for SUG's president and senior executive vice president are reasonably designed to encourage good employee performance and will result in benefits to NEGC's ratepayers." *Id*. at p. 99-100 (emphasis added). In its analysis, the DPU stated that "[i]n order for an incentive plan to be reasonable in design, it must both encourage good employee performance and result in benefits to ratepayers," and found that the utility did not make the requisite showing related to ratepayer benefits. Similarly, in this case the incentive compensation which the OCA recommends be recovered from PSNH shareholders, not ratepayers, also has not been shown to provide any benefit to ratepayers and should therefore be excluded.

f. PAYROLL – VACANT POSITIONS

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction to expenses of $289,000.

A. In discovery PSNH identified six employee positions that were vacant in 2009 but for which PSNH included $284,269 in test year expenses for the purpose of calculating permanent rates. *See* PSNH's Response to TS 01-015 (11/18/09) (OCA Attachment 12). The known and measurable change in these costs (*i.e*., the lack of these costs) in the 12 months following the test year requires a reduction to expenses of $289,000 for purposes of calculating permanent rates, which includes a working capital adjustment of $4,731.[4]

g. PAYROLL – OVERTIME

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction to expenses of $351,039.

A. PSNH used estimated amounts to calculate a pro forma expense increase associated with employee overtime. In its updated Rate Case Filing (December 15, 2009), PSNH replaced estimates with actual 2009 data for expense items including Pension, OPEB, and Medical costs. PSNH's overtime estimates should likewise be replaced by 2009 actual data. This recalculation, using actual data ($1,654,815-1,281,383 = $345,293) results in a reduction to expenses of $345,293. The OCA's total reduction for this issue also includes a working capital adjustment of $5,746. *See* PSNH's Responses to OCA 4-4 (OCA Attachment 13) and Tech Session 3-17 (OCA Attachment 14), p. 3 of 3.

[4] *See* Re Pennichuck Water Works, Inc., 89 N.H. PUC 537, 541 (2004) ("The Commission … traditionally uses a historical 'test year' methodology to establish a utilities revenue requirement. The Commission examines a thirteen point average of the utility's rate base during the twelve month test year with pro rata modifications to operation and maintenance expenses for 'known and measurable' changes in the twelve months following the test year.").

h. OTHER TEST YEAR EXPENSES

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction to expenses of $392,534.

A. Certain test year expenses included in PSNH's proposed revenue requirement were at levels much higher than in the preceding two years. To normalize these expenses, the OCA calculated three year averages for, and recommends corresponding adjustments to, the following expenses listed below by FERC account, for a total reduction to expenses of $392,534, which includes $6,425 related to working capital.

- Account 58899 (Misc. Distribution Expenses - Other)[5] – reduce costs associated with distribution system inventory write-offs included within the total test year costs for this account by $97,033.[6] *See* PSNH's Response to OCA 3-1 (a) (OCA Attachment 15).
- Account 59199 (Maintenance of Structures – Other)[7] – reduce the total test year costs for this account by $47,410.[8] *See* PSNH's Response to OCA 1-T-13 (h), Attachment (unnumbered) pp. 1 and 5 (2008 and 2007, respectively) (OCA Attachment 16); and PSNH's FERC Form 1 for 4th Quarter 2006, p. 322, line 147 (OCA Attachment 17).
- Account 59206 (Distribution Substation Maintenance – Installation/Removal Mobile Routine) – reduce the contractor costs included within the total test year

[5] For PSNH's description of this account, please see PSNH's Volume 4, FERC Accounts - Transmission and Distribution Expenses Tab, p. F6-21.
[6] (PSNH Request) – (OCA Recommended Allowance of 3 year average) = OCA Recommended Reduction. $178,500 – ($46,800+$19,100+$178,500)/3 = $97,033.
[7] For PSNH's description of this account, please see PSNH's Volume 4, FERC Accounts - Transmission and Distribution Expenses Tab, p. F6-22.
[8] (PSNH Request) – (OCA Recommended Allowance of 3 year average) = OCA Recommended Reduction. $270,047 - ($219,595 + $178,268 + $270,047)/3 = $47,410.

costs for this account by $212,333.[9] *See* PSNH's Response to OCA 3-1 (d) (OCA Attachment 15).

- Account 923FR (NUSCO FR)[10] – reduce the total test year costs for this account by $29,333.[11] *See* PSNH's Response to OCA 3-1 (g) (OCA Attachment 15).

i. <u>"C2" SYSTEM TRAINING</u>

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction to expenses of $638,000.

A. PSNH's test year expense includes $1,011,000 in costs for training related to PSNH's C2 system[12] despite the fact that PSNH has assigned a 10-year life to the recovery of the C2 system investment. *See* PSNH's Responses to OCA 1-57 (OCA Attachment 18) and OCA 3-1 (e) (OCA Attachment 15), and page 18 of the PUC Audit Report (OCA Attachment 19). The OCA recommends that the training costs be recovered over a period of three years, with carrying costs, resulting in a reduction to test year expense of $638,000, as calculated by PSNH in its Audit Response to the PUC Audit recommendation, suggesting that as an alternative the C2 costs be amortized over three years.

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[9] (PSNH Request) – (OCA Recommended Allowance of 3 year average) = OCA Recommended Reduction. $535,000 - ($97,000 + $336,000 + $535,000)/3 = $212,333.
[10] *See* PSNH's Volume 4, FERC Accounts – Administrative and General Expenses Tab, p. F10-19.
[11] (PSNH Request) – (OCA Recommended Allowance of 3 year average) = OCA Recommended Reduction. $44,000 - ($0 + $0 + $44,000)/3 = $29,333.
[12] "C2" is PSNH's upgraded billing and customer information system.

j. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction to expenses of $247,000.

A. In response to discovery, PSNH identified an error in its revised Rate Case Filing (December 15, 2009) related to its updated OPEB expense calculations. *See* PSNH's Response to Tech Session 3-4, page 1 (OCA Attachment 20). Therefore, expenses for purposes of calculating the revenue requirement for permanent rates should be reduced by $247,000 (OPEB costs of $243,000 and a return on working capital of approximately $4,000). *Id*.

k. UNCOLLECTIBLE EXPENSES

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction to expenses of $1,350,000.

A. In its initial filing, PSNH estimated 2009 total company uncollectible expense as $6,270,000 and allocated 35%, or $2,195,000, to distribution. *See* PSNH's Volume II, Bates pp. 91-92. In its update PSNH increased these amounts to $10,128,000 and $3,545,000, respectively. *See* PSNH's Updated Rate Case Filing dated December 15, 2009, Baumann Attachment p. 8a of 15. On December 29, 2009, PSNH provided a monthly breakdown of uncollectibles in 2009. *See* PSNH's Response to Tech Session 3-8 (OCA Attachment 21). This monthly breakdown revealed that uncollectible accruals and accounts written off increased dramatically in the second half of 2009, beginning around the time that PSNH filed its permanent rate case. Because PSNH disclosed this new information only two weeks before the due date of the OCA's testimony, the OCA was unable to explore the reasons underlying this dramatic increase in uncollectible expense. In addition, PSNH's updated Rate Case Filing (December 15, 2009) does not provide sufficient explanation for this increase in light of its burden to prove that these expenses are just and reasonable. Therefore, the OCA recommends that the Commission reject PSNH's update of uncollectible expense, and instead use the amount included in PSNH's original Rate Case Filing, resulting in a reduction to expense used to calculate permanent rates of $1,350,000.

l. CUSTOMER EXPERIENCE EMPLOYEES

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction to expenses of $871,262.

A. PSNH included in its updated Rate Case Filing (December 15, 2009) an expense of $857,000 for 2010 increases in Customer Experience (CE) costs, specifically related to the hiring of 16 additional full-time CE employees. *See* PSNH's Updated Rate Case Filing dated December 15, 2009, Cormer/Baumann Attachment, p. 9 of 15. These 2010 costs are not known and measurable in the test year or the twelve months following the test year and as such should be excluded from the calculation of the revenue requirement for purposes of permanent rates. *See* Order No. 24,371 page 8. When working capital of $14,262 is added, the total adjustment is $871,262.

m. LOBBYING COSTS

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction to expenses of $60,998.

A. In response to discovery, PSNH agreed to remove for the revenue requirement $60,000 paid to the law firm of Rath, Young and Pignatelli for lobbying activities. See PSNH's Response to OCA Audit 10 (OCA Attachment 22). Due to timing, PSNH's updated Rate Case Filing did not include this expense reduction. With working capital, the total adjustment is $60,998.

n. ELECTRIC ASSISTANCE PROGRAM

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction to expenses of $43,078.

A. In response to discovery, PSNH indicated that it is amortizing over five years the capitalized costs of $215,392 related to the development of the Electric Assistance Program (EAP) software. *See* PSNH's Responses to Tech Session 3-14 (OCA Attachment 23) and OCA 4-3 (OCA Attachment 24). The annual cost included in the revenue requirement for permanent rates is $43,078 ($215,392 / 5). In its order approving the EAP, the Commission stated, "There is a related issue as to whether utility start-up and ongoing O&M costs should come out of the program fund or whether they should be considered to be a restructuring charge and otherwise funded. Because these are costs that are specific to this program, we believe they ought to be funded through this program." Re Electric Utility Restructuring, Order No. 23,573, November 1, 2000, at p. 19. Therefore, the OCA recommends that these EAP software costs be recovered by PSNH through the EAP portion of the System Benefits Charge.

o. RATE BASE/DEPRECIATION FOR YEAR END 2008

Q. Please describe the OCA's next recommended adjustment to PSNH's proposed revenue requirement, a reduction of $6,576,217.

A. PSNH used a year-end rate base and depreciation expense values to calculate its revenue requirement for permanent rates (December 31, 2008). For a variety of reasons, including the rate base requirement of the Commission's rules and prior interpretation of this requirement,[13] the OCA recommends that the Commission reject PSNH's use of a year-end rate base and depreciation expense values for the purpose of calculating permanent rates. Instead, the OCA recommends that the Commission use a 5-quarter average of 2008 rate base and actual 2008 depreciation expense. This recommendation equates to a reduction in the revenue requirement for permanent rates of $6,576,217.

2. REVENUE ADJUSTMENTS

a. DECEMBER 2008 ICE STORM LOST REVENUE

Q. Please describe the first recommended adjustment to the Company's revenue requirement for permanent rates, which is an increase in revenues of $782,000.

[13] *See* Puc 1604.07(s) (rate base shall be filed on either a thirteen-month or five-quarter average basis) and, for example, Testimony of Steven E. Mullen in DE 06-028 (PSNH's last distribution rate case), dated December 8, 2006, p. 7, lines 11-22 ("chapter 1600 of the Commission's administrative rules set forth the necessary filing requirements for filing a rate case. As part of those requirements, NH Admin. Rules Puc 1604.07(s) specifies that the rate base shall be filed on either a thirteen-month or five-quarter average basis. While technically PSNH met this requirement by starting with a five-quarter average rate base, the Commission has longstanding precedent regarding the use of a thirteen-month or five-quarter average rate base for the purposes of calculating revenue requirements. In addition, PSNH has created a mismatch between rate base and revenues by failing to make any adjustment to annualize its revenues to recognize additional revenue from those new customers who began taking service during the year and for whom any related capital additions would be fully reflected in year-end rate base").

A. The test year, 2008, was not typical in terms of sales and revenues because of the ice storm that occurred in December. In response to discovery, PSNH quantified its loss of sales and revenues caused by the 2008 Ice Storm as $782,000. *See* PSNH's Response to OCA 1-74 (OCA Attachment 25). Therefore, to make the test year more representative, PSNH's test year revenues should be increased by that amount.

B. STEP INCREASE

1. EXPENSE ADJUSTMENTS

a. <u>AMORTIZATIONS ENDING BEFORE JULY 1, 2010</u>

Q. Please describe the first recommended adjustment to the Company's proposed step adjustment, which is a reduction to expenses of $1,329,000.

A. In response to discovery, PSNH has identified three accounts that will be fully amortized before the proposed step adjustment takes effect on July 1, 2010. *See* PSNH's Response to OCA-Audit-2 (OCA Attachment 26). The impact on PSNH's revenue requirement is a reduction of $1,329,000. *Id.* This reduction was not included in PSNH's revised filing dated December 15, 2009.

b. <u>FULLY DEPRECIATED LEGACY INFORMATION SYSTEM INVESTMENTS</u>

Q. Please describe the next recommended adjustment to the Company's proposed step adjustment effective July 1, 2010, which is a reduction to expenses of $327,450.

A. In response to discovery, PSNH identified certain capital investments in its legacy customer service information system which will be fully depreciated in 2010. *See*

PSNH's Response to Tech Session 3-15 (OCA Attachment 3). Therefore, PSNH's proposed step adjustment effective July 1, 2010 should be reduced by $327,450. *Id*.

c. DISTRIBUTION SECTOR ELECTRICITY USE

Q. Please describe the OCA's next recommended adjustment to the Company's proposed step adjustment effective July 1, 2010, which is an increase in expenses of $1,400,932.

A. In PSNH's most recent Energy Service rate docket, DE 09-180, the Commission stated that "the value of company use of energy not related to generation should be removed from the ES rate and recovered through distribution rates." See Order No. 25,061, dated December 31, 2009, at p. 31. PSNH quantified the cost of company use of energy for the test year as $1,378,000, which was based upon an ES rate of 8.96¢/kwh, which is the 2010 rate approved by the Commission in Order No. 25,061. Therefore, the OCA recommends that PSNH's proposed step adjustment be increased by $1,400,932, which includes a working capital adjustment of $22,932.

d. HYDRO-QUEBEC SUPPORT COSTS

Q. Please describe the OCA's next recommended adjustment to the Company's proposed step adjustment, which is a decrease in expenses of $5,284,503.

A. The Company's filing included $5,198,000 of Hydro-Quebec support expense in its Distribution rate increase request. *See* Baumann Schedule 1, Attachment page 15a of 22 in Volume II, Bates page 000110. Since these costs are Transmission related, not Distribution related, they should be recovered through TCAM, rather than through

Distribution rates. In response to discovery, PSNH did not object to this approach. See PSNH Response to OCA 03-013 (OCA Attachment 27).

Q. Is this the total amount of the OCA's recommended adjustment for this issue?

A. No. In addition to the $5,198,000, an additional reduction to expense of $86,503 should be made to reflect a corresponding adjustment to Working Capital. Therefore, the total amount of the OCA's recommended adjustment for this issue is $5,284,503.

Q. Do you have any additional comments regarding this recommended adjustment?

A: Yes. The OCA recognizes that the Hydro-Quebec support costs charged to PSNH will be recovered through TCAM which is a fully reconcilable adjustment clause. The OCA believes that the overall impact of this adjustment will reduce PSNH's attrition related risks.

e. NHPUC ASSESSMENT

Q. Please describe the OCA's next recommended adjustment to the Company's proposed step adjustment, which is a reduction in expenses of $2,346,191.

A. The NHPUC Audit Report dated December 2, 2009 stated, in Audit Issue #8 on pages 36 and 37 (See OCA Attachment 28), that as the PUC Assessment amount is calculated based on the Company's Total Operating Revenues, so the assessment should be applied directly to each individual PSNH business sector - Distribution, Generation, Transmission. The Audit Report recommended that as Distribution sector revenues represented 29.83% of the Total Operating Revenues, only 29.83% of the Assessment should be applied to, and recovered through, Distribution rates. The OCA agrees with the Audit Staff's recommendation.

Q. What is the OCA's reason for supporting this recommendation in the Audit?

A. As with the prior adjustment, the OCA believes it is appropriate to recover costs from all sectors of PSNH's business, not only Distribution.

Q. Does the Audit Report's recommended allocation of 29.83% of the assessment to the Distribution Sector account for the full amount of the OCA's recommended $2,346,191 adjustment?

A. No. The Audit recommended an adjustment of -$2,160,826 to align the total assessment amount with the Distribution Sector portion of 29.83%. The OCA believes that figure needs to be increased for two reasons: First, in the Company's Updated Filing made December 15, 2009, which was made after the Audit Report was issued, PSNH made an adjustment by increasing the total assessment by $209,435. *See* Hall Attachment page 4a of 15, line 15). The $209,435 again represented 100% of the total proposed adjustment. It should, therefore, be reduced by 70.17% (100% - 29.83%) or $146,960. Second, a reduction in the total distribution sector revenue requirement of $38,405 should be made for a corresponding reduction in Working Capital related to the assessment related reduction of $2,307,786 ($2,160,826 + $146,960).

Therefore, the OCA's recommendation is that the Distribution sector revenue requirement be reduced by $2,346,191 as the total of all components related to this issue.

Q. Do you have any additional comments regarding this recommended adjustment?

A: Yes. The OCA recognizes that the remainder of the NHPUC Assessment charged to PSNH will be recovered through TCAM and ES which are fully reconcilable adjustment clauses. The OCA believes that the overall impact of this adjustment will reduce the any attrition-related risks that PSNH might face.

f. <u>TRANSMISSION RELATED O&M IN WORKING CAPITAL</u>

Q. Please describe the OCA's next recommended adjustment to the Company's proposed step adjustment, which is a reduction in expenses of $1,118,536.

A. The Company's filing shows that $67,213,000 of Retail Transmission O&M expense is included in the Working Capital calculation for recovery through Distribution rates. *See* Baumann Schedule 3B, page 4 of 11 in Volume II, Bates page 000152, on line 2. This inclusion adds $1,118,536 to the Distribution sector revenue requirement. Consistent with the three previous adjustments, the OCA believes this amount should be removed from this filing and recovered as appropriate through TCAM as it is a Transmission related expense.

Q. Does the OCA have any additional comments about this adjustment?

A. Yes. The OCA believes that shifting the cost recovery of Transmission related working capital to the fully reconcilable adjustment TCAM reduces PSNH's attrition related risks.

g. RATE BASE/DEPRECIATION FOR YEAR END 2009

Q: What is the OCA proposing related to the step adjustment for effect on July 1, 2010 on this issue?

A: The OCA is proposing to use year end 2009 rate base and depreciation expense effective with the July 1, 2010 step adjustment. In OCA adjustment IV.A.1.o we did not support the Company's proposal to use year end 2008 rate base and depreciation for purposes of the reconcilable permanent rate increase, but rather, a 5 quarter average. With this adjustment, the OCA is, in effect, now including year end 2008 rate base with the 2009 additions. This results in a counter-balancing $6,576,217 adjustment to OCA's adjustment IV.A.1.o for rates effective July 1, 2010.

V. ALLOCATION OF REVENUE REQUIREMENT AND RATE DESIGN

A. PERMANENT RATES - INTER-CLASS REVENUE REQUIREMENT ALLOCATION

Q. Please summarize PSNH's proposed allocation of the revenue requirement.

A. PSNH used an embedded Cost of Service methodology in performing its Per Book and Pro forma Cost of Service Studies ("COSS"), filed with its original Rate Case Filing. In response to discovery, the company stated "although an embedded class-by-class cost study is a consideration in determining revenue requirements by class of service, PSNH [did not propose] to use the embedded cost of service study to reallocate revenue requirements due to the complexity and controversy associated with such use." PSNH's Response to Staff 1-33 (OCA Attachment 29). As PSNH acknowledged in discovery, an "embedded cost of service study is only one measure of how costs should be allocated" between rate classes. *Id*. PSNH went on to state "In order to perform a rigorous rate re-design, one might want to consider other measurements as well, such as a marginal cost of service study," PSNH Rate Case Filing, Testimony of Stephen R. Hall, Volume 1, p. 5, lines 10-11, and "the amount of change from existing rate level that would result, the number of customers in individual rate classes, the bill impact on individual customers, the bill impact on customers taking end use services, observed variations in cost studies from year to year, overall rate level, and anticipated changes to other rate components." PSNH's Response to OCA 1-64 (OCA Attachment 30). *See also* PSNH's Response to Staff 1-34 (OCA Attachment 31) ("rigorous re-design of rates" requires consideration of "all options" including a marginal cost study); and PSNH's Response to Staff 2-89 (OCA Attachment 32) (similar).

Q. What is the OCA's recommendation with regard to PSNH's proposed allocation of the revenue requirement?

A. The OCA supports PSNH's proposed allocation of the revenue requirement and recommends that the Commission approve it. As PSNH stated in discovery:

> Any cost of service study requires a host of assumptions about how costs should be allocated to classes, and how costs should be recovered from customers once class-by-class allocation is determined (i.e., through customer, demand or energy charges). Such issues frequently result in significant disagreement among various parties to a rate case. There is <u>no "right" or "wrong" answer with respect to cost allocation or rate design; rather, they are more a matter of judgment</u>. Because cost allocation and rate design can produce significant changes among and between classes of customers, they tend to be controversial. Therefore, PSNH does not propose relying exclusively on the embedded cost of service study for rate design or reallocation of revenue requirements because of the honest differences of opinion that arise over various methodologies.

PSNH's Response to Staff 3-26 (OCA Attachment 33) (emphasis added).

The OCA agrees that these rate making principles of gradualism and rate continuity are important considerations and supports the Company's applications of these principles in its proposed inter-class allocation of the revenue requirement.

B. PERMANENT RATES – INTRA-CLASS RATE DESIGN

Q. Please summarize PSNH's proposed intra-class rate design.

A. PSNH proposed increasing the Residential customer charge by a higher percentage than the increase in the energy charge. Specifically, PSNH proposed to increase the customer charge by 34.4% and to increase the usage charge by 13.8%.

Q. What is the OCA's recommendation with regard to PSNH's proposed rate design for the Residential class?

A. Recognizing that the actual percentages will change based upon the final revenue requirement determination, the OCA does not oppose PSNH's proposed rate design for the Residential class. In taking this position, we are mindful that a higher percentage increase to the fixed customer charge, coupled with a lower percentage increase to the energy usage charge, sends a counter-conservation price signal to customers. We also point out that although this proposal is not decoupling *per se*, it is a step toward de-linking the connection between sales and revenues to the Company by shifting revenues to a fixed charge (the customer charge) and away from a variable charge (the charge based on energy usage). While this may be a positive change for the utility, it does impact customers and should be considered in a broader context of what are the appropriate ratemaking mechanisms that send the proper signals to customers, while taking into account a utility's revenue and profit requirements. The OCA views the proposed rate design changes as one way to address PSNH's concerns about attrition, which is discussed further below. The higher percentage increase to the Residential customer charge will guarantee more revenues to PSNH at a time when PSNH is being encouraged to promote less usage through energy efficiency programs, and during a weakened economy. The OCA believes that these issues warrant further discussion and consideration by the Commission as the State seeks to encourage conservation and efficiency by consumers to meet important energy policy goals.

C. STEP ADJUSTMENTS – REVENUE ALLOCATION AND RATE DESIGN

Q. What is the OCA's recommendation with regard to the allocation of revenues and rate design related to PSNH's proposed step adjustments?

A. PSNH proposes three step adjustments: July 1, 2010; July 1, 2011; and July 1, 2013. The 2011 and 2013 step adjustments relate to PSNH's Reliability Enhancement Program proposals, which are discussed in the next section of our testimony. To the extent that the Commission approves these step adjustments, the OCA recommends that the revenue increases associated with each step be allocated equally across all customer classes and tariffed Distribution rates.

VI. PSNH'S RELIABILITY ENHANCEMENT PROGRAM (REP) PROPOSALS

Q. Please summarize your understanding of PSNH's Reliability Enhancement Program (REP) proposals.

A. Based upon PSNH's Rate Case Filing, PSNH's responses to discovery, and discussions with PSNH's representatives in technical sessions, the OCA understands the Company's REP proposal to include the following four components. *See, e.g.*, Testimony of Steven M. Johnson, Volume 1, Bates p. 000027 and Bates p. 000031, and PSNH's Response to Tech Session 3-2 (OCA Attachment 34). First, PSNH proposes to incorporate into the rate base used to set permanent rates approximately $25 million of distribution-related capital additions placed into service pursuant to the existing REP (REP I) between July 1, 2007 and December 31, 2009. This translates into a revenue requirement of $3 million annually. Second, PSNH proposes to incorporate into test year expenses the $8.2 million in O&M associated with REP I. Third, PSNH proposes to establish a new REP program (REP II), for a period of four years, and include within the July 1, 2010 step adjustment an additional $4 million in revenue annually, to fund REP II. Fourth, as part of REP II, PSNH proposes two additional step adjustments, one on July 1, 2011, and the other on July 1, 2013, an additional $1.5 million each, in order to recognize REP II capital investments in base rates.

Q: What is the total amount for REP I and REP II?

A: PSNH's REP proposals increase their revenue requirement by $18.2 million: $3 million for REP I rate base; $8.2 million for REP I O&M; $4 million for REP II; and $3 million for REP II step adjustments. This amount does not include the REP I test year operating expenses.

Q. What are the OCA's recommendations concerning PSNH's REP proposals?

A. The OCA recommends that the Commission approve most aspects of PSNH's REP proposals. Specifically, the OCA does not oppose the inclusion of REP I capital additions in rate base for purposes of calculating the new revenue requirement, or the establishment and funding of REP II. The OCA also does not oppose the proposed step adjustments in REP II so long as the review process used for REP II, including approval and tracking of the capital projects, is consistent with the existing process used for REP I. However, the OCA, opposes, and recommends that the Commission deny, PSNH's proposal to incorporate REP I O&M expenses in test year O&M expenses. Instead, PSNH should recover the $8.2 million associated with REP I O&M activities within the context of the REP I program, as required by the settlement agreement and Commission's Order in PSNH's last distribution rate case, DE 06-028. *See* Public Service Company of New Hampshire, DE 06-028, Petition for Approval of Delivery Service Rates, Order No. 24,750 (May 25, 2007), pp. 4, 6, 8, 11,and 23.

Q. Why does the OCA recommend the continuation of REP I?

A. REP I was created as a five-year program, and the OCA believes that the continuation of REP I is necessary in order for the Commission and interested stakeholders to evaluate this program's effectiveness and its impact on system reliability. At this early juncture, only half-way through REP I, the OCA believes that there is insufficient data upon which any such conclusions may be drawn. For example, PSNH's Weather Normalized System Average Interruption Duration Index (SAIDI) data appears to show possible downward trends in 2007 and 2008. However, when the 2007 and 2008 data is viewed within the context of SAIDI data provided for 2002-2008, a regression line fitted to the data shows an upward trend in Weather Normalized SAIDI. S*ee* PSNH's Response to OCA 1-008, (OCA Attachment 35). In addition, the 2008 value that PSNH provides for Weather Normalized SAIDI is 92.19. This value does not appear to be significantly different than the values for 2002 and 2003 of 97.58 and 99.32. For all of these reasons, the OCA believes that it is premature to end REP I by including the REP expenditures in distribution base rates.

Q. Before you discuss the next issue, do you have any other comments concerning PSNH's REP proposals?

A. Yes. As we will discuss in the next section of our testimony, the OCA takes the position that approval of PSNH's revenue requests related to REP I and II represents an offset to attrition.

VII. ATTRITION

Q. In its Rate Case Filing, PSNH discusses its concerns about, and the need to address, attrition. What is attrition?

A. In its filing, PSNH stated:

> Attrition has been defined by the New Hampshire Supreme Court as 'an erosion in the earning power of a revenue-producing investment. This erosion is a complex phenomenon, the result of operating expenses or plant investment, or both, increasing more rapidly than revenues. If attrition occurs, the result would be that

> the rate of return realized in the future would be below that which rates were designed to produce.'

PSNH's Rate Case Filing, Testimony of Gary A. Long, Volume 1, p. 3, lines 7-11, *citing* New England Telephone & Telegraph Co. v. State of New Hampshire, 113 N.H. 92, 97 (1973).

Q. To what does PSNH attribute the attrition that it believes it is facing?

A. Generally, PSNH ascribes its attrition to "additions to rate base to meet system requirements and the decline in overall kilowatt-hour sales." PSNH's Rate Case Filing, Testimony of Gary A. Long, Volume 1, p. 4, lines 2-3.

Q. Does PSNH's Rate Case Filing include any proposals to address attrition?

A. Yes. PSNH's original filing included several proposals that address attrition, including: 1) use 2008 year-end rate base and depreciation values for permanent rates; 2) use of a step adjustment effective July 1, 2010; 3) use of 2009 year-end rate base and depreciation values for the July 1, 2010 step adjustment; 4) recognition in base rates of REP I capital investment, valued at approximately $3 million dollars; 5) a new REP program including $4 million in additional revenues and two step adjustments with values of approximately $1.5 million each; and 6) changes to rate design which shift revenue recovery away from customer usage to the fixed customer charge paid by all Residential customers. PSNH's updated Rate Case Filing (December 15, 2009) also includes additional pro forma adjustments to the twelve months after the test year which help to offset attrition.

Q. What is the OCA's recommendation with regard to PSNH's concerns about attrition?

A. As discussed in previous sections of our testimony, the OCA recommends, or does not oppose, Commission approval of nearly all of PSNH's proposals to address attrition. However, the OCA does oppose the use of 2008 year-end rate base and depreciation values for the purpose of calculating new permanent rates, as well as several pro forma adjustments to expenses proposed by PSNH.

Q. Do you have any other comments about PSNH's concerns about attrition?

A. Yes. First, with regard to reduced sales due to increased energy efficiency, PSNH's energy efficiency programs enable PSNH to earn a Shareholder Incentive of between 0 and 12%, typically budgeted at 8% each year. For 2010, PSNH has projected an incentive of $1,130,336, or 8% of the 2010 budget for the "Core" programs budget in DE 09-170. Second, in PSNH's last rate case, DE 06-028, the OCA supported PSNH's proposal to revise its Line Extension Policy as a way to offset attrition and to ensure that the Company recovers the costs of costly line extension from those customers that receive them. The Commission recently approved this change in DE 08-135, Order No. 25,046 (November 20, 2009). As implementation is given time to occur, the impact on earnings erosion or attrition due to line extensions should be greatly reduced. Third, with regard to PSNH's REP proposals, the more reliable PSNH's distribution system, the more sales and revenues PSNH has the opportunity to generate, which should also act as an additional offset to attrition. Fourth, although we do not provide testimony about the appropriate rate of return, reserving this issue as one we may comment on in closing at the hearing, we must add that all of the actions taken to reduce PSNH's attrition also reduce PSNH's risk that it will not earn its allowed rate of return. Fifth, the OCA has also proposed shifting the recovery of certain costs from Distribution rates to the TCAM or to Default Energy Service. Those rates are fully reconcilable and significantly reduce any risk related to those costs. Lastly, the OCA believes that attrition should first be addressed by PSNH itself, before it looks to customers for relief. PSNH should constantly strive for greater productivity as well as reduced expenses wherever possible and consistent with its duties to provide safe and adequate service. For example, the OCA recommends to the Commission that it require PSNH, and Northeast Utilities, to review and reduce its executive compensation in recognition of the significant instability and uncertainties of the economy.

VIII. CONCLUSION

Q: Does this conclude your testimony?

A: Yes, although as we stated at the beginning of our testimony, we do expect the Commission Staff to file testimony on the issues of cost of capital, depreciation, capital recovery calculation ("CRC") and pension and OPEB costs, and we wish to reserve our rights to comment and to make recommendations on those issues at the hearing related to any additional adjustments to the proposed permanent increase and step adjustment.

Kenneth E. Traum Qualifications

My name is Kenneth E. Traum. I am the Assistant Consumer Advocate for the Office of Consumer Advocate (OCA). My business address is 21 S. Fruit Street, Suite 18, Concord, New Hampshire 03301. I have been affiliated with the OCA for approximately twenty (20) years.

I received a B.S. in Mathematics from the University of New Hampshire in June, 1971, and an MBA from UNH in June, 1973. Upon graduation, I first worked as an accountant/auditor for a private contractor and then for the New Hampshire State Council on Aging, before going to the New Hampshire Public Utilities Commission (NHPUC) in February, 1976. At the NHPUC I started as an Accountant III, advanced to a PUC Examiner and later become Assistant Finance Director.

In my positions with the NHPUC, I was involved in all aspects of rate cases, assisted others in the preparation of testimony and presented direct testimony, conducted cross examination of witnesses, directed and participated in audits of utilities, and performed other duties as required. While employed at the NHPUC, I was a member of the NARUC Regulatory Studies Program at Michigan State.

In 1984, I left the NHPUC for Bay State Gas Company. With Bay State, I was involved in various aspects of financial analysis for Northern Utilities, Inc., Granite State Gas Transmission, Inc., and Bay State Gas Company, as well as regulatory activities with regard to Maine, New Hampshire, Massachusetts and the FERC.

In early 1986, I returned to New Hampshire to join the EnergyNorth companies, where my areas of responsibility included cash management, regulatory affairs, forecasting and other financial matters. While with EnergyNorth, I was a member of the New England Utility Rate Forum and the New England Gas Association. I also represented the utility, which is the largest natural gas utility in New Hampshire, over a two year period in the generic Commission docket (DE 86-208) which developed a methodology for conducting gas marginal cost studies.

In 1989 I joined the Office of Consumer Advocate with overall responsibility for advising the Consumer Advocate and its Advisory Board on all Financial, Accounting, Economic and Rate Design issues which arise in the course of utility ratemaking or cases concerning determinations of revenue responsibility, competition, mergers, acquisitions and supply/demand issues. I assist the Consumer Advocate and the OCA Advisory Board in formulating policy, and in implementation of that policy. In that role, I have testified before the NHPUC on many occasions. In early 2005, I was promoted to Assistant Consumer Advocate.

I am a member of the NASUCA (National Association of State Utility Consumer Advocates), Committees on Electricity and Gas. I am currently on the Board of Directors for Granite State Independent Living (GSIL) and formerly served as Chair as well as a member on the GSIL's Finance and Audit Committees.

Qualifications of Stephen R. Eckberg

My name is Stephen R. Eckberg. I am employed as a Utility Analyst with the Office of Consumer Advocate (OCA), where I have worked since 2007. My business address is 21 S. Fruit Street, Suite 18, Concord, New Hampshire 03301.

I earned a B.S. in Meteorology from the State University of New York at Oswego in 1978, and an M.S. in Statistics from the University of Southern Maine in 1994.

After receiving my M.S., I was employed as an analyst in the Boston office of Hagler Bailly, Inc, a consulting firm working with regulated utilities to perform evaluations of energy efficiency and demand-side management programs.

From 2000 through 2003, I was employed at the NH Governor's Office of Energy and Community Services (now the Office of Energy and Planning) as the Director of the Weatherization Assistance Program. More recently, I was employed at Belknap-Merrimack Community Action Agency as the Statewide Program Administrator of the NH Electric Assistance Program (EAP). In that capacity, I presented testimony before this Commission in dockets related to the design, implementation and management of the EAP. I have also testified before Committees of the New Hampshire Legislature on issues related to energy efficiency and low income electric assistance.

In my work for the OCA, I have filed testimony in the following Dockets:

- DG 08-048, Unitil Corporation and Northern Utilities, Inc. Joint Petition for Approval of Stock Acquisition, jointly with Kenneth E. Traum, Assistant Consumer Advocate.
- DW 08-052, Pittsfield Aqueduct Company, Petition for Rate Increase.
- DW 08-065, Hampstead Area Water Company, Petition for Rate Increase
- DW 08-070, Lakes Region Water Company Petition for Financing and Step Increases.
- DW 08-073, Pennichuck Water Works, Inc. Petition for Rate Increase.
- DW 08-098, Aquarion Water Company of New Hampshire, Petition for Rate Increase, jointly with Kenneth E. Traum, Assistance Consumer Advocate.
- DE 09-170, CORE Energy Efficiency Program, 2010 Program Year.

I am a member of the American Statistical Association. I have attended regulatory training at New Mexico State University's Center for Public Utilities, and I participate in committees of the National Association of State Utility Consumer Advocates (NASUCA) on behalf of the OCA.

Public Service Company of New Hampshire
Docket No. DE 09-035

Technical Session TS-03

Dated: 12/16/2009
Q-TECH-015
Page 1 of 2

Witness: **Dale R. Urban,Michael DiPietro**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Refer to page 9 of the final audit report. Is the legacy customer service information system still being used? If so, how? Please define the phrase "'current' basis." What is the annual depreciation expense associated with the legacy customer service system included in the revised revenue requirement? When will the legacy customer service system fully be depreciated?

Response:
The legacy customer service information system is still in use as read only and is used for the look up of historic data. The phrase "current basis" originated with the Commission audit staff. This phrase was interpreted to mean the capitalized cost of the legacy customer service information system.

Please see the spreadsheet (page 2 of 2) which details the annual depreciation expense associated with the legacy customer service system that was included in the revised revenue requirement. This spreadsheet also details, based upon the vintage year of installation, when the legacy customer service information system will be fully depreciated.

Technical Session TS-03
Q-TECH-015

Capital Cost	Vintage Year	Depreciation Rate	2009 Depreciation Expense	Comments
417,773	1999	Note 1	-	Fully depreciated
4,830,285	2001	Note 1	-	Fully depreciated
685,499	2004	24.242%	166,179	Fully depreciated in 2009
215,392	2004	24.242%	52,215	Fully depreciated in 2009
1,350,753	2005	24.242%	327,450	Fully depreciated in 2010
7,499,702			545,844	

Notes
1-Fully aged asset, not included in the depreciation expense of the revenue requirement.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-01

Dated: 08/28/2009
Q-OCA-058
Page 1 of 1

Witness: **Robert A. Baumann**
Request from: **Office of Consumer Advocate**

Question:
Referring to page 2 of the response to Staff-T-008, of the $62.7 million of ice storm costs please provide a schedule showing what costs would have been incurred by PSNH in the normal course of business absent the ice storm.

Response:
The following is a summary of the incurred storm costs that would have been part of normal work, in thousands of dollars:

Labor		$2,479.1
Vehicles		$ 324.1
Total		$2,803.2
Allocated to O&M:	56%	$1,569.8

Public Service Company of New Hampshire
Docket No. DE 09-035

Technical Session TS-03

Dated: 12/16/2009
Q-TECH-012
Page 1 of 1

Witness: **Robert A. Baumann**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Please quantify the total impact on the revised revenue requirement of donations, including the impact on working capital.

Response:
The total impact of donations on the updated revenue requirements is $695,000. The working capital piece is $7,000 and the remaining $688,000 relate to the donations reflected in the income statement.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request STAFF-03

Dated: 10/03/2009
Q-STAFF-017
Page 1 of 2

Witness: **Stephen R. Hall,Robert A. Baumann**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Reference response to Staff 2-63. For each item listed, please provide the account number charged and indicate whether the related advertising expenses are included in this rate case.

Response:

The entire amount of advertising expenses is included in test year operating expenses.

Please see attached schedule for account number information.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ADVERTISING EXPENSES
FOR 12 MONTHS ENDED DECEMBER 31, 2008

DESCRIPTION	DETAIL	ITEMS	AMOUNT	FERC ACCOUNT
Informational and Instructional Advertising Expenses				
Bill Inserts, Rate Booklets Expenses				
Connolly & Partners	Energy Efficiency on-line media and web banners		$ 24,815	923
Concord Litho	Printing of 11 issues of *Living with Energy*		115,184	930
Graphic Brokerage Inc.	Printing of Summary of Rates brochure		4,120	930
Lynn Wood Design	Design of bill inserts, rate summaries, other		21,830	930
Total Charges			$ 165,949	
Safety Information and Instruction Advertising Expenses				
Connolly & Partners	PSNH Safety advertising -- print and radio		$ 84,994	909
Business and Economic Development Advertising Expenses				
Connolly & Partners	Advertising placement and management services		$ 214,642	913
Heartwood Media	Development of NH Travel Council advertising (sponsorship)		5,000	913
Lynn Wood Design	NH Economic Review - booklet development		10,194	908
Miles Media	NH Visitors & Event Planners Guidebook (sponsorship)		19,558	913
Millyard Communications	Sponsor NH "Try it & Buy it" event		12,110	913
RAM Printing	Printing of Economic Review		30,507	908
Silver Tech	Sponsor Open House in Massachusetts for potential NH business customers		8,750	908/913
WCAP Absolute Broadcasting	Concord Chamber Guidebook Advertisement		5,435	913
Miscellaneous Under $5,000	Misc. small space Economic Development ads for PSNH	9	20,905	908/913
Total Charges			$ 327,101	

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-01

Dated: 08/28/2009
Q-OCA-004
Page 1 of 2

Witness: **Gary A. Long**
Request from: **Office of Consumer Advocate**

Question:
As a follow up to OCA-T-01-001 (d), for each functional area listed on the Table on page 3, please provide the weightings used for determining the level of incentive payment; i.e.; return on equity-25%, reduction in SAIDI-25%, etc.

Response:
Please see the attached. A detailed description of the incentive plan was provided in the response to TS-01, Q-TECH-003.

Incentive Payments for PSNH D for 2008

Functional Area	Amount*	Goals and Weightings
PSNH	293,095	**2008 Annual Incentive:**
	1,103,683	Operating & Capital Plans: 25% - 86%.
		5 Year Strategic Plan: 2% - 45%
		Customer Focus: 4% - 10%
		Workforce Development: 10%
		Safety: 2% - 10%
		Financial Performance: 10% - 30%
		Energy Policy: 10%
Corp Center	1,647,856	**2008 Annual Incentive:**
		Corporate ANI: 20% - 80%.
NUSCO	2,255	Other Financial: 2.5% - 18%
	577,908	Strategic: 4% - 47.5%
		Operational: 5% - 52%
		Workforce Planning: 2.5% - 30%
		Customer Service: 2.5% - 64%
		Stewardship (Safety, Environmental): 4% - 8%
Corporate	8,838	
Corporate	251,530	N/A - Time-Vested Restricted Share Units
Corporate	1,056,651	**2006-2008 Long Term Incentive Program:**
		Cumulative Net Income: 25%
		Return on Equity: 25%
		Credit Rating: 25%
		Relative Total Shareholder Return: 25%
Corporate	606,439	**2008 Annual Incentive:**
		Corporate ANI: 20% - 80%.
		Other Financial: 2.5% - 18%
		Strategic: 4% - 47.5%
		Operational: 5% - 52%
		Workforce Planning: 2.5% - 30%
		Customer Service: 2.5% - 64%
		Stewardship (Safety, Environmental): 4% - 8%

Total: 5,548,255

*Source: MIDSS

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request STAFF-04
Dated: 10/23/2009
Q-STAFF-013-RV01

Witness: Keith C. Coakley
Request from: New Hampshire Public Utilities Commission Staff

Question:
Regarding Compensation - Please provide compensation and stock ownership data for 2006, 2007 and 2008 for all officers and directors in a form similar to that provided by the Company in its DE 06-028 filing and sufficient to allow comparisons between the data for 2006-2008 and the data for 2004 and 2005 provided in DE 06-028. For example, compensation data should include title, name, annual base salary, bonus/incentive earned, other (with detail) and long term incentive grants. Stock ownership data should include title, name, number of options, number of shares held and description of how held, total and total excluding options.

Response:

The attached pages are a redacted version of the compensation and stock ownership data for 2006, 2007 and 2008 and the requested share ownership information. A protected version was filed on December 24, 2009 under Order No. 25,037, *Order on Motions for Confidential Treatment and Waiver of Filing Requirements.* Per discussion with Staff Attorney Damon, stock ownership for 2006 was not included.

The revision to this response is due to corrections in the "Other" category for Year 2008 and corrections in the Share Ownership data. It contains the disaggregated information for the Minor Officers.

** Protected Information - Docket No. 09-035. This information is provided subject to the Protective Order dated October 30, 2009 in
Docket No. 09-035.

Total Compensation Data for PSNH Officers(1)
Year 2008

REDACTED

Title	Name	Annual Base Salary	Bonus / Incentives(2)	Other(3)	Long-Term Incentives: RSUs & Rest Shs(4)	Long-Term Incentives: Performance Units(5)	Total
Chairman	Shivery, Charles W.	$ 1,067,404	$ 1,519,129	$ 35,397	$ 2,106,065	$ 1,738,800	$ 6,466,795
Chief Executive Officer	Olivier, Leon J.	$ 550,962	$ 494,571	$ 18,997	$ 399,123	$ 345,000	$ 1,808,653
President and Chief Operating Officer	Long, Gary A.	$ 278,401	$ 163,769	$ 7,400	$ 117,925	$ 140,898	$ 708,393
Senior Vice President and General Counsel	Butler, Gregory B.	$ 418,542	$ 361,286	$ 8,207	$ 354,393	$ 362,388	$ 1,504,816
Senior Vice President and Chief Financial Officer	McHale, David R.	$ 508,654	$ 465,520	$ 9,907	$ 406,677	$ 284,694	$ 1,675,452
Vice President - Energy Delivery & Generation	MacDonald, John M.	$ 174,446	$ 77,175	$ 5,734	$ 30,408	$ 36,570	$ 324,333
Officer 7		$ 317,442	$ 236,066	$ 10,023	$ 130,202	$ 108,744	$ 802,477
Officer 8		$ 168,650	$ 97,736	$ 5,559	$ 35,708	$ -	$ 307,653
Officer 9		$ 252,686	$ 138,997	$ 8,080	$ 90,898	$ 107,502	$ 598,163
Officer 10		$ 212,252	$ 108,716	$ 6,868	$ 69,769	$ 84,594	$ 482,199
Officer 11		$ 244,781	$ 149,255	$ 7,400	$ 102,294	$ 123,234	$ 626,964
Officer 12		$ 288,199	$ 178,972	$ 30,083	$ 77,118	$ -	$ 574,372
Officer 13		$ 199,162	$ 93,755	$ 6,475	$ 65,475	$ 77,418	$ 442,285
Minor Officers (Officers 14-20)		$ 1,018,423	$ 259,174	$ 47,972	$ 96,363	$ -	$ 1,421,932
Total		$ 5,700,004	$ 4,344,121	$ 208,102	$ 4,082,418	$ 3,409,842	$ 17,744,487

Directors and Officers as of 12-31-2008.

(1) Format is consistent with the previously filed 2004 and 2005 Executive Compensation Data in PSNH Docket No. DE 06-028, and as requested in PSNH Docket No. DE 09-035, set STAFF-04, Q-STAFF-013. This excludes computations for "Change in Pension Value & Non-Qualified Deferred Compensation Earnings" previously provided in response to PSNH Docket No. DE 09-035, set OCA-01, Q-OCA-T-013b.

(2) Includes payments under the 2008 Annual Incentive Program.

(3) Includes employer match on 401(k), Deferred Compensation Plan company match, special payments, and executive perquisites using SEC reporting requirements for "All Other Compensation" in the Summary Compensation Table in 2008 and 2009 Proxy Statements.

(4) Reflects the dollar amounts recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008, in accordance with the treatment of time-based RSU and restricted share grants under generally accepted accounting principles. The amounts reflect the accounting expense of shares granted in and prior to 2008.

(5) Includes Performance Cash payments under the 2006-2008 Long-Term Incentive Program.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-01
Dated: 05/06/2009
Q-OCA-T-013
Page 1 of 3

Witness: Robert A. Baumann
Request from: Office of Consumer Advocate

Question:
The following questions relate to PSNH's FERC Form 1 for the period end of 2008/Q4:

a. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Page 103, Corporations Controlled by Respondent, please explain any transactions between Properties, Inc. or PSNH Funding LLC which impact or are included in the requested rate increase.
b. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Page 104, Officers, please provide a Table showing Total Compensation for each of the 15 listed positions for which PSNH is seeking above the line treatment in this rate case, the amount allocated to the PSNH Distribution system; for 2007, 2008, and the pro-formed amount if different that the 2008 amount.
c. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Page 110, Comparative Balance Sheet, line 21, Investment in Subsidiary Companies (account 123.1) was reported as $8,362,075 as of 12/31/08. For purposes of establishing the Capital structure for the rate case was this amount included as Common Equity? If so, how was the related Earnings of $524,107 as reported on page 225, column (e) recognized in the filing?
d. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Is any portion of the Non current Portion of Allowances, page 110 line 23, of $26,335,229 as of 12/31/08, included in Rate Base in this Distribution system rate filing? If so, why?
e. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Please reference page 123.2 paragraph D regarding Revenues, Unbilled Revenues:
   i. Did PSNH use the identical daily load cycle method for estimating unbilled revenues at the beginning and end of 2008? If not, please explain.
   ii. Because the December Ice Storm impacted meter reading, how was that treated here?
f. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Page 204, Electric Plant in Service, shows additions of $22,529,837 to account 303, Misc. Intangible Plant. Please explain this amount, what specifically it is comprised of, and whether it is included in the rate base calculation in this filing in whole or part?
g. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Please explain the Forfeited Discounts in account 450 of $2,802,073 in 2008 on page 300, Electric Operating Revenues. What portion of such relates to this Distribution rate case?
h. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Pages 322 and 323 include Electric O & M expenses. Please explain the 2008 totals versus 2007 for the following accounts to the extent those accounts are included in the Distribution rate filing:
   i. 580, Operation Supervision and Engineering
   ii. 581, Load Dispatching
   iii. 583, Overhead Line Expenses
   iv. 584, Underground Line Expenses
   v. 588, Misc. Expenses
   vi. 590, Maintenance Supervision and Engineering
   vii. 591, Maintenance of Structures
   viii. 592, Maintenance of Station Equipment
   ix. Maintenance of Line Transformers
   x. 903, Customer Records and Collection Expenses
   xi. 904, Uncollectible Accounts
   xii. 913, Advertising Expenses
   xiii. 923, Outside Services Employed
   xiv. 925, Injuries and Damages
   xv. 930.2, Miscellaneous General Expenses

i. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: On page 350, Regulatory Commission Expenses, line 18 shows $876,560 for Legal Expenses. To the extent any of these costs are incorporated in the Distribution system rate case please provide a detailed breakdown and support for inclusion in the rate filing.
j. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Are any of the amounts shown on pages 352-353,lines 10-17 for Research Development and Demonstration Activities are included in the Distribution rate filing? If so, why?

Response:

a. Properties, Inc. (PI) is a wholly owned subsidiary of PSNH that invests in real estate. During the 2008 test year, PI leased the following properties to PSNH:

1580 Elm Street, Manchester
Berlin Area Work Center (AWC) on Jericho Road, Berlin
Chocorua AWC
Epping AWC
Lancaster AWC
Milford AWC
Portion of Nashua AWC
Newport AWC
Rochester AWC

All rental costs for the properties listed above would be included in distribution costs (segment 6D).

The PSNH Funding LLCs are the issuers of the rate reduction bonds (RRBs). All RRB related activities are accounted for in the stranded cost business segment (6R).

b. The attached spreadsheets show total compensation, and compensation allocated to the PSNH distribution system, for each position listed on PSNH's FERC Form 1 for the period ending December 31, 2008. Total compensation has been determined using the definitions and methodology prescribed by the Securities and Exchange Commission for reporting total compensation in the Summary Compensation Table in annual proxy statements of publicly traded companies. Compensation is shown for 2007, 2008 and projected 2009. Changes in positions from year-to-year are noted in footnotes under each year's table.

Adjustments to 2008 compensation to produce pro forma total compensation for 2009 include: (a) 2009 salary reflects the salary rate that was in effect on January 1, 2009; (b) annual incentive for one new incumbent was projected.

c. PSNH uses its legal entity capital structure in all its rate filings. The $8.4M investment in subsidiary companies is an asset, and accordingly, is not included in common equity. The $524,000 of earnings was accounted for as non-operating income (reference FERC Form 1 page 117, line 36) and is not included in the PSNH rate filing.

d. No, the allowances are related to the generation segment.

e. Yes, PSNH used the same daily load cycle method for estimating unbilled revenues throughout all of 2008. The impact of the December ice storm meter readings was addressed as part of the normal unbilled revenue calculation.

f. Additions to account 303, Misc. Intangible Plant of $22,529,837 is comprised of software projects related to:

Customer Information System Integration ($22,381,058) - Distribution
Work Management System ($79,580) - Distribution
Software Interconnection Database ($69,199) - Transmission.

The distribution segment assets cited above in Account 303 are included in the rate base calculation in this filing.

g. Forfeited discounts are late payment charges. This entire amount was booked to the distribution segment and included in the distribution operating revenues in PSNH's filing.

h. Pursuant to a telephone discussion with the OCA, attached are tables showing each of the referenced FERC accounts by subaccount for both 2007 and 2008.

i. Approximately $453,800 of the $876,560 is included in the temporary rate filing. Please see the attachment below for the supporting data. The amounts are largely payroll costs for law department employees. $15,470 billed from Steptoe & Johnson relates to services provided for work performed at the FERC for a Unitil delivery service agreement. That amount will be reallocated to wholesale. $27,608 billed from Brattle Group relates to a market based rate update filing before the FERC and will be reallocated to the generation function.

j. Of the $269,000 of Electric Power Research Institute (EPRI) related project costs identified on lines 10-17 of Pages 353-353 of the FERC Form 1, approximately $146,000 are allocated and reflected in PSNH's distribution (6D) test year rate filing operating expenses. The remaining $123,000 of costs were charged to other business segments.

EPRI projects directly benefit PSNH's operations through advances in overhead distribution engineering related to greater reliability, lower line losses, and greater operational efficiencies (including lower inventory levels and O&M savings) , the creation of diagnostic tools and sensors to determine cable life in underground distribution systems, improvements in substation maintenance management, the impact of plug-in hybrid vehicles, and remediation methodologies of contaminated sites.

Total Compensation
2007

Position	Name of Officer	Total Compensation	Amount Allocated to PSNH Distribution
Chairman	Charles W. Shivery	$ 7,190,938	$ 566,321
Executive Vice President & Chief Financial Officer	David R. McHale	$ 2,108,920	$ 167,068
Chief Executive Officer	Leon J. Olivier	$ 1,812,035	$ 144,383
Senior Vice President & General Counsel	Gregory B. Butler	$ 1,642,172	$ 130,698
Position 1		$ 895,196	$ 718,089
Position 2		$ 369,423	$ 259,359
Position 3		$ 747,008	$ 60,625
Position 4		$ 708,999	$ 54,216
Position 5		$ 707,463	$ 52,613
Position 6		$ 466,984	$ 39,524
Position 7		$ 453,780	$ 37,869
Position 8		$ 262,642	$ 15,373

Notes:

(1) Positions include the following (in alphabetical order): Chairman, Chief Executive Officer, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, Senior Vice President and General Counsel, Senior Vice President-Transmission, Vice President and Treasurer, Vice President-Accounting and Controller, Vice President-Energy Delivery and Generation, Vice President-Shared Services and Secretary, Vice President-Transmission Projects, Engineering and Maintenance, and Vice President-Transmission Strategy and Operations.
(2) Vice President - Shared Services and Secretary positions were combined in 2007.
(3) Vice President - Energy Delivery and Vice President - Generation positions were combined in 2007.
(4) Except as noted below, values shown in each column are determined as if reported in the Summary Compensation Table required by Item 402(c) of Regulation S-K (17 CFR § 229.402(c)), or successor, appearing in the proxy statement for the company's annual meeting of shareholders filed with the U.S. Securities and Exchange Commission.
(5) Change in pension value for officers that are not reported in proxy statements or Utility 10-K is estimated using service cost and interest cost related to each such officer.
(6) Amount of compensation allocated to PSNH Distribution represents amount and percentage of compensation charged to Utility Capital Accounts and/or Operating Expense (above-the-line), reflecting extent each category of compensation was allowed in rates.

Public Service Company of New Hampshire
Docket No. DE 09-035

Technical Session TS-01
Dated: 06/10/2009
Q-TECH-003
Page 1 of 1

Witness: Keith C. Coakley, Terrance J. Large
Request from: New Hampshire Public Utilities Commission Staff

Question:
Re: OCA-01, Q-OCA-T-001: Please provide copies of the incentive plans currently in effect.

Response:
Please see the attached documents.

Metric Numbers Redacted

NORTHEAST UTILITIES INCENTIVE PLAN
2009-2011 Long-Term Incentive Program - Officers

Eligibility
Officers listed in Attachment 1 shall be eligible Participants.

Grant Value
The Target grant for each Participant is stated as a percentage of base rate of pay after the salary increase for March of the year of grant has been applied. Target percentages are shown in the Attachment.

Grants
Of the total grant value at Target for each Participant, 50% will be granted as Three-Year Performance Cash[1] ("Performance Cash"), 25% will be granted as Three-Year Performance Shares[2] ("Performance Shares"), and 25% will be granted as Restricted Share Units ("RSUs"). Grants will be made at the February 10, 2009 Compensation Committee meeting.

RESTRICTED SHARE UNITS

The value of the RSU grant made to each Participant may vary from Target, as determined by the Compensation Committee. The number of RSUs granted will be determined by dividing a grant value in dollars by the average of daily closing prices of an NU common share on the New York Stock Exchange for the ten business days preceding February 1, 2009 and rounding to the nearest whole share.

Election to Defer Receipt of RSUs Upon Vesting
Prior to 2009, each Participant was provided an opportunity to make an irrevocable election to defer the distribution of all or a portion of the RSUs to be granted under the 2009-2011 Long-Term Incentive Program. Such election, if made, specified the percentage of the grant to be deferred and the number of years following each vesting date that the distribution of shares would be deferred. Notwithstanding any such election, if a Participant terminates employment before the end of the deferral period, then deferred shares will be distributed no sooner than six months following the Participant's Termination through the second payroll date there following (or, if earlier, the date of death of the Participant but not later than the second payroll date there following).

Restricted Share Unit Dividends, Vesting and Distribution
Until RSUs vest and are distributed in NU common shares, the value of dividends that would have been paid to the Participant had the RSUs been actual NU common shares will be deemed to be invested in additional RSUs and distributed at the same time the related RSUs are distributed in NU common shares. The RSUs will vest by one-third on the 25th of February (or, if February 25 is

[1] "Three-Year Performance Cash" means Performance Units denominated in cash within the context of the Northeast Utilities Incentive Plan, under which these grants are made. The term "Three-Year Performance Cash" is used to aid in understanding of the program by participants.
[2] "Three-Year Performance Shares" means Performance Units denominated in NU common shares. The term "Three-Year Performance Shares" is used to aid in understanding of the program by participants.

not a business day, on the first NU business day thereafter (the "Vesting Date")) in each of the first three years following the calendar year of grant. Except as otherwise provided herein with respect to RSUs awarded to executives who elected to defer receipt of shares upon vesting or the CEO, such vested RSUs will be distributed on or after the respective Vesting Date and on or before the second payroll date following that date.

Upon Termination for reasons of Retirement before age 65, death, or Disability, unvested RSUs that would have vested at the next Vesting Date shall be immediately vested on a prorated basis for time worked in the twelve-month period preceding the next Vesting Date. Upon Termination for Retirement after age 65, unvested RSUs granted prior to the calendar year of Termination shall be immediately fully vested, and all unvested RSUs granted during the calendar year in which the Termination occurs shall be immediately vested on a prorated basis for time worked in the calendar year of Retirement. Except as otherwise provided herein with respect to RSUs awarded to the CEO, all such RSUs that are vested upon a Termination will be distributed no sooner than six months following the Participant's Termination through the second payroll date there following (or, if earlier, the date of death of the Participant through the second payroll date there following). All remaining unvested RSUs shall be forfeited upon Termination.

All vested RSUs held by the CEO will be distributed in three approximately equal annual installments on the fifth business day of the first, second and third calendar years following the calendar year in which the CEO's Termination occurs, except that the first distribution will be made no earlier than six months after his separation from the Company and no later than the second payroll date there following.

Restricted Share Unit Accelerated Vesting and Distribution
In the event of a Termination Upon a Change of Control as defined in the Incentive Plan, all RSUs shall be immediately fully vested upon such Termination and distributed in NU common shares not earlier than six months after separation from the Company and on or before the second payroll date following such date. The Compensation Committee may accelerate the vesting of RSUs at its sole discretion; provided, however, that with respect to any RSU that is subject to Section 409A of the Code, any such acceleration of vesting shall not affect the date of distribution of such RSU.

Restricted Share Unit Form of Distribution and Tax Withholding
RSU distributions shall be made in the form of NU common shares on a one-for-one basis, providing for a reduction of RSU's to provide cash sufficient to pay applicable tax withholding. FICA withholding applicable to RSUs that are deferred upon vesting will be withheld from the Participant's paycheck in which annual incentives for the previous year are paid or, if earlier, from the Participant's paycheck due on the second payroll date following the vesting date.

The following Table 1 summarizes RSU vesting and distribution rules.

Table 1: Restricted Share Unit Vesting and Distribution

Event	Vesting	Nominal Distribution Date [3]
Work through Dates		
February 25, 2010	1/3	February 25, 2010
February 25, 2011	1/3	February 25, 2011
February 25, 2012	1/3	February 27, 2012
		(or such later dates as specified in the Participant's deferral election that shall supercede the above dates)
Retirement before age 65, death, or Disability	RSUs that would have vested on Vesting Date following event date will vest on prorated basis for time worked in 12 months preceding Vesting Date	All newly vested RSUs are distributed six months after Termination or on the second payroll date following death, if earlier
Retirement after age 65 during 2009	Entire grant vested on a prorated basis for time worked during 2009	All newly vested RSUs are distributed six months after Termination
Retirement after age 65 after 2009	100%	
Termination Upon a Change of Control	100%	
Termination other than for Retirement, death, Disability, or Termination Upon Change of Control	No additional vesting	No additional distributions

Note: Distributions to the CEO will be made in three approximately equal annual installments beginning on the fifth business day of the calendar year following the calendar year in which the CEO's Termination occurs or six months after such Termination, if later.

[3] "Nominal Distribution Date" shall be the period that begins on the date specified and ends on the second payroll date there following.

PERFORMANCE UNITS

Performance Cash and Performance Shares will be referred to collectively as "Performance Units." The opportunity to earn specified Performance Units is *granted* near the beginning of the three-year Performance Period that ends on December 31, 2011 ("Performance Period"). At the end of the Performance Period, cash (for payouts under the Performance Cash component) and NU common shares (for payouts under the Performance Shares component) are *awarded* based on performance against goals.

Performance Cash
Performance Cash is granted as a target dollar amount. The award at the end of the Performance Period can range from 0% to 150% of the granted dollar amount, based on the achievement of four Performance Unit goals ("Performance Goals"), except as reduced at the discretion of the Compensation Committee.

Performance Shares
Performance Shares are granted as a target number of NU common shares. The number of Performance Shares granted will be determined by dividing the target grant value in dollars by the average of daily closing prices of an NU common share on the New York Stock Exchange for the ten business days preceding February 1, 2009 and rounding to the nearest whole share. Until the end of the Performance Period, the value of dividends that would have been paid with respect to the Performance Shares had the Performance Shares been actual NU common shares will be deemed to be invested in additional Performance Shares. The award at the end of the Performance Period can range from 0% to 150% times the number of Performance Shares granted, adjusted for dividend-reinvestment, based on the achievement of four Performance Goals, except as reduced at the discretion of the Compensation Committee.

Performance Unit Criteria and Payout Valuation

Performance Unit awards at the end of the Performance Period will be determined based on the following four equally-weighted goals. The level of achievement of each goal will contribute to the total size of the Performance Unit awards independently of the other three goals. For example, satisfaction of any of the four Performance Goals at target will result in vesting in 25% of the target grant, except as reduced at the discretion of the Compensation Committee. Performance Unit awards will be linearly interpolated between Performance Level points.

Performance Goal 1: Cumulative Adjusted Net Income

This goal measures total Net Income during the Performance Period, excluding the effects on net income of the following excludable items:

- Accounting or tax law changes
- Unusual IRS or regulatory issues
- Unexpected costs related to nuclear decommissioning
- Unexpected costs related to environmental remediation at the Holyoke Water Power Company
- Divestiture or discontinuance of a segment or component of the Company's business
- Acquisition of shares or assets of another entity comprising an additional segment or component of the Company's business
- Impairments on goodwill acquired more than six years before this incentive program's performance period began

Performance Level	Cumulative Adjusted Net Income ($ Millions)	Award Percent of Target
Maximum	$X,XXX.X	150%
Target	$X,XXX.X	100%
Minimum	$X,XXX.X	50%

Performance Goal 2: Average Adjusted Return on Equity

This goal measures the average of the annual Return on Equity for the three years during the Performance Period. Average Return on Equity shall be adjusted to remove the effects of the excludable items specified for Performance Goal 1.

Performance Level	Average Return on Equity	Award Percent of Target
Maximum	X.X%	150%
Target	X.X%	100%
Minimum	X.X%	50%

Performance Goal 3: Average Credit Rating

This goal measures the time-weighted average daily credit rating by S&P, Moody's, and Fitch ("Average Credit Rating") based on the following numerical conversion table:

Rating	Credit Rating Points
"A" or "A2"	5
"A-" or "A3"	4
"BBB+" or "Baa1"	3
"BBB" or "Baa2"	2
"BBB-" or "Baa3"	1

If either S&P or Moody's rates NU credit below investment grade (below "BBB-" or "Baa3") at any time during the Performance Period, then there will be no contribution by this goal to the Performance Unit award. Otherwise, the contribution will be as follows:

Performance Level	Average Credit Rating Points	Award Percent of Target
Maximum	X.X	150%
Target	X.X	100%
Minimum	X.X	50%

Performance Goal 4: Relative Total Shareholder Return

This goal measures NU's Total Shareholder Return (TSR) as compared with the TSR of the following peer companies during the performance period: Allegheny Energy Corporation, Alliant Energy Corporation, Ameren Corporation, Centerpoint Energy, Inc., CMS Energy Corp., Consolidated Edison Inc., DTE Energy, Great Plains Energy, Integrys Energy Group, Inc., NiSource Inc., NSTAR, OGE Energy, NV Energy, Pinnacle West Capital Corporation, Pepco Holdings Inc., Progress Energy, Scana Energy, Inc., TECO Energy, Inc., Wisconsin Energy Corporation, and Xcel Energy Inc. A peer company whose common shares are not publicly traded at the end of the Performance Period shall be excluded from this calculation. Total Shareholder Return is the percentage growth in market value of a common share, including the value of dividends reinvested in additional shares as of the dates paid. The contribution by this goal to the Performance Unit award will be determined on the basis of the percentile ranking of NU's TSR within the peer companies, as follows:

Performance Level	Ranking Among Peer Companies	Award Percent of Target
Maximum	XX^{th} Percentile	150%
Target	XX^{th} Percentile	100%
Minimum	XX^{th} Percentile	50%

Performance Unit Vesting and Distribution

Except as provided below, Performance Units shall be fully vested at the end of the Performance Period to the extent of satisfaction of the Performance Goals, and the Performance Units will be distributed to the Participant in cash and shares on or after January 1, 2012 and on or before March 15, 2012. Performance Cash distributions will be made in cash, less applicable tax withholding. Performance Share distributions shall be made in the form of NU common shares on a one-for-one basis, providing for a reduction of Performance Shares to provide cash sufficient to pay applicable tax withholding.

Special vesting and payout rules apply for certain employment events, as summarized in Table 2. Upon Termination for Retirement before age 65, Performance Units shall be immediately vested on a prorated basis for time worked in the Performance Period. Upon Termination for Retirement after age 65, Performance Units granted prior to the calendar year of Termination shall be immediately fully vested, and Performance Units granted during the calendar year in which the Termination occurs shall be immediately vested on a prorated basis for time worked in the calendar year of Retirement. All such Performance Units that are vested upon a Termination for Retirement will be distributed on or after January 1, 2012 and on or before March 15, 2012. Upon Termination by reason of death or Disability, Performance Units shall be immediately vested on a prorated basis for time worked in the Performance Period, valued assuming a Performance Level at Target and, with allocable reinvested dividends, distributed on or after such death or Disability and on or before the second payroll date following the death or Disability. Upon death after Retirement but before the end of the Performance Period, Performance Units that vested at Retirement shall be valued assuming a Performance Level at Target and, with allocable reinvested dividends, distributed before the second payroll date following the death.

In the event of a Change of Control without a Termination, satisfaction of the Performance Goals shall be measured and payout determined for a modified Performance Period beginning January 1, 2009 and ending of the day preceding the date of such Change of Control ("the CIC Performance Period") using the monthly goal points shown in Attachment 2 for Performance Goals 1 and 2, and using the goal points specified above for Performance Goals 3 and 4, and distributions (in cash for payouts under the Performance Cash component and in NU common shares for payouts under the Performance Shares component), if any, shall then be prorated for all Participants based on the CIC Performance Period to the total Performance Period, provided that, except as indicated below, no distribution will be made under this provision unless the Participant continues employment through December 31, 2011. Such distribution, if any (in cash or shares, as applicable) will be made on or after January 1, 2012 and on or before March 15, 2012. In the event of a Termination Upon a Change of Control within the Performance Period, Performance Units shall be immediately fully vested, valued assuming a Performance Level at Target, and distributed, without proration, on or after such Termination and on or before the second payroll date following the Termination. In the event of a Termination for Retirement, Death or Disability following a Change of Control, Performance Units shall be immediately vested based on satisfaction of Performance Goals for the CIC Performance Period and distributed at the time provided in the paragraph above.

Table 2: Performance Unit Vesting and Payout

Event	Vesting	Performance Measurement	Nominal Distribution Date[4]
Work through 12/31/11	100%	Through 12/31/11[5]	
Retirement before Age 65	Prorated based on time worked during 2009 –2011	Through 12/31/11[5]	
Retirement during 2009, after Age 65	Prorated based on time worked during 2009	Through 12/31/11[5]	Between 1/1/12 and 3/15/12
Retirement after 2009, after Age 65	100%	Through 12/31/11[5]	
Death after Retirement, but before 12/31/11	According to Retirement rules (see above)	Set at Target	Death
Death while Working or Disability	Prorated based on time worked during 2009 –2011	Set at Target	Death or Disability
Termination Upon a Change of Control	100%	Set at Target	Termination

Governing Law

Anything in this Program to the contrary notwithstanding, the terms of this Program shall be interpreted and applied in a manner consistent with the requirements of Section 409A of the Code and the Treasury Regulations thereunder (the "Regulations"), and the Company shall have no right to make any payment under this Program except to the extent permitted under Section 409A of the Code. It is intended that payments made to a Specified Employee under this Program, other than with respect to Performance Units that are measured and vested pursuant to a Change in Control, and RSUs, shall be exempt from compliance with Section 409A of the Code pursuant to the exception for short-term deferrals set forth in Section 1.409A-1(b)(4) of the Regulations. RSU awards and Performance Units that are measured and vested pursuant to a Change in Control will be treated as Section 409A Awards and distribution of RSUs in NU shares or cash (for withholding taxes) and Performance Units that are measured and vested pursuant to a Change in Control to any Specified Employee shall be made not earlier than six months after separation from the Company and on or before the second payroll date following such date, or on the earlier death of the Specified Employee but not later than the second payroll period following such death.

Defined Terms; NU Incentive Plan

Capitalized terms not otherwise specifically defined herein shall have the meanings ascribed to them by the Northeast Utilities Incentive Plan as in effect on January 1, 2009 (the "Plan"). Awards under this 2009-2011 Long-Term Incentive Program shall be subject to the terms of the Plan and in the event of any inconsistency between the terms of this Program and the terms of the Plan, the Plan shall govern.

As approved by Compensation Committee on February 10, 2009

[4] "Nominal Distribution Date" shall be the period that begins on the date specified and ends on the second payroll date there following.
[5] Performance measurement will occur through the day preceding a "change of control" that occurs before the event date.

NORTHEAST UTILITIES INCENTIVE PLAN
2007-2009 Long-Term Incentive Program - Officers
(as amended and restated effective December 11, 2007)

RESTRICTED SHARE UNITS

Eligibility
Officers listed in the Attachment shall be eligible Participants.

Grant Value
The Target grant for each Participant is stated as a percentage of base rate of pay at the time of grant. Target percentages are shown in the Attachment.

Grants
Grants at Target for each Participant will be split equally in value between Three-Year Performance Cash [1] (Performance Cash) and Restricted Share Units (RSUs). Grants will be made at the February 13, 2007, Compensation Committee meeting.

Restricted Share Units
The value of the RSU grant made to each participant may vary from Target, as determined by the Compensation Committee. The number of RSUs granted will be determined by dividing a grant value in dollars by the average of daily closing prices of a common share on the New York Stock Exchange for the ten business days before February 1, 2007, rounding to the nearest whole NU common share.

Restricted Share Unit Distributions and Deferrals
Except for the CEO, vested RSUs shall be distributed on or after their respective Vesting Dates (defined below) and on or before the second payroll date following such date. For the CEO, the vested RSUs shall be distributed in three approximately equal annual installments beginning the later of: (i) six months after his separation from the Company and on or before the second payroll date there following, and (ii) the fifth business day of the calendar year following the year he separates from the Company. Distributions for all Participants will be in cash of an amount sufficient to pay tax withholding, plus NU common shares.

Restricted Share Unit Dividends and Vesting
Until RSUs are distributed in NU common shares, the value of dividends that would have been paid to the recipient had the RSUs been actual NU common shares will be deemed to be invested in additional RSUs and distributed at the same time the related RSUs are distributed in NU common shares . The RSUs will vest by one-third on the 25th of February (or, if February 25 is not a business day, on the first NU business day thereafter (the "Vesting Date")) in each of the first three years following the calendar year of grant.

Upon separation from the Company for reasons of Retirement before Age 65, death, or Disability, unvested RSUs that would have vested at the next Vesting Date shall be immediately vested on a prorated basis for time worked in the twelve-month period preceding the next Vesting Date. Upon separation from the Company for retirement after Age 65, unvested RSUs granted prior to the

[1] Three-Year Performance Cash" means performance units denominated in cash with a value of $100 per unit at Target within the context of the Northeast Utilities Incentive Plan, under which these awards are made. The term "Three-Year Performance Cash" is used to aid in understanding of the program by participants.

calendar year of separation shall be immediately fully vested, and all unvested RSUs granted during the calendar year of separation shall be immediately vested on a prorated basis for time worked in the calendar year of Retirement. All remaining unvested RSUs shall be forfeited upon separation from the Company.

Those RSUs that become vested upon separation from the Company shall be distributed no earlier than six months after the date of separation and on or before the second payroll date following such date. Vesting and payouts are summarized in Table 1.

Restricted Share Unit Accelerated Distributions
In the event of a Termination Upon a Change of Control, as defined in the Incentive Plan or in a Participant's employment agreement as applicable, all RSUs shall be immediately fully vested and distributed six months after separation from the Company and on or before the second payroll date following such date. The Compensation Committee may accelerate vesting of RSUs at its sole discretion provided, however, that with respect to any RSU that is subject to Section 409A of the Code, any such acceleration of vesting shall not affect the date of distribution of such RSU.

Table 1: Restricted Share Unit Vesting and Payout

Event	Vesting	Nominal Distribution Date[2]
Work through 2/25/2010		
February 25, 2008	1/3	February 25, 2008
February 25, 2009	1/3	February 25, 2009
February 25, 2010	1/3	February 25, 2010
Retirement before Age 65, death, or Disability	RSUs that would have vested on Vesting Date following event date vest on prorated basis for time worked in 12 months preceding next vesting date	All newly vested RSUs are distributed six months after separation or following death, if earlier
Retirement after Age 65 during 2007	Entire grant prorated based on time worked during 2007	All newly vested RSUs are distributed six months after separation
Retirement after Age 65 after 2007	100%	
Termination Upon a Change of Control	100%	
Separation from the Company other than for Retirement, death, Disability, or Change of Control	No additional vesting	All previously vested RSUs are distributed six months after separation

Note: The CEO has special payout rules.

[2] "Nominal Distribution Date" shall be the period that begins on the date specified and the second payroll date there following.

PERFORMANCE CASH

Performance Cash has a Maximum value of 150% of Target. The value of Performance Cash will be paid to the participant in cash after the three-year Performance Period ends on December 31, 2009. The value of the Performance Cash will be based on achievement of four goals, except as reduced at the discretion of the Compensation Committee ("Performance Goals").

Performance Cash Criteria and Payout Valuation

Performance Cash value at payout will be determined based on the following four equally-weighted goals. The level of achievement of each goal will contribute to the total value of the Performance Cash independently of the other three goals. Performance Cash value will be linearly interpolated between Performance Level points.

Performance Cash Goal 1: Cumulative Adjusted Net Income

This goal measures total Net Income during the Performance Period, excluding the effects on net income of the following excludable items:

- Accounting or tax law changes
- Unusual IRS or regulatory issues
- Unexpected costs related to nuclear decommissioning
- Unexpected costs related to environmental remediation at the Holyoke Water Power Company
- Divestiture or discontinuance of a segment or component of the Company's business
- NUEI mark-to-market impacts
- Unbudgeted charitable contributions
- Impairments on goodwill acquired more than five years before this incentive program's performance period began
- Con Ed settlement or court decision

Performance Level	Cumulative Adjusted Net Income ($ Millions)	Payout Percent of Target
Maximum	$920.6	150%
Target	$836.9	100%
Minimum	$753.2	50%

Performance Cash Goal 2: Average Adjusted Return on Equity

This goal measures the average of the annual Return on Equity for the three years during the Performance Period. Average Return on Equity shall be adjusted to remove the effects of the excludable items specified for Goal 1.

Performance Level	Average Return on Equity	Payout Percent of Target
Maximum	10.0%	150%
Target	9.2%	100%
Minimum	8.4%	50%

Performance Cash Goal 3: Average Credit Rating
This goal measures the time-weighted average daily credit rating by S&P, Moody's, and Fitch ("Average Credit Rating") based on the following numerical conversion table:

Rating	Credit Rating Points
"A" or "A2"	5
"A-" or "A3"	4
"BBB+" or "Baa1"	3
"BBB" or "Baa2"	2
"BBB-" or "Baa3"	1

If either S&P or Moody's rates NU credit below investment grade (below "BBB-" or "Baa3") at any time during the Performance Period, then there will be no contribution by this goal to the Performance Cash value. Otherwise, the contribution will be as follows:

Performance Level	Average Credit Rating Points	Payout Percent of Target
Maximum	2.2	150%
Target	1.7	100%
Minimum	1.2	50%

Performance Cash Goal 4: Relative Total Shareholder Return
This goal measures NU's Total Shareholder Return (TSR) as compared with the TSR of the following peer companies during the performance period: Allegheny Energy Corporation, Alliant Energy Corporation, Ameren Corporation, Centerpoint Energy, Inc., Consolidated Edison Inc., Energy East Corporation, NiSource Inc., NSTAR, Pinnacle West Capital Corporation, Pepco Holdings Inc., Puget Energy, Inc., Scana Energy, Inc., Sierra Pacific Resources, Wisconsin Energy Corporation, and Xcel Energy Inc. A peer company whose common shares are not publicly traded at the end of the performance period shall be excluded from this calculation. Total Shareholder Return is the percentage growth in market value of a common share, including the value of dividends reinvested in additional shares as of the dates paid. The contribution by this goal to the Performance Cash value will be determined on the basis of the percentile ranking of NU's TSR within the peer companies, as follows:

Performance Level	Ranking Among Peer Companies	Payout Percent of Target
Maximum	80th Percentile	150%
Target	60th Percentile	100%
Minimum	40th Percentile	50%

Performance Cash Vesting and Payout

Except as provided below, Performance Cash shall be fully vested at the end of the Performance Period to the extent of satisfaction of the Performance Goals and the cash value shall be paid to the Participant in cash on or after January 1, 2010 and on or before March 15, 2010.

Special vesting and payout rules apply for certain employment events, as summarized in Table 2. In the event of Termination due to Retirement before Age 65, Performance Cash awards shall be immediately vested on a prorated basis for time worked in the Performance Period. In the event of Termination due to Retirement after Age 65, Performance Cash granted prior to the calendar year of retirement shall be immediately fully vested, and Performance Cash granted during the calendar year of Retirement shall be prorated based on time worked in that year. In the event of Retirement, Performance Cash value shall be determined based on performance through the end of the Performance Period, and its value shall be paid in cash on or after January 1, 2010 and on or before March 15, 2010. In the event of death, Disability, or a Change of Control, grants shall be prorated based on time worked in the Performance Period, and their value determined assuming a Performance Level set at Target. Their vested value shall be paid on or after the change of control and before the second payroll date following the date of that event.

Notwithstanding the above, in the event of a Termination Upon a Change of Control, as defined in the Incentive Plan or a Participant's employment agreement as applicable, grants shall be immediately fully vested, their value shall be set at Target, and their value shall be paid on or after such Termination and on or before the second payroll date following the Termination..

Retirement

For purposes of this program, "Retirement" shall mean the day following a Participant's termination from the NU system (a) when eligible to immediately commence a pension benefit under the SERP or an employment-related agreement with an NU system company, or (b) after attaining age 55 and 10 years of service.

Table 2: Performance Cash Vesting and Payout

Event	Vesting	Performance Measurement	Nominal Distribution Date[3]
Work through 12/31/09	100%	Through 12/31/09	Between 1/1/10 and By 3/15/10
Retirement before Age 65	Prorated based on time worked during 2007 – 2009	Through 12/31/09	
Retirement during 2007, after Age 65	Prorated based on time worked during 2007	Through 12/31/09	
Retirement after 2007, after Age 65	100%	Through 12/31/09	
Death or Disability	Prorated based on time worked during 2007 – 2009	Set at Target	Death or Disability
Change of Control	Prorated based on time worked during 2007 – 2009	Set at Target	Change of Control
Termination Upon a Change of Control	100%	Set at Target	Termination

[3] "Nominal Distribution Date" shall be the period that begins on the date specified and the second payroll date there following.

Defined Terms; NU Incentive Plan

Capitalized terms not otherwise specifically defined herein shall have the meanings ascribed to them by the Northeast Utilities Incentive Plan as in effect on January 1, 2008 ("Incentive Plan"). Awards under this 2007-2009 Long-Term Incentive Program shall be subject to the terms of the Incentive Plan and in the event of any inconsistency between the terms of this Program and the terms of the Plan, the Plan shall govern.

NORTHEAST UTILITIES INCENTIVE PLAN
2008-2010 Long-Term Incentive Program - Officers

Eligibility
Officers listed in the Attachment shall be eligible Participants.

Grant Value
The Target grant for each Participant is stated as a percentage of base rate of pay after the salary increase for March of the plan year has been applied. Target percentages are shown in the Attachment.

Grants
Grants at Target for each Participant will be split equally in value between Three-Year Performance Cash[1] (Performance Cash) and Restricted Share Units (RSUs). Grants will be made at the February 12, 2008, Compensation Committee meeting.

RESTRICTED SHARE UNITS

The value of the RSU grant made to each Participant may vary from Target, as determined by the Compensation Committee. The number of RSUs granted will be determined by dividing a grant value in dollars by the average of daily closing prices of an NU common share on the New York Stock Exchange for the ten business days preceding February 1, 2008 and rounding to the nearest whole share.

Restricted Share Unit Dividends, Vesting and Distribution
Until RSUs vest and are distributed in NU common shares, the value of dividends that would have been paid to the recipient had the RSUs been actual NU common shares will be deemed to be invested in additional RSUs and distributed at the same time the related RSUs are distributed in NU common shares. The RSUs will vest by one-third on the 25th of February (or, if February 25 is not a business day, on the first NU business day thereafter (the "Vesting Date")) in each of the first three years following the calendar year of grant and, except as otherwise provided herein with respect to RSUs awarded to the CEO, such vested RSUs will be distributed on or after the respective Vesting Date and on or before the second payroll date following that date.

Upon Termination for reasons of Retirement before age 65, death, or Disability, unvested RSUs that would have vested at the next Vesting Date shall be immediately vested on a prorated basis for time worked in the twelve-month period preceding the next Vesting Date. Upon Termination for Retirement after age 65, unvested RSUs granted prior to the calendar year of Termination shall be immediately fully vested, and all unvested RSUs granted during the calendar year in which the Termination occurs shall be immediately vested on a prorated basis for time worked in the calendar year of Retirement. Except as otherwise provided herein with respect to RSUs awarded to the CEO, all such RSUs that are vested upon a Termination will be distributed no sooner than six months following the Participant's Termination through the second payroll date there following

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1 "Three-Year Performance Cash" means Performance Units denominated in cash with a value of $100 per unit at Target within the context of the Northeast Utilities Incentive Plan, under which these grants are made. The term "Three-Year Performance Cash" is used to aid in understanding of the program by participants.

(or, if earlier, the date of death of the Participant through the second payroll date there following). RSU distributions shall be made in the form of NU common shares and cash sufficient to pay applicable tax withholding. All remaining unvested RSUs shall be forfeited upon Termination.

All vested RSUs held by the CEO will be distributed in three approximately equal annual installments on the fifth business day of the first, second and third calendar years following the calendar year in which the CEO's Termination occurs, except that the first distribution will be made no earlier than six months after his separation from the Company and no later than the second payroll date there following.

Restricted Share Units Accelerated Vesting and Distribution
In the event of a Termination Upon a Change of Control as defined in the Incentive Plan, all RSUs shall be immediately fully vested upon such Termination and distributed in NU common shares not earlier than six months after separation from the Company and on or before the second payroll date following such date. The Compensation Committee may accelerate the vesting of RSUs at its sole discretion; provided, however, that with respect to any RSU that is subject to Section 409A of the Code, any such acceleration of vesting shall not affect the date of distribution of such RSU.

The following Table 1 summarizes the preceding vesting and distribution rules.

Table 1: Restricted Share Unit Vesting and Distribution

Event	Vesting	Nominal Distribution Date [1]
Work through Dates		
February 25, 2009	1/3	February 25, 2009
February 25, 2010	1/3	February 25, 2010
February 25, 2011	1/3	February 25, 2011
Retirement before age 65, death, or Disability	RSUs that would have vested on Vesting Date following event date will vest on prorated basis for time worked in 12 months preceding Vesting Date	All newly vested RSUs are distributed six months after Termination or on the second payroll date following death, if earlier
Retirement after age 65 during 2008	Entire grant vested on a prorated basis for time worked during 2008	All newly vested RSUs are distributed six months after Termination
Retirement after age 65 after 2008	100%	
Termination Upon a Change of Control	100%	
Termination other than for Retirement, death, Disability, or Termination Upon Change of Control	No additional vesting	No additional distributions

Note: Distributions to the CEO will be made in three approximately equal annual installments beginning on the fifth business day of the calendar year following the calendar year in which the CEO's Termination occurs or six months after such Termination, if later.

[1] "Nominal Distribution Date" shall be the period that begins on the date specified and ends on the second payroll date there following.

PERFORMANCE CASH

Performance Cash has a Maximum value of 150% of Target. The three-year Performance Period ends on December 31, 2010. The value of the Performance Cash will be based on achievement of four goals, except as reduced at the discretion of the Compensation Committee ("Performance Goals").

Performance Cash Criteria and Payout Valuation

Performance Cash value at payout will be determined based on the following four equally-weighted goals. The level of achievement of each goal will contribute to the total value of the Performance Cash independently of the other three goals. Performance Cash value will be linearly interpolated between Performance Level points.

Performance Cash Goal 1: Cumulative Adjusted Net Income

This goal measures total Net Income during the Performance Period, excluding the effects on net income of the following excludable items:

- Accounting or tax law changes
- Unusual IRS or regulatory issues
- Unexpected costs related to nuclear decommissioning
- Unexpected costs related to environmental remediation at the Holyoke Water Power Company
- Divestiture or discontinuance of a segment or component of the Company's business
- Acquisition of shares or assets of another entity comprising an additional segment or component of the Company's business
- Impairments on goodwill acquired more than five years before this incentive program's performance period began
- Con Ed settlement or court decision

Performance Level	Cumulative Adjusted Net Income ($ Millions)	Payout Percent of Target
Maximum	$1,033.7	150%
Target	$ 939.7	100%
Minimum	$ 845.7	50%

Performance Cash Goal 2: Average Adjusted Return on Equity

This goal measures the average of the annual Return on Equity for the three years during the Performance Period. Average Return on Equity shall be adjusted to remove the effects of the excludable items specified for Goal 1.

Performance Level	Average Return on Equity	Payout Percent of Target
Maximum	10.5%	150%
Target	9.5%	100%
Minimum	8.6%	50%

Performance Cash Goal 3: Average Credit Rating
This goal measures the time-weighted average daily credit rating by S&P, Moody's, and Fitch ("Average Credit Rating") based on the following numerical conversion table:

Rating	Credit Rating Points
"A" or "A2"	5
"A-" or "A3"	4
"BBB+" or "Baa1"	3
"BBB" or "Baa2"	2
"BBB-" or "Baa3"	1

If either S&P or Moody's rates NU credit below investment grade (below "BBB-" or "Baa3") at any time during the Performance Period, then there will be no contribution by this goal to the Performance Cash value. Otherwise, the contribution will be as follows:

Performance Level	Average Credit Rating Points	Payout Percent of Target
Maximum	2.2	150%
Target	1.7	100%
Minimum	1.2	50%

Performance Cash Goal 4: Relative Total Shareholder Return
This goal measures NU's Total Shareholder Return (TSR) as compared with the TSR of the following peer companies during the performance period: Allegheny Energy Corporation, Alliant Energy Corporation, Ameren Corporation, Centerpoint Energy, Inc., CMS Energy Corp., Consolidated Edison Inc., NiSource Inc., NSTAR, Pinnacle West Capital Corporation, Pepco Holdings Inc., Scana Energy, Inc., Sierra Pacific Resources, TECO Energy, Inc., Wisconsin Energy Corporation, and Xcel Energy Inc. A peer company whose common shares are not publicly traded at the end of the Performance Period shall be excluded from this calculation. Total Shareholder Return is the percentage growth in market value of a common share, including the value of dividends reinvested in additional shares as of the dates paid. The contribution by this goal to the Performance Cash value will be determined on the basis of the percentile ranking of NU's TSR within the peer companies, as follows:

Performance Level	Ranking Among Peer Companies	Payout Percent of Target
Maximum	80th Percentile	150%
Target	60th Percentile	100%
Minimum	40th Percentile	50%

Performance Cash Vesting and Payout

Except as provided below, Performance Cash shall be fully vested at the end of the Performance Period to the extent of satisfaction of the Performance Goals and the value of the Performance Cash will be paid to the Participant in cash on or after January 1, 2011 and on or before March 15, 2011.

Special vesting and payout rules apply for certain employment events, as summarized in Table 2. Upon Termination for reasons of Retirement before age 65, Performance Cash shall be immediately vested on a prorated basis for time worked in the Performance Period. Upon Termination for Retirement after age 65, Performance Cash granted prior to the calendar year of Termination shall be immediately fully vested, and Performance Cash granted during the calendar year in which the Termination occurs shall be immediately vested on a prorated basis for time worked in the Performance Period. All such Performance Cash that is vested upon a Termination for reasons of Retirement will be distributed on or after January 1, 2011 and on or before March 15, 2011. Upon Termination by reason of death or Disability, Performance Cash shall be immediately vested on a prorated basis for time worked in the Performance Period, valued assuming a Performance Level at Target, and paid on or after such death or Disability and on or before the second payroll date following the death or Disability.

In the event of a Change of Control without a Termination, Performance Cash shall be immediately vested on a prorated basis for time worked in the Performance Period, valued assuming a Performance Level at Target, and paid on or after such Change of Control and on or before the second payroll date following the Change of Control. In the event of a Termination Upon a Change of Control, Performance Cash shall be immediately fully vested, valued assuming a Performance Level at Target, and paid on or after such Termination and on or before the second payroll date following the Termination. A Participant who received a Performance Cash distribution following Change of Control who later has a Termination Upon a Change of Control shall receive the difference in payment between the prorated and fully vested value on or after such Termination and on or before the second payroll date following the Termination.

Table 2: Performance Cash Vesting and Payout

Event	Vesting	Performance Measurement	Nominal Distribution Date[2]
Work through 12/31/10	100%	Through 12/31/10	Between 1/1/11 and 3/15/11
Retirement before Age 65	Prorated based on time worked during 2008 –2010	Through 12/31/10	
Retirement during 2008, after Age 65	Prorated based on time worked during 2008	Through 12/31/10	
Retirement after 2008, after Age 65	100%	Through 12/31/10	
Death or Disability	Prorated based on time worked during 2008 –2010	Set at Target	Death or Disability
Change of Control	Prorated based on time worked during 2008 –2010	Set at Target	Change of Control
Termination Upon a Change of Control	100%	Set at Target	Termination

Governing Law

Anything in this Program to the contrary notwithstanding, the terms of this Program shall be interpreted and applied in a manner consistent with the requirements of Section 409A of the Code and the Treasury Regulations thereunder (the "Regulations") and the Company shall have no right to make any payment under this Program except to the extent permitted under Section 409A of the Code. It is intended that payments made under this Program shall be exempt from compliance with Section 409A of the Code pursuant to the exception for short-term deferrals set forth in Section 1.409A-1(b)(4) of the Regulations.

Defined Terms; NU Incentive Plan

Capitalized terms not otherwise specifically defined herein shall have the meanings ascribed to them by the Northeast Utilities Incentive Plan as in effect on January 1, 2008 (the "Plan"). Awards under this 2008 Annual Incentive Program shall be subject to the terms of the Plan and in the event of any inconsistency between the terms of this Program and the terms of the Plan, the Plan shall govern.

[2] "Nominal Distribution Date" shall be the period that begins on the date specified and ends on the second payroll date there following.

Metric Numbers Redacted

PSNH Docket No. DE 09-035
Technical Session TS-01
Dated 06/10/2009
Q-TECH-003-BULK

NORTHEAST UTILITIES INCENTIVE PLAN
2009 Annual Incentive Program

Goals

Goals are communicated during the first 90 days of 2009 to each Participant by the CEO or, in the case of the CEO, by the Lead Trustee. Fulfillment of goals of executives other than the CEO will be evaluated by the CEO, and fulfillment of the CEO's goals will be evaluated by the Compensation Committee, working with the Corporate Governance Committee, following the end of 2009.

Financial Goal and Gate

Each participant shall have a Team Goal, NU Consolidated ANI, and a set of Individual Goals, which shall be weighted according to the Attachment. If NU Consolidated ANI achieves "Gate" performance, then a specified maximum payout is possible for Individual Goals for every participant.

Adjusted Net Income shown in Table 1 equals Net Income for NU Consolidated, excluding the effect on Net Income of the following excludable items:

- Accounting or tax law changes
- Unusual IRS or regulatory issues
- Unexpected costs related to nuclear decommissioning
- Unexpected costs related to environmental remediation at the Holyoke Water Power Company
- Divestiture or discontinuance of a segment or component of the Company's business
- Acquisition of shares or assets of another entity comprising an additional segment or component of the Company's business
- Impairments on goodwill acquired more than six years before this incentive program's performance period began

Table 1: 2009 Annual Incentive Program Financial Gates and Goals

2009 Goals NU Consolidated Adjusted Net Income in $Millions			
Gate -XX%	Min -XX%	Target	Max +XX%
$XXX.X	$XXX.X	$XXX.X	$XXX.X

Determination of Payout Amounts

If the Financial Gate is achieved, then the portion of the payout related to Individual Goals shall be adjusted downward from payout at maximum (200% of target) based on performance against the participant's individual goals. If the Financial Minimum, Target, or Maximum goal level is achieved, then the portion of the payout related to the Team Goal will be 50%, 100%, or 200% of target payout, respectively. Payouts will be linearly interpolated based on goal achievement among Minimum, Target, and Maximum goal points. The payout is determined as a percentage of salary (actual salary paid or deferred during 2009), as shown on the attached list of Participants.

Payout

Awards that a Participant has not expressly deferred under the NU Deferred Compensation Plan for Executives will be paid in cash after December 31, 2009 but no later than March 15, 2010. If a Participant's employment is terminated for Retirement or Disability, then the award will be based on goals actually achieved in 2009, but prorated as of the date of the termination and paid after December 31, 2009 but no later than March 15, 2010. In the event of a Participant's death during 2009, the award will be calculated assuming Target payout level performance but prorated as of the date of death and paid by the second payroll period following the Participant's death. If a Participant's employment is terminated for any other reason before the end of 2009, then no payout will be made. Deferred awards will be paid in accordance with the terms of the applicable deferral agreement under the NU Deferred Compensation Plan for Executives.

Governing Law

Anything in this Program to the contrary notwithstanding, the terms of this Program shall be interpreted and applied in a manner consistent with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, (the "Code") and the Treasury Regulations thereunder, and the Company shall have no right to make any payment under this Program except to the extent permitted under Section 409A of the Code. It is intended that payments made under this Program as provided above, except for a payment that is a Section 409A Award because of an election to defer its payment under the Deferred Compensation Plan for Executives, shall be exempt from compliance with Section 409A of the Code pursuant to the exception for short-term deferrals set forth in Section 1.409A-1(b)(4) of the Treasury Regulations. Payment of a Section 409A Award to any Specified Employee shall be made not earlier than six months after separation from the Company and on or before the second payroll date following such date, or on the earlier death of the Specified Employee but not later than the second payroll period following such death.

Defined Terms; NU Incentive Plan

Capitalized terms not otherwise specifically defined herein shall have the meanings ascribed to them by the Northeast Utilities Incentive Plan as in effect on January 1, 2009 (the "Plan"). Awards under this 2009 Annual Incentive Program shall be subject to the terms of the Plan and in the event of any inconsistency between the terms of this Program and the terms of the Plan, the Plan shall govern.

04/03/09

PSNH
2009 EIP Goals

Northeast Utilities System

04/03/09

NU Vision

Energy | **Growth** | **Leadership**

NU Aspiration

"to meet the energy, economic, and environmental needs of our New England customers through our infrastructure investments, energy products, and service delivery"

PSNH Mission

"To effectively manage our core business in concert with regulatory and public policy relationships to deliver safe, reliable, cost effective and environmentally responsible electric service to our customers, while setting the stage for growth opportunities including distributed generation and transmission system expansion"

Sustainability

Strategic areas	**Operations**	**Strategic growth**	**Customer experience**	**Workforce effectiveness**	**Leadership**	**Financial performance**
Objectives	Execute strong operational performance	Maximize growth potential through strategic investment, and capitalizing on new opportunities	Deliver timely and effective solutions to our customers	Successfully engage and prepare the NU workforce	Assume a leadership role in meeting NH energy challenges	Ensure solid, consistent financial performance
Goal areas	• Operating & capital plans (Reliability, Work Management, Maintenance, Generation, Safety)	• Legislative opportunities & solutions to regional problems	• Customer improvement initiatives	• Talent management & training • Safety	• Energy Policy & Legislative relationships	• Financial targets • O&M and capital

Northeast Utilities System

04/03/09

PSNH

Strategic area	Goal area	President & COO PSNH	VP – Generation	VP – Energy Delivery
Operations	Operating & capital plans	Improve PSNH Operational Performance (20%)	Meet Safety Performance Targets 5%; Meet Environmental Targets 5%; Achieve Generation Targets 20%; Achieve Merrimack Scrubber Targets 20% (50%)	Meet Safety Performance Targets 5%; Meet Environmental Targets 5%; Improve Reliability 10%; Execute Maintenance Plan 15% (35%)
Strategic growth	5 year strategic plan	Advance PSNH's strategic objectives and meet 2009 milestones associated with DG projects, anti-coal, rate case, corporate positioning, and Hydro Quebec (20%)	Advance PSNH's strategic objectives and meet 2009 milestones associated with Merrimack Unit 2 turbine and CO_2 allowances (10%)	Advance PSNH's strategic objectives and meet 2009 milestones associated with a reset of funding for REP and development of a GIS strategy (20%)
Customer experience	Customer focus	Continue to improve the Customer Experience at PSNH (10%)	Continue to improve the Customer Experience at PSNH (5%)	Continue to improve the Customer Experience at PSNH (10%)
Workforce effective-ness	Workforce development	Ensure that our workforce is prepared for the future 10%	Ensure that our workforce is prepared for the future 10%	Ensure that our workforce is prepared for the future 10%
	Safety	Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives 10% (20%)	Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives 10% (20%)	Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives 10% (20%)
Leadership	Energy Policy & regulatory & leg. outcomes	Assume a leadership role in meeting NH energy challenges (10%)		
Financial performance	Financial targets	Achieve 2009 PSNH financial targets (net income, O&M, capital, REC sales) (20%)		
	O&M and capital		Achieve 2009 PSNH O&M and capital targets (15%)	Achieve 2009 PSNH O&M and capital targets (15%)

Northeast Utilities System

Applies to: President PSNH

04/03/09

Strategic objective: Operations | Goal area: Operating & capital plans | Weight: 20%

Goal description

Improve operational performance.

Key initiatives that support goal achievement

1. Reduce the number of injuries resulting in days away from work, restriction or transfers (DART)
2. Reduce the total number of OSHA recordable incidents (TRIR)
3. Reduce the rate of preventable motor vehicle accidents
4. Complete year 2 and begin year 3 Reliability Enhancement Program (REP) activities within 2009 distribution capital constraints
5. Produce second annual report to the NHPUC
6. Operate baseload units efficiently
7. Monitor communication and enforcement actions taken by environmental regulatory agencies
8. Ensure adequate operational controls in place to operate within the environmental rules and monitor through the Environmental Management System (EMS)

Key metrics	Minimum	Target	Maximum
As defined in VPs' goals	Subj.	Aggregate performance of VPs' operational metrics	Subj.

PSNH

Applies to: President PSNH

04/03/09

Strategic objective: Strategic Growth | Goal area: 5 Year Strategic Plan | Weight: 20%

Goal description

Advance PSNH's strategic objectives and meet the 2009 milestones associated with Distributed Generation Projects, mitigation of Anti-coal activism, Rate Case Strategy, Corporate Positioning, and Hydro Quebec Power Purchase Agreement and Interconnection

Key initiatives that support goal achievement

1. File delivery service rate case
2. Negotiate agreements with renewable energy suppliers for Energy/Capacity/RECs
3. Examine and if appropriate implement recommendations of New Hampshire legislature's North Country Transmission Commission
4. Seek low risk opportunities to add small scale distributed generation to the PSNH portfolio
5. Develop initial Power Purchase Agreement (PPA) in principle or alternative power offering arrangement
6. Conduct media, opinion leader, and customer outreach to advance PSNH's strategic objectives

Key metrics*	Minimum	Target	Maximum
Develop rate case strategy, file rate case	Subj.	Q2	Subj.
Recognize opportunities for distributed generation projects	Subj.	Q4	Subj.
Implement strategy addressing Anti-coal pressures	Subj.	Q4	Subj.
Conduct outreach efforts for corporate positioning	Subj.	Q4	Subj.
Continued development of HQ PPA or alternative power offering arrangement	Subj.	Q4	Subj.

*Measurement Criteria: Inclusive of milestones being achieved on budget and demonstrate performance improvement, where applicable.

Northeast Utilities System

Applies to: President PSNH 10% | VP Generation 5% | VP Energy Delivery 10% | 04/03/09

Strategic objective Customer Experience **Goal area** Customer Focus **Weight** [redacted]

Goal description

Continue to improve the Customer Experience at PSNH.

Key initiatives that support goal achievement

1. Implement C2 system enhancements
2. Complete service leadership training throughout PSNH
3. Implement Meter Data Management System

Key metrics*	Minimum	Target	Maximum
Rollout the service vision, expectations and behaviors to all PSNH employees	Subj.	Q2	Subj.
Implement service recognition program	Subj.	Q2	Subj.
Implement the CE dashboard	Subj.	Q3	Subj.

*Measurement Criteria: Inclusive of milestones being achieved on budget and demonstrate performance improvement, where applicable.

PSNH

Applies to: President PSNH | VP Generation | VP Energy Delivery | 04/03/09

Strategic objective: Workforce Effectiveness | **Goal area:** Workforce Development | **Weight:** 10%

Goal description

Ensure that our workforce is prepared for the future.

Key initiatives that support goal achievement

1. Continue nonexempt supervisory training program
2. Actively manage succession planning through the use of the Performance and Talent Management System (PTMS)
3. Develop and implement initiatives based on the results of the 2007 NU employee survey and employee focus groups

Key metrics*	Minimum	Target	Maximum
Complete succession planning for directors and critical managers	Subj.	Q2	Subj.
Implement PTMS career development modules plans for all managers	Subj.	Q3	Subj.
Complete skill enhancement and compliance training (2,524 training units)	98%	100% at 12/31/09	100% at 11/30/09
Implement employee survey initiative actions	Subj.	Q4	Subj.

*Measurement Criteria: Inclusive of milestones being achieved on budget and demonstrate performance improvement, where applicable.

Northeast Utilities System

Applies to: President PSNH | VP Generation | VP Energy Delivery | 04/03/09

Strategic objective: Workforce Effectiveness | Goal area: Safety | Weight: 10%

Goal description

Improve the PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives.

Key initiatives that support goal achievement

1. Complete the implementation of the pilot for the use of selected leading safety indicators
2. Continue local safety plans and site-specific safety goals
3. Continue to provide safety training program for Working Foremen and second level supervisors
4. Continue formfirst ergonomic program

Key metrics*	Minimum	Target	Maximum
Kick-off 2009 NU Safety plan, communicate vision, mission, policy and principles	Subj.	Q1	Subj.
Identify, implement and train Company Quality teams	Subj.	Q1	Subj.
Complete work observation quality critique training	Subj.	Q1	Subj.
Identify and establish 2009 metrics (leading and lagging)	Subj.	Q1	Subj.
Finalize 2009 safety-call-to-action incentive program	Subj.	Q1	Subj.
Finalize, publish and deliver NU accident prevention manual (APM)	Subj.	Q2	Subj.
Implement new safety observation system and training	Subj.	Q2	Subj.
Implement and track 2009 metrics (leading and lagging)	Subj.	Q3	Subj.

*Measurement Criteria: Inclusive of milestones being achieved on budget and demonstrate performance improvement, where applicable.

PSNH

Applies to: President PSNH

04/03/09

Strategic objective	Goal area	Weight
Leadership	Energy Policy & regulatory & legislative outcomes	10%

Goal description

Assume a leadership role in meeting NH energy challenges by:

- Maintaining strong communications and enhancing key legislative and opinion leader relationships
- Working with regulators to develop solutions to customers' energy problems
- Positively influence key energy policy decisions

Key initiatives that support goal achievement

1. Conduct customer research to determine customer views and understanding on key energy and environmental issues
2. Enhance presence in regulatory and policy settings by targeted relationship management
3. Hold legislative briefing sessions
4. Hold leadership role or membership in key organizations

Key metrics	Minimum	Target	Maximum
Positively influence customers, regulators and key organizations in meeting NH energy challenges	Subj.	Subj.	Subj.

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PSNH has requested that the OCA not disclose this page publicly.

The OCA will file this page confidentially under separate cover.

PSNH

Applies to: VP Generation | VP Energy Delivery

04/03/09

Strategic objective: Operations

Goal area: Operating & capital plans

Weight: 5%

Goal description

Meet safety performance targets.

Key initiatives that support goal achievement

1. Reduce the number of injuries resulting in days away from work, restriction or transfers (DART)
2. Reduce the total number of OSHA recordable incidents (TRIR)
3. Reduce the rate of preventable motor vehicle accidents

Key metrics	Minimum	Target	Maximum
DART Safety Rate	1.97	1.61	1.08
TRIR Safety Rate	4.26	3.61	2.03
PMVA Rate	4.58	3.97	3.51

Northeast Utilities System

Applies to: VP Generation | VP Energy Delivery

04/03/09

Strategic objective: Operations | Goal area: Operating & capital plans | Weight: 5%

Goal description

Meet environmental targets.

Key initiatives that support goal achievement

1. Monitor communication and enforcement actions taken by environmental regulatory agencies
2. Ensure adequate operational controls in place to operate within the environmental rules and monitor through the Environmental Management System (EMS)

Key metrics	Minimum	Target	Maximum
Environmental Compliance Index (%)	96.0	98.0	100.0

PSNH

Applies to: VP Generation

04/03/09

Strategic objective: Operations

Goal area: Operating & capital plans

Weight: 20%

Goal description

Maintain Generation performance.

Key initiatives that support goal achievement

1. Operate baseload units efficiently

Key metrics	Minimum	Target	Maximum
Generation Baseload Capacity Factor (%)	67.0	68.0	69.0
Generation Baseload Equivalent Availability Factor (%)	70.0	71.0	72.0
Generation Market Based Availability (%)	92.0	95.0	96.0
Fuels Management Audit – no findings of imprudence	2 or more event disallowances or >$100,000 total findings of imprudence	0 disallowances	0 disallowances with audits of not a lower rating than 'Controlled with Opportunities'

PSNH

Applies to: VP Generation

04/03/09

Strategic objective: Operations | Goal area: Operating & capital plans | Weight: 20%

Goal description

Complete Merrimack Scrubber project milestones on schedule and on budget.

Key initiatives that support goal achievement

1. Award component contracts
2. Begin construction
3. Manage project external risk factors

Key metrics*	Minimum	Target	Maximum
Merrimack Scrubber Project Milestones**:			
Start Foundation Installation	Subj.	Q1	Subj.
Stack Foundation Complete	Subj.	Q2	Subj.
Site Ready for FGD Contractor to Mobilize	Subj.	Q2	Subj.
Award Ductwork Fabrication Contract	Subj.	Q3	Subj.
Stack Shell Complete	Subj.	Q4	Subj.
Award Steel Fabrication Contract	Subj.	Q4	Subj.
Merrimack Scrubber Project Capital Budget	Subj.	$123.0M	Subj.

*Measurement Criteria: Inclusive of milestones being achieved on budget and demonstrate performance improvement, where applicable.

**These milestone dates are predicated on the assumption that no external forces, or extraordinary events, or circumstances beyond our control prevent PSNH from completing these milestones on time.

Northeast Utilities System

PSNH

Applies to: VP Generation

04/03/09

Strategic objective: Strategic Growth | Goal area: 5 Year Strategic Plan | Weight: 10%

Goal description

Advance PSNH's strategic objectives and meet 2009 milestones associated with repairs to the Merrimack Unit 2 Turbine, and implementing strategies to obtain low cost CO_2 allowances for continued operation of the existing PSNH Generation fleet.

Key initiatives that support goal achievement

1. Satisfactorily complete Merrimack Unit 2 turbine outage
2. Turbine test at guaranteed rate (+6.4 MW)
3. Develop plan for obtaining CO_2 allowances to assure cost effective operation of PSNH Generation fleet
4. CO_2 allowances in hand to comply with 2009 requirements

Key metrics*	Minimum	Target	Maximum
Achieve MK2 guaranteed output increase (MW)	4.0	6.4	8.0
Turbine Close-out	Subj.	Q4	Subj.
Obtain CO_2 Allowances	Subj.	Q4	Subj.

*Measurement Criteria: Inclusive of milestones being achieved on budget and demonstrate performance improvement, where applicable.

PSNH

Applies to: VP Generation

04/03/09

Strategic objective: Financial Performance | Goal area: O&M and capital | Weight: 15%

Goal description

Achieve 2009 PSNH O&M and capital targets.

Key initiatives that support goal achievement

1. Manage functional O&M
2. Manage capital
3. Improve budget/project management life cycle for major capital projects
4. Maximize benefits from Northern Wood Power operation

Key metrics ($M)	Minimum	Target	Maximum
O&M	78.9	77.4	69.7
Capital	Subj.	32.9 *	Subj.

* Excludes Merrimack Scrubber Project

PSNH

Applies to: VP Energy Delivery

04/03/09

Strategic objective: Operations | Goal area: Operating & capital plans | Weight: 10%

Goal description

Stabilize Distribution System reliability through implementation of the five year Reliability Enhancement Program (REP).

Key initiatives that support goal achievement

1. Complete year 2 and begin year 3 Reliability Enhancement Program (REP) activities within 2009 distribution capital constraints
2. Produce second annual report to the NHPUC

Key metrics	Minimum	Target	Maximum
IEEE SAIDI	178.25	155.00	131.75
IEEE SAIFI	1.57	1.45	1.33
IEEE CAIDI	119.35	110.51	101.67
Commission SAIDI	189.75	165.00	140.25
Commission SAIFI	1.78	1.65	1.52
Commission CAIDI	117.71	108.99	100.27
Routine Tree Related SAIDI	48.00	40.00	32.00
Routine Equipment Failure SAIDI	38.40	32.00	25.60

Northeast Utilities System

Applies to: VP Energy Delivery

04/03/09

Strategic objective: Operations | Goal area: Operating & capital plans | Weight: 15%

Goal description

Execute Maintenance Plan

Key initiatives that support goal achievement

1. Complete maintenance in accordance with program standards as defined by the new maintenance manual and regulatory reporting requirements

Key metrics	Minimum	Target	Maximum
Complete Planned Maintenance (%)	95	100	102
Complete 2009 Maintenance Backlog Plan (%)	90	100	105

PSNH

Applies to: VP Energy Delivery

04/03/09

Strategic objective: **Strategic growth** | Goal area: **5 Year Strategic Plan** | Weight: **20%**

Goal description

Advance PSNH's strategic objectives and meet the 2009 milestones associated with Rate Case Strategy concerning a reset of funding for the Reliability Enhancement Program (REP), and development of a GIS strategy for PSNH.

Key initiatives that support goal achievement

1. File delivery service rate case to include provisions for reset of funding for the Reliability Enhancement Program (REP)
2. Development of a GIS strategy for PSNH

Key metrics*	Minimum	Target	Maximum
Develop REP Phase II and file in rate case	Subj.	Q2	Subj.
Develop GIS strategy	Subj.	Q4	Subj.

*Measurement Criteria: Inclusive of milestones being achieved on budget and demonstrate performance improvement, where applicable.

Northeast Utilities System

PSNH

Applies to: VP Energy Delivery

04/03/09

Strategic objective: Financial Performance

Goal area: O&M and capital

Weight: 15%

Goal description

Achieve 2009 PSNH financial targets.

Key initiatives that support goal achievement

1. Manage functional O&M
2. Manage capital
3. Improve budget/project management life cycle for major capital projects

Key metrics ($M)	Minimum	Target	Maximum
O&M	14.5	14.2	12.8
Capital	Subj.	42.9	Subj.

PSNH
2009 Non-Officer Incentive Goals
Business Staff

Public Service
of New Hampshire

2009 Non-Officer Incentive Plan –
PSNH Business Staff

EIP Officer: G. A. Long, President & COO - PSNH

Strategic area	Goal area	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	Meet Safety Performance Targets 5% Meet Environmental Targets 5% Economic Development & Facilities Initiatives 15%	Meet Safety Performance Targets 25% Meet Environmental Targets 5% Economic Development & Facilities Initiatives 15%	Meet Safety Performance Targets 50% Meet Environmental Targets 5% Economic Development & Facilities Initiatives 15%
[redacted]	[redacted]	Advance PSNH's strategic objectives and meet 2009 milestones associated with Strategic Plans, New Energy Economy Initiatives, Class III REC's, and Least Cost Integrated Resource Plan 45%	Advance PSNH's strategic objectives and meet 2009 milestones associated with Strategic Plans, New Energy Economy Initiatives and Class III REC's 30%	Advance PSNH's strategic objectives and meet 2009 milestones associated with Strategic Plans, New Energy Economy Initiatives and Class III REC's 15%
[redacted]	[redacted]	Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives 5%	Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives 5%	Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives 5%
[redacted]	[redacted]	Achieve 2009 O&M and capital targets; Energy Efficiency Shareholder Incentive 25%	Achieve 2009 O&M and capital targets; Energy Efficiency Shareholder Incentive 20%	Achieve 2009 O&M and capital targets; Energy Efficiency Shareholder Incentive 10%
		[redacted]	[redacted]	[redacted]

SCTA = Safety Call-To-Action

Public Service of New Hampshire

2009 Non-Officer Incentive Plan
PSNH Business Staff

EIP Officer: G. A. Long, President & COO - PSNH

Strategic Area: [illegible]

Sub Groups: PSNH Executive Admin | PSNH Business Plann & Supp | PSNH Mkt/Cust Support | PSNH Supplemental Energy | PSNH Economic Development | PSNH Facilities Svcs | PSNH Budget Svcs

Goal description

Meet safety performance targets

Key initiatives that support goal achievement

1. Reduce the number of injuries resulting in days away from work, restriction or transfers (DART)
2. Reduce the total number of OSHA recordable incidents (TRIR)
3. Reduce the rate of preventable motor vehicle accidents

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics	Minimum	Target	Maximum
2%	12.5%	25%	DART Safety Rate	1.97	1.61	1.08
2%	0%	0%	TRIR Safety Rate	4.26	3.61	2.03
1%	12.5%	25%	PMVA Rate	4.58	3.97	3.51

Metric definition

DART Safety Rate: injury incident rate based on actual hours worked and number of recordable accidents resulting in restricted duty or lost work days
TRIR Safety Rate: injury incident rate based on actual hours worked and number of total OSHA recordable accidents
PMVA Rate: rate based on total motor vehicle accidents and miles driven

SCTA = Safety Call-To-Action

Public Service of New Hampshire

2009 Non-Officer Incentive Plan
PSNH Business Staff

EIP Officer: G. A. Long, President & COO - PSNH

Strategic Area: [redacted]

Sub Groups: PSNH Executive Admin | PSNH Business Plann & Supp | PSNH Mkt/Cust Support | PSNH Supplemental Energy | PSNH Economic Development | PSNH Facilities Svcs | PSNH Budget Svcs

Goal description

Meet environmental targets.

Key initiatives that support goal achievement

1. Monitor communication and enforcement actions taken by environmental regulatory agencies.
2. Ensure adequate operational controls in place to operate within the environmental rules and monitor through the Environmental Management System (EMS)

Weighting 0% SCTA	25% SCTA	50% SCTA	Key metrics		Minimum	Target	Maximum
5%	5%	5%	Environmental Compliance Index (%)	-	96.0	98.0	100.0

Metric definition

Environmental Compliance Index: percent of compliance with specific environmental regulations and policies

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Business Staff

EIP Officer: G. A. Long, President & COO - PSNH

Sub Groups: PSNH Executive Admin | PSNH Business Plann & Supp | PSNH Mkt/Cust Support | PSNH Supplemental Energy | PSNH Economic Development | PSNH Facilities Svcs | PSNH Budget Svcs

Strategic Area: [redacted]

Goal description

Complete Economic & Community Development and Facilities enhancement projects in 2009

Key initiatives that support goal achievement

1. Support State of NH Economic Development
2. Complete real estate transactions
3. Award community development grants within $155k budget
4. Complete capital related facilities projects in 2009
5. Complete 1250 Hooksett Road projects: complete new stock room, meter shop, DERF shop and remove contaminated soils in 2009, at a budget not to exceed $4.1M

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics	Minimum	Target	Maximum
3%	3%	3%	Number of substantive projects completed by 12/31/09	6	8	10
3%	3%	3%	Number of transactions closed by 12/31/09	3 properties	4 properties	5 properties
3%	3%	3%	Number of grants awarded by 12/31/09	16	18	20
3%	3%	3%	Amount of capital funds expended by 12/31/09	$350k	$400k	$450k
3%	3%	3%	Amount of capital funds expended relative to budget of $4.1M	Over budget by less than 3%	Within 1% of budget	Under budget by 3%

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Business Staff

EIP Officer: G. A. Long, President & COO, PSNH

Sub Groups: PSNH Executive Admin | PSNH Business Plann & Supp | PSNH Mkt/Cust Support | PSNH Supplemental Energy | PSNH Economic Development | PSNH Facilities Svcs | PSNH Budget Svcs

Strategic Area: [redacted]

Goal description

Advance PSNH's strategic objectives and meet 2009 milestones associated with Strategic Plans, New Energy Economy Initiatives, Class III REC's, and Least Cost Integrated Resource Plan

Key initiatives that support goal achievement

1. Complete PSNH enterprise, financial and operating plans on a timely basis, and obtain corporate and Board of Trustees approval.
2. Implement New Energy Economy Initiatives: approval of Green Rate Filing, approval of PV Incentive Filing, approval of REC Aggregation, redesigned rate structure to incent utilities, approval of Solar Hot Water Program, install 50 kW Solar PV System at Energy Park, implement Kill-A-Watt Program, Residential Whole-House Efficiency Program, install Wind Energy demonstration project, expand line truck bio-diesel program statewide, increase spending on Energy Efficiency CORE programs by >25%, deploy two hybrid line trucks, develop overarching marketing and communication programs to support initiatives.
3. Secure for our customers the benefits of a percentage of the projected Class III (existing biomass) Renewable Portfolio Standard (RPS) requirements. The projected need for Class III is 320,308 MWh. Note: To successfully achieve this goal, the following needs to occur: 1) The emission controls must be operating in accordance with environmental permits, 2) the plants must operate at reasonably high performance levels and 3) be prepared to purchase RECs that may become newly certified in 2009.
4. Prepare a draft of a Least Cost Integrated Resource Plan for Senior Management review by year-end.

Weighting: 0% SCTA	Weighting: 25% SCTA	Weighting: 50% SCTA	Key metrics	Minimum	Target	Maximum
8%	8%	4%	Prepare 2010-2015 Strategic Plans	Subj.	Plans completed within imposed deadlines	Subj.
7%	7%	4%	Implement new energy economy initiatives	Subj.	Subj.	Subj.
15%	15%	7%	Class III REC's under contract	65% (208,200 mWh)	80% (256,246 mWh)	95% (304,293 mWh)
15%	0%	0%	Draft Least Cost Integrated Resource Plan	Subj.	Complete draft by year-end	Subj.

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Business Staff

EIP Officer: G. A. Long, President & COO - PSNH

Strategic Area: [illegible]

Sub Groups: PSNH Executive Admin | PSNH Business Plann & Supp | PSNH Mkt/Cust Support | PSNH Supplemental Energy | PSNH Economic Development | PSNH Facilities Svcs | PSNH Budget Svcs

Goal description

Improve the PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives.

Key initiatives that support goal achievement

1. Complete the implementation of the pilot for the use of selected leading safety indicators
2. Continue local safety plans and site-specific safety goals
3. Continue to provide safety training program for Working Foremen and second level supervisors
4. Continue formfirst ergonomic program

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics	Minimum	Target	Maximum
5%	5%	5%	Kick-off 2009 NU Safety plan, communicate vision, mission, policy and principles	Subj.	Q1	Subj.
			Identify, implement and train Company Quality teams	Subj.	Q1	Subj.
			Complete work observation quality critique training	Subj.	Q1	Subj.
			Identify and establish 2009 metrics (leading and lagging)	Subj.	Q1	Subj.
			Finalize 2009 safety-call-to-action incentive program	Subj.	Q1	Subj.
			Finalize, publish and deliver NU accident prevention manual (APM)	Subj.	Q2	Subj.
			Implement new safety observation system and training	Subj.	Q2	Subj.
			Implement and track 2009 metrics (leading and lagging)	Subj.	Q3	Subj.

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Business Staff

EIP Officer: G. A. Long, President & COO - PSNH

Strategic Area: [illegible]

Sub Groups: PSNH Executive Admin | PSNH Business Plann & Supp | PSNH Mkt/Cust Support | PSNH Supplemental Energy | PSNH Economic Development | PSNH Facilities Svcs | PSNH Budget Svcs

Goal description

Achieve PSNH 2009 financial targets, for O&M, capital and energy efficiency shareholder incentive

Key initiatives that support goal achievement

1. Manage functional O&M
2. Manage capital
3. Improve budget/project management life cycle for major capital projects
4. File and resolve all regulatory issues by year end to allow PSNH to book a CORE Program Shareholder Incentive

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics ($M)	Minimum	Target	Maximum
5%	3%	3%	O&M – PSNH	128.1	125.6	113.0
5%	2%	2%	Capital – PSNH	Subj.	251.4	Subj.
15%	15%	5%	Energy Efficiency Shareholder Incentive (%)	4	8	12

Metric definition

O&M: manage PSNH 2009 O&M spending (Min = +2% of target; Target = budget; Max = -10% of target)

Capital: manage PSNH 2009 capital spending

Energy Efficiency Shareholder Incentive: The incentive amount is based on energy savings and cost-effective program implementation and is expressed as percentage of PSNH's energy efficiency budget. This goal assumes completion of the regulatory process within six months after filing.

SCTA = Safety Call-To-Action

Public Service
of New Hampshire

PSNH
2009 Non-Officer Incentive Goals
Customer Operations

2009 Non-Officer Incentive Plan
PSNH Customer Operations

EIP Officer: G. A. Long, President & COO - PSNH

Strategic area	Goal area	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	Meet Safety Performance Targets 12%	Meet Safety Performance Targets 25%	Meet Safety Performance Targets 50%
		Meet Environmental Targets 5%	Meet Environmental Targets 5%	Meet Environmental Targets 2%
		Improve Reliability 8%	Improve Reliability 8%	Improve Reliability 14%
		Work Management 25%	Work Management 20%	Work Management 20%
[redacted]	[redacted]	Advance PSNH's strategic objectives and meet 2009 milestones associated with Fairpoint IOP's and third party attachments 10%	Advance PSNH's strategic objectives and meet 2009 milestones associated with Fairpoint IOP's and third party attachments 2%	Advance PSNH's strategic objectives and meet 2009 milestones associated with Fairpoint IOP's and third party attachments 0%
[redacted]	[redacted]	Continue to improve the customer experience at PSNH 5%	Continue to improve the customer experience at PSNH 5%	Continue to improve the customer experience at PSNH 4%
[redacted]	[redacted]	Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives 5%	Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives 5%	Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives 2%
[redacted]	[redacted]	Achieve 2009 O&M and capital targets 30%	Achieve 2009 O&M and capital targets 30%	Achieve 2009 O&M and capital targets 8%
		[redacted]	[redacted]	[redacted]

SCTA = Safety Call-To-Action

Public Service of New Hampshire

2009 Non-Officer Incentive Plan
PSNH Customer Operations

EIP Officer: G. A. Long, President & COO - PSNH

Sub Groups: PSNH Customer Operations

Strategic Area: [illegible]

Goal description

Meet safety performance targets.

Key initiatives that support goal achievement

1. Reduce the number of injuries resulting in days away from work, restriction or transfers (DART)
2. Reduce the total number of OSHA recordable incidents (TRIR)
3. Reduce the rate of preventable motor vehicle accidents

Weighting: 0% SCTA	Weighting: 25% SCTA	Weighting: 50% SCTA	Key metrics	Minimum	Target	Maximum
4%	12.5%	25%	DART Safety Rate	1.97	1.61	1.08
4%	0%	0%	TRIR Safety Rate	4.26	3.61	2.03
4%	12.5%	25%	PMVA Rate	4.58	3.97	3.51

Metric definition

DART Safety Rate: injury incident rate based on actual hours worked and number of recordable accidents resulting in restricted duty or lost work days
TRIR Safety Rate: injury incident rate based on actual hours worked and number of total OSHA recordable accidents
PMVA Rate: rate based on total motor vehicle accidents and miles driven

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Customer Operations

EIP Officer: G. A. Long, President & COO - PSNH

Sub Groups: PSNH Customer Operations

Strategic Area: [illegible]

Goal description

Meet environmental targets.

Key initiatives that support goal achievement

1. Monitor communication and enforcement actions taken by environmental regulatory agencies.
2. Ensure adequate operational controls in place to operate within the environmental rules and monitor through the Environmental Management System (EMS)

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics	Minimum	Target	Maximum
5%	5%	2%	Environmental Compliance Index (%)	96.0	98.0	100.0

Metric definition

Environmental Compliance Index: percent of compliance with specific environmental regulations and policies

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Customer Operations

EIP Officer: G. A. Long, President & COO - PSNH

Sub Groups: PSNH Customer Operations

Strategic Area: [illegible]

Goal description

Improve reliability - Stabilize Distribution System reliability through implementation of the five year Reliability Enhancement Program (REP).

Key initiatives that support goal achievement

1. Complete year 2 and begin year 3 Reliability Enhancement Program (REP) activities within 2009 distribution capital constraints
2. Produce second annual report to the NHPUC

Weighting						
0% SCTA	25% SCTA	50% SCTA	Key metrics (%)	Minimum	Target	Maximum
2%	2%	3%	IEEE SAIDI	178.25	155.00	131.75
2%	2%	4%	IEEE CAIDI	119.35	110.51	101.67
2%	2%	3%	Commission SAIDI	189.75	165.00	140.25
2%	2%	4%	Commission CAIDI	117.71	108.99	100.27

Metric definition

System Average Interruption Index (SAIDI): measures the average number of minutes the typical customer is without power
Customer Average Interruption Index (CAIDI): measures the average time required to restore service to the typical customer

SCTA = Safety Call-To-Action

Public Service of New Hampshire

2009 Non-Officer Incentive Plan
PSNH Customer Operations

EIP Officer: G. A. Long, President & COO - PSNH

Sub Groups: PSNH Customer Operations

Strategic Area: [redacted]

Goal description

Work Management - Improve the effectiveness of the work management process.

Key initiatives that support goal achievement

1. Monitor and measure productivity and related processes through utilization of the Work Management System (WMS)

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics	Minimum	Target	Maximum	Weight as % of Overall Index
25%	20%	20%	Work Management Index	99.0	101.0-102.0	104.0	100%
			Construction Hours	450	500	550	10
			Complex Service (Avg. # Days)	17	15	13	2.5
			Complex Service (% met)	70	80	85	2.5
			Simple Service (Avg. # Days)	6	5	4	5
			Simple Service (% met)	60	70	75	5
			Schedule Maximization (%)	60	75	85	10
			Schedule Adherence (%)	71	75	79	20
			Efficiency Ratio	.75	.85	.97	20
			Crew Utilization (%)	80	85	90	20
			WMS Closing (%)	96	97	98	5

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Customer Operations

EIP Officer: G. A. Long, President & COO - PSNH

Sub Groups: PSNH Customer Operations

Strategic Area: [redacted]

Goal description

Advance PSNH's strategic objectives and meet 2009 milestones associated with Fairpoint Inter-company Operating Procedures (IOP's) and third party attachments

Key initiatives that support goal achievement

1. PSNH negotiated a Memo Of Understanding (MOU) with Fairpoint Communications in 2007/2008. There is now a need to revise IOP's to reflect the agreements and conditions defined in the MOU between Fairpoint Communications and PSNH as approved by the NHPUC.
2. Fully implement a third party assessment survey process to identify and bill for unauthorized attachments with the overall objective of recovering lost revenue and increasing third party attachment revenues going forward. Revenue recovery from Comcast and Time Warner will be a major challenge. Success will be measured by the amount of lost revenue recovery and increased revenue going forward.

Weighting 0% SCTA	25% SCTA	50% SCTA	Key metrics	Minimum	Target	Maximum
5%	0%	0%	Revise Fairpoint IOP's to reflect MOU	Subj.	Completion by year-end	Subj.
5%	2%	0%	Implement third party attachment survey process	Subj.	Completion by year-end	Subj.

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Customer Operations

EIP Officer: G. A. Long, President & COO - PSNH

Sub Groups: PSNH Customer Operations

Strategic Area: [redacted]

Goal description

Continue to improve the Customer Experience at PSNH.

Key initiatives that support goal achievement

1. Continue to improve favorable customer and trade ally (builders, developers, electrical contractors, etc.) ratings with overall service received from PSNH.

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics	Minimum	Target	Maximum
5%	5%	4%	Yellow Truck Survey (%)	89	91	93

Metric definition

Yellow Truck Survey: measures contractor satisfaction with the electric service request process, from beginning to end, through the use of a quarterly mail survey to all contractors with a completed work request in the respective three month time frame. Performance reflects the percentage of contractors responding "satisfied" or "very satisfied" on question #3 of the survey: satisfaction with overall service received.

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Customer Operations

EIP Officer: G. A. Long, President & COO - PSNH

Sub Groups: PSNH Customer Operations

Strategic Area: [redacted]

Goal description

Improve the PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives

Key initiatives that support goal achievement

1. Complete the implementation of the pilot for the use of selected leading safety indicators
2. Continue local safety plans and site-specific safety goals
3. Continue to provide safety training program for Working Foremen and second level supervisors
4. Continue formfirst ergonomic program

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics	Minimum	Target	Maximum
5%	5%	2%				
			Kick-off 2009 NU Safety plan, communicate vision, mission, policy and principles	Subj.	Q1	Subj.
			Identify, implement and train Company Quality teams	Subj.	Q1	Subj.
			Complete work observation quality critique training	Subj.	Q1	Subj.
			Identify and establish 2009 metrics (leading and lagging)	Subj.	Q1	Subj.
			Finalize 2009 safety-call-to-action incentive program	Subj.	Q1	Subj.
			Finalize, publish and deliver NU accident prevention manual (APM)	Subj.	Q2	Subj.
			Implement new safety observation system and training	Subj.	Q2	Subj.
			Implement and track 2009 metrics (leading and lagging)	Subj.	Q3	Subj.

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Customer Operations

EIP Officer: G. A. Long, President & COO - PSNH

Sub Groups: PSNH Customer Operations

Strategic Area: [redacted]

Goal description

Achieve 2009 O&M and Capital targets

Key initiatives that support goal achievement

1. Manage functional O&M and capital
2. Improve budget/project management life cycle for major capital projects
3. Manage Reliability Enhancement Program (REP) O&M and capital

Weighting 0% SCTA	25% SCTA	50% SCTA	Key metrics ($M)	Minimum	Target	Maximum
10%	10%	2%	O&M – COED	32.7	35.4 *	28.9
10%	10%	2%	Capital – COED	Subj.	76.5 *	Subj.
5%	5%	2%	REP O&M	Subj.	4.9	Subj.
5%	5%	2%	REP Capital	Subj.	10.0	Subj.

* Reflects combined Customer Ops and Energy Delivery budget, less REP $:
O&M = $4.4M + $0.5M reserve
Capital = $10M

Metric definition

O&M: manage 2009 functional (COED) O&M spending (Min = +2% of target; Target = budget; Max = -10% of target)
Capital: manage 2009 functional (COED) capital spending

SCTA = Safety Call-To-Action

Public Service of New Hampshire

Public Service
of New Hampshire

PSNH
2009 Non-Officer Incentive Goals
Energy Delivery

2009 Non-Officer Incentive Plan
PSNH Energy Delivery

EIP Officer: P. E. Ramsey, VP Energy Delivery - PSNH

Strategic area	Goal area	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	Meet Safety Performance Targets 10% Meet Environmental Targets 5% Improve Reliability 10% Execute Maintenance Plan 15% ED Operational Improvement Plan 10%	Meet Safety Performance Targets 25% Meet Environmental Targets 5% Improve Reliability 10% Execute Maintenance Plan 15% ED Operational Improvement Plan 10%	Meet Safety Performance Targets 50% Meet Environmental Targets 5% Improve Reliability 10% Execute Maintenance Plan 5% ED Operational Improvement Plan 5%
[redacted]	[redacted]	5% Advance PSNH's strategic objectives and meet 2009 milestones associated with a reset of funding for REP and development of a GIS strategy	0% Advance PSNH's strategic objectives and meet 2009 milestones associated with a reset of funding for REP and development of a GIS strategy	0% Advance PSNH's strategic objectives and meet 2009 milestones associated with a reset of funding for REP and development of a GIS strategy
[redacted]	[redacted]	10% Continue to improve the Customer Experience at PSNH	5% Continue to improve the Customer Experience at PSNH	5% Continue to improve the Customer Experience at PSNH
[redacted]	[redacted]	10% Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives	10% Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives	5% Improve PSNH safety culture and implement the 2009 NU Safety Plan improvement initiatives
[redacted]	[redacted]	25% Achieve 2009 O&M and capital targets	20% Achieve 2009 O&M and capital targets	15% Achieve 2009 O&M and capital targets
		[redacted]	[redacted]	[redacted]

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Energy Delivery

EIP Officer: P. E. Ramsey, VP Energy Delivery – PSNH

Sub Groups: PSNH Energy Delivery

Strategic Area: [illegible]

Goal description

Meet safety performance targets

Key initiatives that support goal achievement

1. Reduce the number of injuries resulting in days away from work, restriction or transfers (DART)
2. Reduce the total number of OSHA recordable incidents (TRIR)
3. Reduce the rate of preventable motor vehicle accidents

Weighting						
0% SCTA	25% SCTA	50% SCTA	Key metrics	Minimum	Target	Maximum
4%	12.5%	25%	DART Safety Rate	1.97	1.61	1.08
3%	0%	0%	TRIR Safety Rate	4.26	3.61	2.03
3%	12.5%	25%	PMVA Rate	4.58	3.97	3.51

Metric definition

DART Safety Rate: injury incident rate based on actual hours worked and number of recordable accidents resulting in restricted duty or lost work days
TRIR Safety Rate: injury incident rate based on actual hours worked and number of total OSHA recordable accidents
PMVA Rate: rate based on total motor vehicle accidents and miles driven

SCTA = Safety Call-To-Action

Public Service of New Hampshire

2009 Non-Officer Incentive Plan
PSNH Energy Delivery

EIP Officer: VP: E. Ramsey, VP Energy Delivery - PSNH

Sub Groups: PSNH Energy Delivery

Strategic Area: Operations

Goal description

Meet environmental targets.

Key initiatives that support goal achievement

1. Monitor communication and enforcement actions taken by environmental regulatory agencies
2. Ensure adequate operational controls in place to operate within the environmental rules and monitor through the Environmental Management System (EMS)

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics	Minimum	Target	Maximum
5%	5%	5%	Environmental Compliance Index (%)	96.0	98.0	100.0

Metric definition

Environmental Compliance Index: percent of compliance with specific environmental regulations and policies

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Energy Delivery

EIP Officer: P. E. Ramsey, VP Energy Delivery - PSNH

Sub Groups: PSNH Energy Delivery

Strategic Area: [illegible]

Goal description

Improve reliability - Stabilize Distribution System reliability through implementation of the five year Reliability Enhancement Program (REP)

Key initiatives that support goal achievement

1. Complete year 2 and begin year 3 Reliability Enhancement Program (REP) activities within 2009 distribution capital constraints
2. Produce second annual report to the NHPUC

Weighting						
0% SCTA	25% SCTA	50% SCTA	Key metrics (%)	Minimum	Target	Maximum
1%	1%	1%	IEEE SAIDI	178.25	155.00	131.75
1%	1%	1%	IEEE SAIFI	1.57	1.45	1.33
1%	1%	1%	IEEE CAIDI	119.35	110.51	101.67
1%	1%	1%	Commission SAIDI	189.75	165.00	140.25
1%	1%	1%	Commission SAIFI	1.78	1.65	1.52
1%	1%	1%	Commission CAIDI	117.71	108.99	100.27
2%	2%	2%	Routine Tree Related SAIDI	48.00	40.00	32.00
2%	2%	2%	Routine Equipment Failure SAIDI	38.40	32.00	25.60

Metric definition

System Average Interruption Index (SAIDI): measures the average number of minutes the typical customer is without power
System Average Frequency Index (SAIFI): measures the average number of times the typical customer is without power
Customer Average Interruption Index (CAIDI): measures the average time required to restore service to the typical customer

SCTA = Safety Call-To-Action

Public Service of New Hampshire

2009 Non-Officer Incentive Plan
PSNH Energy Delivery

EIP Officer: P. E. Ramsey/ VP Energy Delivery – PSNH

Sub Groups: PSNH Energy Delivery

Strategic Area: Operational

Goal description

Execute Maintenance Plan

Key initiatives that support goal achievement

1. Complete maintenance in accordance with program standards by the new maintenance manual and regulatory reporting requirements.

Weighting 0% SCTA	Weighting 25% SCTA	Weighting 50% SCTA	Key metrics	Minimum	Target	Maximum
8%	8%	3%	Complete Planned Maintenance (%)	95	100	102
7%	7%	2%	Complete 2009 Maintenance Backlog Plan (%)	90	100	105

SCTA = Safety Call-To-Action

2009 Non-Officer Incentive Plan
PSNH Energy Delivery

EIP Officer: P. E. Ramsey, VP Energy Delivery - PSNH

Sub Groups: PSNH Energy Delivery

Strategic Area: [illegible]

Goal description

Implement Energy Delivery operational improvement initiatives

Key initiatives that support goal achievement

1. Complete projects through timely close-out and finalizing work orders upon completion of physical work
2. Provide adequate lead time for distribution system components to be taken out of service
3. Develop and implement satisfaction surveys to acquire information from internal customers on services provided by Central Warehouse and Transportation; based on survey results, develop a plan to address open issues related to internal customer satisfaction
4. Develop "green" Transportation strategy for PSNH fleet

Weighting		
0% SCTA	25% SCTA	50% SCTA
10%	10%	5%

Key metrics	Minimum	Target	Maximum
Initiatives completed *:	0	10	20
Engineering and Design work orders in 'F' status within 90 days of In-Service date	70%	90%	100%
Engineering and Design work orders in 'Z' status within 100 days of In-Service date	50%	70%	90%
Increase the percentage of total requests submitted to ISO via the long-term outage application process	38%	50%	62%
Improve Distribution component outage application lead time from current 4 day minimum	4 days	7 days	10 days
Develop and implement satisfaction surveys to internal customers	09/01/09	08/01/09	07/01/09
Develop a plan to address internal customer satisfaction issues	12/01/09	11/01/09	10/01/09
Develop a "green" Transportation strategy for the PSNH fleet (including plan and progress)	10/01/09	09/01/09	08/01/09

* Performance will be calculated as a combined weighted average based on results of all initiatives

SCTA = Safety Call-To-Action

Public Service of New Hampshire

Connecticut Light & Power

The Northeast Utilities System

Docket No. 09-12-05
Executive Summary
Jeffrey D. Butler

Application of The Connecticut Light and Power Company to Amend Its Rate Schedules

- We've avoided a case for more than a year
- CL&P now has a critical need for increased revenues
- Even during a recession, CL&P continues to meet the needs of its customers and to plan for their needs in the future
- New systems and processes have been implemented to serve our customers more effectively and efficiently
- The expiration of the rate reduction bonds ("RRBs") on 1/1/11 presents an opportunity to allow CL&P to increase distribution revenues without impacting total customer bills

Connecticut Light & Power
The Northeast Utilities System

Docket No. 09-12-05
Executive Summary
Jeffrey D. Butler

- CL&P's proposal:
  - –2-year rate request* beginning July 1, 2010
  - –Defer initial rate increase until RRB obligation is extinguished (January 1, 2011)
  - –Expiration of RRBs represents $210 million**

*Rate Plan period: July 1, 2010 through June 30, 2011 and July 1, 2011 through June 30, 2012

**Effective January 1, 2010, the CTA increased to an average of 1.059 cents/kwh, which has increased the "headroom" to approximately $234 million. CL&P's rate plan is designed around $210 million. Some combination of one or more of four options exist for this additional "headroom":

- Leave CTA at a rate above zero
- Refund additional dollars to customers
- Fund initiatives discussed in Mr. Louth's testimony
- Create a 3-year rate plan

Connecticut Light & Power

The Northeast Utilities System

- Costs CL&P has elected to not request (Revenue Requirement reduction of $12m):
  - Executive incentive compensation (100% excluded)
  - Non-executive incentive compensation (25% excluded)
  - 401(k) expense (25% excluded)
  - Board of Trustees expense (100% excluded)
  - Directors & Officers insurance (70% excluded)
- Cost containment measures:
  - No 2009 salary increase for managers and above.
  - Minimal 2009 salary increase of 2.5% for other non-union employees.
  - Tree trimming cycle remains at 4 years.
  - Planned overtime reduced.
  - Vendors reduced by 50%.
  - New Business capital reduction.
- Other highlights of our request:
  - Full decoupling mechanism
  - Pension expense tracker
  - Increased FTEs to help us achieve our customer service goals

Connecticut Light & Power

The Northeast Utilities System

Docket No. 09-12-05
Executive Summary
Jeffrey D. Butler

- Our financial position has eroded to the point where we can no longer avoid a request to increase our rates

- To continue providing quality service to our customers, this increase is unavoidable

- Under our proposal, customers will see no increase in total bills while the distribution company will receive necessary funding

- We have proposed a fair and balanced case that meets the needs of customers and of our shareholders

Public Service Company of New Hampshire
Docket No. DE 09-035

Technical Session TS-01

Dated: 11/18/2009
Q-TECH-015
Page 1 of 1

Witness: **Robert A. Baumann**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Regarding OCA-T-001, what was the total cost of the 13 positions included in the filing? What are the positions, what is the average salary for the positions, when did the positions become vacant and when were they filled?

Response:
Please see the attached worksheet for the requested information.

As noted to OCA-01, Q-OCA-048, the seven open positions that were open in 2008 test year were not reflected in the pro forma revenue requirement. The remaining six positions that became open in 2009 that are still held open were reflected in the pro forma revenue requirements. The dollars for the 2009 six open positions were not excluded because these positions are anticipated to be replaced as the economy returns to a more normal condition. Note that all of these 13 open positions are budgeted to be filled in 2010.

Open Positions in Customer Operations

Title	Location	Date Opened	Status	Average Salary	Salary in 2008	Overheads	Total	Amount to O&M	Dollars in 2008
Project Coordinator	Seacoast/Nort Div	27-Apr-07	On Hold	71,204	0	0	0	20%	0
Field Technician	Keene	27-Jan-08	On Hold	62,400	0	0	0	20%	0
Field Technician	Hooksett	06-Apr-08	On Hold	62,400	0	0	0	20%	0
Line Worker (Service Worker)	Bedford	30-Jun-08	On Hold	57,720	0	0	0	50%	0
Line Worker	Newport	27-Jul-08	On Hold	65,312	0	0	0	50%	0
Working Foreman Line	Bedford	05-Oct-08	On Hold	71,968	0	0	0	50%	0
Line Worker	Newport	29-Dec-08	On Hold	65,312	0	0	0	50%	0
Groundworker	Keene	04-Jan-09	On Hold	49,920	49,920	34,100	84,020	50%	42,010
Construction Services Support Center Tech	60 W. Penn	25-Jan-09	On Hold	47,008	47,008	32,111	79,119	0%	0
Working Foreman Line	Portsmouth	01-Feb-09	On Hold	71,968	71,968	49,161	121,129	50%	60,565
Working Foreman Line	Rochester	01-Feb-09	On Hold	71,968	71,968	49,161	121,129	50%	60,565
Working Foreman Line	Milford	01-Mar-09	On Hold	71,968	71,968	49,161	121,129	50%	60,565
Working Foreman Line	Rochester	01-Mar-09	On Hold	71,968	71,968	49,161	121,129	50%	60,565
							Total O&M dollars in 2008:		$284,269

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-04

Dated: 11/25/2009
Q-OCA-004
Page 1 of 2

Witness: **Robert A. Baumann,Gary A. Long**
Request from: **Office of Consumer Advocate**

Question:
Referring to OCA 03-012, what were the total amounts for overtime included in the proforma adjusted rate year (including fringes, loading factors, etc) as compared to the actuals for the most recent 12 months available?

Response:
Please see the attached schedule which shows the actual planned O&M overtime dollars for Distribution for 2008 which were included in the rate case test year. Note that payroll loaders were added to these numbers. Also included are the dollars and payroll loaders for the 12 months from October 2008 to September 2009. Note that no additional overtime dollars were proformed into the test year data.

2008 Planned OT Dollars for O&M Only

Sum of TOT_DOL	MO_DTEFF												
ACT_PLNP	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Grand Total
PLANNED	91,119.39	97,850.53	81,027.71	63,018.74	82,900.02	86,573.48	46,767.04	91,159.51	65,782.97	74,758.81	194,463.71	101,677.39	1,077,099.30
Grand Total	91,119.39	97,850.53	81,027.71	63,018.74	82,900.02	86,573.48	46,767.04	91,159.51	65,782.97	74,758.81	194,463.71	101,677.39	1,077,099.30
Payroll Benefits Rate	0.5619	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	
Payroll Benefits	51,199.99	48,639.53	48,639.53	48,639.53	48,639.53	48,639.53	48,639.53	48,639.53	48,639.53	48,639.53	48,639.53	48,639.53	586,234.82
Grand Total with Loaders	142,319.38	146,490.06	129,667.24	111,658.27	131,539.55	135,213.01	95,406.57	139,799.04	114,422.50	123,398.34	243,103.24	150,316.92	1,663,334.12

Oct - Dec 08 & Jan - Sep 09 Planned OT Dollars for O&M Only

Sum of TOT_DOL				MO_DTEFF									
ACT_PLNP	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Grand Total
PLANNED	74,758.81	194,463.71	101,677.39	91,315.71	63,856.21	65,928.81	44,800.31	67,198.25	26,792.37	29,049.72	32,084.71	19,167.15	811,093.15
Grand Total	74,758.81	194,463.71	101,677.39	91,315.71	63,856.21	65,928.81	44,800.31	67,198.25	26,792.37	29,049.72	32,084.71	19,167.15	811,093.15
Payroll Benefits Rate	0.5338	0.5338	0.5338	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	
Payroll Benefits	48,744.33	48,744.33	48,744.33	56,487.90	56,487.90	56,487.90	56,487.90	56,487.90	56,487.90	56,487.90	56,487.90	56,487.90	654,624.06
Grand Total with Loaders	123,503.14	243,208.04	150,421.72	147,803.61	120,344.11	122,416.71	101,288.21	123,686.15	83,280.27	85,537.62	88,572.61	75,655.05	1,465,717.21

Public Service Company of New Hampshire
Docket No. DE 09-035

Technical Session TS-03

Dated: 12/16/2009
Q-TECH-017
Page 1 of 3

Witness: **Peter J. Rouleau**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Refer to PSNH's response to OCA 4-4. Please update the response for the most recent 12 months.

Response:
Please see the attached worksheet for the information from the most recent 12 months. Also, in the original response to OCA - 04, Q - 004, there was a formula error that resulted in incorrect monthly totals when adding on the loaders. That worksheet has been corrected and is also attached.

2008 Planned OT for O&M Only

Sum of TOT_DOL	MO_DTEFF												
ACT_PLNP	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Grand Total
PLANNED	91,119.39	97,850.53	81,027.71	63,018.74	82,900.02	86,573.48	46,767.04	91,159.51	65,782.97	74,758.81	194,463.71	101,677.39	1,077,099.30
Grand Total	91,119.39	97,850.53	81,027.71	63,018.74	82,900.02	86,573.48	46,767.04	91,159.51	65,782.97	74,758.81	194,463.71	101,677.39	1,077,099.30
Payroll Benefits Rate	0.5619	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	
Payroll Benefits	51,199.99	52,232.61	43,252.59	33,639.40	44,252.03	46,212.92	24,964.25	48,660.95	35,114.95	39,906.25	103,804.73	54,275.39	577,516.06
Grand Total with Loaders	142,319.38	150,083.14	124,280.30	96,658.14	127,152.05	132,786.40	71,731.29	139,820.46	100,897.92	114,665.06	298,268.44	155,952.78	1,654,615.36
													1,654,615.36

Dec 08 & Jan - Nov 09 Planned OT for O&M Only

Sum of TOT_DOL				MO_DTEFF									
ACT_PLNP	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Grand Total
PLANNED	101,677.39	91,315.71	63,856.21	65,928.81	44,800.31	67,198.25	26,792.37	29,049.72	32,084.71	19,167.15	49,167.06	41,540.95	632,578.64
Grand Total	101,677.39	91,315.71	63,856.21	65,928.81	44,800.31	67,198.25	26,792.37	29,049.72	32,084.71	19,167.15	49,167.06	41,540.95	632,578.64
Payroll Benefits Rate	0.5338	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	
Payroll Benefits	54,275.39	56,487.90	39,501.45	40,783.56	27,713.47	41,568.84	16,573.76	17,970.16	19,847.60	11,856.80	30,414.74	25,697.23	382,690.90
Grand Total with Loaders	155,952.78	147,803.61	103,357.66	106,712.37	72,513.78	108,767.09	43,366.13	47,019.88	51,932.31	31,023.95	79,581.80	67,238.18	1,015,269.54
													1,015,269.54

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2008 Planned OT Hours for O&M Only

Sum of TOT_DOL	MO_DTEFF												
ACT_PLNP	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Grand Total
PLANNED	91,119.39	97,850.53	81,027.71	63,018.74	82,900.02	86,573.48	46,767.04	91,159.51	65,782.97	74,758.81	194,463.71	101,677.39	1,077,099.30
Grand Total	91,119.39	97,850.53	81,027.71	63,018.74	82,900.02	86,573.48	46,767.04	91,159.51	65,782.97	74,758.81	194,463.71	101,677.39	1,077,099.30
Payroll Benefits Rate	0.5619	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	0.5338	
Payroll Benefits	51,199.99	52,232.61	43,252.59	33,639.40	44,252.03	46,212.92	24,964.25	48,660.95	35,114.95	39,906.25	103,804.73	54,275.39	577,516.06
Grand Total with Loaders	142,319.38	150,083.14	124,280.30	96,658.14	127,152.05	132,786.40	71,731.29	139,820.46	100,897.92	114,665.06	298,268.44	155,952.78	1,654,615.36
													1,654,615.36

Oct - Dec 08 & Jan - Sep 09 Planned OT Hours for O&M Only

Sum of TOT_DOL				MO_DTEFF									
ACT_PLNP	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Grand Total
PLANNED	74,758.81	194,463.71	101,677.39	91,315.71	63,856.21	65,928.81	44,800.31	67,198.25	26,792.37	29,049.72	32,084.71	19,167.15	811,093.15
Grand Total	74,758.81	194,463.71	101,677.39	91,315.71	63,856.21	65,928.81	44,800.31	67,198.25	26,792.37	29,049.72	32,084.71	19,167.15	811,093.15
Payroll Benefits Rate	0.5338	0.5338	0.5338	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	0.6186	
Payroll Benefits	39,906.25	103,804.73	54,275.39	56,487.90	39,501.45	40,783.56	27,713.47	41,568.84	16,573.76	17,970.16	19,847.60	11,856.80	470,289.91
Grand Total with Loaders	114,665.06	298,268.44	155,952.78	147,803.61	103,357.66	106,712.37	72,513.78	108,767.09	43,366.13	47,019.88	51,932.31	31,023.95	1,281,383.06
													1,281,383.06

Corrected Payroll Benefits Formula Calculation on 12/23/2009

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-03
Dated: 10/23/2009
Q-OCA-001
Page 1 of 2

Witness: Robert A. Baumann
Request from: Office of Consumer Advocate

Question:
Please refer to the response to OCA-01-057:

a. Regarding account 58899, what were the levels of Distribution system inventory write-offs for this account for the years 2006 and 2007, as compared to the write-off of $159,000 for 2008?
b. Regarding account 58899, has PSNH removed the $148,000 of costs related to the Tilton fire from the filing?
c. Regarding account 59199, why wasn't the $66,000 capitalized? What were the comparable charges for substation fence and gate repairs in 2006 and 2007?
d. Regarding account 59206, what were the comparable charges for the use of contractors to perform substation maintenance in 2006 and 2007, as compared to $200,000 in 2008?
e. The explanation for account 90301 includes higher training costs of $1,011,000 due to implementation of the C2 System. Over how many years is PSNH depreciating or amortizing its investment in the C2 System?
f. The explanation for account 91300 indicates that the cost of Economic Development ads went from $0 in 2007, when no ads were created, to $134,000 in 2008. What was the comparable cost for 2006?
g. The explanation for account 923FR indicates that most of the costs were related to a new training program, "Leading from the Middle." What was the actual amount for this program? What were the total costs booked to this account in 2006 and 2007, as compared to 2008?
h. For accounts 923GT and 923G1 please explain why the allocation to PSNH changed.

Response:
a. Distribution inventory write-offs for this account were as follows:

2006: $46,800
2007: $19,100
2008: $178,500

The $159,000 referenced in the question represents the difference between the 2008 and 2007 numbers.

b. Yes, PSNH has removed the costs associated with the Tilton AWC fire from the filing.

c. The $66,000 represents the increase in 2008 over 2007. These amounts were not capitalized because they represented repairs and not wholesale replacements. The costs were for partial fabric and post replacement, barbed wire repair, gate and latch mechanism repair and grading repair. This type of activity is not normally capitalized. This type of work would have been modest in 2006 and 2007 and would have focused on corrective activities.

d. The $200,000 represents the increase in these costs in 2008 over 2007. The 2008 contractor costs were $535,000, 2007 was $336,000 and 2006 was $97,000.

e. PSNH has assigned a 10 year life to the C2 System.

f. The original difference of $134,000 between 2008 and 2007 was due primarily to the fact that there were no Economic Development ads created in 2007. There was also no ad creation in 2006.

g. The actual cost of the program was $44,000, which was incurred in 2008 and there were no charges for it in 2006 or 2007.

h. For 923GT, prior to 2008, PSNH was paying lease costs on IKON MFD/copy machines which were charged to another account. After the leases expired late in 2007, the costs for these machines was made part of an overall budget in 2008 that was now allocated to all companies, including PSNH.

For 923G1, the allocation of activity ISPC is what really changed from 2007 to 2008. In 2007, there were two different allocators (G1 & G2) that were used to allocate PC (G2) and Network Services (G1). The G2 allocator drove these costs to FERC account 923G2. In 2008, the use of the G2 allocator was eliminated and all PC and Network Services costs were combined under the G 1 allocator. This allocator is based on the number of PCs within each operating company and drives costs to 923G1 and not to 923G2.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-01
Dated: 05/06/2009
Q-OCA-T-013
Page 1 of 3

Witness: Robert A. Baumann
Request from: Office of Consumer Advocate

Question:
The following questions relate to PSNH's FERC Form 1 for the period end of 2008/Q4:

a. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Page 103, Corporations Controlled by Respondent, please explain any transactions between Properties, Inc. or PSNH Funding LLC which impact or are included in the requested rate increase.
b. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Page 104, Officers, please provide a Table showing Total Compensation for each of the 15 listed positions for which PSNH is seeking above the line treatment in this rate case, the amount allocated to the PSNH Distribution system; for 2007, 2008, and the pro-formed amount if different that the 2008 amount.
c. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Page 110, Comparative Balance Sheet, line 21, Investment in Subsidiary Companies (account 123.1) was reported as $8,362,075 as of 12/31/08. For purposes of establishing the Capital structure for the rate case was this amount included as Common Equity? If so, how was the related Earnings of $524,107 as reported on page 225, column (e) recognized in the filing?
d. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Is any portion of the Non current Portion of Allowances, page 110 line 23, of $26,335,229 as of 12/31/08, included in Rate Base in this Distribution system rate filing? If so, why?
e. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Please reference page 123.2 paragraph D regarding Revenues, Unbilled Revenues:
   i. Did PSNH use the identical daily load cycle method for estimating unbilled revenues at the beginning and end of 2008? If not, please explain.
   ii. Because the December Ice Storm impacted meter reading, how was that treated here?
f. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Page 204, Electric Plant in Service, shows additions of $22,529,837 to account 303, Misc. Intangible Plant. Please explain this amount, what specifically it is comprised of, and whether it is included in the rate base calculation in this filing in whole or part?
g. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Please explain the Forfeited Discounts in account 450 of $2,802,073 in 2008 on page 300, Electric Operating Revenues. What portion of such relates to this Distribution rate case?
h. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Pages 322 and 323 include Electric O & M expenses. Please explain the 2008 totals versus 2007 for the following accounts to the extent those accounts are included in the Distribution rate filing:
   i. 580, Operation Supervision and Engineering
   ii. 581, Load Dispatching
   iii. 583, Overhead Line Expenses
   iv. 584, Underground Line Expenses
   v. 588, Misc. Expenses
   vi. 590, Maintenance Supervision and Engineering
   vii. 591, Maintenance of Structures
   viii. 592, Maintenance of Station Equipment
   ix. Maintenance of Line Transformers
   x. 903, Customer Records and Collection Expenses
   xi. 904, Uncollectible Accounts
   xii. 913, Advertising Expenses
   xiii. 923, Outside Services Employed
   xiv. 925, Injuries and Damages
   xv. 930.2, Miscellaneous General Expenses

i. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: On page 350, Regulatory Commission Expenses, line 18 shows $876,560 for Legal Expenses. To the extent any of these costs are incorporated in the Distribution system rate case please provide a detailed breakdown and support for inclusion in the rate filing.
j. Regarding PSNH's FERC Form 1 for the period end of 2008/Q4: Are any of the amounts shown on pages 352-353 lines 10-17 for Research Development and Demonstration Activities are included in the Distribution rate filing? If so, why?

Response:

a. Properties, Inc. (PI) is a wholly owned subsidiary of PSNH that invests in real estate. During the 2008 test year, PI leased the following properties to PSNH:

   1580 Elm Street, Manchester
   Berlin Area Work Center (AWC) on Jericho Road, Berlin
   Chocorua AWC
   Epping AWC
   Lancaster AWC
   Milford AWC
   Portion of Nashua AWC
   Newport AWC
   Rochester AWC

   All rental costs for the properties listed above would be included in distribution costs (segment 6D).

   The PSNH Funding LLCs are the issuers of the rate reduction bonds (RRBs). All RRB related activities are accounted for in the stranded cost business segment (6R).

b. The attached spreadsheets show total compensation, and compensation allocated to the PSNH distribution system, for each position listed on PSNH's FERC Form 1 for the period ending December 31, 2008. Total compensation has been determined using the definitions and methodology prescribed by the Securities and Exchange Commission for reporting total compensation in the Summary Compensation Table in annual proxy statements of publicly traded companies. Compensation is shown for 2007, 2008 and projected 2009. Changes in positions from year-to-year are noted in footnotes under each year's table.

   Adjustments to 2008 compensation to produce pro forma total compensation for 2009 include: (a) 2009 salary reflects the salary rate that was in effect on January 1, 2009; (b) annual incentive for one new incumbent was projected.

c. PSNH uses its legal entity capital structure in all its rate filings. The $8.4M investment in subsidiary companies is an asset, and accordingly, is not included in common equity. The $524,000 of earnings was accounted for as non-operating income (reference FERC Form 1 page 117, line 36) and is not included in the PSNH rate filing.

d. No, the allowances are related to the generation segment.

e. Yes, PSNH used the same daily load cycle method for estimating unbilled revenues throughout all of 2008. The impact of the December ice storm meter readings was addressed as part of the normal unbilled revenue calculation.

Data Request OCA-01
Dated: 05/06/2009
Q-OCA-T-013
Page 3 of 3

f. Additions to account 303, Misc. Intangible Plant of $22,529,837 is comprised of software projects related to:

Customer Information System Integration ($22,381,058) - Distribution
Work Management System ($79,580) - Distribution
Software Interconnection Database ($69,199) - Transmission.

The distribution segment assets cited above in Account 303 are included in the rate base calculation in this filing.

g. Forfeited discounts are late payment charges. This entire amount was booked to the distribution segment and included in the distribution operating revenues in PSNH's filing.

h. Pursuant to a telephone discussion with the OCA, attached are tables showing each of the referenced FERC accounts by subaccount for both 2007 and 2008.

i. Approximately $453,800 of the $876,560 is included in the temporary rate filing. Please see the attachment below for the supporting data. The amounts are largely payroll costs for law department employees. $15,470 billed from Steptoe & Johnson relates to services provided for work performed at the FERC for a Unitil delivery service agreement. That amount will be reallocated to wholesale. $27,608 billed from Brattle Group relates to a market based rate update filing before the FERC and will be reallocated to the generation function.

j. Of the $269,000 of Electric Power Research Institute (EPRI) related project costs identified on lines 10-17 of Pages 353-353 of the FERC Form 1, approximately $146,000 are allocated and reflected in PSNH's distribution (6D) test year rate filing operating expenses. The remaining $123,000 of costs were charged to other business segments.

EPRI projects directly benefit PSNH's operations through advances in overhead distribution engineering related to greater reliability, lower line losses, and greater operational efficiencies (including lower inventory levels and O&M savings) , the creation of diagnostic tools and sensors to determine cable life in underground distribution systems, improvements in substation maintenance management, the impact of plug-in hybrid vehicles, and remediation methodologies of contaminated sites.

PSNH - O AND M EXPENSES - 12 MONTHS DECEMBER 2008

CHRG AU	PRIM	FERC ACCT SUB ACCT	RPTG STRU LVL DSC		12 MONTHS ENDED DEC 31, 2008
6D	580	58000	OPERATION SPRVSN & ENG DIST		132,922.49
		58001	DIST SY OP-ROUT		2,295,902.62
				*	2,428,825.11
6D	581	58100	LOAD DISPATCHING DISTRIBUTION		937,605.76
				*	937,605.76
6D	583	58302	SM TOOL&EQ-DUCT		620,171.31
		58303	SM TOOL&EQ-TRN		-326,649.99
		58305	1ST INSTL LINE		-2,448,642.82
		58306	OH DISTR OPS-RM		1,432,034.31
		58308	OH DISTR OPS-SC		492,153.45
		58309	OH DISTR OPS-SW		12,525.19
		58399	OVERHEAD LINE EXP OTHER		494,045.50
				*	275,636.95
6D	584	58408	UG DISTR OPS-RM		170,565.72
		58410	UG DISTR OPS-1S		-335,536.59
		58411	SMLL T&E-DUCT		1,100.52
		58413	SMLL T&E-CREDIT		-581.85
		58414	UG DISTR OPS-CU		690,161.58
		58415	UG DISTR OPS-SC		389,456.48
		58416	UG DISTR OPS-SC		1,917.01
		58499	UG DISTR OP-OTH		139,926.41
				*	1,057,009.28
6D	588	588MD	MISC DISTRIB EXP-NON SMALL TOO		2,798,595.00
		58800	MISC DISTR EXP		10,205.64
		58802	MISC DIST EXP R&D		801.00
		58803	DISTR S/O PMAPS		31,598.74
		58804	DISTR S/O PRECS		351,656.88
		58811	ELEC RENT EXP		307,875.24
		58814	MISC DIST EXP TOOLS AND EQUIPM		178,100.07
		58898	MISC DISTRIB EX		-1,139,065.92
		58899	OTHER		1,484,123.94
				*	4,023,890.59
6D	590	59001	DISTR SYS MNTC		3,254,995.67
				*	3,254,995.67
6D	591	59199	MAINTENANCE OF STRUCTURES FAC		270,047.63

CHRG AU	PRIM	FERC ACCT SUB ACCT	RPTG STRU LVL DSC		12 MONTHS ENDED DEC 31, 2008
				*	270,047.63
6D	592	59205	DISTR SS MNTC-2		1,836,593.29
		59206	DISTR SS MNTC-I		1,969,412.46
		59207	DISTR SS MNTC C		144,969.49
		59209	DISTR SS MNTC-S		40,932.16
		59299	MAINT OF STATION EQUIPMENT-DIS		987,427.68
				*	4,979,335.08
6D	595	59509	DSM-LINE TRANSR		1,645,472.41
		59510	DSM-NON HAZ WST		57,034.81
		59511	DSM-REG WASTE		-233,270.33
		59512	DSM-OIL SPILLCU		112,847.91
		59513	DSM-PCB WASTE		185,227.17
		59514	DSM-PCB SPILLCU		205,793.64
				*	1,973,105.61
6D	903	90301	APP CONT & ORDR		36,384.20
		90302	CREDIT & COLLCT		11,007.07
		90303	BILLING & ACCTG		-217,101.46
		90311	RENT EXP		-20,265.84
				*	-189,976.03
6D	913	91300	ADVERTISING EXPENSES		264,552.88
				*	264,552.88
6D	923	923AA	NUSCO OS PBM SERVICES		150,743.01
		923AB	NUSCO OS PBM GOVERNANCE		36.06
		923AC	OUTSIDE SRVCS NUSCO TRANSM TAR		4,433.35
		923AE	NUSCO OUTSIDE SERVICES - AE		4,454.13
		923AF	NUSCO OUTSIDE SERVICES - AF		25,169.52
		923AH	NUSCO OS - AH		2,109.43
		923BA	NUSCO OUTSIDE SERVICES - B7		20,112.86
		923BE	NUSCO OUTSIDE SERVICES - BE		1,538.85
		923B1	NUSCO OUTSIDE SERVICES B1		7,838.13
		923B2	NUSCO OUTSIDE SERVICES B2		3,853.69
		923B5	NUSCO OUTSIDE SERVICES B5		6,499.62
		923CD	NUSCO OS CD		2,887.92
		923CN	NUSCO OUTSIDE SVC-CN		2.66
		923CR	NUSCO OUTSIDE SERV FOR RATE CO		1,634.65
		923C3	NUSCO OUTSIDE SERVICES - C3		43,233.50
		923C9	NUSCO OUTSIDE SERVICES - C9		882.33
		923DR	NUSCO OUTSIDE SERVICES - DR		424.49
		923ED	NUSCO OUTSIDE SERVICES ED		5,784.53

PSNH - O AND M EXPENSES - 12 MONTHS DECEMBER 2008

CHRG AU	PRIM	FERC ACCT SUB ACCT	RPTG STRU LVL DSC	12 MONTHS ENDED DEC 31, 2008
6D	923	923E8	NUSCO OS EMPLOYEES 8	10,512.20
		923E9	NUSCO SVCS EMP9	3,312.16
		923FA	FOSSIL FUEL PURCHASE AUDIT-OS	6,222.90
		923FB	NUSCO OS TAX/DEP	578.26
		923FR	OUTSIDE SERVICES NUSCO FR	68,309.90
		923FV	NUSCO OUTSIDE SERVICES FV	493.44
		923FZ	NUSCO OS FZ	8,565.38
		923GG	NUSCO OUTSIDE SERVICES-GG	3,323.62
		923GM	NUSCO OUTSIDE SERVICES - GM	1,606.84
		923GN	PURCHASING PRGRMS & GOVERNANCE	3,431.07
		923GP	MIMS SUPPORT & INVRCVRY - OS	-572.56
		923GR	NUSCO OS - GR	16,531.87
		923GT	NUSCO OUTSIDE SERVICES - GT	81,602.06
		923GV	NUSCO OUTSIDE SERVICES-GV	-222.43
		923GZ	NUSCO OUTSIDE SERVICES - GZ	7,746.90
		923G0	IT CELLULAR TELEPHONE SERVICES	6,616.90
		923G1	IT NETWORK SERVICES - OS	217,024.45
		923G3	IT PROCESSING & STORAGE - OS	189,197.94
		923G4	IT SPECIAL COMMUNICATIONS SVCS	38,785.50
		923G7	DISTRIBUTED PROCESSING & STORA	94,557.62
		923G8	IT VIDEO CONFERENCING - OS	30,080.45
		923G9	IT WIDE ARER NETWORKING - OS	2,369.44
		923HB	NUSCO OUTSIDE SERVICES - HB	2,848.85
		923H5	NUSCO OS H5	15,320.82
		923H7	NUSCO OUTSIDE SERVICES - H7	524.56
		923MP	NUSCO OS RATE CODE MP	2,259.83
		923MX	NUSCO OUTSIDE SERVICES -MX	8.92
		923MZ	NUSCO OUTSIDE SERVICES -MZ	6,251.22
		923PG	NUSCO OUTSIDE SERVICES - PG	1,653.46
		923PY	NUSCO OUTSIDE SERV FOR RATE CO	1,055.68
		923P4	NUSCO OS PAY4	6,223.16
		923P8	NUSCO OS PAY8	7,746.88
		923RA	NUSCO OUTSIDE SERVICES - RA	1,990.65
		923RC	NUSCO OS REV/CUST 3	23,933.63
		923RE	NUSCO OUTSIDE SERVICES - RE	4,281.81
		923RF	NUSCO OUTSIDE SERVICES - RF	3,082.38
		923RH	NUSCO OUTSIDE SERVICES - RH	871.89
		923RR	NUSCO OUTSIDE SERVICES - RR	7.25
		923RU	NUSCO OUTSIDE SERVICES - RU	1,115.97
		923RZ	NUSCO OUTSIDE SERVICES - RZ	3,676.17
		923R1	NUSCO OUTSIDE SERVICES	60.09
		92300	OUTSD SVC EMP	31,292.90
		92301	AUDITING	207,165.56
		92303	LEGAL	105,890.38
		9231K	NUSCO IT PC - OS	684.59
		9231R	NUSCO OUTSIDE SERVICES -1R	2.65
		92320	NUSCO OUTSIDE SVCS F/H	596.63
		92321	OUT SRVCS NUSCO OS FERC RPRTG	3,435.59

CHRG AU	PRIM	FERC ACCT SUB ACCT	RPTG STRU LVL DSC		12 MONTHS ENDED DEC 31, 2008
6D	923	9233A	OUTSIDE SERVICES - INDUS PHASE		3.84
		92399	OTHER		1,665,647.14
				*	3,169,345.14
6D	925	925DH	INJURIES & DAMAGES - DH		155.36
		92501	INJURIES & DAMAGES INS PREMIUM		736,835.66
		92502	INJ & DAM EXP		407,695.69
		92503	SAFETY PROGRAMS		183,984.45
		92504	DIR & OFF LIAB		228,106.69
		92510	INS PREM - WORK		119,792.29
		92511	INJ & DAM EXP ACCR - WORKERS C		763,820.81
		9259A	GENERAL SERVICE CO OVERHEAD		-27,836.01
		92598	INJ & DAM TRNSF		-884,942.66
		92599	OTHER		192,487.18
				*	1,720,099.46
6D	930	930AA	NUSCO MISC EXP PBM SERVICES		3,892.62
		930AE	NUSCO MISC EXPENSE - AE		1,766.75
		930A2	NUSCO MISC EXPENSE - CT LOBBYI		724.93
		930A3	NUSCO MISC EXPENSES - MA LOBBY		859.50
		930B5	NUSCO MISC EXPENSE B5		23.67
		930C3	NUSCO MISC EXPENSE - C3		92.60
		930ED	NUSCO MISC EXPENSE ED		1,758.10
		930FB	NUSCO MISC EXP FB		654.84
		930FU	NUSCO FEES FU		165,072.99
		930FZ	NUSCO MISC FZ		634.31
		930H7	NUSCO MISC EXPENSE - H7		233.73
		930NR	NUSCO RATE OF RETURN CHARGE		268,423.64
		930RA	NUSCO MISC EXPENSE - RA		12,688.50
		930R1	NUSCO MISC EXP		4.04
		93001	INDUSTRY ASSOC		58,481.33
		93002	MISC OTHER DIST EXP R&D		12,025.49
		93003	TRUST FEES/EXP		256,319.71
		93004	SHRHLDRS REP/MT		54,593.33
		93035	MISC EXP EPRI CHRGS R&D		170,145.37
		9309A	GENL SVC CO OH OTHER EXP		-315,321.27
		93099	OTHER		34,047.39
				*	727,121.57
					24,891,594.70

PSNH - O AND M EXPENSES - 12 MONTHS DECEMBER 2007

CHRG AU	PRIM	FERC ACCT SUB ACCT	RPTG STRU LVL DSC	12 MONTHS ENDED DEC 31, 2007
6D	580	58000	OPERATION SPRVSN & ENG DIST	116,548.71
		58001	DIST SY OP-ROUT	1,621,863.13
			*	1,738,411.84
6D	581	58100	LOAD DISPATCHING DISTRIBUTION	661,807.34
			*	661,807.34
6D	583	58302	SM TOOL&EQ-DUCT	697,626.49
		58303	SM TOOL&EQ-TRN	-406,466.54
		58305	1ST INSTL LINE	-1,625,378.91
		58306	OH DISTR OPS-RM	1,694,726.85
		58308	OH DISTR OPS-SC	371,218.16
		58309	OH DISTR OPS-SW	18,075.11
		58399	OVERHEAD LINE EXP OTHER	351,356.70
			*	1,101,157.86
6D	584	58408	UG DISTR OPS-RM	186,737.57
		58410	UG DISTR OPS-1S	-308,670.98
		58411	SMLL T&E-DUCT	4,316.30
		58413	SMLL T&E-CREDIT	-2,455.38
		58414	UG DISTR OPS-CU	723,865.50
		58415	UG DISTR OPS-SC	74,834.11
		58416	UG DISTR OPS-SC	132.89
		58499	UG DISTR OP-OTH	98,796.87
			*	777,556.88
6D	588	58800	MISC DISTR EXP	1,808.88
		58803	DISTR S/O PMAPS	68,772.45
		58804	DISTR S/O PRECS	323,340.06
		58811	ELEC RENT EXP	134,033.34
		58814	MISC DIST EXP TOOLS AND EQUIPM	181,256.10
		58898	MISC DISTRIB EX	-904,441.21
		58899	OTHER	859,592.76
			*	664,362.38
6D	590	59001	DISTR SYS MNTC	2,292,122.42
			*	2,292,122.42
6D	591	59199	MAINTENANCE OF STRUCTURES FAC	178,268.28
			*	178,268.28

CHRG AU	PRIM	FERC ACCT SUB ACCT	RPTG STRU LVL DSC		12 MONTHS ENDED DEC 31, 2007
6D	592	59205	DISTR SS MNTC-2		1,176,331.76
		59206	DISTR SS MNTC-I		1,664,743.68
		59207	DISTR SS MNTC C		138,947.10
		59209	DISTR SS MNTC-S		44,570.53
		59299	MAINT OF STATION EQUIPMENT-DIS		1,030,130.11
				*	4,054,723.18
6D	595	59509	DSM-LINE TRANSR		778,421.00
		59510	DSM-NON HAZ WST		59,324.73
		59511	DSM-REG WASTE		-87,678.18
		59512	DSM-OIL SPILLCU		116,327.35
		59513	DSM-PCB WASTE		219,953.38
		59514	DSM-PCB SPILLCU		115,259.11
				*	1,201,607.39
6D	903	90301	APP CONT & ORDR		1,246.61
		90302	CREDIT & COLLCT		11,028.88
		90303	BILLING & ACCTG		80.87
		90311	RENT EXP		-27,877.92
				*	-15,521.56
6D	913	91300	ADVERTISING EXPENSES		130,102.27
				*	130,102.27
6D	923	923AA	NUSCO OS PBM SERVICES		105,250.28
		923AC	OUTSIDE SRVCS NUSCO TRANSM TAR		667.02
		923AE	NUSCO OUTSIDE SERVICES - AE		30,638.95
		923AF	NUSCO OUTSIDE SERVICES - AF		35,477.24
		923AH	NUSCO OS - AH		1,125.90
		923BA	NUSCO OUTSIDE SERVICES - B7		632.95
		923BB	NUSCO OUTSIDE SERVICES - B8		-440.62
		923BC	NUSCO OUTSIDE SERVICES - B9		-107.50
		923BE	NUSCO OUTSIDE SERVICES - BE		4,673.99
		923B1	NUSCO OUTSIDE SERVICES B1		84.93
		923B2	NUSCO OUTSIDE SERVICES B2		3,176.71
		923B5	NUSCO OUTSIDE SERVICES B5		7,552.34
		923C3	NUSCO OUTSIDE SERVICES - C3		38,314.89
		923C8	NUSCO OUTSIDE SERVICES - C8		986.74
		923C9	NUSCO OUTSIDE SERVICES - C9		1,454.26
		923DR	NUSCO OUTSIDE SERVICES - DR		131.20
		923ED	NUSCO OUTSIDE SERVICES ED		37.46
		923E8	NUSCO OS EMPLOYEES 8		12,204.99
		923E9	NUSCO SVCS EMP9		5,071.80
		923FA	FOSSIL FUEL PURCHASE AUDIT-OS		8,215.11

PSNH - O AND M EXPENSES - 12 MONTHS DECEMBER 2007

CHRG AU	PRIM	FERC ACCT SUB ACCT	RPTG STRU LVL DSC	12 MONTHS ENDED DEC 31, 2007
6D	923	923FB	NUSCO OS TAX/DEP	634.66
		923FZ	NUSCO OS FZ	6,684.16
		923GG	NUSCO OUTSIDE SERVICES-GG	726.36
		923GM	NUSCO OUTSIDE SERVICES - GM	4,458.98
		923GN	PURCHASING PRGRMS & GOVERNANCE	3,172.68
		923GP	MIMS SUPPORT & INVRCVRY - OS	-812.18
		923GR	NUSCO OS - GR	23,577.38
		923GZ	NUSCO OUTSIDE SERVICES - GZ	9,524.24
		923G0	IT CELLULAR TELEPHONE SERVICES	10,133.12
		923G1	IT NETWORK SERVICES - OS	133,537.45
		923G2	IT PERSONAL COMPUTING SERVICES	57,025.58
		923G3	IT PROCESSING & STORAGE - OS	239,682.67
		923G4	IT SPECIAL COMMUNICATIONS SVCS	33,845.92
		923G5	IT SPECIAL DISASTER RECOVERY-	42.75
		923G7	DISTRIBUTED PROCESSING & STORA	79,095.80
		923G8	IT VIDEO CONFERENCING - OS	43,129.56
		923G9	IT WIDE ARER NETWORKING - OS	12,288.60
		923HA	NUSCO OUTSIDE SERVICES - HA	2,743.05
		923HB	NUSCO OUTSIDE SERVICES - HB	-558.72
		923HF	NUSCO OUTSIDE SERVICES - HF	133.36
		923H5	NUSCO OS H5	21,203.75
		923MP	NUSCO OS RATE CODE MP	421.01
		923PG	NUSCO OUTSIDE SERVICES - PG	1,842.73
		923P4	NUSCO OS PAY4	24,423.32
		923P8	NUSCO OS PAY8	27,699.08
		923RA	NUSCO OUTSIDE SERVICES - RA	1,519.16
		923RC	NUSCO OS REV/CUST 3	11,123.17
		923RE	NUSCO OUTSIDE SERVICES - RE	60,885.62
		923RW	NUSCO OUTSIDE SERVICES - RW	2.36
		923RZ	NUSCO OUTSIDE SERVICES - RZ	1,232.02
		923R1	NUSCO OUTSIDE SERVICES	22.17
		92300	OUTSD SVC EMP	26,731.46
		92301	AUDITING	225,727.66
		92303	LEGAL	38,029.49
		9231K	NUSCO IT PC - OS	5,960.73
		9231R	NUSCO OUTSIDE SERVICES -1R	4.68
		92320	NUSCO OUTSIDE SVCS F/H	221.44
		92321	OUT SRVCS NUSCO OS FERC RPRTG	5,994.93
		92399	OTHER	1,049,271.82
			*	2,416,530.66
6D	925	92501	INJURIES & DAMAGES INS PREMIUM	523,409.14
		92502	INJ & DAM EXP	-163,028.10
		92503	SAFETY PROGRAMS	170,147.84
		92504	DIR & OFF LIAB	285,012.62
		92510	INS PREM - WORK	112,343.94
		92511	INJ & DAM EXP ACCR - WORKERS C	360,102.95

PSNH - O AND M EXPENSES - 12 MONTHS DECEMBER 2007

CHRG AU	PRIM	FERC ACCT SUB ACCT	RPTG STRU LVL DSC		12 MONTHS ENDED DEC 31, 2007
6D	925	9259A	GENERAL SERVICE CO OVERHEAD		-27,493.10
		92598	INJ & DAM TRNSF		-384,110.17
		92599	OTHER		164,928.62
				*	1,041,313.74
6D	930	930AA	NUSCO MISC EXP PBM SERVICES		3,462.75
		930AE	NUSCO MISC EXPENSE - AE		18.58
		930B5	NUSCO MISC EXPENSE B5		2.73
		930C3	NUSCO MISC EXPENSE - C3		11.77
		930ED	NUSCO MISC EXPENSE ED		103.83
		930FB	NUSCO MISC EXP FB		19.73
		930FU	NUSCO FEES FU		189,246.53
		930FZ	NUSCO MISC FZ		2,651.01
		930H7	NUSCO MISC EXPENSE - H7		503.56
		930NR	NUSCO RATE OF RETURN CHARGE		289,079.04
		930RA	NUSCO MISC EXPENSE - RA		3,555.38
		930R1	NUSCO MISC EXP		99.56
		93001	INDUSTRY ASSOC		70,069.44
		93002	MISC OTHER DIST EXP R&D		11,502.53
		93003	TRUST FEES/EXP		176,512.89
		93004	SHRHLDRS REP/MT		52,970.08
		93035	MISC EXP EPRI CHRGS R&D		116,465.74
		9309A	GENL SVC CO OH OTHER EXP		-326,684.87
		93099	OTHER		337,708.80
				*	927,299.08
					17,169,741.76

THIS FILING IS

Item 1: [X] An Initial (Original) Submission OR [ ] Resubmission No. ____

OMB No. 1902-0021
(Expires 7/31/2008)
Form 1-F Approved
OMB No. 1902-0029
(Expires 6/30/2007)
Form 3-Q Approved
OMB No. 1902-0205
(Expires 6/30/2007)

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

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Exact Legal Name of Respondent (Company)	Year/Period of Report
Public Service Company of New Hampshire	End of 2006/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
113	3. REGIONAL MARKET EXPENSES		
114	Operation		
115	(575.1) Operation Supervision		
116	(575.2) Day-Ahead and Real-Time Market Facilitation		
117	(575.3) Transmission Rights Market Facilitation		
118	(575.4) Capacity Market Facilitation		
119	(575.5) Ancillary Services Market Facilitation		
120	(575.6) Market Monitoring and Compliance		
121	(575.7) Market Facilitation, Monitoring and Compliance Services	2,883,383	
122	(575.8) Rents		
123	Total Operation (Lines 115 thru 122)	2,883,383	
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements		
126	(576.2) Maintenance of Computer Hardware		
127	(576.3) Maintenance of Computer Software		
128	(576.4) Maintenance of Communication Equipment		
129	(576.5) Maintenance of Miscellaneous Market Operation Plant		
130	Total Maintenance (Lines 125 thru 129)		
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)	2,883,383	
132	4. DISTRIBUTION EXPENSES		
133	Operation		
134	(580) Operation Supervision and Engineering	1,725,933	2,120,244
135	(581) Load Dispatching	739,060	618,584
136	(582) Station Expenses	709,973	682,330
137	(583) Overhead Line Expenses	748,526	1,425,774
138	(584) Underground Line Expenses	888,192	840,448
139	(585) Street Lighting and Signal System Expenses	573,139	479,812
140	(586) Meter Expenses	2,283,029	2,385,76
141	(587) Customer Installations Expenses	141,810	63,077
142	(588) Miscellaneous Expenses	569,902	776,979
143	(589) Rents	372,577	362,981
144	TOTAL Operation (Enter Total of lines 134 thru 143)	8,752,141	9,755,998
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	2,105,011	2,264,893
147	(591) Maintenance of Structures	219,595	422,646
148	(592) Maintenance of Station Equipment	3,399,514	3,753,545
149	(593) Maintenance of Overhead Lines	18,152,160	16,311,442
150	(594) Maintenance of Underground Lines	1,252,113	1,194,910
151	(595) Maintenance of Line Transformers	863,542	623,544
152	(596) Maintenance of Street Lighting and Signal Systems	452,238	355,189
153	(597) Maintenance of Meters	618,416	622,306
154	(598) Maintenance of Miscellaneous Distribution Plant	830,252	948,423
155	TOTAL Maintenance (Total of lines 146 thru 154)	27,892,841	26,496,898
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	36,644,982	36,252,896
157	5. CUSTOMER ACCOUNTS EXPENSES		
158	Operation		
159	(901) Supervision	33	45
160	(902) Meter Reading Expenses	5,020,333	5,075,550
161	(903) Customer Records and Collection Expenses	7,017,886	6,387,832
162	(904) Uncollectible Accounts	4,208,371	3,905,425
163	(905) Miscellaneous Customer Accounts Expenses	44,916	40,629
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	16,291,539	15,409,481

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Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-01
Dated: 08/28/2009
Q-OCA-057
Page 1 of 3

Witness: Robert A. Baumann
Request from: Office of Consumer Advocate

Question:
Referring to the response to OCA-T-013 (h), please explain the dramatic changes in costs from 2007 to 2008 for the following accounts to the extent they relate to Distribution: 580001, 58100, 58415, 58499, 588MD, 58899, 59001, 59199, 59205, 59206, 59509, 59514, 90301, 90303, 91300, 923AA, 923E8, 923FR, 923GT, 923G1, 92303, 92399, 92501, 92502, and 92511.

Response:
Explanations as follows:

As noted in the detailed account analysis below, the December 2008 major ice storm increased O&M costs at the FERC sub-account level. The December storm costs were deferred, consistent with the major storm deferral requirements initially established in Docket DE 99-099, with an offsetting credit to FERC account 59306 and a debit to FERC balance sheet account 22843 (later transferred to 18643). As a result of the deferral, the December ice storm had no impact on PSNH's overall test year O&M costs.

58001: Due mostly to higher major storm costs in 2008 ($585K).

58100: Due mostly to higher major storm costs in 2008 ($184K).

58415: Due mostly to increased activity in the Reliability Enhancement Program (REP) in the area of underground inspections ($330K).

58499: Due mostly to the implementation of a Supervisor Training Program in Customer Operations. This was developed specifically for working foremen and brought in ninety + individuals ($28K).

588MD: This was a new account set up in 2008. Prior to this, these costs were going to account 58899 and activity in this account helps drive the Small Tools overhead. Since there were significant dollars charged to 58899 from the December storm that we knew should not impact this overhead, we moved these dollars to a new account, 588MD.

58899: Due mostly to an increase in major storm costs ($274K), Inventory write-offs ($159K) and costs associated with the Tilton Fire ($149K).

59001: Due mostly to an increase in major storm costs ($585K) and an increase in labor charged to activity ADMDE ($144K) following a review of charging practices in 2008 in the Engineering and Design Group. It was determined that this was a more appropriate activity for their administrative type charges than activity ADMGN which is charged to account 92000.

59199: Due mostly to Sub Station fence and gate repairs subsequent to a security and safety review ($66K).

59205: Due mostly to increased activity in the Reliability Enhancement Program (REP) in the areas of Sub Station animal protection ($348K) and Sub Station grounding ($368K).

59206: This change is due mostly to increased use of contractors to perform substation maintenance including vegetation management inside substations, increased use of temporary employees to update maintenance records and other administrative duties ($200K).

59509: Due mostly to increased activity in the Reliability Enhancement Program (REP) in the areas of recloser maintenance ($365K) and maintenance of fault indicators ($559).

59514: Due mostly to higher major storm costs in 2008 ($97K).

90301: Due mostly to higher major storm costs ($478K), higher training costs due to the implementation of the C2 System ($1,011K) and an increase in the General Services Overhead ($1,391K). This overhead is the equivalent of the Payroll Benefits overhead that is charged to the labor of PSNH Operating Company employees but is charged to NUSCO employees. In 2008, a number of PSNH Customer Experience employees became NUSCO employees. This resulted in this overhead being calculated against their labor rather than the former Payroll Benefits overhead. Because all NUSCO costs must be charged to an Operating Company, these costs follow the activity that each employee charges and go to the same FERC account the employee charges. This represents an increase from 2007 in 90301 because the payroll benefits overhead that is calculated on PSNH labor is charged to a specific FERC account associated with "Employee Pension and Benefits" (Account 926) and does not follow labor to the same FERC account like the General Services Overhead.

90303: Due mostly to an increase in the General Services Overhead ($367K). See the explanation in 90301.

91300: This increase ($134K) is due to the fact that there was no Economic Development ads created in 2007 as opposed to 2008.

923AA: This increase is mostly due to an increase in the number of requests for educational reimbursement. For PSNH, the number in 2007 was 139 as opposed to 181 in 2008.

923E8: The change in this account was only $2K and was, therefore, not considered dramatic.

923FR: Most of these costs in 2008 were for a new training program entitled "Leading from the Middle". This is a program developed for mid-level managers designed to build leadership skills, increase business and financial acumen, think more broadly and build across functional relationships.

923GT: Due to a change in the codes being used to allocate certain reprographic related costs. In 2007, no costs for specific charges were being allocated to PSNH whereas in 2008, a change was made to allocate 19.14% of these costs to PSNH.

923G1: Due to a change in the FERC mapping of the activity (ISPC) that resulted in the change between 2007 and 2008 ($139K). In 2007, the total charges to this activity for NU was $1,382 and in 2008, the total was $1,438, only a 4% increase. However, the allocation of these dollars to accounts changed considerably.

92303: The difference in the two years is due mostly to a credit that was received in 2007 ($37.5) as the result of a claim (that was negotiated and paid) that PSNH had against Enron in their bankruptcy proceedings.

92399: There is a reclass from 92399 to 923X5 so that at NU Consolidated, the services provided by ES Boulos (a company owned by NU) to PSNH are properly eliminated since they are both part of the NU system. The actual charges to 92399 went up from 2007 to 2008. However, the reclass from 92399 to 923X5 went up by a larger amount causing the reported amount to go down. The reclass does not impact PSNH's expenses. It is done so that the Revenue and Expense between ES Boulos and PSNH can be eliminated in NU Consolidated.

Year	Charges to 92399	Reclass to 923X5	Reported 92399
2007	1,400K	254K	1,146K
2008	2,167K	1,382K	785K

92501: The increase is mainly due to the purchase of a new insurance program in 2008 for "Cyber Risk" ($13K), also, General Liability Insurance there was a change in the source data used to allocate premiums among the business segments. While the measure was payroll for both periods, for 2007, the source was historical payroll from an HR report and for 2008, the source was budgeted payroll. In addition to this, the increase was impacted by the purchase of additional general liability insurance limits (total increase of $116K).

92502: The difference in the two years is due mostly to mid year actuarial adjustments to the Public Liability. In 2007, the reserve was reduced by $662K but in 2008, it was reduced by only $148K.

92511: The difference in the two years is due mostly to mid year and year end actuarial adjustments to the Workers Comp reserve. In 2007, the reserve was reduced by $11K but in 2008, it was increased by $328K.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: December 2, 2009
AT (OFFICE): NHPUC

FROM: Stuart Hodgdon, Chief Auditor
Robyn Descoteau, Examiner
Karen Moran, Examiner

SUBJECT: Public Service Company of New Hampshire
Rate Case DE 09-035
Final Audit Report

TO: Tom Frantz, Director Electric Division
Steve Mullen, Assistant Director

INTRODUCTION

On April 17, 2009, Public Service Company of New Hampshire (PSNH or the Company) filed with the New Hampshire Public Utilities Commission (Commission), a Petition for Temporary Delivery Rates and Notice of intent to File Rate Schedules. The test year for this filing was 2008.

The Public Utilities Commission (PUC) Electric Division asked the PUC Audit Staff (Audit) to review PSNH Distribution Plant, Miscellaneous Balance Sheet accounts and Distribution Expenses.

PSNH is a wholly-owned subsidiary of Northeast Utilities (NU). Several wholly-owned subsidiaries of NU provide support services for NU and its subsidiaries, including PSNH. Northeast Utilities Service Company (NUSCO) provides centralized accounting, administrative, engineering, financial, information technology, legal, operational, planning, purchasing, and other services to NU's companies. Two other subsidiaries construct, acquire or lease some of the property and facilities used by PSNH.

INTERNAL AUDIT REPORTS

NU maintains an Internal Audit Department that provides services to affiliates. A list of 2008 and 2009 NU internal audit reports was requested. PUC Audit selected and read four reports from the list and read recommendations/findings that may affect PSNH distribution expenses recapped by NU. These reports and recommendations were filed by PSNH with a Motion for Protective Order. PUC Audit used information from the reports and recommendations to further our own discovery process.

Audit reviewed PSNH general ledger account 90301 and noted the labor and benefit charges were posted for the test year from NUSCO monthly billings. Audit obtained and reviewed the December NUSCO billing.

Audit recommends that the C2 System training costs of $1,011K be amortized over a period of time and an adjustment be made to this rate filing.

PSNH's Exit Audit Response to above PUC Audit recommendation:
"Costs associated with training initiatives as well as other unknown initiatives will occur in the future as part of a continuing level of expense that PSNH will experience. We do not believe that special treatment of one particular expenditure in the test year is appropriate for amortization and therefore do not support the amortization of this expense and the dilution of our revenue requirement. (ie, some other cost will take its place in the future). If however, the Commission were to amortize this selected expense, we would recommend a 3 year amortization with carrying costs. Therefore the level of expense for revenue requirements would be approximately $1,011/3 = $337/year plus 3 years of carrying charges which would be approximately $36/year using the 11.765% pre tax cost of capital that was filed in this case. The total expense in RR would therefore be approximately $373/year ($337+36)."

FERC account 90899 (Customer Assistance Exp) was reviewed by Audit. Amounts paid to Demers Group of $19,667 were requested to be explained by the Company. The Company replied that the amounts "should have been recorded as lobbying costs and should be removed from this rate filing." **Audit Issue #6**. Amounts paid to Rath of $60,000 were explained by the Company as "a monthly retainer paid by PSNH to ensure the availability of counsel on an as-needed/when needed basis. In consideration for these retainer payments, professionals were available in 2008 to assist the company with a myriad of commercial, strategic, financial and executive level decision making matters."

The Company uses air travel to expedite employee travel between the Headquarters in Connecticut and the PSNH office in New Hampshire. Consultants, lawyers, and other contracted individuals are permitted to use the Plane Services of the Company if space is available. Plane Service charges of $255,900 were contained in the FERC account 90899 (Customer Assistance Exp-Other). The Company used Wiggins Airways for its air travel.

FERC accounts 90916 (Safety) and 91300 (Advertising) were tested by the Audit Staff to verify that the charges were truly related to educating the public and/or economic development. Invoices pertaining to approximately 99% of the $85,014 charged to 90916 (Safety) were reviewed. Similarly invoices pertaining to approximately 46% of the $264,553 charged to 91300 (Advertising), or $121,864, were reviewed. The advertisements developed for the Company stated that they related to educating the public about safety and/or economic development. Therefore, the charges appeared to be appropriately charged.

During the Audit Department's review of the PSNH Energy Efficiency program, earlier in 2009, it was discovered that FERC Account 92105 (Building Expense) may contain a charge of $24,975 for AMC retro lighting that had been funded by use of PSNH Energy Efficiency Funds from 2005 and 2006. Audit confirmed that this expense was, in fact, contained in FERC Account 92105; a January 2008 charge for the test year. Ratepayers fund the PSNH Energy Efficiency program and have already paid for this expense. **Audit Issue #7**

Public Service Company of New Hampshire
Docket No. DE 09-035

Technical Session TS-03

Dated: 12/16/2009
Q-TECH-004
Page 1 of 8

Witness: Keith C. Coakley,Robert A. Baumann
Request from: New Hampshire Public Utilities Commission Staff

Question:
Please respond to Staff's (Jim Cunningham) attached analysis of the portion of the revised actuarial report concerning OPEB costs. Please provide documents to support your response, including pages from the actuarial report.

Response:
The EXCEL spreadsheet on page 3 of 3 lists the components of OPEB costs and references them to the segmented actuarial schedules (attached to this response as a pdf file) which were included in the OPEB actuarial report which was previously filed with the NHPUC in data request TS-02; Q-TECH-021-SP01. Please note, the OPEB data labeled "PSNH" on pages SI-13 and SI-15 of the actuarial schedules is PSNH distribution (6D) data, not total company data.

In reviewing PSNH's recently filed updated OPEB calculations, an error was discovered in the 2009 cost projections used in calculating PSNH segment 6D OPEB costs as filed on December 15, 2009. The corrected data results in a decrease of revenue requirements of approximately $247,000 (OPEB costs of $243,000 and a return on working capital of approximately $4,000). The attached EXCEL spreadsheet on page 2 of 3 updates and corrects that pro forma adjustment.

Comment on Staff analysis attached. PSNH was unable to tie back the values to the references provided. It appears the analysis may have assumed that pages SI-13 and SI-15 of the actuarial schedules were for the total company, however, these pages contained data for PSNH distribution (6D) only. In addition, the NUSCO allocation percentage of 9.67% is a budget amount and should be 11.13% which is the actual allocation for the year.

Public Service Company of New Hampshire
Docket No. DE 09-035

Technical Session TS-03

Dated: 12/16/2009
Q-TECH-008
Page 1 of 3

Witness: **Robert A. Baumann,Daniel S. Comer**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Please provide actual uncollectibles (accrued), as well as write-offs, monthly for 2007, 2008 and 2009 to date.

Response:
PSNH's accrued uncollectibles and net write-offs for 2007, 2008, and year-to-date 2009 are as follows.

(in 000's)	2007	2008	2009 (1)
Uncollectible Accruals---			
Customer Accounts	3,433	5,661	8,802
Sundry Billing	63	124	499
Total	3,496	5,785	9,301
Net Write-offs	3,447	4,295	8,650

(1) Through November 2009

The annual data above is supported by a monthly analysis of PSNH uncollectibles which summarizes information previously filed with the NHPUC in accordance with the Monitoring Docket IR-90-218.

Please note, these schedules were prepared at the PSNH corporate level as segmented balance sheet data was not available.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Accumulated Provision for Uncollectible Accounts

	Beginning Monthly Reserve Balance	Uncollectible Accrual	Previously Written Off Accounts Recovered	Accounts Written Off	Ending Monthly Reserve Balance
2007					
Jan-07	$ (2,626)	$ (258)	$ (117)	$ 313	$ (2,689)
Feb-07	(2,689)	(290)	(181)	214	(2,945)
Mar-07	(2,945)	(230)	(175)	195	(3,155)
Apr-07	(3,155)	(238)	(141)	395	(3,139)
May-07	(3,139)	(218)	(162)	545	(2,974)
Jun-07	(2,974)	(236)	(126)	629	(2,706)
Jul-07	(2,706)	(261)	(144)	477	(2,634)
Aug-07	(2,634)	(270)	(147)	730	(2,321)
Sep-07	(2,321)	(331)	(139)	353	(2,438)
Oct-07	(2,438)	(265)	(160)	461	(2,403)
Nov-07	(2,403)	(272)	(160)	616	(2,219)
Dec-07	(2,219)	(627)	(128)	299	(2,675)
Total Expense Accrual (1)		$ (3,496)			
Net Write-offs				$ 3,447	
2008					
Jan-08	(2,675)	(308)	(135)	383	(2,734)
Feb-08	(2,734)	(324)	(159)	384	(2,834)
Mar-08	(2,834)	(528)	(169)	154	(3,376)
Apr-08	(3,376)	(338)	(147)	454	(3,408)
May-08	(3,408)	(253)	(140)	822	(2,979)
Jun-08	(2,979)	(772)	(150)	699	(3,201)
Jul-08	(3,201)	(369)	(31)	238	(3,364)
Aug-08	(3,364)	(381)	(47)	521	(3,271)
Sep-08	(3,271)	(719)	(56)	283	(3,764)
Oct-08	(3,764)	(414)	(50)	475	(3,752)
Nov-08	(3,752)	(328)	(44)	422	(3,702)
Dec-08	(3,702)	(1,052)	(46)	635	(4,165)
Total Expense Accrual (2)		$ (5,785)			
Net Write-offs				$ 4,295	

Notes:

(1) The $3,496,000 shown consists of $3,433,000 of uncollectible customer account accruals and $63,000 of uncollectible sundry account accruals.

(2) The $5,785,000 shown consists of $5,661,000 of uncollectible customer account accruals and $124,000 of uncollectible sundry account accruals.

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Accumulated Provision for Uncollectible Accounts

	Beginning Monthly Reserve Balance	Uncollectible Accrual	Accounts Recovered	Accounts Written Off	Ending Monthly Reserve Balance
2009					
Jan-09	(4,165)	(475)	(46)	401	(4,286)
Feb-09	(4,286)	(399)	(71)	676	(4,080)
Mar-09	(4,080)	(866)	(70)	512	(4,504)
Apr-09	(4,504)	(357)	(61)	545	(4,376)
May-09	(4,376)	(433)	(42)	587	(4,264)
Jun-09	(4,264)	(1,088)	(52)	513	(4,890)
Jul-09	(4,890)	(443)	(59)	1,332	(4,060)
Aug-09	(4,060)	(650)	(35)	1,421	(3,324)
Sep-09	(3,324)	(2,768)	(51)	1,092	(5,050)
Oct-09	(5,050)	(908)	(57)	553	(5,463)
Nov-09	(5,463)	(915)	(58)	1,619	(4,817)
YTD Expense Accrual (3)		**$ (9,301)**			
Net Write-offs				**$ 8,650**	

Notes:

(3) The $9,301,000 shown consists of $8,802,000 of uncollectible customer account accruals and $499,000 of uncollectible sundry account accruals.

Amounts shown above may not add due to rounding.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request AUDIT-31-OCA
Dated: 12/08/2009
Q-AUDIT-OCA-010
Page 1 of 1

Witness: Robert A. Baumann
Request from: Office of Consumer Advocate

Question:
Page 18 of the Audit Report explains $60,000 was paid to Rath, Young and Pignatelli. Please provide the retention agreement between PSNH and this firm, as well as all bills for services rendered by this firm that are included in rates.

Response:
After reviewing the invoices, PSNH has concluded that the $60,000 paid to Rath, Young and Pignatelli should have been recorded as lobbying costs. This amount will be removed from PSNH's proposed revenue requirement.

Public Service Company of New Hampshire
Docket No. DE 09-035

Technical Session TS-03

Dated: 12/16/2009
Q-TECH-014
Page 1 of 1

Witness: **Dale R. Urban,Michael DiPietro**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Refer to PSNH's response to OCA 4-3, p. 2. Please provide details about the amount on line 12 (re Electric Assistance Program).

Response:
The Electric Assistance Program is the software program that was developed to administer the Electric Assistance Program (EAP), a statewide assistance program that provides eligible customers a discount on their monthly electric bills. All customers of participating utility companies, including PSNH, are billed a System Benefits Charge on their electric bill, a portion of which helps fund the EAP. The New Hampshire Legislature authorized the New Hampshire Public Utilities Commission to develop the statewide program as part of the electric utility deregulation.

The capitalized cost of the Electric Assistance Program software was $215,392 and is being amortized over a period of five years (as noted in the response to OCA 4-3, page 2 line 12).

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-04

Dated: 11/25/2009
Q-OCA-003
Page 1 of 2

Witness: **Dale R. Urban**
Request from: **Office of Consumer Advocate**

Question:
Referring to Staff 04-036, please provide a list of items that comprise the $10,599,559 of surviving plant for account 303.93.

Response:
Please see the spreadsheet page 2 of 2.

Line	Project	Description	Total
1.0	ESCCC1	License- ESCC License Data	576,354
2.0	NHCFMOB	New Software Program for Check Free/ Mobius for N. H. Customers	417,773
3.0	I$706124	ATM Enablement of Network Infrastructure	14,285
4.0	CMMS6D00	Cascade Maintenance Management System (CMMS) Changes	136,614
5.0	NHDEREG	PSNH Customer Information and Large Power Billing System Enhancements	4,830,285
6.0	DMSX6DC1	PSNH Distribution Management System (DMS)	154,754
7.0	C0350819	Visitor Software Package - Energy Park	3,328
8.0	ESCC6DC1	PSS/E- Electric Systems Control Center	73,391
9.0	SALESBK	Saratoga Licenses- Saratoga System Upgrade	38,150
10.0	CACS6CC5	Credit and Collection System Upgrade	114,966
11.0	CISENHNH	Post Restructuring Customer Services System Enhancements	2,036,252
12.0	EAPINSTR	Electric Assistance Program - Interim & Statewide Program	215,392
13.0	ESCC6DC3	PSNH ESCC EMS	420,065
14.0	ESCC6DC4	IT ESCC Projects	257,973
15.0	I$2KPSNH	I2000 PSNH SHARE	397,807
16.0	ISOSMD	Standard Market Design (SMD) ISO NE	105,961
17.0	ITED6DC	1999 IT ENERGY DELIVERY	685,443
18.0	LIMF6DC7	Work Management LOGICA CMG IMF	55,296
19.0	MOBD6CC5	MOBIUS DOC Direct For Internet	41,187
20.0	WMR26DC7	Work Management Reports - Phase2	24,283
			10,599,560

Note that project details in lines 10.0 to 20.0 were previously reported on page 2 of 2 (lines 7. to 17.0) of the response to STAFF 03:Q-Staff-034

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-01

Dated: 08/28/2009
Q-OCA-074
Page 1 of 2

Witness: **Stephen R. Hall**
Request from: **Office of Consumer Advocate**

Question:
Referring to OCA-T-003, if PSNH were to normalize sales and revenues for the year 2008 in order to eliminate the sales losses due to the Ice Storm, what would the proforma revenue adjustment be based on an average of the 4 iterations used? Please provide the supporting calculations.

Response:
PSNH is unable to quantify the lost sales and revenue with any precision because such an exercise is essentially an attempt to measure something that doesn't exist. However, for purposes of responding to this request, the estimated sales from the four iterations have been averaged and some very rough revenue losses have been estimated on Page 2.

December 2008 Ice Storm
Possible Range of Lost Sales and Distribution Revenue

	Estimated Lost KWH			Estimated Lost Revenue per KWH		Estimated Lost Revenue ($000's)		
	Residential	Other	Total	Residential	Other	Residential	Other	Total
Iteration 1	23,945,130	15,089,800	39,034,930	$ 0.02900	$ 0.00500	$ 694	$ 75	$ 770
Iteration 2	22,616,241	22,626,783	45,243,024	$ 0.02900	$ 0.00500	$ 656	$ 113	$ 769
Iteration 3	23,945,130	7,949,500	31,894,630	$ 0.02900	$ 0.01200	$ 694	$ 95	$ 790
Iteration 4	22,616,241	11,916,333	34,532,574	$ 0.02900	$ 0.01200	$ 656	$ 143	$ 799
Average	23,280,685	14,395,604	37,676,290			$ 675	$ 107	$ 782

Notes:

Iterations are described in the response to Q-OCA-T-003.

The estimated lost revenues per KWH are based on the assumption that no customer or demand charge revenues were lost. The residential per KWH amount was based roughly on the distribution KWH charge for Residential Rate R. Since Iterations 1 and 2 assumed that both small and large commercial customers were impacted, the commercial per KWH amount for Iterations 1 and 2 was based very roughly on the distribution KWH charges for Rates G, GV and LG. Iterations 3 and 4 assumed that only small commercial customers were impacted; as a result, the commercial per KWH amount for Iterations 3 and 4 was based roughly on the average distribution KWH charges for Rate G.

Estimated lost revenues are the product of lost KWH and lost revenue per KWH.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request AUDIT-31-OCA
Dated: 12/08/2009
Q-AUDIT-OCA-002
Page 1 of 1

Witness: Robert A. Baumann
Request from: Office of Consumer Advocate

Question:
Page 2 includes a write up on Account #182.PL, Environmental Deferral. a. Was the balance in that account as of the effective date of Temporary rates approximately $782,000? If not, what was the balance as of that date? b. What amount is included in the revenue requirement related to this account?

Response:
(a) Yes. This was previously reported in OCA-4; Q-OCA-006.

(b). PSNH has reviewed its rate base for regulatory assets that will be fully amortized in 2010.

PSNH will exclude three accounts that will be fully amortized at June 30, 2010 --182.PL (Environmental Deferral), 182.DC (Deferred Benefits), and 182.KC (Keene-Claremont) from its revenue requirements request. The impact on PSNH revenue requirements is a reduction of $1.3M as follows (all amounts in 000's)--

182.PL amortization, pre-tax --	$ 853
182.DC amortization, pre-tax --	302
182.KC amortization, pre-tax --	31
Return on rate base --	143
Reduction in rev req ---	$1,329

There is no working capital impact as these costs are amortizations and not O &M costs.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-03

Dated: 10/23/2009
Q-OCA-013
Page 1 of 1

Witness: **Robert A. Baumann**
Request from: **Office of Consumer Advocate**

Question:
Refer to testimony of R.A. Baumann, Schedule 1 Attachment, p. 15a of 22 regarding Hydro Quebec Support Costs. Please explain why Mr. Baumann believes that the amount of $5,198,000 (see response to Staff-01 Q-Staff-T-021) is appropriate for inclusion in Distribution Rates.

Response:
Per the Agreement to Settle PSNH Restructuring, Revised and Conformed in Compliance with Order No. 23,549, PSNH was allowed to recover Hydro Quebec transmission support payments as part of the delivery charge. The following is the quote from this Order on page 17, lines 500-507;

" In addition to the 2.8¢/kWh Delivery Charge, PSNH will be allowed to recover Hydro Quebec transmission support payments. The cost of such transmission support payments shall be included on customer bills as an increase of 0.13¢/kWh in the Delivery Charge above the otherwise effective 2.8¢/kWh rate during the Initial Delivery Charge Period. The offsetting credits for all revenues received for usage of the line shall be credited to Part 3 Stranded Costs pursuant to Section V.B.3 of this Agreement. Subsequent to the Initial Delivery Charge Period, the level of Hydro Quebec transmission support payment charges and related revenues included in rates shall be determined by the PUC as part of the normal ratemaking process."

PSNH has not proposed any changes in the recovery of the Hydro Quebec support costs in this filing. However, PSNH would not object if this item would be moved and tracked as part of PSNH's Transmission Cost Adjustment Mechanism.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: December 2, 2009
AT (OFFICE): NHPUC

FROM: Stuart Hodgdon, Chief Auditor
Robyn Descoteau, Examiner
Karen Moran, Examiner

SUBJECT: Public Service Company of New Hampshire
Rate Case DE 09-035
Final Audit Report

TO: Tom Frantz, Director Electric Division
Steve Mullen, Assistant Director

INTRODUCTION

On April 17, 2009, Public Service Company of New Hampshire (PSNH or the Company) filed with the New Hampshire Public Utilities Commission (Commission), a Petition for Temporary Delivery Rates and Notice of intent to File Rate Schedules. The test year for this filing was 2008.

The Public Utilities Commission (PUC) Electric Division asked the PUC Audit Staff (Audit) to review PSNH Distribution Plant, Miscellaneous Balance Sheet accounts and Distribution Expenses.

PSNH is a wholly-owned subsidiary of Northeast Utilities (NU). Several wholly-owned subsidiaries of NU provide support services for NU and its subsidiaries, including PSNH. Northeast Utilities Service Company (NUSCO) provides centralized accounting, administrative, engineering, financial, information technology, legal, operational, planning, purchasing, and other services to NU's companies. Two other subsidiaries construct, acquire or lease some of the property and facilities used by PSNH.

INTERNAL AUDIT REPORTS

NU maintains an Internal Audit Department that provides services to affiliates. A list of 2008 and 2009 NU internal audit reports was requested. PUC Audit selected and read four reports from the list and read recommendations/findings that may affect PSNH distribution expenses recapped by NU. These reports and recommendations were filed by PSNH with a Motion for Protective Order. PUC Audit used information from the reports and recommendations to further our own discovery process.

Audit Issue #8

NHPUC Assessment

Background

The New Hampshire Public Utilities Commission Assessment was charged against FERC Account #928RH. The total amount expensed for the Test Year 2008 was $3,079,415. The total amount was reported as a Distribution Segment cost by PSNH.

Issue

Whereas the Merrimack, Newington and Schiller Stations as well as the Hydro Electric Power Plants are still regulated, a portion of the NHPUC Assessment should be charged to Generation as well as Transmission .

Conclusion

Adjustments should be made to the current Rate Filing to remove a portion of the NHPUC Assessment from the Distribution Segment costs.

Company Comment

PSNH does not agree with this conclusion. The regulatory assessment is related to the distribution function and not the transmission or generation function. The amount of assessment would not change if the level of scrutiny of PSNH's generation changed, since all incremental costs associated with that work (such as consultants' bills) are directly charged to PSNH and are not recovered through the assessment. Moreover, the Commission does not regulate transmission, so there is no basis for allocating a portion of the assessment to the transmission function. Finally, PSNH does not have access to information regarding the amount of time and costs that the NHPUC Staff and the Commissioners utilize on the generation function. Even if PSNH agreed with this recommendation, in order to develop an accurate allocation, PSNH would need information from the Commission with respect to the amount of time and labor expense associated with generation. Absent this information, it is not possible to determine the correct allocation.

Audit Conclusion

Audit does not agree with PSNH's posting all PUC assessment costs to Distribution. The PUC Assessment is calculated based on Total Operating Revenues, FERC Annual Report Form 1, $1,173,6474,888. As mentioned in the REVENUES Section above, $70,809,304 was deducted and the PSNH CD Balance was $1,102,838,583. The net revenue amount includes the PSNH business segments of Distribution, Transmission and Generation. Distribution Revenues were reported to be $328,937,072, or 29.83% of the above net Revenues. Audit recommends that consistent with the PUC Assessment being based on REVENUES, the PUC Assessment Expense related to Distribution should approximate $918,589 ($3,079,415 x .2983). Therefore Audit recommends that an adjustment be made to remove $2,160,826 from this Distribution Rate Filing.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request STAFF-01

Dated: 07/29/2009
Q-STAFF-033
Page 1 of 1

Witness: **Stephen R. Hall**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Hall Testimony, Page 4. Mr. Hall states that the proposed rate design changes meet the goal of more closely matching the cost of providing service. Please explain why the Company proposes to meet this goal on an intra class basis only rather than on an intra and inter class basis.

Response:
Rate design changes which shift costs between classes create significantly more controversy than changes that are intra-class. For example, the results of cost of service study suggest that residential rates should be increased and industrial rates should be decreased. However, an embedded cost of service study is only one measure of how costs should be allocated. Therefore, PSNH is not proposing to shift costs between classes; rather, PSNH is proposing to increase customer charges and demand charges because the cost of service study provides support for such changes.

PSNH's reference to "rate design" is meant to refer to the design of a specific rate schedule; e.g Rate R. "Inter-class" rate design would come into consideration when the transition from one rate schedule to another is not as continuous as desired; e.g. transitioning to/from Rate G and Rate GV. PSNH has focused on the improvement of individual rate schedule design as opposed to making inter-class rate design changes because PSNH does not have any significant inter-class rate design issues at this time.

Although an embedded class-by-class cost study is a consideration in determining revenue requirements by class of service, PSNH is not proposing to use the embedded cost of service study to reallocate revenue requirements due to the complexity and controversy associated with such use.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-01

Dated: 08/28/2009
Q-OCA-064
Page 1 of 1

Witness: **Stephen R. Hall**
Request from: **Office of Consumer Advocate**

Question:
On p. 5 (Vol. 1 Bates page 00099) on lines 10-11, what other measurements besides embedded and marginal Cost of Service Study does Mr. Hall have in mind? Please explain.

Response:
Other measurements to consider in determining whether to embark on a rigorous rate re-design include the amount of change from existing rate level that would result, the number of customers in individual rate classes, the bill impact on individual customers, the bill impact on customers taking end use services, observed variations in cost studies from year to year, overall rate level, and anticipated changes to other rate components.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request STAFF-01

Dated: 07/29/2009
Q-STAFF-034
Page 1 of 1

Witness: **Stephen R. Hall**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Hall Testimony, Page 5. Please explain why a rigorous rate re-design might require use of something other than an embedded cost of service study.

Response:
If one were to embark on a rigorous re-design of rates, it would be prudent to examine other measurements, one of which would be a marginal cost study, which could then be utilized to establish individual prices for rate components. As indicated in the testimony, an embedded cost study is only one measurement for consideration. Since a rigorous rate re-design could have a significant effect on specific customers, it would make sense to thoroughly analyze all options prior to proceeding with such a change. The modest changes PSNH is proposing are well supported by a history of embedded and marginal studies and help achieve the revenue stability goal discussed in PSNH's testimony.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request STAFF-02

Dated: 08/28/2009
Q-STAFF-089
Page 1 of 1

Witness: **Stephen R. Hall**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Reference PSNH response to Staff 1-34. Have Mr. Hall and Mr. Goodwin always insisted on the development of something other than an embedded cost study (e.g., a marginal cost study) before embarking on a rigorous rate re-design? For the purposes of this question, a rigorous rate re-design would include inter-class re-allocation of the revenue requirement. If the answer is no, please provide specifics.

Response:
PSNH has never "insisted" on developing other measurements before embarking on rigorous rate redesign. The point being made in the response is that it makes sense to look at a range of considerations and not rely exclusively on one single analysis to determine whether rates should undergo significant redesign.

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request STAFF-03

Dated: 10/03/2009
Q-STAFF-026
Page 1 of 1

Witness: **Stephen R. Hall,Charles R. Goodwin**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Regarding Rate Design - Reference response to Staff 1-33. PSNH stated that it is not proposing to use the embedded cost of service study to reallocate revenue requirements "due to the complexity and controversy associated with such use." Please explain why the Company believes embedded cost-of-service studies are: (a) complex; and (b) controversial.

Response:
Any cost of service study requires a host of assumptions about how costs should be allocated to classes, and how costs should be recovered from customers once class-by-class allocation is determined (i.e., through customer, demand or energy charges). Such issues frequently result in significant disagreement among various parties to a rate case. There is no "right" or "wrong" answer with respect to cost allocation or rate design; rather, they are more a matter of judgment. Because cost allocation and rate design can produce significant changes among and between classes of customers, they tend to be controversial. Therefore, PSNH does not propose relying exclusively on the embedded cost of service study for rate design or reallocation of revenue requirements because of the honest differences of opinion that arise over various methodologies.

Public Service Company of New Hampshire
Docket No. DE 09-035

Technical Session TS-03

Dated: 12/16/2009
Q-TECH-002
Page 1 of 1

Witness: **Steve Johnson,Robert A. Baumann**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
If the REP Capital Program had never been implemented would the revenue requirement as of July 1, 2010 be $15. 3 million dollars lower?

Response:
If the settlement from the last PSNH rate case, NHPUC Docket No. DE 06-028, did not include the Reliability Enhancement Program and PSNH did not propose REP II as part of this rate proceeding, then revenue requirements would theoretically be adjusted downward as follows:

1. $3.0 M revenue requirement associated with approximately $25M in distribution capital additions placed into service from July 1, 2007 through December 31, 2009.
2. $8.2M in O&M expense for REP programs included in the 2008 test year.
3. $4.0M of proposed revenue requirements to support REP II capital and expense programs
4. $0.1M of working capital requirement associated with REP II

Total Reduction in Revenue Requirements: $15.3M

Public Service Company of New Hampshire
Docket No. DE 09-035

Data Request OCA-01
Dated: 08/28/2009
Q-OCA-008
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Witness: Stephen M. Johnson
Request from: Office of Consumer Advocate

Question:
Refer to p. 3 (Vol. 1 Bates page 000014) lines 6-12. "Days where 100 outages or more occur in a 24 hour period are separated from the NHPUC reported SAIDI and the result is our typical day to day routine or 'weather adjusted' reliability." Please respond to the following:

a. In examining the data to identify days when 100 or more outages occur, how is it determined that these outages are related to some weather event rather than equipment failure from other causes?
b. How was the threshold number of 100 outages per 24 hour period selected as an appropriate number?
c. Please provide a table showing number of days (24 hour periods) with 100 or more outages for each year 2002-2008, inclusive, and the PSNH weather adjusted SAIDI Value for each of these years.

Response:
a.) PSNH subscribes to WSI Weather service and monitors a variety of weather resources, including internet, TV and radio. Forecasted weather is used to anticipate events that may cause harm to the electric system. Depending on the forecast, notification to our emergency response organization is made to prepare for service restoration. This information is also available following trouble events to determine actual weather conditions.

Following an event the company's trouble reporting system (TRS) is used to determine the number of troubles as well as review the causes of those troubles. The data is analyzed to determine if the initial cause of the trouble is weather related (e.g. trees/limbs, ice/sleet/snow, lightning, wind, patrolled nothing found) rather than non-weather related (e.g. action by others, animal/bird, vehicle accident). The weather at the time of the trouble is also recorded on the trouble report.

The beginning and end of the event is initially estimated based on information from our operating areas typically associated with our line crews' work schedules and time sheets, customer call data, or when our offices were staffed for service restoration. Where offices are staffed, the hourly entries into Trouble Reporting System also provides a time period of operation. The above analysis of actual trouble reports then determines the more precise start and end points. The number of troubles within the event time period are determined and, if it is 100 or more, a storm event is confirmed.

b.) PSNH has tracked these 100 outage events since 1996. This process recognizes that these events require a higher emergency response effort and coordination than more routine service restoration work. The need to move resources from one area work center to another, from one division to another, obtain outside resources, and manage crew welfare and work schedules are necessary when dealing with these 100 outage events. This threshold also triggers establishing a specific work order for the event at hand. Consistent with our Incident Command Structure, some of these events have required the company Emergency Operations Center to manage statewide events. Some of these events are excluded from NHPUC reliabilty reporting and are charged to the storm reserve.

Until 2004, PSNH did not have the tools to differentiate and analyze the trouble reports below a 24 hour period and analyzed data on a calendar day basis. Hence the term "100 outages in a 24 hour period." Note from the attached data, from 2004 onward the determination of a 100 outage event is based on an event-specific time window and not 24 hours.

Attachment A provides the information requested in part c.

Docket No. DE 09-035
Data Request OCA-01
Dated 08/29/2009
Q-OCA-008. Attachment A

Year	NHPUC Reported SAIDI	Weather Normalized SAIDI
2008	187.35	92.19
2007	150.94	120.47
2006	204.67	123.92
2005	193.90	119.05
2004	135.13	104.59
2003	145.93	99.32
2002	183.05	97.58

Storm Date Range	# Days	Comments	NHPUC Reported SAIDI	Weather Normalized SAIDI
2009				
May 31 - Jun 1	0.87	Storm - Wind		
Feb 22 - 23	1.21	Storm - Wind & Heavy Snow		
2008			187.35	92.19
Dec 11 - 29	19.00	PUC Major Storm - Ice	Excluded from NHPUC Reported SAIDI	
Nov 25	1.00	Storm - Wind & Heavy Snow		
Nov 15 - 16	1.25	Storm - Wind & Rain		
Oct 25 - 26	0.87	Storm - Wind		
Sep 15	1.00	Storm - Wind		
Sep 6 - 7	1.27	Storm - Thunderstorms		
Jul 27 - 28	1.42	Storm - Thunderstorms		
Jul 24 - 25	1.50	Storm - Thunderstorms/Tornado		
Jul 20 - 21	0.67	Storm - Thunderstorms		
Jul 18 - 19	1.35	Storm - Thunderstorms		
Jun 22 - 23	1.42	Storm - Thunderstorms		
Jun 10 - 11	0.94	Storm - Thunderstorms		
Apr 2	0.76	Storm - Wind		
Mar 28 - 29	1.65	Storm - Snow & Wind		
Mar 21- 22	1.81	Storm - Wind		
Mar 8 - 9	1.14	Storm - Wind		
Feb 26 - 27	1.14	Storm - Heavy Snow		
Feb 13 - 14	1.55	Storm - Ice & Wind		
Jan 9	0.63	Storm - Wind		
2007			150.94	120.47
Aug 25 - 26	1.25	Storm - Thunderstorms		
Aug 16 - 17	0.61	Storm - Thunderstorms		
Jul 15 - 16	0.94	Storm - Thunderstorms		
Jul 9 - 10	1.08	Storm - Thunderstorms		
Jun 27 - 28	0.77	Storm - Thunderstorms		
Jun 5 - 6	0.92	Storm - Thunderstorms		
Apr 15 - 20	4.92	PUC Major Storm - Nor'easter	Excluded from NHPUC Reported SAIDI	
Apr 4 - 6	2.12	PUC Major Storm - Heavy Snow	Excluded from NHPUC Reported SAIDI	
Jan 15 - 19	5.00	PUC Major Storm - Ice	Excluded from NHPUC Reported SAIDI	
2006			204.67	123.92
Dec 1-2	2.00	Storm - Wind / Rain		
Oct 28-30	3.00	PUC Major Storm - Wind / Rain	Excluded from NHPUC Reported SAIDI	
Oct 20-22	2.06	Storm - Wind / Rain		
Aug 2-4	1.71	Storm - Thunderstorms		
Jul 28-29	1.13	Storm - Thunderstorms		
Jul 11	0.58	Storm - Thunderstorms		
Jun 1-2	0.67	Storm - Thunderstorms		
Feb 17-20	4.00	PUC Major Storm - Wind	Excluded from NHPUC Reported SAIDI	
Jan 21-22	1.46	Storm - Wind/Snow		
Jan 18-19	1.46	Storm - Wind/Rain		
Jan 14-16	1.21	Storm - Wind/Snow		
2005			193.9	119.05
Oct 25-26	2.00	Storm - Wind/Rain/Snow		
Oct 15-17	2.29	Storm - Wind/Rain		
Sep 29-30	2.00	Storm - Wind		
Jul 27-28	1.00	Storm - Thunderstorms		
Jun 29-30	0.93	Storm - Thunderstorms		
Jun 25-26	2.00	Storm - Thunderstorms		
Jun 9-13	4.50	Storm - Thunderstorms		
Jun 8-9	0.88	Storm - Thunderstorms		
Mar 8-9	1.00	Storm - Ice / Sleet / Snow		
Feb 10-14	4.29	PUC Major Storm - Heavy Snow	Excluded from NHPUC Reported SAIDI	
2004			135.13	104.59
Apr 19-20	1.33	Storm - Wind		
May 15-16	0.87	Storm - Thunderstorms		
June 9-10	1.42	Storm - Thunderstorms		
Aug 20-21	0.92	Storm - Thunderstorms		
Nov 5-6	1.50	Storm - Wind		
Nov 28-29	1.50	Storm - Wind		
Dec 1-2	0.75	Storm - Wind		
Dec 23-24	0.92	Storm - Wind		
2003			145.93	99.32
Feb. 1-2	2.00	Storm - Ice / Sleet / Snow		
Feb. 23	1.00	Storm - Ice / Sleet / Snow		
October 15-16	2.00	PUC Major Storm - Wind	Excluded from NHPUC Reported SAIDI	
Nov. 13-14	2.00	Storm - Wind		
Nov. 29-30	2.00	Storm - Wind		
2002			183.05	97.58
Feb. 1-2	2.00	Storm - Ice / Sleet / Snow		
Mar. 10	1.00	Storm - Wind		
Mar. 20-21	2.00	Storm - Ice / Sleet / Snow		
May 3	1.00	Storm - Wind		
May 31-June 2	3.00	PUC Major Storm - Wind	Excluded from NHPUC Reported SAIDI	
Jul. 2-4	3.00	Heat Event		
Jul. 23	1.00	Storm - Thunderstorms		
Aug. 13-16	4.00	Heat Event		
Sep. 11-12	2.00	PUC Major Storm - Wind	Excluded from NHPUC Reported SAIDI	
Oct. 16	1.00	Storm - Wind		
Oct. 23	1.00	Storm - Ice / Sleet / Snow		
Nov. 6	1.00	Storm - Ice / Sleet / Snow		
Nov. 17-18	2.00	Storm - Ice / Sleet / Snow		