



**Public Service
of New Hampshire**

780 N. Commercial Street, Manchester, NH 03101

Public Service Company of New Hampshire
P.O. Box 330
Manchester, NH 03105-0330
(603) 634-2961
Fax (603) 634-2438

The Northeast Utilities System

Gerald M. Eaton
Senior Counsel

E-Mail: eatongm@psnh.com

April 30, 2008

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

Re: Public Service Company of New Hampshire Increase in Rates
Docket No. DE 06-028

Dear Secretary Howard:

Enclosed please find an original and six copies of testimony and exhibits which support a request for an adjustment to the Major Storm Cost Reserve as part of Public Service Company of New Hampshire's (PSNH) distribution rates. PSNH is proposing to collect an accumulated balance of unrecovered storm costs over a two year period. By instituting this rate change on July 1, 2008, the increase will be more than offset by the July 1 scheduled completion of the temporary rate recoupment from the rate case.

As the Commission is aware, this proceeding was resolved by a Settlement Agreement which the Commission approved in Order No. 24,750 (May 25, 2007). The Settlement Agreement addressed the Major Storm Cost Reserve at Section 2.1.4. In that Section:

The Parties and Staff agree[d] to review the collection of the Major Storm Cost Reserve unrecovered balance and the accumulation of the reserve not later than January 1, 2009 to determine whether any changes to the \$1.7 million accrual amount or the reserve recovery level are necessary.
DR 06-028, Exhibit 11 at 6.

Subsequent to the execution of the Settlement Agreement, PSNH experienced two major storms in April 2007, creating significant unanticipated costs which were added to the Storm Reserve. The Office of Consumer Advocate and Staff met with PSNH's representatives on April 10, 2008 to discuss the under funding of this reserve and how to address the problem. As explained in the enclosed Testimonies of Robert A. Baumann and Stephen R. Hall, PSNH proposes to increase its distribution rates by \$2,958,000 annually over a two year period. The removal of the temporary rate recoupment on July 1, 2008 would more than offset this increase, creating a very modest decrease to distribution rates.

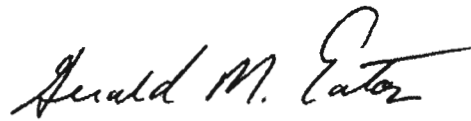
Debra A. Howland

ORIGINAL	
N.H.P.U.C. Case No.	08-071
Exhibit No.	1
Witness	Panel 1
DO NOT REMOVE FROM FILE	

Executive Director and Secretary
New Hampshire Public Utilities Commission
April 30, 2008
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PSNH requests that the Commission schedule a hearing on this request in the near future so that the proposal can be acted on prior to the scheduled change in distribution rates which will occur on July 1, 2008. Copies of this letter and the attachment have been provided to the persons on the attached service list.

Sincerely,

A handwritten signature in black ink, reading "Gerald M. Eaton". The signature is written in a cursive style with a large, stylized "E" at the end.

Gerald M. Eaton
Senior Counsel

Enclosures
cc: Service List

Service List
Docket DE 06-028

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

Mr. Steve Mullen
Utility Analyst III
State of New Hampshire
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

* * Librarian
State of New Hampshire
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Ms. Amanda Noonan
Consumer Affairs Director
State of New Hampshire
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Mr. Thomas C. Frantz
Director - Electric Utilities
State of New Hampshire
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Atty. F. Anne Ross
State of New Hampshire
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Mr. Kenneth E. Traum
Office of Consumer Advocate
21 S. Fruit Street, Suite 18
Concord, NH 03301-2429

Ms. Suzanne Amidon
Staff Attorney
State of New Hampshire
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Mr. Henry J. Bergeron
Utility Analyst
State of New Hampshire
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Ms. Meredith A. Hatfield
Consumer Advocate
Office of Consumer Advocate
21 S. Fruit Street, Suite 18
Concord, NH 03301-2429

Ms. Alexandra E. Blackmore
Counsel
National Grid USA Service Co.
201 Jones Road, 5th Floor
Waltham, MA 02451

Mr. Michael D. Cannata Jr
Liberty Consulting Group
65A Ridge Road
Deerfield, NH 03037-1402

Atty. Gary Epler
Unitil
6 Liberty Lane West
Hampton, NH 03842-1720

Mr. Stuart Hodgdon
Chief Auditor
State of New Hampshire
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Atty. Amy Ignatius
Director
Office of Energy and Planning
57 Regional Drive
Concord, NH 03301-8519

Mr. David Juvet
Business & Industry Association
122 North Main Street
Concord, NH 03301

Atty. Donald J. Pfundstein
Gallagher Callahan & Gartrell
214 North Main St. PO Box 1415
Concord, NH 03302-1415

Atty. David J. Shulock
Brown, Olson & Gould
2 Delta Drive, Suite 301
Concord, NH 03301-7426

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
MAJOR STORM COST RESERVE - PROPOSAL FOR RECOVERY
Docket No. DE 06-028

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

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

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

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

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

12 A. My testimony presents PSNH's proposal to increase distribution rates over the next two
13 years effective July 1, 2008, to recover an under-funding of the existing storm reserve
14 account. The under-funded amount, including carrying costs is projected to be \$5.9
15 million on July 1, 2008. Mr. Stephen R. Hall is filing testimony on the rate calculations
16 and rate design PSNH is proposing to use to implement PSNH's proposal.

1 **Q. What is the basis for your proposal?**

2 A. As part of the approved Settlement Agreement on Permanent Rates in DE 06-028, the
3 Parties and Staff agreed to review the collection of the Major Storm Cost Reserve
4 un-recovered balance and the accumulation of the reserve no later than January 1,
5 2009. This review would also determine whether any change to the \$1.7 million accrual
6 amount that is currently included in rates was necessary. The parties held such a
7 meeting on April 10, 2008 at which PSNH presented information on the under-funded
8 amount of the reserve.

9 **Q. What specifically is PSNH requesting in this proceeding?**

10 A. In this proceeding, PSNH is requesting that the Commission approve an increase to the
11 distribution rates of \$2.958 million effective July 1, 2008. This increase would remain in
12 effect for a two year period and would afford PSNH the opportunity to collect the
13 necessary funds to eliminate the current under-funded Major Storm Reserve balance
14 and to restore this reserve to its intended \$1 million funded level. The \$1.7 million
15 accrual would continue during this two year period and beyond until otherwise ordered
16 by the Commission.

17 **Q. How does this proposal impact overall rate levels on July 1, 2008?**

18 A. This proposed distribution rate increase of \$2.958 million to the Major Storm Reserve
19 recovery level would be concurrent with the scheduled annual distribution rate decrease
20 of \$3.39 million associated with the full recovery of the distribution recoupment amount,
21 which was part of the Settlement in DE 06-028. Therefore, the net change to the
22 distribution rates would be a decrease of \$0.432 million effective July 1, 2008.

1 Supporting calculations to this request are contained in Attachment 1, attached to this
2 testimony.

3 **Q. Why is the Major Storm Cost Reserve under-funded at this time?**

4 A. After the Settlement Agreement in DE 06-028 had been reached with the OCA and Staff
5 and filed with the Commission for approval, PSNH experienced two major storms in April
6 2007. The costs associated with these two storms totaled over \$8 million. These costs
7 were applied to the Major Storm reserve account creating an under-funded position,
8 which remains today. Major storm reports related to these storms were provided to the
9 Staff and OCA on April 10, 2008.

10 **Q. Does the Commission need to make a determination at this time of the accuracy**
11 **associated with the categorized Major Storm costs?**

12 A. No. The costs associated with this requested rate change are subject to a final audit
13 review by the Staff and OCA, and a future determination by the Commission for
14 prudence.

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

16 A. Yes, it does.

Attachment 1

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
Docket No. DE 06-028RECOVERY OF STORM RESERVE

(000s)

1. 2007 Activity - Storm Reserve

	<u>Book</u>
PSNH Storm Reserve @ 1/1/2007 - Account 228 [Under Funded]	<u>\$ 3,924</u>
Storm A (January)	2,992
Storm B (April)	2,410
Storm C (April)	5,875
Return on average balance (2007)	381
Recover portion of reserve as a reg asset per DE 06-028	(7,209)
Addil storm reserve funding per DE 06-028	(1,000)
Storm reserve accruals under DE 03-200 [Jan. - June 2007]	(500)
Storm reserve accruals under DE 06-028 [July - Dec. 2007]	(850)
Transfer of storm capital projects to plant accounts [Jul. 2007]	(793)
Storm Reserve Balance @12/31/2007 [Under Funded]	<u>\$ 5,230</u>

2. Projection of the Reserve at 6/30/2008

PSNH Storm Reserve @ 1/1/2008 - Account 228	<u>\$ 5,230</u>
Est. Storm reserve accruals(2008) under DE 06-028 Settlement	(850)
Est. Return on average balance (2008)	121
Est. Storm Reserve Balance @6/30/2008 [Under Funded]	<u>\$ 4,501</u>

3. Revenue requirements - 2 year amortization

	<u>Book</u>	
Estimated additional Storm Reserve to be recouped	\$ 4,501	
Additional Storm reserve need to fund \$1 Million level	1,000	
Total	<u>\$ 5,501</u>	*
Annual amortization - \$5.5M over 24 months (2 years)		\$ 2,750
Return		
Average balance of under funding (2 years)	\$ 2,750	
Average balance of ADIT.	(1,115)	
Net average under funding	<u>\$ 1,636</u>	
X Return at 7.55%	124	
X Gross-up at 1.6814		* <u>208</u>
Total increase in revenue requirements for the next 2 years.		<u>\$ 2,958</u>

* Total Storm recovery (cost and return) = \$5,501 + \$208 + \$208 = \$5,917