

**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**

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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 06-028

**RECOVERY OF STORM RESERVE**

(000s)

**1. 2007 Activity - Storm Reserve**

	<b>Book</b>
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**

	<b>Book</b>	
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