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N.H.P.U.C. Case No.	DE 09-035
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THE STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES

COMMISSION

Docket No. DE 09-035

DIRECT TESTIMONY OF

Robert A. Baumann

Request for Temporary Rates

April 17, 2009

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ATTACHMENTS

RAB-1 – Biographical Information for Robert A. Baumann

RAB-2 – Major storm cost detail (December 2008 ice storm)

RAB-3 – Rate Base historical chart comparison

RAB-4 – Return on Equity (ROE) historical chart comparison

RAB-5 – Energy Service reconciliation and updated rate

RAB-6 – Stranded Cost Recovery Charge reconciliation and updated rate

RAB-7 – Proforma Income Statement Adjustments

1 **I. INTRODUCTION**

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

3 A. My name is Robert A. Baumann. I am Director, Revenue Regulation & Load Resources
4 for Northeast Utilities Service Company (“NUSCO”). NUSCO provides centralized
5 services to the Northeast Utilities (“NU”) operating subsidiaries, including Public Service
6 Company of New Hampshire (“PSNH” or the “Company”). My business address is 107
7 Selden Street, Berlin, Connecticut. Additional biographical information is provided in
8 Attachment RAB-1.

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

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

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

12 A. I am submitting this testimony regarding PSNH’s distribution revenue requirements in
13 support of PSNH’s request that the Commission set new distribution rates effective July
14 1, 2009 as temporary rates. In the near future, PSNH will provide a Notice of Intent to
15 File Rate Schedules to permanently set PSNH distribution rates, followed by PSNH’s
16 permanent distribution rates request. PSNH expects the Commission will suspend the
17 proposed permanent rate tariff for investigation under RSA 378:6.

18 Specifically, my testimony describes: (1) why the Company is requesting authority to
19 implement new rates effective July 1, 2009 as temporary rates; (2) the projected overall
20 net decrease to the overall average rates on July 1, 2009, resulting from a combination of
21 a requested increase for temporary distribution rates and the estimated net decrease in the
22 ES and SCRC rates; (3) the supporting distribution revenue requirements calculation for
23 temporary distribution rates; and (4) the pro forma adjustments reflected in the
24 Company’s distribution revenue requirements calculation.

25 **Q. For purposes of PSNH’s filing, what are the test year and the pro forma test year
26 periods?**

27 A. The test year in PSNH’s filing is the 12 months ended December 31, 2008 and the test
28 year pro forma period is the 12 months ending December 31, 2009.

1 **Q. Does this filing contain all of the tariff filing requirements described in Part Puc**
2 **1604 of the Commission's Rules?**

3 A. No. Those filing requirements will be part of PSNH's permanent rates request.

4 **II. TEMPORARY RATES REQUEST**

5 **Q. Please explain why the Company is requesting Temporary Rates at this time.**

6 A. PSNH is requesting authority to implement temporary Distribution Charge rates effective
7 July 1, 2009. This proposal for temporary rates is necessary to address significant
8 distribution cost increases since PSNH's last rate case that have not been offset by
9 revenue growth. The current insufficient level of revenue has adversely impacted the
10 financial results of the Company in the test year, and, if not addressed expeditiously, will
11 continue to expose the Company to additional financial degradation during the course of
12 the permanent rates investigation. The temporary rates will be reconciled to the final
13 allowed permanent rate level, from the effective date of temporary rates to the future date
14 on which permanent rates will be set.

15 Three years ago PSNH filed and was allowed both temporary and permanent rate changes
16 in Docket No. DE 06-028 effective July 1, 2006 and July 1, 2007 respectively. The final
17 approved permanent rates contained an allowed distribution Return on Equity (ROE) of
18 9.67% and were based on an adjusted 2005 test year. As part of the DE 06-028 approval,
19 PSNH was also allowed a modest "step" increase to rates which was effective January 1,
20 2008 to reflect nonrevenue producing capital additions through December 31, 2007.
21 Since that time, PSNH has continued to meet its obligation to serve by continuing to
22 invest significantly in PSNH's distribution infrastructure system to maintain and improve
23 current and future service to customers. As a result, the value of PSNH's rate base has
24 increased well beyond the level allowed in the last rate case, on which the current
25 distribution rates were based. In addition, operation and maintenance costs have
26 continued to increase while delivery sales have decreased over the same time period, as
27 discussed by Mr. Long in his testimony in this filing. The increase in investment in our
28 infrastructure as well as the continued increase to our O&M costs have resulted in a
29 significant decline in the Company's actual earned distribution ROE. As of December
30 31, 2008, the actual 2008 distribution ROE for PSNH, as reported to the Commission,
31 was 6.26%, well below past and current industry standards of a fair and reasonable

1 return, and well below the 9.67% level authorized by the Commission in the 2006 case.
2 With no temporary rate relief in 2009, PSNH projects a calendar year 2009 distribution
3 ROE of approximately 4% and continued decline into 2010.

4 **Q. What does a lower ROE for the distribution business mean in terms of revenue**
5 **requirements?**

6 A. On average, a 1% change in ROE is approximately \$6 million in revenue requirements.
7 Therefore, the test year ROE deficiency of 3.41% (9.67% – 6.26%) translates into a
8 distribution revenue deficiency just for the test year of approximately
9 \$20 million (3.41 x \$6m). This revenue deficiency during the 2008 test year is of great
10 concern to PSNH, and the issues worsen as other known and measurable cost increases
11 within and beyond the test year are incorporated into the distribution cost structure. It is
12 for these reasons that PSNH is now requesting rate relief through a temporary rate
13 increase.

14 **III. OVERALL RATE CHANGE REQUEST FOR JULY 1, 2009**

15 **Q. What is the Company's overall rate proposal?**

16 A. In this filing we are requesting an increase for temporary distribution rates of
17 \$36.4 million. Our requested increase has been tempered by the desire to keep overall
18 rates flat or lower on July 1, 2009. Our requested temporary distribution increase, when
19 combined with the estimated net decrease in the ES and SCRC rates also scheduled for
20 July 1, will result in no increase to the average residential customer rates and a 1%
21 decrease in overall average rates on July 1, 2009.

22 **Q. What is the projected overall change to average rates on July 1, 2009, resulting from**
23 **a combination of the requested increase for temporary distribution rates and the**
24 **estimated net decrease in the ES and SCRC rates?**

25 A. The estimated change is an overall average, annualized decrease to rates of
26 approximately \$16 million. This is a combination of the following:

27	Temporary distribution rate increase	\$ 36.4 million
28	ES rate decrease	(63.0)
29	SCRC rate increase	<u>10.8</u>
30	Total decrease	\$ (15.8) million

1 **Q. Describe in more detail the ES and SCRC components of the July 1, 2009 rate**
2 **change.**

3 A. In addition to our request to change distribution rates, effective July 1, 2009 the
4 Company's ES, SCRC and TCAM rates will also change. While the overall change to
5 the ES, SCRC and TCAM rates is not directly related to our request for temporary rates,
6 it certainly is relevant to the expected overall change in rates to customers on July 1,
7 2009. At this time approximately 85% of the energy requirement of PSNH's customers
8 is still served by PSNH. That said, any ES rate impact will apply to that 85% of load,
9 while the SCRC and TCAM rate changes will apply to all customers, as those two rates
10 are non-bypassable.

11 Based on actual data through February 2009, and estimates through December 2009, we
12 estimate that on July 1, 2009, the six month ES rate from July 1 – December 31, 2009
13 would decrease, and the SCRC rate would increase. Together we estimate they will
14 produce a net annual decrease of approximately \$52 million effective July 1, 2009 as
15 shown in the chart above. Support for the estimated ES and SCRC values can be found
16 on Attachment RAB-5 (ES) and Attachment RAB-6 (SCRC).

17 **Q. Describe the TCAM rate.**

18 A. The TCAM annual rate will also change on July 1. This rate will not be known until
19 some time in June 2009 when New England system data becomes available. At that time
20 we will request a change to the rate based on the most current estimates of transmission
21 expenses, consistent with past filings. The TCAM rate change has not been considered in
22 this filing proposal and would be a separate and distinct rate change on July 1, 2009.

23 **Q. Describe how this filing balances the critical financial needs of PSNH with the desire**
24 **to minimize rate change at this time.**

25 A. PSNH has structured this request for temporary rates in a way that recognizes both the
26 critical financial need that our low distribution returns demonstrate and the desire to
27 minimize rate increases to customers at this time. As I explain in more detail below,
28 there are two critical financial needs facing PSNH. They are 1) a revenue deficiency in
29 the test year that has produced very low returns and 2) a need to begin cash recovery of
30 the costs associated with the massive ice storm in December 2008. Put simply, the
31 earnings and cash requirements of PSNH are the two critical financial issues facing the

Company. With that said, PSNH is also sensitive to balancing its financial needs with the need to minimize rate increases to customers at this time. So while we could certainly support a higher increase, we have chosen to limit our request and avoid increasing overall customer rates this year for the combined rate components of D, ES and SCRC. In doing so we believe we have balanced the critical needs of PSNH with the concerns of our customers over higher rates.

Q. Describe in more detail the reasoning behind your rate proposal and the impacts it would have on customers.

A. As noted previously, our proposal seeks to net the requested temporary distribution rates increase with the estimated net decrease in the ES and SCRC rates, effective July 1, 2009. The net result is an overall average rate decrease on July 1, 2009. To accomplish this we have limited our revenue deficiency proposal to a bare-bones test year level and have stretched the initial recovery phase of the December 2008 ice storm costs to a six year period. We recognize our test year revenue requirement will fall short of producing a reasonable earnings level for 2009 and into 2010 and that a six year recovery path for the storm costs will delay the receipt of needed cash. However, our requested revenue levels will partially address our immediate earnings and cash needs while maintaining an overall decrease in average rates for the combined D, ES and SCRC rate components, and while providing time for the Commission to consider the appropriate level to set for permanent rates. As part of this proposal, there is no change in overall revenue for the residential class for these combined rate components. Mr. Hall's testimony provides further detail of the changes by rate class and component.

Q. Is PSNH requesting approval of a six year recovery of storm expenses in this filing?

A. No. We have used a six year assumption in this filing to meet our desired rate level on July 1, 2009. This issue will be revisited in our permanent rates filing.

IV. TEMPORARY RATES DISTRIBUTION REVENUE REQUIREMENT

Q. What is the total requested distribution revenue requirements in this filing?

A. The total amount of temporary rates being requested effective July 1, 2009 is an increase of \$36.4 million. In table form this requested increase is summarized as follows:

1	Test year deficiency with average test year rate base	\$ 20 million
2	Other known and measurable proforma cost increases	10
3	Storm cost recovery (6 years) – December 2008 storm	<u>6</u>
4	Total requested temporary rates request	\$ 36 million

5 **Q. Based on your detailed calculation of the Company’s Distribution revenue**
6 **requirements using the 2008 test year, is there a test year revenue deficiency**
7 **evidenced by the supporting calculations?**

8 A. Yes. In this filing PSNH has calculated a revenue deficiency using actual 2008 test year
9 financial results adjusted only for known and measurable changes either within the test
10 year or subsequent to the test year. The distribution revenue deficiency calculated for
11 PSNH’s distribution business is approximately \$30 million. The calculations supporting
12 this revenue deficiency are contained in the supporting schedules, which are attached to
13 my testimony.

14 **Q. Have you calculated the revenue deficiency consistent with prior Commission**
15 **guidance?**

16 A. Yes we have. PSNH has calculated a conservative revenue deficiency that is based on a
17 set of reliable, known and measurable data. Specifically, we began with our actual 2008
18 test year financial results which have been adjusted for known and measurable changes
19 for revenues and expenses. The rate base embedded in the initial revenue deficiency
20 calculation is a test year actual five-quarter average. In addition, we also have used a
21 capital structure based on actual test year ended values which includes an assumed ROE
22 of 9.67%, the currently allowed ROE in rates today and found by the Commission during
23 Docket No. DE 06-028 “to represent an appropriate return for investors facing the risks
24 associated with a franchised distribution utility such as PSNH.”

25 **Q. Describe the \$10 million component associated with the test year proforma cost**
26 **increases noted in the table above.**

27 A. In keeping with Commission rules, we have proformed the test year data for only known
28 and measurable cost changes. Specifically, the \$10 million is primarily made up of
29 known increases for property taxes (\$4 million), pension costs (\$3 million), payroll costs
30 (\$2 million) and medical costs (\$1 million). The property tax expense in this filing
31 represents the expected level of state and local taxes that PSNH will begin to pay in the

second quarter of 2009. This value reflects the liability that will be accrued monthly on PSNH's books. The pension and medical expenses are supported by the latest known and measurable actuarial values. Finally, the payroll expenses represent the latest known actual pay levels and full time employees at the end of the test year.

Q. Describe the proposed \$6 million storm costs noted in the table above.

A. New Hampshire and surrounding states suffered a severe ice storm in December 2008 that demanded an extensive response from PSNH, at a great cost to the Company. Our filing assumes recovery of these costs, with carrying charges, over a six year period beginning July 1, 2009. The values that we have included in the revenue requirements are based on actual data with some estimated data as well. All estimated data will be trued up to actual data in subsequent months and will be made available to the Commission for their review. The total net cost embedded in this rate filing for the December 2008 storm is \$67.7 million. This value is derived by adding the total storm costs deferred on the Company's books as of December 31, 2008 (\$62.7 million) to an estimated amount for directly related expenditures that will be incurred in 2009 (\$7.0 million), and carrying costs (\$10.7 million), netted against an estimated insurance payment (\$12.7 million). A detailed supporting calculation is contained as Attachment RAB-2 to this testimony.

Q. In general, how has the current rate setting structure impacted PSNH?

A. When PSNH's base rates are reset in a general rate case proceeding, the overall starting point for those rates is an historic five-quarter average rate base and a projected pro forma income based on known and measurable cost adjustments. Using this methodology, the setting of new base rates automatically creates significant financial risk and uncertainty for PSNH as new rates are set on financial information, much of which is backwards looking (rate base) and some of which is set on a cost structure that is current at the time the rate filing is prepared, but will be out of date by the time new rates take effect. The current regulatory lag between filing a case and securing a final decision results in rates that do not recover the actual level of costs during the time that the rates are in effect.

1 In Docket No. DE 06-028, the final approved Settlement recognized the “lag” problem
2 and partially addressed the issue through a modest “step” increase to rates associated with
3 growth in rate base which is not accompanied with a growth in revenue. While we are
4 not requesting such treatment in this Temporary Rates request, the issue goes to the heart
5 of our unsatisfactory financial position that we have discussed previously in this
6 testimony and that we will discuss in more detail in our Permanent Rates filing.

7 Attachment RAB-3 illustrates graphically the historical “lag” in rate base by comparing
8 the level of rate base allowed in rates to the comparable actual rate base values over the
9 past three years. The chart clearly illustrates the tens of millions of dollars of rate base
10 lag that PSNH’s rates have contained over recent past years.

11 Attachment RAB-4 illustrates graphically the short-fall in the actual earned ROEs when
12 compared to the allowed and/or recommended ROEs over the same three year historical
13 period as in RAB-3. This chart also gives a clear picture of the continuing gap between
14 allowed and actual ROEs.

15 **Q. Describe the overall link to PSNH’s financial statements as presented in this filing.**

16 A. Consistent with the unbundling of PSNH’s rates, we have provided supporting schedules
17 that reconcile total company income and rate base to PSNH’s books and records. In
18 addition, we have provided schedules that support the segmentation of these total
19 company balances. The distribution segment forms the beginning basis of our revenue
20 requirements calculation. We then provided a series of known and measurable
21 adjustments to the actual test year distribution segment in formulating the adjusted test
22 year financials. The adjusted test year income statement (operating income) and
23 five-quarter average rate base were then used in the computation of the distribution
24 revenue deficiency calculation.

25 **V. SUMMARY OF PRO FORMA INCOME STATEMENT ADJUSTMENTS**

26 **Q. Please explain the Summary of Adjustments to the Income Statement in Schedule 1**
27 **Attachment, Page 1.**

1 A. This schedule shows the net effect on the test year operating income statement resulting
2 from all of the known and measurable pro forma adjustments contained in PSNH's filing.
3 Each adjustment that supports this summary schedule contains additional explanations
4 and analysis related to each particular adjustment to the income statement. Please refer to
5 the Attachment RAB-7 for detailed discussion of all proforma income statement
6 adjustments which were included in this Temporary Rates filing.

7 **Q. Will there be additional pro forma adjustments in the permanent rate case filing?**

8 A. Yes. We anticipate a limited number of additional adjustments at that time.

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

10 A. Yes, it does.

Biography of Robert A. Baumann

Mr. Baumann graduated from Lafayette College in 1974 with a Bachelor of Arts degree in Economics. In 1976 he received a Masters Degree in Business Administration from the University of Connecticut. From 1976 to 1981, Mr. Baumann was employed by the international accounting firms of Touche Ross and Company and Coopers & Lybrand. He received his designation in Connecticut as a Certified Public Accountant in 1979.

Mr. Baumann assumed his current position of Director – Revenue Regulation and Load Resources in 2001. In 1981, he joined Northeast Utilities (NU) in the Revenue Requirements Department and has worked in various regulatory capacities for all of the operating subsidiaries of NU. His current responsibilities include all revenue requirement issues associated with Public Service Company of New Hampshire, all NU regulatory issues related to generation, load, and standard offer contracts for all of the NU operating subsidiaries as well as all regulatory issues associated with the Purchase Gas Adjustment Clause for Yankee Gas Services Company, an NU affiliate. He has provided testimony on many occasions before state commissions in New Hampshire, Connecticut and Massachusetts as well as before the Federal Energy Regulatory Commission.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 DISTRIBUTION SEGMENT RATE CASE

Major Ice Storm Costs

(Thousands of Dollars)

	<u>Distribution Segment</u>
1 December 2008 major ice storm costs (1)	
2 Storm costs, net of amounts capitalized, deferred to 186 account at December 31, 2008	\$ 62,709
3 Additional costs expected to be incurred during 2009 to complete restoration	10,000
4 Portion of 2009 costs PSNH expects to capitalize	(3,000)
5 Estimated insurance proceeds	(12,709)
6 Return on the average balance over the recovery period (see page 2 of 2)	10,689
7 Total December 2008 major ice storm costs, including return on the average balance	<u>\$ 67,689</u>
8 Unrecovered balance Acct 182.ST (Deferred Major Storm Costs) at June 30, 2009	5,486
9 Plus : Return, including tax gross up, for the July 2009 through June 2010 (DE 08-071)	431
10 Unrecovered revenue requirements for Acct 182.ST at June 30, 2009	<u>\$ 5,917</u>
11 Total (Line 7 and Line 10)	<u>\$ 73,606</u>
12 Annual recovery of deferred major storm costs over a 72 month recovery period	12,268
13 Less amortization for Acct 182.ST, and return	5,917
14 Revenue requirements increase in recovery of deferred major storm costs over the test year	<u><u>\$ 6,351</u></u>
15 (1) The numbers shown represent estimated costs which will be updated during 2009 as	
16 additional actual information becomes available.	
17 Amounts shown above may not add due to rounding.	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

MAJOR ICE STORM COSTS

(Thousands of Dollars, excluding Percentage Data)

1 Return on the December 2008 major ice storm costs (1)

3	2008 Dec	Quarter ended 2009				Quarter ended 2010				Quarter ended 2011				Quarter ended 2012			
		Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec
4 Beginning balance	-	62,709	67,049	58,652	57,725	56,786	55,837	54,877	52,419	49,932	47,417	44,874	42,301	39,699	37,068	34,406	31,714
5 Additional 2009 costs, net		3,500	3,500														
6 Insurance proceeds			(12,709)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Amortization		-	-	(1,588)	(1,588)	(1,588)	(1,588)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)
8 Balance prior to return	62,709	66,209	57,840	57,064	56,136	55,198	54,249	51,810	49,352	46,865	44,350	41,807	39,234	36,632	34,001	31,339	28,647
9 Average balance to calculate return		64,459	62,444	57,858	56,931	55,992	55,043	53,343	50,885	48,399	45,884	43,340	40,768	38,166	35,534	32,873	30,181
10 Def taxes calculated at 39.55%	-	(25,494)	(24,697)	(22,883)	(22,516)	(22,145)	(21,769)	(21,097)	(20,125)	(19,142)	(18,147)	(17,141)	(16,124)	(15,095)	(14,054)	(13,001)	(11,937)
11 Net def costs to calculate return	-	38,966	37,747	34,975	34,414	33,847	33,273	32,246	30,760	29,257	27,737	26,199	24,644	23,071	21,481	19,872	18,244
12 x Return (1)		2.15%	2.15%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%
13 Return on def major storm costs		839	813	660	650	639	628	609	581	552	524	495	465	435	405	375	344
14 Ending balance, including the return	62,709	67,049	58,652	57,725	56,786	55,837	54,877	52,419	49,932	47,417	44,874	42,301	39,699	37,068	34,406	31,714	28,992
15 182ST \$5.917M amortization, incl return				(1,479)	(1,479)	(1,479)	(1,479)										
16 Increase in revenue requirements				(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)

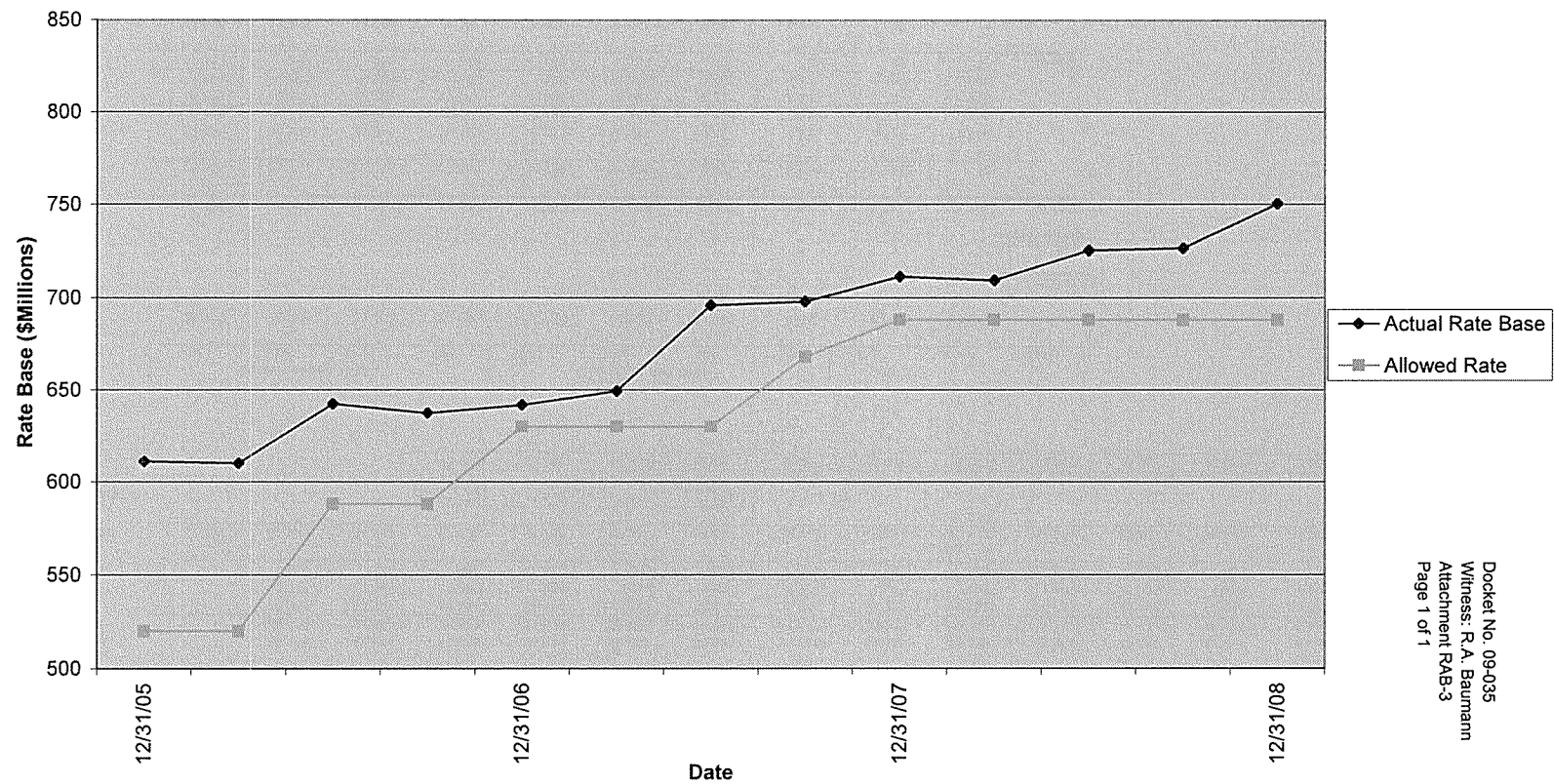
	Quarter ended 2013				Quarter ended 2014				2015		
	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June	Total
19 Beginning balance	28,992	26,238	23,453	20,636	17,787	14,905	11,991	9,043	6,062	3,047	
20 Additional 2009 costs, net											7,000
21 Insurance proceeds	-	-	-	-	-	-	-	-	-	-	(12,709)
22 Amortization	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,064)	(67,689)
23 Balance prior to return	25,925	23,171	20,386	17,569	14,720	11,838	8,924	5,976	2,995	(18)	
24 Average balance to calculate return	27,458	24,705	21,919	19,102	16,253	13,372	10,457	7,510	4,528	1,514	
25 Def taxes calculated at 39.55%	(10,860)	(9,771)	(8,669)	(7,555)	(6,428)	(5,289)	(4,136)	(2,970)	(1,791)	(599)	
26 Net def costs to calculate return	16,599	14,934	13,250	11,547	9,825	8,083	6,321	4,540	2,737	916	
27 x Return (1)	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	
28 Return on def major storm costs	313	282	250	218	185	153	119	86	52	17	10,689
29 Ending balance, including the return	26,238	23,453	20,636	17,787	14,905	11,991	9,043	6,062	3,047	(0)	
30 182ST \$5.917M amortization, incl return											
31 Increase in revenue requirements	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,067)	(3,064)	(73,605)

32 (1) 7.55% annual return (including the gross revenue conversion adjustment on the equity return for taxes) previously
33 used in DE 06-028 and DE 08-071 in determining the return on deferred major ice storm costs.

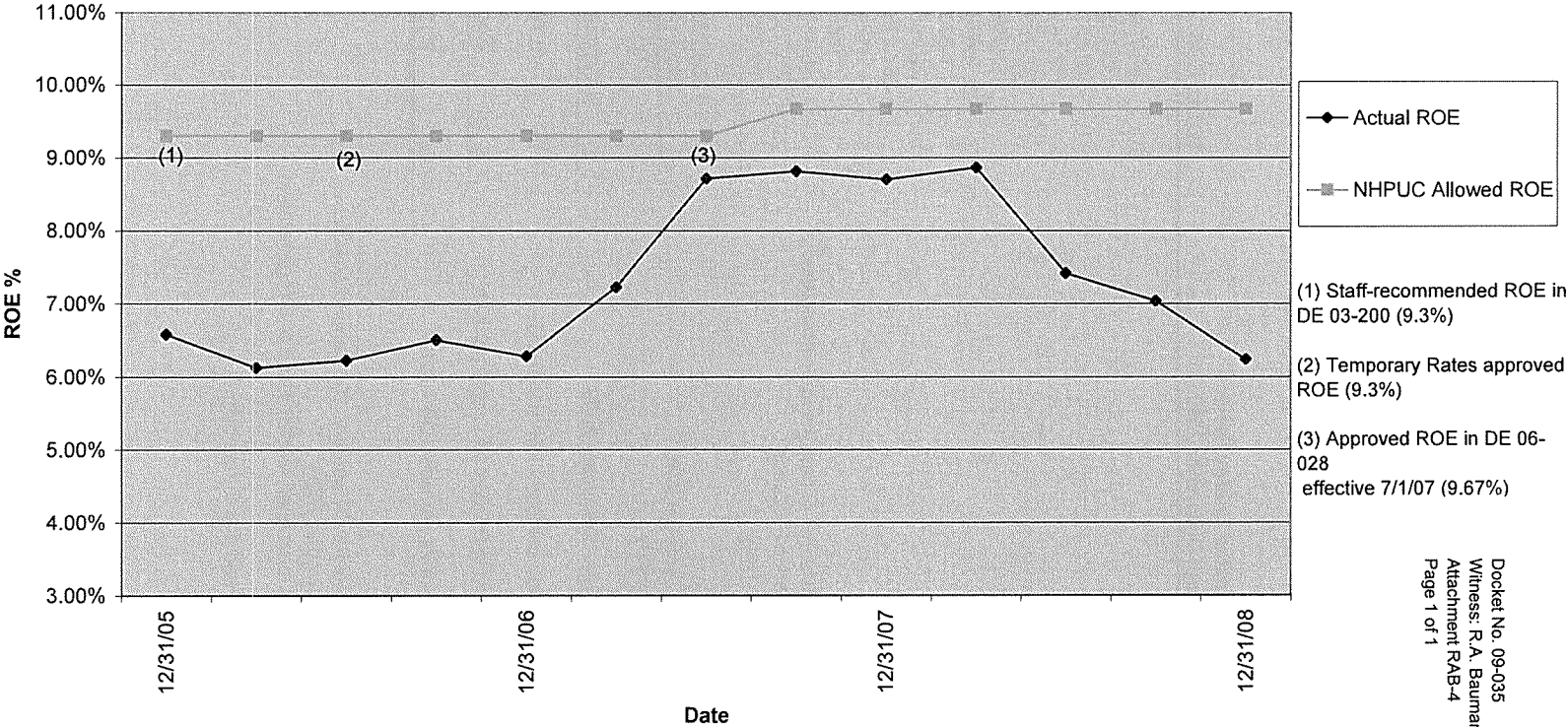
34 Amounts shown above may not add due to rounding.

Docket No. 09-035
Witness: R. A. Baumann
Attachment RAB-2
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End of Period Actual vs. Allowed Rate Base



ROE Percent
Based on 5 Quarter
Rate Base and Cost of Capital Data



PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
2009 ENERGY SERVICE RECONCILIATION AND UPDATED RATE

(Dollars in 000's, except for KWH data)

1	Summary of Actual and Forecasted Energy Service	
2	Costs For January 2009 Through December 2009 (1)	TOTAL COST
3		
4	Fossil energy costs	\$ 150,706
5	F/H O&M, Depreciation & Taxes	135,191
6	Return on rate base	40,857
7	ISO-NE Ancillary	6,162
8	Capacity	35,785
9	NH RPS	11,452
10	RGGI Costs	6,619
11	Vermont Yankee	7,573
12	IPP costs (2)	22,985
13	Purchases and Sales	267,178
14	SO2 Proceeds	(124)
15	Return on ES Deferral	(766)
16	Merrimack Incremental O&M Costs, net of proj. insurance proceeds	5,480
17	Merrimack Projected RPC Insurance Proceeds.	(6,150)
18	2008 Actual ES under/(over) recovery	(32,741)
19		
20	Total Updated Energy Service Cost	\$ 650,206
21	Total Updated Revenue at 9.92 cents per kwh	677,619
22	Energy Service Over/Under Recovery	(27,413)
23		
24	Forecasted Retail MWH Sales July - December 2009	\$ 3,453,248
25		
26	Decrease in Energy Service Rate - cents per kwh (L22/L24)	(0.79)
27		
28	Energy Service Rate as approved in DE 08-113 - cents per kwh	\$ 9.92
29		
30	Updated Energy Service Rate - cents per kwh (L26 + L28)	\$ 9.13

31 (1) Reflects actual data for January and February, 2009 and forecasted
 32 data for March through December, 2009.
 44 (2) The IPP costs represent the forecasted Market Value of IPP generation.

32 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

2009 STRANDED COST RECOVERY CHARGE RECONCILIATION AND UPDATED RATE

000'S

Summary of Actual and Forecasted Stranded Costs For January 2009 Through December 2009 (1)		Total Cost
1	Part 1 - Rate recovery bonds (RRB)	\$ 62,027
2	Part 2 - Ongoing SCRC Costs	11,856
3	Part 2 - 2008 Actual SCRC under/(over) Recovery	<u>10,274</u>
4	Total Updated SCRC Cost (L1+L2+L3)	\$ 84,157
5	Total Updated SCRC Revenue @ .98 cents/kwh	<u>78,293</u>
6	Total SCRC under/(over) Recovery (L4 - L5)	5,863
7	Forecasted Retail MWH Sales - July - December 2008	<u>4,090,937</u>
8	Increase in SCRC Rate - cents/kwh (L6/L7)	0.14
9	Current SCRC rate approved in DE 08-114 - cents/kwh	<u>0.98</u>
10	Updated SCRC Rate effective 7/1/09 - cents/kwh (L8+L9)	<u><u>1.12</u></u>
11	(1) Reflects actual data for January and February, 2009 and forecasted	
12	data for March through December, 2009.	

PSNH

REQUEST FOR TEMPORARY RATES

PRO FORMA INCOME STATEMENT ADJUSTMENTS

The following adjustments can be found in Schedule 1 Attachment:

Page 2 – Special Pricing Revenue

This pro forma adjustment reflects the decrease in distribution operating revenues to reflect special pricing arrangements which will terminate and revert to billing under standard tariff rates by December 31, 2009 (within twelve months of the end of the test year).

Page 3 – Billed Retail Distribution Revenue

This pro forma adjustment relates to PSNH's retail distribution rates which decreased on July 1, 2008. This adjustment states retail revenues at the July 1, 2008 rate level for the entire year.

Page 4 – Field Collection Revenues

This pro forma adjustment increases PSNH's retail distribution revenue to reflect Field Collection revenues that were mistakenly booked to the wrong segment from January thru July 2008.

Expense Adjustments

Page 5 – Uncollectible Expense

This pro forma adjustment decreases test year operating expense to reflect a decrease in the allocation to the Distribution Segment.

Page 6 – Verizon Out-of-Period O&M Credit Associated with Tree Trimming

This pro forma adjustment eliminates a non-recurring out-of-period O&M credit associated with the reimbursement for tree trimming costs from Verizon.

Page 7 – Tilton Area Work Center O&M Costs

This pro forma adjustment eliminates non-recurring O&M costs associated with fire damage at the Tilton Area Work Center in 2008.

Page 8 – Amortization of Software Maintenance Agreement

This pro forma adjustment reflects the increase in test year operating expenses for the amortization of contract costs associated with call center technology software support and maintenance.

Page 9 – Postage Expense Increase

This pro forma adjustment increases test year operating expense to reflect higher postage expense effective May 12, 2008 and May 11, 2009.

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Witness: R. A. Baumann
Attachment RAB-7
Page 3 of 4

5 Page 10 – Payroll Expense

6 This pro forma adjustment changes test year payroll expense to reflect the impact of
7 retirements, annualization of new employee salaries, and to reflect pay increases for exempt,
8 non-exempt and union employees, along with payroll-related overheads.

9 Page 11 – Other Post Employment Benefits (OPEB)

10 This pro forma adjustment reflects an increase in OPEB expense based on most current
11 actuarial studies.

12 Page 12 – Pensions

13 This pro forma adjustment reflects the increased pension expense based on most current
14 actuarial studies.

15 Page 13 – Property Taxes

16 This pro forma adjustment reflects the increased test year operating expense for higher levels
17 of property tax expense based on 2009 property tax levels.

18 Page 14 – Medical Benefits

19 This pro forma adjustment reflects the increase in test year operating expenses for increased
20 medical benefits based on information supplied by the PSNH's actuaries.

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Witness: R. A. Baumann
Attachment RAB-7
Page 4 of 4

5 Page 15 – Hydro Quebec Support Costs

6 This pro forma adjustment reflects the increase in test year operating expenses for 2009
7 Hydro Quebec support costs.

8 Page 16 - Current and Deferred Income Taxes

9 This pro forma adjustment adjusts both Current and Deferred income taxes based on pro
10 forma changes in pre-tax operating income.

TEMPORARY RATES
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
COMPUTATION OF DISTRIBUTION REVENUE DEFICIENCY
FOR TEST YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

					<u>Actual</u> Distribution Segment
1	Rate Base				\$ 723,882
2	Rate of Return				<u>5.933%</u>
3	Required Net Operating Income				42,948
4	Net Operating Income Applicable				
5	to Rate Base				<u>\$ 42,948</u>
6	Deficiency				<u>(0)</u>
7	Tax Effect (.59475)				
8	Revenue Deficiency	GRCF(1) ==>	1.6814		<u>\$ -</u>
					<u>5 QTR Average</u> <u>Proformed</u> Distribution Segment
9	Rate Base				\$ 723,882
10	Required Rate of Return				<u>7.475%</u>
11	Required Net Operating Income				54,111
12	Net Operating Income Applicable				
13	to Rate Base				<u>\$ 36,238</u>
14	Deficiency				<u>17,873</u>
15	Tax Effect (.59475)				
16	Total Revenue Deficiency	GRCF (1) ==>	1.6814		<u>\$ 30,052</u>
18	Major Ice Storm Costs				6,351
19	Total Revenue Deficiency				<u>\$ 36,403</u>
20	(1) Gross Revenue Conversion Factor (GRCF) =			<u>1</u> (1 - Tax Rate)	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

OPERATING INCOME STATEMENT

TOTAL DISTRIBUTION

(Thousands of Dollars)

		Twelve Months Ended: December 31, 2008		
		Distribution (1)	Proforma Adjustment	Proforma Distribution
1	Operating Revenues	\$ 259,599	\$ 220	\$ 259,819
2	Operating Expenses			
3	Production Expenses	223	-	223
4	Transmission Expenses	4,959	565	5,524
5	Distribution Expenses	47,728	846	48,574
6	Customers' Accounting	24,226	242	24,468
7	General Administrative	66,279	4,416	70,695
8	Other	582	-	582
9	Sub-Total	143,997	6,069	150,066
10	Depreciation	28,837	-	28,837
11	Amortization of Regulatory Assets, Net	6,011	-	6,011
12	Current Income Tax	(21,888)	(301)	(22,189)
13	Deferred Income Tax, net	32,792	(3,082)	29,710
14	Investment Tax Credit Adjustments	(132)	-	(132)
15	Other Tax	26,610	4,245	30,855
16	Gain/Loss on Disposal of Utility Plant, Net	-	-	-
17	Total Operating Expenses	\$ 216,227	\$ 6,931	\$ 223,158
18	Net Operating Income	\$ 43,372	(6,711)	36,661
19	Less:			
20	Donations, Net-of-Tax	293	-	293
21	Return on Customers' Deposits	131	-	131
22	Net Operating Income Applicable			
23	to Rate Base	\$ 42,948	\$ (6,711)	\$ 36,238

(1) Excludes Retail Transmission shown on page 2 as these costs are tracked by the Transmission Cost Adjustment Mechanism (TCAM).

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

OPERATING INCOME STATEMENT

CALCULATION OF DISTRIBUTION

(Thousands of Dollars)

		Twelve Months Ended: December 31, 2008		
		Retail		
		Delivery (1)	Transmission (2)	Distribution
1	Operating Revenues	\$ 328,937	\$ 69,338	\$ 259,599
2	Operating Expenses			
3	Production Expenses	349	126	223
4	Transmission Expenses	72,046	67,087	4,959
5	Distribution Expenses	47,728		47,728
6	Customers' Accounting	24,226	-	24,226
7	General Administrative	66,279	-	66,279
8	Other	582	-	582
9	Sub-Total	211,211	67,213	143,997
10	Depreciation	28,837	-	28,837
11	Amortization of Regulatory Assets, Net	7,936	1,925	6,011
12	Current Income Tax	(22,497)	(609)	(21,888)
13	Deferred Income Tax, net	33,500	708	32,792
14	Investment Tax Credit Adjustments	(132)	-	(132)
15	Other Tax	26,610	-	26,610
16	Gain/Loss on Disposal of Utility Plant, Net	-	-	-
17	Total Operating Expenses	\$ 285,465	\$ 69,237	\$ 216,227
18	Net Operating Income	\$ 43,472	\$ 101	\$ 43,372

(1) Schedule 1, page 3 of 5. Delivery less Retail Transmission equals Distribution.

(2) Prior to July 1, 2007, PSNH recovered through its Delivery Rates, both Distribution and Retail Transmission costs. Effective July 1, 2007, in accordance with an Order issued in DE 06-028, Delivery rates were split into Distribution and Retail Transmission rates. Since then, Retail Transmission costs and associated revenues are recovered separately through the TCAM and are being eliminated in this schedule to calculate the Distribution starting point for this rate filing.

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
OPERATING INCOME STATEMENT

(Thousands of Dollars)

		Twelve Months Ended: December 31, 2008					
		Delivery (2)	Transmission	Generation	Regulatory	Other/ Eliminations	Total Company
1	Operating Revenues	\$ 328,937	\$ 59,018	\$ 689,677	\$ 68,321	\$ (43,115)	\$ 1,102,838
2	Operating Expenses						
3	Production Expenses	349	-	581,032	16,400	3,443	601,225
4	Transmission Expenses	72,046	11,351	5,798	-	(47,216)	41,979
5	Distribution Expenses	47,728	-	-	-	1	47,729
6	Customers' Accounting	24,226	-	2,944	14,600	-	41,770
7	General Administrative	66,279	7,262	19,255	17	3	92,817
8	Other	582	6	135	-	-	723
9	Sub-Total	211,211	18,619	609,164	31,017	(43,769)	826,242
10	Depreciation	28,837	7,242	20,141	-	-	56,220
11	Amortization of Regulatory Assets, Net	7,936	(1)	17,886	29,077	-	54,898
12	Current Income Tax	(22,497)	3,021	8,576	6,134	377	(4,389)
13	Deferred Income Tax, net	33,500	4,469	(3,436)	(8,880)	(55)	25,598
14	Investment Tax Credit Adjustments	(132)	(21)	(74)	-	-	(227)
15	Other Tax	26,610	5,577	9,670	279	5	42,141
16	Gain/Loss on Disposal of Utility Plant, Net						-
17	Total Operating Expenses	285,465	38,906	661,927	57,627	(43,442)	1,000,484
18	Net Operating Income	43,472	20,112	27,750	10,694	327	102,355
19	Less:						
20	Donations, Net-of-Tax (1)	293	6	14	-	1	313
21	Return on Customers' Deposits	131	2	-	-	-	133
22	Net Operating Income Applicable						
23	to Rate Base	\$ 43,048	\$ 20,104	\$ 27,736	\$ 10,694	\$ 326	\$ 101,909
24	(1) Calculated as [(1-tax rate) * pre-tax amount]						
25	Donations, pre-tax (a)	492	10	23	-	2	527
26	(1-tax rate) = (1-.40.525%) (b)	59.48%	59.48%	59.48%	59.48%	59.48%	59.48%
27	Donations, net-of-tax (a)*(b)	293	6	14	-	1	313

28 (2) Includes Retail Transmission costs recovered through the TCAM.

29 Amounts shown above may not add due to rounding.

Docket No. DE 09-035
Witness: R. A. Baumann
Schedule 1
Page 3 of 5

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
OPERATING INCOME STATEMENT
(Thousands of Dollars)

Twelve Months Ended December 31, 2007

	Delivery (2)	Transmission	Generation	Regulatory	Other/ Eliminations	Total
1 Operating Revenues	\$ 299,886	\$ 46,531	\$ 629,549	\$ 124,219	\$ (25,207)	\$ 1,074,978
2 Operating Expenses						
3 Production Expenses	234	-	541,201	38,251	3,377	583,063
4 Transmission Expenses	57,077	9,031	7,786	-	(28,888)	45,006
5 Distribution Expenses	42,303	(3)	-	-	1	42,301
6 Customers' Accounting	18,918	-	1,054	15,637	1	35,610
7 General Administrative	67,763	6,972	20,309	37	(269)	94,812
8 Other	476	6	384	-	-	866
9 Sub-Total	186,771	16,006	570,734	53,925	(25,778)	801,658
10 Depreciation	25,780	5,819	21,616	-	-	53,215
11 Amortization of Regulatory Assets, Net	(1,513)	(1)	225	61,103	-	59,814
12 Current Income Tax	2,548	(157)	7,780	18,280	556	29,007
13 Deferred Income Tax, net	12,716	6,597	(3,276)	(20,458)	(95)	(4,516)
14 Investment Tax Credit Adjustments	(153)	(29)	(113)	-	-	(295)
15 Other Tax	25,076	4,675	9,318	425	30	39,524
16 Gain/Loss on Disposal of Utility Plant, Net	-	-	-	-	-	-
17 Total Operating Expenses	251,225	32,910	606,284	113,275	(25,287)	978,407
18 Net Operating Income	48,661	13,621	23,265	10,944	80	96,571
19 Less:						
20 Donations, Net-of-Tax (1)	639	7	8	-	2	655
21 Return on Customers' Deposits	304	-	-	-	-	304
22 Net Operating Income Applicable						
23 to Rate Base	\$ 47,718	\$ 13,614	\$ 23,257	\$ 10,944	\$ 78	\$ 95,612
24 (1) Calculated as [(1-tax rate) * pre-tax amount]						
25 Donations, pre-tax (a)	1,074	11	13	-	3	1,101
26 (1-tax rate) = (1-.40.525%) (b)	59.48%	59.48%	59.48%	59.48%	59.48%	59.48%
27 Donations, net-of-tax (a)*(b)	639	7	8	-	2	655

28 (2) Includes Retail Transmission costs recovered through the TCAM.

29 Amounts shown above may not add due to rounding.

Docket No. DE 09-035
Witness: R. A. Baumann
Schedule 1
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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
OPERATING INCOME STATEMENT
(Thousands of Dollars)

Twelve Months Ended December 31, 2006

	Delivery (2)	Transmission	Generation	Regulatory	Other/ Eliminations	Total
1 Operating Revenues	\$ 259,348	\$ 40,832	\$ 673,481	\$ 196,346	\$ (29,180)	\$ 1,140,827
2 Operating Expenses						
3 Production Expenses	560	-	571,222	76,889	2,288	650,959
4 Transmission Expenses	46,903	7,776	6,105	-	(31,472)	29,312
5 Distribution Expenses	36,641	4	-	-	-	36,645
6 Customers' Accounting	19,381	-	-	11,854	-	31,235
7 General Administrative	60,644	6,666	19,406	36	(450)	86,302
8 Other	431	9	200	-	1	641
9 Sub-Total	164,560	14,455	596,933	88,779	(29,633)	835,094
10 Depreciation	25,411	5,251	18,978	-	-	49,640
11 Amortization of Regulatory Assets, Net	545	(1)	27,562	74,421	-	102,527
12 Current Income Tax	7,328	3,583	18,503	31,911	181	61,506
13 Deferred Income Tax, net	1,467	1,399	(12,675)	(12,607)	160	(22,256)
14 Investment Tax Credit Adjustments	(171)	(36)	(145)	-	-	(352)
15 Other Tax	23,124	5,033	8,978	450	(87)	37,498
16 Gain/Loss on Disposal of Utility Plant, Net	-	-	-	-	-	-
17 Total Operating Expenses	222,264	29,684	658,134	182,954	(29,379)	1,063,657
18 Net Operating Income	37,084	11,148	15,347	13,392	199	77,170
19 Less:						
20 Donations, Net-of-Tax (1)	335	8	4	-	1	348
21 Return on Customers' Deposits	276	-	-	-	-	276
22 Net Operating Income Applicable						
23 to Rate Base	36,473	11,140	15,343	13,392	198	76,546
24 (1) Calculated as [(1-tax rate) * pre-tax amount]						
25 Donations, pre-tax (a)	564	13	7	-	1	585
26 (1-tax rate) = (1-.40.525%) (b)	59.48%	59.48%	59.48%	59.48%	59.48%	59.48%
27 Donations, net-of-tax (a)*(b)	335	8	4	-	1	348

28 (2) Includes Retail Transmission costs recovered through the TCAM.

29 Amounts shown above may not add due to rounding.

Docket No. DE 09-035
Witness: R. A. Baumann
Schedule 1
Page 5 of 5

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

DISTRIBUTION SEGMENT RATE CASE

SUMMARY OF PROFORMA ADJUSTMENTS TO THE INCOME STATEMENT

(Thousands of Dollars)

		OPERATING REVENUES	OPERATING EXPENSES	DEPRECIATION	AMOR OF REGULATORY ASSETS NET	CURRENT FEDERAL INCOME TAX	DEFERRED FEDERAL INCOME TAX	INVESTMENT TAX CREDIT ADJUSTMENTS	OTHER TAX	(GAIN)/LOSS ON DISP	NET OPERATING INCOME	NHPUC ADJUSTMENTS	NOI APPLICABLE TO RATE BASE	
1	ACTUAL 12/31/2008	Reference	259,599	143,997	28,837	6,011	(21,869)	32,792	(132)	26,610	0	43,372	(424)	42,948
2	INCOME STATEMENT PROFORMAS													
3	Special Pricing Revenue	pg. 2	(93)								(93)		(93)	
4	Billed Retail Distribution Revenue	pg. 3	(199)								(199)		(199)	
5	Field Collection Revenues	pg. 4	512								512		512	
6	Uncollectible Expense	pg. 5	(522)								(522)		(522)	
7	Verizon Out-of-Period O&M Credit	pg. 6	375								375		375	
8	Tilton Area Work Center O&M Costs	pg. 7	(680)								(680)		(680)	
9	Amortization of Software Maintenance Agreement	pg. 8	75								75		75	
10	Postage Expense	pg. 9	83								83		83	
11	Payroll Expense	pg. 10	2,128						208		(2,336)		(2,336)	
12	Other Post Employment Benefits (OPEB)	pg. 11	168								(168)		(168)	
13	Pension Expense	pg. 12	3,160								(3,160)		(3,160)	
14	Property Tax	pg. 13							4,037		(4,037)		(4,037)	
15	Medical Expense	pg. 14	718								(718)		(718)	
16	Hydro Quebec Support	pg. 15	565								(565)		(565)	
17	Current and Deferred Income Taxes	pg. 16					(301)	(3,082)			3,383		3,383	
18											0		0	
19														
20														
21														
22														
23														
24														
25														
26	TOTAL REVENUE & EXPENSE ADJUSTMENTS		220	6,069	0	0	(301)	(3,082)	0	4,245	0	(6,711)	0	(6,711)
27	RATE BASE - RELATED PROFORMAS													
28	Plant Additions				0						0		0	
29	TOTAL PROFORMA ADJUSTMENTS		220	6,069	0	0	(301)	(3,082)	0	4,245	0	(6,711)	0	(6,711)
30	TOTAL AS PROFORMED		259,819	150,066	28,837	6,011	(22,189)	29,710	(132)	30,855	0	36,661	(424)	36,238
			+	-	-	-	-	-	-	-	=	+	=	

30 Amounts shown above may not add due to rounding.

Docket No. DE 08-035
Witness: R. A. Baumann
Schedule 1 Attachment
Page 1 of 16

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

SPECIAL PRICING REVENUE

(Thousands of Dollars)

1 Purpose and Description:

- 2 Decrease Distribution operating revenues to reflect special pricing arrangements which
3 will terminate and revert to billing under standard tariff rates by December 31, 2009
4 (within twelve months of the end of the test year).

\$ (93)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

SPECIAL PRICING REVENUE

(In Dollars)

- 1 Special Pricing Arrangements which will expire by December 31, 2009.
2 Proforma Adjustment to state Distribution Revenue at Standard Tariff Rate level.

	(1)	(2)	(3)	(4)	(5)
			<u>Distribution Revenue at:</u>		
	Standard	Annual	Standard	Average	
	Tariff	Billing	Tariff	Retail	
	Distribution	Determinant	Rates	Rate	Proforma
8	<u>Rate Class</u>	<u>Charge</u>	<u>Determinant</u>	<u>Rates</u>	<u>Adjustment</u>
9	General Service Rate G				
10	Three-phase customer charge	\$ 20.13	\$ 88.00	\$ 1,771.44	
11	Load charge (over 5 KW)	6.09	6,516.00	39,682.44	
12	First 500 KWH	0.05	42,300.00	2,131.50	
13	Next 1,000 KWH	0.01	79,140.00	988.46	
14	All additional KWH	0.00	1,039,880.00	4,596.27	
15				<u>\$ 49,170.11</u>	<u>\$ 35,071.86</u>
					<u>\$ 14,098.24</u>
16	Primary General Service Rate GV				
17	Customer charge	\$ 135.51	\$ 93.00	\$ 12,602.43	
18	First 100 KW	3.75	9,007.00	33,776.25	
19	All additional KW	3.45	20,614.00	71,118.30	
20	First 200,000 KWH	0.01	5,993,663.00	36,561.34	
21	All additional KWH	0.01	-	-	
22				<u>\$ 154,058.32</u>	<u>\$ 181,008.62</u>
					<u>\$ (26,950.30)</u>
23	Large General Service Rate LG				
24	Customer charge	\$ 411.86	\$ 32.00	\$ 13,179.52	
25	Demand charge	3.32	43,272.00	143,663.04	
26	On-peak KWH	0.00	5,699,163.00	20,801.94	
27	Off-peak KWH	0.00	3,141,368.00	9,644.00	
28				<u>\$ 187,288.50</u>	<u>\$ 266,984.04</u>
					<u>\$ (79,695.53)</u>
29	Total, all classes			<u>\$ 390,516.93</u>	<u>\$ 483,064.52</u>
					<u>\$ (92,547.59)</u>

- 30 (1) Distribution rate level effective July 1, 2008.
31 (2) Aggregate billing determinants for all customers whose special pricing will terminate by December 31, 2009.
32 (3) Column (1) x Column (2).
33 (4) Under the terms of the Restructuring Settlement, the distribution revenue from special pricing arrangements is imputed
34 at the overall retail average distribution rate. The retail average rate as of July 1, 2008 was 3.020 ¢/KWH.
35 (5) Equal to Column (3) minus Column (4).

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

BILLED RETAIL DISTRIBUTION REVENUE

(Thousands of Dollars)

1 Purpose and Description:

- 2 PSNH's retail Distribution rates decreased on July 1, 2008. This adjustment states
3 retail revenues at the July 1, 2008 rate level for the entire year.

\$ (199)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

FIELD COLLECTION REVENUES

(Thousands of Dollars)

1 Purpose and Description:

- 2 To increase Distribution Miscellaneous Operating Revenue
- 3 that were mistakenly booked to the wrong segment from January - July 2008.

\$ 512

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

UNCOLLECTIBLE EXPENSE

(Thousands of Dollars)

1 Purpose and Description:

2 Decrease test year operating expense for Uncollectible Expense
3 due to the decrease in allocation to the Distribution Segment.

\$ (522)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

UNCOLLECTIBLE EXPENSE

(Thousands of Dollars)

	PSNH <u>Total Company</u>	Distribution <u>Segment</u>
1 Total PSNH 2009 Uncollectible Expense based	\$ 6,270	\$ 2,195
2 on revised allocation of 35% to Distribution		
3 Less the amount recorded in the test year	<u>5,661</u>	<u>2,717</u>
4 based on allocation of 48% to Distribution.		
6 Decrease in Uncollectible Expense		<u>\$ (522)</u>
7 Amounts shown above may not add due to rounding.		

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

VERIZON OUT OF PERIOD O&M CREDIT ASSOCIATED WITH TREE TRIMMING

(Thousands of Dollars)

1	Purpose and Description:	
2	To eliminate the non-recurring out-of-period O&M credit associated with	
3	the reimbursement for tree trimming costs from Verizon.	<div>\$375</div>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

TILTON AREA WORK CENTER (O&M) COSTS

(Thousands of Dollars)

1 Purpose and Description:

- 2 To eliminate non-recurring O&M costs associated with the fire damage
3 at the Tilton Area Work Center in 2008.

\$ (680)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

AMORTIZATION OF SOFTWARE MAINTENANCE AGREEMENT

(Thousands of Dollars)

1	Purpose and Description:	
2	Amortization of contract costs associated with call center	
3	technology software support and maintenance.	<u>\$ 75</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

AMORTIZATION OF SOFTWARE MAINTENANCE AGREEMENT

(Thousands of Dollars)

1 Prepaid software and maintenance agreement to support call center technology.	<u>\$ 270</u>
2 Annual Amortization over 3 years (line 1 divided by 3)	\$ 90
3 Less: 2 months amortization booked in test year.	<u>15</u>
4 Call Center software maintenance adjustment	<u>\$ 75</u>

5 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

POSTAGE EXPENSE INCREASE

(Thousands of Dollars)

1 Purpose and Description:

- 2 Increase test year operating expense for higher postage expense
3 effective 5/12/08 and 5/11/09.

\$ 83

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

POSTAGE EXPENSE INCREASE

(Thousands of Dollars)

			<u>Postage Exp. Increase</u>
1	PSNH 1/01/08 to 5/11/08 test year postage expense	\$ 748	
2	Postal rate increase of 4.5% effective 5/12/08	<u>4.5%</u>	\$ 34
3	PSNH 5/12/08 to 12/31/08 test year postage expense	\$ 1,456	
4	Postal rate increase of 3.4% effective 5/11/09	<u>3.4%</u>	<u>50</u>
5	Total increase in postage expense		<u><u>\$ 83</u></u>

6 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

PAYROLL EXPENSE

(Thousands of Dollars)

1 Purpose and Description:

2 To adjust test year payroll expense to reflect the impact of retirements,
3 annualization of new employee salaries, and to reflect pay increases for exempt,
4 non-exempt employees and union employees, along with payroll-related overheads.

5 Increase operating expenses to reflect an increase in payroll expense to be incurred
6 during the twelve months ending December 31, 2009 to fully reflect annualized base
7 payroll at December 31, 2008 in payroll expense for the entire year, net of
8 retirements which occurred in the test year ended December 31, 2008.

\$ 1,373

9 Increase operating expenses to reflect additional base payroll expense to be
10 incurred during the twelve months ending December 31, 2009 as a result of
11 estimated wage increases to be granted to individuals employed as of
12 December 31, 2008.

755

13 Total adjustment to test year payroll exclusive of overheads

\$ 2,128

14 Overheads:

15 Payroll benefits at 1.85% (L13 x 1.85%)

39

16 Payroll taxes at 7.92% (L13 x 7.52%)

169

18 Total test year proforma increase to operating expenses

\$ 2,336

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE
PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

DISTRIBUTION PAYROLL

(Thousands of Dollars)

Twelve Months Ended: December 31, 2008			
	Actual	Pro Forma Adjustments	Pro Forma Test Year
1 <u>Operation</u>			
2 Distribution	8,196	291	8,487
3 Customers' Accounting	12,316	637	12,953
4 Customer Service & Information	1,823	52	1,875
5 Energy Applications	85	(1)	84
6 Administration & General	22,276	638	22,914
7			
8 Total Operations	44,696	1,617	46,313
10 <u>Maintenance</u>			
11 Distribution	13,196	472	13,668
12 Administration & General	210	9	219
13 Total Maintenance	13,406	481	13,887
14 Allocation of Payroll Charged to			
15 Clearing Accounts	806	30	836
16 Total Payroll Charged to Expenses	58,908	2,128	61,036
17 <u>Construction</u>			
18 Electric Plant	25,716	481	26,197
19 Other	-	-	-
20 <u>Plant Removal</u>			
21 Electric Plant	2,818	62	2,880
22 Other	-	-	-
23 <u>Other Accounts</u>	1,459	38	1,497
24 Total Distribution Payroll	\$ 88,901	\$ 2,709	\$ 91,610

25 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

OTHER POST EMPLOYMENT BENEFITS (OPEB)

(Thousands of Dollars)

- | | | |
|---|--|---------------|
| 1 | Purpose and Description: | |
| 2 | Increase test year OPEB expense based on most current actuarial studies. | \$ <u>168</u> |

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

OTHER POST EMPLOYMENT BENEFITS (OPEB)

(Thousands of Dollars)

		PSNH <u>Total Company</u>	Distribution <u>Segment</u>
1	Total PSNH 2009 OPEB	\$ 8,967	\$ 6,205
2	Less the amount recorded in the test year	<u>8,512</u>	<u>5,953</u>
3	Total Adjustment		252
4	Expense portion - based on the PSNH		
5	test year payroll capital/expense split		66.63%
6	Increase in OPEB expense		<u>\$ 168</u>
7	Amounts shown above may not add due to rounding.		

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

PENSIONS

(Thousands of Dollars)

1 Purpose and Description:

- 2 Increase test year pension expense based on most current
actuarial studies.

\$ 3,160

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PRO FORMA ADJUSTMENT--SUPPORTING SCHEDULE

PENSIONS

(Thousands of Dollars)

	<u>PSNH</u> <u>Total Company</u>	<u>Distribution</u> <u>Segment</u>
1 Total PSNH 2009 Pension Costs	\$ 27,644	\$ 20,312
2 Less amount recorded in Test Year	<u>21,805</u>	<u>15,570</u>
		4,742
3 Expense portion - based on the PSNH		
4 test year payroll capital/expense split		<u>66.63%</u>
5 Increase in pension expense		<u>\$ 3,160</u>
6 Amounts shown above may not add due to rounding.		

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

PROPERTY TAXES

(Thousands of Dollars)

1 Purpose and description:

- 2 Increase test year operating expense for higher levels
3 of property tax expense based on 2009 property tax levels.

\$ 4,037

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

PROPERTY TAXES

(Thousands of Dollars)

	PSNH <u>Total Company</u>	Distribution <u>Segment</u>
1 Property tax expense for 2009	\$ 42,053	\$ 26,586
2 Less amount recorded in test year	<u>35,670</u>	<u>22,549</u>
3 Total Adjustment		<u>\$ 4,037</u>

4 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

MEDICAL COSTS

(Thousands of Dollars)

1 Purpose and Description:

2 Increase test year operating expenses based on information supplied
3 by the Company's actuaries.

\$ 718

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

MEDICAL COSTS

(Thousands of Dollars)

	PSNH Total Company	Distribution Segment
1 Total PSNH 2009 medical expense based on	\$ 16,863	\$ 11,659
2 most current actuarial values.		
3 Less amount recorded in test year	<u>15,300</u>	<u>10,582</u>
4 Portion to expense based on PSNH test year		\$ 1,077
5 payroll capital / expense split		<u>66.63%</u>
6 Increase in medical expense		<u>\$ 718</u>

7 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

HYDRO QUEBEC SUPPORT COSTS

(Thousands of Dollars)

1	Purpose and Description:	
2	To increase test year operating expense to reflect	
3	2009 Hydro Quebec Costs	<u>\$ 565</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

HYDRO QUEBEC SUPPORT COSTS

(Thousands of Dollars)

	PSNH Distribution
1 Total Hydro Quebec support expense for 2009	\$ 5,198
2 Less amount recorded in test year	<u>4,633</u>
3 Total adjustment	<u>\$ 565</u>

4 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE

PROFORMA ADJUSTMENT

CURRENT AND DEFERRED INCOME TAXES

(Thousands of Dollars)

1 Purpose and Description:

2 Adjust both Current and Deferred income taxes based on
3 pro forma changes in pre-tax operating income.

4	Total decrease in Current Taxes	\$ (301)
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5	Total decrease in Deferred Taxes	\$ (3,082)
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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE
CURRENT INCOME TAX
(Thousands of Dollars)

	Amount		
1 State Taxable income	\$ (40,821)		
2 New Hampshire Business Profits Tax Rate	8.5%		
3 New Hampshire Business Profits Tax	\$ (3,470)		
4 Taxable income/(loss)	\$ (56,318)		
5 Less: NHBPT Tax	(3,470)		
6 Federal Taxable income	(52,848)		
7 Federal Tax Rate	35%		
8 Federal Income Tax	\$ (18,497)		
9 <u>Summary</u>			
10 New Hampshire Business Profits Tax	\$ (3,470)		
11 Federal Income Tax	(18,497)		
12 Proforma current income tax expense	<u>\$ (21,967)</u>		
13 <u>Calculation of Adjustment</u>			
	Proforma current	Test Year	Adjustment to
	Income Tax Exp	Income Tax Exp,	Current Income
		12-mo. ending	Taxes
		12/31/08	
14 New Hampshire Business Profits Tax	\$ (3,470)	\$ (5,467)	\$ 1,997
15 Federal Income Tax	(18,497)	(16,198)	(2,299)
16 Adjustment to current income taxes	<u>\$ (21,967)</u>	<u>\$ (21,666)</u>	<u>\$ (301)</u>
17 This schedule excludes a \$222,000 (credit) in account 409.PM, NUSCO Permanent Income Tax Expense.			
18 Amounts shown above may not add due to rounding.			

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

CURRENT INCOME TAX

(Thousands of Dollars)

	Twelve Months Ended: December 31, 2008		
	Actual	Proforma Adjustments	Test Year as Proformed
1 Operating income before income taxes	\$ 54,365	\$ (10,095)	\$ 44,270
2 Interest deduction	19,075	0	19,075
3 Operating income before income taxes	35,290	(10,095)	25,195
4 Permanent/Flow through			
5 Medicare	(1,634)	0	(1,634)
6 Depreciation/Flow through-Plant	(1,282)	0	(1,282)
8 Miscellaneous	492	0	492
9	(2,424)	-	(2,424)
10 Additions & Deductions for calculations of income tax expense:			
11 Increased Storm Reserve accrual	(54,951)	0	(54,951)
12 Depreciation	(42,227)	0	(42,227)
13 Pensions Related	12,912	3,160	16,072
14 Other post-employment benefits	1,017	168	1,185
15 Medical reserves/Injuries and Damages	468	718	1,186
16 Environmental reserve & deferred costs	770	0	770
17 Amort of Regulatory Assets/Liabilities	(681)	0	(681)
18 Provision for uncollectible accounts	140	0	140
19 Miscellaneous	(582)	0	(582)
20	(83,135)	4,046	(79,090)
21 Total Deductions	\$ (85,559)	\$ 4,046	\$ (81,513)
22 Taxable income/(Loss)	\$ (50,269)	\$ (6,049)	\$ (56,318)
23 Less: Depreciation not applicable to			
24 State Taxable Income	(15,497)	0	(15,497)
25 State Taxable Income/(Loss)	\$ (34,772)	\$ (6,049)	\$ (40,821)

26 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PROFORMA ADJUSTMENT - SUPPORTING SCHEDULE

DEFERRED INCOME TAX

(Thousands of Dollars)

1	Test Year Deferred Income Taxes	\$ 32,792
2	Pro forma Adjustments:	
3	Adjustment of of test year deferred taxes	
4	associated with Pension	(1,281)
5	Adjustment of of test year deferred taxes	
6	associated with Other Post Employment Benefits-FAS 106	(68)
7	Adjustment of of test year deferred taxes	
8	associated with increased Medical	(291)
9	Adjustment to test year level of deferred taxes	
10	to remove the 2008 tax year return to accrual adjustment	(1,442)
11	Total Pro forma adjustment to Deferred Income Taxes	\$ (3,082)
12	Pro formed Deferred Income Taxes	\$ 29,710
13	Amounts shown above may not add due to rounding.	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 RATE BASE
 5 - QUARTER AVERAGE
 PERIOD ENDED DECEMBER 31, 2008
 (Thousands of Dollars)

	<u>Distribution (1)</u>
1 <u>Rate Base</u>	
2 Electric Plant In Service	\$ 1,167,679
3 Less: Accumulated Provision for Depreciation	373,648
4 Plant Held For Future Use	<u>-</u>
5 Net Utility Plant	794,031
6 Plus: Working Capital Allowance	25,741
7 Material and Supplies	6,733
8 Prepayments	1,673
9 Regulatory Assets	17,080
10 Less: Accumulated Deferred Income Taxes	110,494
11 Accumulated Investment Tax Credit	304
12 Regulatory Liabilities	7,166
13 Customer Deposits and Advances	<u>3,412</u>
14 Rate Base	<u>\$ 723,882</u>
15 Net Operating Income Applicable To Rate Base (2)	<u>\$ 42,948</u>
16 Rate of Return	<u>5.933%</u>
17 Amounts shown above may not add due to rounding.	
18 (1) Schedule 3, page 2 of 2.	
19 (2) Schedule 1, page 1 of 5.	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

RATE BASE BY SEGMENT
5 - QUARTER AVERAGE
PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

		Distribution (1)	Retail Transmission (1)	Wholesale Transmission	Generation	Regulatory	(Other) Eliminations	Total Company
1	RATE BASE							
2	Electric Plant In Service	\$ 1,167,679	\$ -	\$ 316,591	\$ 613,475	\$ -	\$ -	\$ 2,097,745
3	Less: Accumulated Provision for Depreciation	373,648	-	91,097	357,257	-	-	822,002
4	Plant Held For Future Use	-	-	4,073	-	-	-	4,073
5	Net Utility Plant	794,031	-	229,567	256,218	-	-	1,279,816
6	Androscoggin Reservoir	-	-	-	50	-	-	50
7	Plus: Working Capital Allowance	25,741	-	2,295	13,042	-	-	41,078
8	Fuel	-	-	-	47,884	-	-	47,884
9	Material and Supplies	6,733	-	5,093	48,372	-	-	60,198
10	Prepayments	1,673	-	317	1,425	12	-	3,427
11	Regulatory Asset	17,080	5,320	2,324	11,807	16,048	-	52,579
12	Less: Accumulated Deferred Income Taxes	110,494	2,123	31,172	6,026	86,865	-	236,679
13	Accumulated Investment Tax Credit	304	-	74	91	-	-	469
14	Regulatory Liabilities	7,166	-	12	39,902	26,923	-	74,003
15	Customer Deposits	3,412	-	-	-	-	-	3,412
16	Rate Base	723,882	3,197	208,338	332,780	(97,728)	-	1,170,469
17	Net Operating Income Applicable To Rate Base	\$ 42,948	\$ 101	\$ 20,104	\$ 27,736	\$ 10,694	\$ 326	101,911

18 (1) The sum of Distribution and Retail Transmission (Transmission Cost Adjustment Mechanism or TCAM) is the Delivery Segment.

19 Amounts shown above may not add due to rounding.

Docket No. DE 08-035
Witness: R. A. Baumann
Schedule 3
Page 2 of 2

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

WORKING CAPITAL ALLOWANCE

The purpose of an allowance for working capital is to include in rate base an amount reflecting the investor-supplied capital required as a result of the time intervals between the provision of service and the cash payments. If, on average, the time difference between the provision of service and the collection of revenue for that service exceeds the time difference between the receipt of service and the payment of that expense, the utility is experiencing a "net revenue receipt lag" which necessitates having cash on hand. On the other hand, if the lag in the payment of expenses is longer than the lag in collecting revenues, there is a "net expense payment lag", meaning that the collection of revenues occurs in advance of paying expenses.

The Company utilizes a modified 45-day computation for working capital, based on PSNH's average 30 day billing cycle, adjusted for donations and uncollectible accounts, before applying the 45-day factor to net operations and maintenance (O&M) expenses. Donations are added to test period O&M expense and uncollectible expenses are deducted. A 45-day factor is then applied to the net remaining O&M expenses resulting in a net working capital allowance for the test-year period ended December 31, 2008.

Use of the 45-day approach is consistent with the Commissions' requirement in PUC 1604.07(t) to use "a detailed lead-lag study or a formula based on the length of $\frac{1}{2}$ of the utility's billing cycle plus 30 days." The 45-day approach also avoids the expenses associated with regularly performing a detailed lead-lag study and expenses associated with consultants, expert witnesses, and other costs associated with prolonged litigation, all of which are ultimately charged to rate payers.

The 45-day formula is an accepted approach, is relatively straight-forward, easy to analyze and verify, and is very cost-effective to implement. The Company has used the 45-day formula approach to arrive at its working capital allowance for the test-year ended December 31, 2008 (see Schedule 3B, page 4 of 11).

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ELECTRIC PLANT IN SERVICE - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Distribution Electric Plant In Service
1 December 31, 2007	\$ 1,127,589
2 March 31, 2008	1,126,962
3 June 30, 2008	1,155,267
4 September 30, 2008	1,202,097
5 December 31, 2008	<u>1,226,478</u>
6 Total	<u>\$ 5,838,393</u>
7 5 - Quarter Average	<u>\$ 1,167,679</u>

8 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ACCUMULATED PROVISION FOR DEPRECIATION - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Accumulated Provision For Depreciation
1 December 31, 2007	\$ 367,246
2 March 31, 2008	362,499
3 June 30, 2008	374,509
4 September 30, 2008	382,217
5 December 31, 2008	<u>381,770</u>
6 Total	<u>\$ 1,868,241</u>
7 5 - Quarter Average	<u>\$ 373,648</u>
8 Amounts shown above may not add due to rounding.	

Docket No. DE 09-035
Witness: R. A. Baumann
Schedule 3B
Page 3 of 11

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PLANT HELD FOR FUTURE USE - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

Distribution Plant Held for Future Use is not included in Rate Base.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
WORKING CAPITAL ALLOWANCE - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Working Capital Allowance
1 Total Distribution Operation and Maintenance Expense	\$ 143,998
2 Total Retail Transmission Operation and Maintenance Expense (1)	<u>67,213</u>
3 Total Operation and Maintenance Expense	\$ 211,211
4 Plus: Donations	293
5 Less: Uncollectibles	2,717
6 Net Operation and Maintenance Expenses	<u>\$ 208,787</u>
7 Net Working Capital Allowance - 45 Days	<u>\$ 25,741</u>
8 (1) Retail Transmission O&M costs included in Distribution rate base	
9 consistent with the DE 06-028 Settlement.	
10 Amounts shown above may not add due to rounding.	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
MATERIALS AND SUPPLIES - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Material and Supplies
1 December 31, 2007	\$ 6,315
2 March 31, 2008	6,085
3 June 30, 2008	6,281
4 September 30, 2008	7,812
5 December 31, 2008	7,171
6 Total	<u>\$ 33,664</u>
7 5 - Quarter Average	<u>\$ 6,733</u>

8 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PREPAYMENTS - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Prepayments
1 December 31, 2007	\$ 2,224
2 March 31, 2008	1,472
3 June 30, 2008	1,361
4 September 30, 2008	566
5 December 31, 2008	2,743
6 Total	<u>\$ 8,366</u>
7 5 - Quarter Average	<u>\$ 1,673</u>
8 Amounts shown above may not add due to rounding.	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PREPAYMENTS DETAIL - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Acct. 165AS Prepaid Software Maintenance	Acct. 16501 Prepaid Insurance	Acct. 16514 Prepaid Agency Fees	Total
1 December 31, 2007	\$ -	\$ 2,178	\$ 46	\$ 2,224
2 March 31, 2008	-	1,426	46	1,472
3 June 30, 2008	-	1,315	46	1,361
4 September 30, 2008	-	521	45	566
5 December 31, 2008	<u>255</u>	<u>2,442</u>	<u>46</u>	<u>2,743</u>
6 Total	<u>\$ 255</u>	<u>\$ 7,882</u>	<u>\$ 229</u>	<u>\$ 8,366</u>
7 5 - Quarter Average	<u>\$ 51</u>	<u>\$ 1,576</u>	<u>\$ 46</u>	<u>\$ 1,673</u>

8 Amounts shown above may not add due to rounding.

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Witness: R. A. Baumann
Schedule 3B
Page 6a of 11

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
REGULATORY ASSETS - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Regulatory Assets
1 December 31, 2007	\$ 15,928
2 March 31, 2008	15,413
3 June 30, 2008	19,810
4 September 30, 2008	18,020
5 December 31, 2008	<u>16,225</u>
6 Total	<u>\$ 85,396</u>
7 5 - Quarter Average	<u>\$ 17,080</u>
8 Amounts shown above may not add due to rounding.	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
REGULATORY ASSETS DETAIL - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008
(Thousands of Dollars)

	Acct. 182.DC Deferred Benefits	Acct. 182.DN NHBPT FAS 109	Acct. 182.EV Pending Environmental Deferral	Acct. 182.KC Def'd Cost Keene Claremont	Acct. 182.PL Environmental Deferral being Recovered	Acct. 182.ST Storm Cost Being Recovered	Acct. 182.SO Asset Retirement Obligation	Total
1 December 31, 2007	\$ 753	\$ 4,214	\$ 167	\$ 78	\$ 2,133	\$ 6,841	\$ 1,742	\$ 15,928
2 March 31, 2008	678	4,058	755	70	1,920	6,157	1,775	\$ 15,413
3 June 30, 2008	603	3,902	758	62	1,704	10,973	1,808	\$ 19,810
4 September 30, 2008	527	3,746	758	54	1,493	9,601	1,841	\$ 18,020
5 December 31, 2008	<u>452</u>	<u>3,590</u>	<u>761</u>	<u>46</u>	<u>1,280</u>	<u>8,229</u>	<u>1,867</u>	<u>\$ 16,225</u>
6 Total	<u>\$ 3,013</u>	<u>\$ 19,510</u>	<u>\$ 3,199</u>	<u>\$ 310</u>	<u>\$ 8,530</u>	<u>\$ 41,801</u>	<u>\$ 9,033</u>	<u>\$ 85,396</u>
7 5 - Quarter Average	<u>\$ 603</u>	<u>\$ 3,902</u>	<u>\$ 640</u>	<u>\$ 62</u>	<u>\$ 1,706</u>	<u>\$ 8,360</u>	<u>\$ 1,807</u>	<u>\$ 17,080</u>

8 Amounts shown above may not add due to rounding.

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Witness: R. A. Baumann
Schedule 3B
Page 7a of 11

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 ACCUMULATED DEFERRED INCOME TAXES - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Accumulated Deferred Income Taxes
1 December 31, 2007	\$ (92,946)
2 March 31, 2008	(94,715)
3 June 30, 2008	(102,801)
4 September 30, 2008	(130,080)
5 December 31, 2008	<u>(131,929)</u>
6 Total	<u>\$ (552,471)</u>
7 5 - Quarter Average	<u>\$ (110,494)</u>

8 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ACCUMULATED DEFERRED INCOME TAXES DETAIL - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	Acct. 190 Accum. Deferred Income Tax	Acct. 282 Accum. Deferred Income Tax	Acct. 283 Accum. Deferred Income Tax	Total
1 December 31, 2007	\$ 2,394	\$ (87,211)	\$ (8,129)	\$ (92,946)
2 March 31, 2008	2,195	(89,133)	(7,777)	(94,715)
3 June 30, 2008	2,297	(97,407)	(7,691)	(102,801)
4 September 30, 2008	2,357	(122,467)	(9,970)	(130,080)
5 December 31, 2008	<u>2,593</u>	<u>(125,121)</u>	<u>(9,401)</u>	<u>(131,929)</u>
6 Total	<u>\$ 11,836</u>	<u>\$ (521,339)</u>	<u>\$ (42,968)</u>	<u>\$ (552,471)</u>
7 5 - Quarter Average	<u>\$ 2,367</u>	<u>\$ (104,268)</u>	<u>\$ (8,594)</u>	<u>\$ (110,494)</u>

8 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ACCUMULATED INVESTMENT TAX CREDIT - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	<u>Total</u>
1 December 31, 2007	\$ (370)
2 March 31, 2008	(337)
3 June 30, 2008	(304)
4 September 30, 2008	(271)
5 December 31, 2008	<u>(238)</u>
6 Total	<u>\$ (1,520)</u>
7 5 - Quarter Average	<u>\$ (304)</u>
8 Amounts shown above may not add due to rounding.	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
REGULATORY LIABILITIES - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	<u>Regulatory Liabilities</u>
1 December 31, 2007	\$ (7,202)
2 March 31, 2008	(7,032)
3 June 30, 2008	(7,044)
4 September 30, 2008	(7,058)
5 December 31, 2008	<u>(7,496)</u>
6 Total	<u>\$ (35,832)</u>
7 5 - Quarter Average	<u>\$ (7,166)</u>
8 Amounts shown above may not add due to rounding.	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 REGULATORY LIABILITIES - DISTRIBUTION SEGMENT

PERIOD ENDING DECEMBER 31, 2008

(Thousands of Dollars)

	Acct. 228 Deferred Environmental Remediation Cost	Acct. 230 Asset Retirement Obligation	Acct. 254 Deferred REP Revenue	Total
1 December 31, 2007	\$ (4,449)	\$ (1,960)	\$ (793)	\$ (7,202)
2 March 31, 2008	(5,041)	(1,991)	-	(7,032)
3 June 30, 2008	(5,021)	(2,023)	-	(7,044)
4 September 30, 2008	(5,003)	(2,055)	-	(7,058)
5 December 31, 2008	<u>(4,960)</u>	<u>(2,079)</u>	<u>(457)</u>	<u>(7,496)</u>
6 Total	<u>\$ (24,474)</u>	<u>\$ (10,108)</u>	<u>\$ (1,250)</u>	<u>\$ (35,832)</u>
7 5 - Quarter Average	<u>\$ (4,895)</u>	<u>\$ (2,022)</u>	<u>\$ (250)</u>	<u>\$ (7,166)</u>

8 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
CUSTOMER DEPOSITS - DISTRIBUTION SEGMENT

PERIOD ENDED DECEMBER 31, 2008

(Thousands of Dollars)

	<u>Customer Deposits</u>
1 December 31, 2007	\$ (3,822)
2 March 31, 2008	(3,571)
3 June 30, 2008	(3,388)
4 September 30, 2008	(3,139)
5 December 31, 2008	<u>(3,139)</u>
6 Total	<u>\$ (17,059)</u>
7 5 - Quarter Average	<u>\$ (3,412)</u>
8 Amounts shown above may not add due to rounding.	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

ITEM I
 OVERALL RATE OF RETURN - DISTRIBUTION

Cost of Capital at December 31, 2008

	Item	Component Ratio	Component Cost Rate	Weighted Average Cost Rate
1	Common Equity (1)	48.73%	6.505%	3.170%
2				
3	Long-Term Debt	51.27%	5.389%	2.763%
4				
5	Short-Term Debt (2)	<u>0.00%</u>	0.000%	<u>0.000%</u>
6				
7	Total	<u>100.00%</u>		<u>5.933%</u>
8				
9				
10	Note (1): In accordance with DE 06-028, PSNH's allowed ROE is 9.67%.			
11				
12	Note (2): See Item VI regarding the inclusion of short-term debt in PSNH's capital structure.			
13				
14	Amounts shown above may not add due to rounding.			

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

ITEM I
OVERALL RATE OF RETURN - DISTRIBUTION

Proformed Cost of Capital at December 31, 2008

	<u>Item</u>	<u>Component Ratio</u>	<u>Component Cost Rate</u>	<u>Weighted Average Cost Rate</u>
1	Common Equity	48.73%	9.670%	4.712%
2				
3	Long-Term Debt	51.27%	5.389%	2.763%
4				
5	Short-Term Debt	<u>0.00%</u>	0.000%	<u>0.000%</u>
6				
7				
8	Total	<u>100.00%</u>		<u>7.475%</u>
9				
10				
11	Amounts shown above may not add due to rounding.			

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

ITEM II
CAPITAL STRUCTURE FOR RATEMAKING PURPOSES - DISTRIBUTION

(Thousands of Dollars)

ITEM	At December 31, 2008	
	Amount	Component Ratio
1 Common Equity		
2 Common Stock	\$ -	0.00%
3 Other Paid-In Capital	350,496	26.92%
4 Retained Earnings (1)	284,033	21.81%
5		
6		
7 Total Common Equity	634,529	48.73%
8		
9		
10 Preferred Stock	-	0.00%
11		
12		
13 Long-Term Debt		
14 Pollution Control Revenue Bonds		
15 Series A - VR	85,494	6.57%
16 Series B - FR	84,406	6.48%
17 Series C - FR	103,715	7.97%
18 Series D Tax Exempt-FR	73,942	5.68%
19 Series E Tax Exempt-FR	44,191	3.39%
20		
21 First Mortgage Bonds		
22		
23 Series L	49,645	3.81%
24 Series M	49,380	3.79%
25 Series N	69,227	5.32%
26 Series O	107,522	8.26%
27		
28 Total Long-Term Debt	667,524	51.27%
29		
30 Short-Term Debt (2)	-	0.00%
31		
32 Total Capitalization	\$ 1,302,053	100.00%
33		
34		

35 Note (1): Excludes Other Comprehensive Income (OCI) of \$814,000 related to 2008 First
36 Mortgage Bonds - Series O. OCI is excluded from common equity as it is used in
37 calculating net proceeds on the Series O bonds.

38
39 Note (2): See Item VI regarding the inclusion of short-term debt in PSNH's capital structure.

40
41 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

ITEM II
CAPITAL STRUCTURE FOR RATEMAKING PURPOSES - DISTRIBUTION

(Thousands of Dollars)

	ITEM	Proformed At December 31, 2008	
		Amount	Component Ratio
1	Common Equity		
2	Common Stock	\$ -	0.00%
3	Other Paid-In Capital	350,496	26.92%
4	Retained Earnings	284,033	21.81%
5			
6	Total Common Equity	634,529	48.73%
7			
8			
9	Preferred Stock	-	0.00%
10			
11			
12	Long-Term Debt		
13	Pollution Control Revenue Bonds		
14	Series A - VR	85,494	6.57%
15	Series B - FR	84,406	6.48%
16	Series C - FR	103,715	7.97%
17	Series D Tax Exempt-FR	73,942	5.68%
18	Series E Tax Exempt-FR	44,191	3.39%
19			
20	First Mortgage Bonds		
21			
22	Series L	49,645	3.81%
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24	Series N	69,227	5.32%
25	Series O	107,522	8.26%
26			
27	Total Long-Term Debt	667,524	51.27%
28			
29	Short-Term Debt	-	0.00%
30			
31			
32	Total Capitalization	\$ 1,302,053	100.00%
33			
34			
35			
36	Amounts shown above may not add due to rounding.		

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

ITEM III
 HISTORICAL CAPITAL STRUCTURE
 FOR RATEMAKING PURPOSES
 AT DECEMBER 31

(Thousands of Dollars)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1 Common Equity	\$ 537,867	\$ 467,562	\$ 452,505	\$ 399,677	\$ 380,260
2 Long-Term Debt	558,586	488,132	487,568	437,062	387,608
3 Short-Term Debt (1)	<u>21,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4 Total Capital	<u>\$ 1,118,353</u>	<u>\$ 955,694</u>	<u>\$ 940,073</u>	<u>\$ 836,739</u>	<u>\$ 767,868</u>

5 Note (1): PSNH included short-term debt in its allowed capital structure in 2007 in accordance with DE 06-028.

6 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

ITEM IV
CAPITALIZATION RATIOS
AT DECEMBER 31

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1 Common Equity	48.09%	48.92%	48.14%	47.77%	49.52%
2 Long-Term Debt	49.95%	51.08%	51.86%	52.23%	50.48%
3 Short-Term Debt (1)	<u>1.96%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
4 Total Capital	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

5 Note (1): PSNH included short-term debt in its allowed capital structure in 2007 in accordance with DE 06-028.

6 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ITEM V
LONG-TERM DEBT
(Thousands of Dollars)

LONG-TERM DEBT AT DECEMBER 31, 2008--NET PROCEEDS AT OFFERING DATE

	Title (1)	Date of Offering	Date of Maturity	Interest Rate (%)	Principal Amount of Issue	Financing Costs	Net Proceeds to the Utility	Net Proceeds % (per unit)
1	Pollution Control Revenue Bonds							
2	Series A - VR (2)	12/19/01	05/01/21	0.400	89,250	5,781	83,469	93.5
3	Series B - FR	12/19/01	05/01/21	4.750	89,250	7,124	82,126	92.0
4	Series C - FR	12/19/01	05/01/21	5.450	108,985	7,787	101,198	92.9
5	Series D Tax Exempt-FR	05/01/98	05/01/21	6.000	75,000	4,149	70,851	94.5
6	Series E Tax Exempt-FR	05/01/98	05/01/21	6.000	44,800	3,088	41,712	93.1
7	First Mortgage Bonds							
8	Series L	07/22/04	07/15/14	5.250	50,000	549	49,451	98.9
9	Series M	10/05/05	10/05/35	5.600	50,000	694	49,306	98.6
10	Series N	09/24/07	09/01/17	6.150	70,000	607	69,393	99.1
11	Series O	05/27/08	05/01/18	6.000	110,000	1,465	108,535	98.7
12	Total Long-Term Debt						<u>656,040</u>	

13 Note (1): VR - Variable Rate Financing - Rates are set every 35 days.

14 FR - Fixed Rate

15 Note (2): Interest Rate shown is based on the December 2008 auction rate

16 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 ITEM V
 LONG-TERM DEBT
 (Thousands of Dollars)

LONG-TERM DEBT AT DECEMBER 31, 2008

	<u>Title</u>	<u>Net Amount Outstanding</u>	<u>Cost Rate Based on Net Proceeds</u>	<u>Annual Cost of Long-Term Debt</u>	<u>Average Cost Rate (%)</u>
1	Pollution Control Revenue Bonds				
2	Series A - VR	85,494	0.901%	770	
3	Series B - FR	84,406	5.617%	4,741	
4	Series C - FR	103,715	6.139%	6,367	
5	Series D Tax Exempt-FR	73,942	6.202%	4,586	
6	Series E Tax Exempt-FR	44,191	6.194%	2,737	
7	First Mortgage Bonds				
8	Series L	49,645	5.415%	2,688	
9	Series M	49,380	5.717%	2,823	
10	Series N	69,227	6.348%	4,394	
11	Series O	<u>107,522</u>	6.385%	<u>6,865</u>	
12	Total Long-Term Debt	<u>667,524</u>		<u>35,973</u>	<u>5.389%</u>

13 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 ITEM V
 LONG-TERM DEBT
 (Thousands of Dollars)

PROFORMED LONG-TERM DEBT AT DECEMBER 31, 2008--NET PROCEEDS AT OFFERING DATE

	Title (1)	Date of Offering	Date of Maturity	Interest Rate (%)	Principal Amount of Issue	Financing Costs	Net Proceeds to the Utility	Net Proceeds %(per unit)
1	Pollution Control Revenue Bonds							
2	Series A - VR (2)	12/19/01	05/01/21	0.400	89,250	5,781	83,469	93.5
3	Series B - FR	12/19/01	05/01/21	4.750	89,250	7,124	82,126	92.0
4	Series C - FR	12/19/01	05/01/21	5.450	108,985	7,787	101,198	92.9
5	Series D Tax Exempt-FR	05/01/98	05/01/21	6.000	75,000	4,149	70,851	94.5
6	Series E Tax Exempt-FR	05/01/98	05/01/21	6.000	44,800	3,088	41,712	93.1
7	First Mortgage Bonds							
8	Series L	07/22/04	07/15/14	5.250	50,000	549	49,451	98.9
9	Series M	10/05/05	10/05/35	5.600	50,000	694	49,306	98.6
10	Series N	09/24/07	09/01/17	6.150	70,000	607	69,393	99.1
11	Series O	05/27/08	05/01/18	6.000	110,000	1,465	108,535	98.7
12	Total Long-Term Debt						<u>656,040</u>	

- 13 Note (1): VR - Variable Rate Financing - Rates are set every 35 days.
 14 FR - Fixed Rate
 15 Note (2): Interest Rate shown is based on the December 2008 auction rate

16 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ITEM V
LONG-TERM DEBT
(Thousands of Dollars)

PROFORMED LONG-TERM DEBT AT DECEMBER 31, 2008

	<u>Title</u>	<u>Net Amount Outstanding</u>	<u>Cost Rate Based on Net Proceeds</u>	<u>Annual Cost of Long-Term Debt</u>	<u>Average Cost Rate (%)</u>
1	Pollution Control Revenue Bonds				
2	Series A - VR	85,494	0.901%	770	
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5	Series D Tax Exempt-FR	73,942	6.202%	4,586	
6	Series E Tax Exempt-FR	44,191	6.194%	2,737	
7	First Mortgage Bonds				
8	Series L	49,645	5.415%	2,688	
9	Series M	49,380	5.717%	2,823	
10	Series N	69,227	6.348%	4,394	
11	Series O	<u>107,522</u>	6.385%	<u>6,865</u>	
12	Total Long-Term Debt	<u><u>667,524</u></u>		<u><u>35,973</u></u>	<u><u>5.389%</u></u>

13 Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

ITEM VI
COST OF SHORT-TERM DEBT

1 PSNH's net borrowing position at December 31, 2008 was \$7.2M negative (\$45.2M of STD minus \$ 52.5M of short-term
2 liquid investments). Under normal circumstances, PSNH's STD balance would have been zero on December 31, 2008
3 since PSNH would have used its cash on hand to repay outstanding short-term borrowings. As a result of the current
4 global credit crisis, PSNH senior financial officers have determined that, until the credit crisis subsides, the Company
5 will hold cash in excess of its normal requirements in order to satisfy potential peak borrowing requirements.

6 As the short-term debt is being held as a liquidity reserve, and does not support rate base, PSNH has excluded it from
7 its capital structure.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

ITEM VII
PREFERRED STOCK

(Thousands of Dollars)

PREFERRED STOCK OUTSTANDING AT DECEMBER 31, 2008

<u>Title and Dividend Rate</u>	<u>Date of Offering</u>	<u>Financing Costs</u>	<u>Stated Value Per Share</u>	<u>Stated Value Per Issue</u>	<u>Net Proceeds</u>	<u>Net Proceeds Per Unit (%)</u>
------------------------------------	-----------------------------	----------------------------	-----------------------------------	-----------------------------------	-------------------------	--------------------------------------

- 1 There are no issues of preferred stock outstanding. The Company has no plans to issue preferred stock.