

STATE OF NEW HAMPSHIRE
before the
PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire

Request for Permanent Distribution Rates Change
Docket No. DE 09-035

Step Increase for 80% of change in non-REP net plant for the period
April 1, 2010 to March 31, 2011

Technical Statement of Robert A. Baumann

I. Introduction

The approved Settlement Agreement on Permanent Distribution Service Rates (“Settlement Agreement”) established a series of permanent distribution rates for PSNH beginning on July 1, 2010 and terminating on June 30, 2015. SECTION 2 of the Settlement Agreement entitled RATE CHANGES, provided for three additional annual step changes to the Distribution rates on July 1, 2011, July 1, 2012 and July 1, 2013 (see SECTION 2.1). The first of these step changes would reflect an increase for 80% of actual changes in non-REP net plant for the period April 1, 2010 to March 31, 2011 (see SECTION 2.4). This Technical Statement, along with supporting calculations on Attachment RAB-1, is being filed in support of PSNH’s request for a rate change.

II. Background

The Settlement Agreement contained a projected step increase on July 1, 2011 of \$9.3 million associated with a budgeted level of non-REP net plant of \$997 million as of March 31, 2011. This produced a budgeted change in net plant of \$75 million from April 1, 2010 to March 31, 2011 (reconciliation period). The actual level of non-REP net plant as of March 31, 2011 is \$957 million. This produced a change in actual net plant for this reconciliation period of \$35 million. The revenue requirements associated with this actual change in net plant for the reconciliation period is \$4.4 million¹.

¹ REP capital additions have been removed from these calculations and the calculated revenue requirement values include only 80% of the additional net plant changes during the reconciliation period, consistent with SECTION 2.4 and Attachment 1 of the Settlement Agreement.

III. Explanation of the requested increase of \$4.4 million versus the projected value in the Settlement Agreement of \$9.3 million.

Under the Settlement Agreement, the projected step increase for 2011 is subject to downward adjustment if: a) the actual change to Net Distribution Plant is less than \$75 million; and b) the actual Net Distribution Plant balance is less than \$997 million. If both of those conditions exist, then the actual step increase is adjusted downward by the revenue requirement associated with the difference between the forecasted and actual Net Distribution Plant balance as of March 31, 2011.

As stated above, PSNH's actual change to Net Distribution Plant was less than \$75 million, and the actual balance of Net Utility Plant as of March 31, 2011 was less than \$997 million. Therefore, PSNH is proposing a \$4.4 million increase in revenue requirements in accordance with the Settlement Agreement. The calculation of the \$4.4 million contained in Attachment RAB-1 reflects the revenue requirements needed to keep pace with 80% of the increases to actual net plant over the period April 1, 2010 to March 31, 2011.

There are two major reasons why the proposed actual increase is less than the projected increase in the Settlement Agreement. First, the projected step increase of \$9.3 million contained in the Settlement Agreement was based on budget information. The Settlement Agreement also used simple averages of this budget information to project the step increase associated with the last 3 quarters of 2010 and the first quarter of 2011. The actual values used to calculate the appropriate step increase of \$4.4 million were different from the budget based on the timing of when plant additions were actually put into service and reflected on the books of PSNH. Regardless of what the projected step increase was in the Settlement Agreement or how that projection was estimated, the value requested in this filing is based on actual net plant data, in accordance with the Settlement Agreement.

Secondly, as part of PSNH's routine review of its capital spending levels, decisions were made throughout 2010 to decrease these levels and therefore actual capital additions for 2010 were lower than budget. One significant driver contributing to the decreased spending levels was lower actual peak loads than originally forecasted.

IV. PSNH's Proposal

Pursuant to the Settlement Agreement, PSNH proposes a permanent increase to its Distribution rates of \$4.4 million on July 1, 2011 associated with the change in actual net plant values during the reconciliation period. We request that this rate change be effective with service rendered on and after July 1, 2011.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE--INTERIM RATE ADJUSTMENT FILING

Step Increase--Net Plant, Excluding Additions to the Reliability Enhancement Program (REP)

Summary--Revenue Requirements Increase

(Millions of Dollars)

		<u>Reference</u>
Proposed increase to revenue requirements based on the actual increase in net plant at March 31, 2011, consistent with the DE 09-035 Settlement Agreement (Note 1)	\$ <u>4.4</u>	page 3

Note 1-- As shown on page 2, the DE 09-035 Settlement Agreement projected a revenue requirements increase of \$9.3 million based on the budgeted increase to the net plant balance at March 31, 2011.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE--INTERIM RATE ADJUSTMENT FILING

Step Increase--Net Plant, Excluding Additions to the Reliability Enhancement Program (REP)

(Millions of Dollars)

Per the DE 09-035 Settlement

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2011</u>
Total Utility Plant in Service	1,309	1,374	1,471
Accum Provision for Depreciation	<u>(420)</u>	<u>(399)</u>	<u>(420)</u>
	889	975	1,051
Less: REP Capital Additions		<u>(11)</u>	<u>(13)</u>
Net Plant w/o REP	889	964	1,038
Net Non-REP Plant Change (year over year)		<u>75</u>	<u>74</u>
Net Plant @ 80%		60	59
ROR per Settlement		0.07513	0.07513
GRCF		<u>1.6814</u>	<u>1.6814</u>
Return		7.6	7.5
Depreciation @2.95%		<u>1.8</u>	<u>1.7</u>
Total Revenue Requirement		<u>9.3</u>	<u>9.2</u>

Settlement
Agreement
Values

Revenue Requirements related to step increase and net plant allowed for these step increases:

<u>Revenue Requirement</u>	<u>Rev. Req. Step 1 07/01/2010</u>	<u>Net Plant Allowed</u>	<u>Rev. Req. Step 2 07/01/2011</u>	<u>Net Plant Allowed</u>
01/01/2010-03/31/2010	2.3	18.8		
04/01/2010-12/31/2010			7.0	56.3
01/01/2011-03/31/2011			2.3	18.5
Revenue Increase	<u>2.3</u>		<u>9.3</u>	
2009 Net Plant		889		
Add: \$14 M of new vehicle purchases to replace leases		<u>14</u>		
Step 1 Net Plant Allowed		922		922
Total net plant allowed for Step 2 at 03/31/2011				<u>997</u>

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 DISTRIBUTION SEGMENT RATE CASE—INTERIM RATE ADJUSTMENT FILING

Step Increase—Net Plant, Excluding Additions to the Reliability Enhancement Program (REP)

(Millions of Dollars)

	<u>Actual</u>			
	<u>Dec. 31, 2009</u>	<u>March 31, 2010</u>	<u>Dec. 31, 2010</u>	<u>March 31, 2011</u>
Total Utility Plant in Service	1,307	1,315	1,367	1,378
Accum Provision for Depreciation	(393)	(394)	(404)	(409)
	<u>915</u>	<u>922</u>	<u>963</u>	<u>969</u>
Less: REP Capital Additions (a)			(11)	(12)
Net Plant w/o REP	<u>915</u>	<u>922</u>	<u>952</u>	<u>957</u>
Net Non-REP Plant Change Jan. 2010 to Dec. 2010 (\$952 - \$922)			31	
Net Non-REP Plant Change (Jan. 2011 to March 2011 (\$957 - \$952)				<u>4</u>
Net Plant @ 80%			25	3
ROR per Settlement			0.07513	0.07513
GRCF			<u>1.6814</u>	<u>1.6814</u>
Return			3.1	0.4
Depreciation @2.95%			<u>0.7</u>	<u>0.1</u>
Total Revenue Requirement			<u><u>3.9</u></u>	<u><u>0.5</u></u>

Actual
Values

Revenue Requirements related to step increase:

<u>Revenue Requirement</u>	<u>Rev. Req. Step 2 07/01/2011</u>
04/01/2010-12/31/2010	3.9
01/01/2011-03/31/2011	0.5
Revenue Increase	<u><u>4.4</u></u>

(a) REP at December 31, 2010 is for the 12 month period January 2010 through December 2010, and REP at March 31, 2011 is for the 12 month period April 2010 through March 2011. See page 7.

Amounts shown above are based on the values from pages 4 through 7 and may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 DISTRIBUTION SEGMENT RATE CASE--INTERIM RATE ADJUSTMENT FILING

(Thousands of Dollars)

Actuals At 3/31/2011				
Plant Account	Account Description	Plant Total	Accumulated Reserve	Net Book Value
301	Organization	45	0	45
303	Miscellaneous Intangible Plant	30,422	7,710	22,712
360	Land and Land Rights	4,459	0	4,459
361	Structures and Improvements	14,283	4,366	9,917
362	Station Equipment	166,484	39,565	126,919
364	Poles, Towers and Fixtures	209,898	105,188	104,711
365	Overhead Conductors and Devices	314,650	77,097	237,553
366	Underground Conduit	18,484	3,304	15,180
367	Underground Conductors and Devices	94,123	24,037	70,086
368	Line Transformers	197,134	55,156	141,978
369	Services	112,724	19,947	92,778
370	Meters	61,006	25,886	35,120
371	Installation on Customer Premises	4,826	1,389	3,437
373	Street Lighting and Signal Systems	6,230	3,496	2,734
389	Land and Land Rights	3,909	0	3,909
390	Structures and Improvements	63,024	8,104	54,920
391	Office Furniture and Equipment	18,444	15,463	2,981
392	Transportation Equipment	19,246	2,636	16,610
393	Stores Equipment	1,439	165	1,275
394	Tools, Shop and Garage Equipment	7,266	2,999	4,267
395	Laboratory Equipment	3,664	1,662	2,001
396	Power Operated Equipment	201	23	178
397	Communication Equipment	23,680	9,764	13,916
398	Miscellaneous Equipment	1,546	605	941
	Subtotal--Plant Account Level	1,377,188	408,561	968,627
	Asset Retirement Obligation	350	144	206
	Provision for Amortization - Plt in Service	0	259	(259)
	Total	1,377,538	408,964	968,574

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE--INTERIM RATE ADJUSTMENT FILING

(Thousands of Dollars)

Actuals At 3/31/2010				
Plant Account	Account Description	Plant Total	Accumulated Reserve	Net Book Value
301	Organization	45	-	45
303	Miscellaneous Intangible Plant	34,891	11,165	23,726
360	Land and Land Rights	4,355	-	4,355
361	Structures and Improvements	12,848	3,887	8,961
362	Station Equipment	155,301	31,263	124,038
364	Poles, Towers and Fixtures	203,208	88,029	115,179
365	Overhead Conductors and Devices	293,954	85,753	208,202
366	Underground Conduit	17,248	3,424	13,824
367	Underground Conductors and Devices	91,038	25,680	65,358
368	Line Transformers	189,185	51,698	137,487
369	Services	106,821	20,248	86,573
370	Meters	59,864	27,381	32,483
371	Installation on Customer Premises	4,937	2,313	2,624
373	Street Lighting and Signal Systems	6,247	3,849	2,398
389	Land and Land Rights	3,909	-	3,909
390	Structures and Improvements	63,212	233	62,979
391	Office Furniture and Equipment	18,245	14,602	3,643
392	Transportation Equipment	15,002	1,340	13,662
393	Stores Equipment	561	141	420
394	Tools, Shop and Garage Equipment	6,853	2,809	4,043
395	Laboratory Equipment	3,525	1,689	1,836
396	Power Operated Equipment	54	5	49
397	Communication Equipment	22,200	17,343	4,857
398	Miscellaneous Equipment	1,508	584	924
	Subtotal--Plant Account Level	1,315,011	393,435	921,575
	Asset Retirement Obligation	339	134	205
	Provision for Amortization - Plt in Service	0	235	(235)
	Total	1,315,350	393,804	921,546

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE--INTERIM RATE ADJUSTMENT FILING

(Thousands of Dollars)

Change Between Periods				
Plant Account	Account Description	Plant Total	Accumulated Reserve	Net Book Value
301	Organization	-	-	-
303	Miscellaneous Intangible Plant	(4,469)	(3,455)	(1,014)
360	Land and Land Rights	105	-	105
361	Structures and Improvements	1,436	480	956
362	Station Equipment	11,183	8,301	2,881
364	Poles, Towers and Fixtures	6,690	17,159	(10,469)
365	Overhead Conductors and Devices	20,696	(8,656)	29,351
366	Underground Conduit	1,236	(120)	1,356
367	Underground Conductors and Devices	3,085	(1,643)	4,728
368	Line Transformers	7,950	3,458	4,492
369	Services	5,903	(301)	6,205
370	Meters	1,142	(1,494)	2,636
371	Installation on Customer Premises	(111)	(924)	813
373	Street Lighting and Signal Systems	(17)	(352)	336
389	Land and Land Rights	-	-	-
390	Structures and Improvements	(189)	7,871	(8,059)
391	Office Furniture and Equipment	200	861	(662)
392	Transportation Equipment	4,243	1,296	2,948
393	Stores Equipment	878	24	854
394	Tools, Shop and Garage Equipment	414	190	224
395	Laboratory Equipment	139	(27)	166
396	Power Operated Equipment	147	17	129
397	Communication Equipment	1,480	(7,579)	9,059
398	Miscellaneous Equipment	38	21	17
	Subtotal--Plant Account Level	62,177	15,126	47,051
	Asset Retirement Obligation	10	10	1
	Provision for Amortization - Plt in Service	0	24	(24)
	Total	62,188	15,160	47,028

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
 DISTRIBUTION SEGMENT RATE CASE—INTERIM RATE ADJUSTMENT FILING

(Thousands of Dollars)

PSNH Reliability Enhancement Program Projects (REP 2) July 1, 2010 through Mar 31, 2011, and
 PSNH REP Base Projects (REP 1) January 1, 2010 through June 30, 2010

Project	Project Description	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Total
A04S34	DIRECT BURIED CABLE REPLACEMENT	159	5	(16)	11	(6)	21	841	(17)	30	1,029
A07DL41	REPLACE LEGACY ASW POLE TOP RTU'S	3	-	(4)	71	-	(2)	0	2	17	87
A07SS41	REPL SUBSTATION RTU REPLACEMENT	2	0	1	-	-	193	1	1	2	201
A07WI42	ENABLE SCADA TO WINDSOR BACKUP	37	72	1	0	94	180	40	39	3	467
A07X44	REPLACE 34.5KV CIRCUIT BREAKER PROGRAM	-	-	-	256	318	(65)	75	2	-	585
A07X45	REJECT POLE REPLACEMENT	60	86	121	185	93	348	276	161	75	1,404
A07X98	NESC CAPITAL REPAIRS	76	74	211	113	60	107	112	184	101	1,037
A07X99	POLE REINFORCEMENT	-	-	-	-	-	-	21	-	-	21
A08X44	AIR BRAKE SWITCH REPLACEMENT PROGRAM	(0)	0	-	8	25	127	4	(0)	-	164
A10X06	DIS LINE WIRE UPGRADE / ELIMINATE NARROW	-	-	-	-	-	56	22	1	90	168
C10ETT	2010 ENHANCED TREE TRIMMING FOR PSNH	103	170	77	137	344	247	1	1	0	1,080
C11ETT	2011 ENHANCED TREE TRIMMING FOR PSNH	-	-	-	-	-	-	-	227	245	472
DR9A	RELIABILITY IMPROVEMENTS - LANCASTER	-	-	-	-	-	-	-	-	-	-
DR9C	RELIABILITY IMPROVEMENTS - CHOCORUA	(0)	-	-	0	91	12	14	-	0	117
DR9D	RELIABILITY IMPROVEMENTS - DERRY	3	-	1	0	0	-	0	1	2	7
DR9E	RELIABILITY IMPROVEMENTS - EPPING	(2)	2	0	1	0	-	(0)	0	12	13
DR9H	RELIABILITY IMPROVEMENTS - HILLSBORO	7	3	1	33	20	14	2	9	-	90
DR9K	RELIABILITY IMPROVEMENTS - KEENE	5	0	37	(1)	-	-	-	11	53	105
DR9L	RELIABILITY IMPROVEMENTS - LACONIA	16	65	14	78	0	18	68	49	16	324
DR9M	RELIABILITY IMPROVEMENTS - MILFORD	0	-	0	3	1	2	0	0	-	6
DR9N	RELIABILITY IMPROVEMENTS - NASHUA	3	-	5	9	9	5	7	17	1	57
DR9P	RELIABILITY IMPROVEMENTS - PORTSMOUTH	59	7	2	(0)	30	45	1	1	1	146
DR9R	RELIABILITY IMPROVEMENTS - PSNH	0	-	-	15	(4)	13	0	-	-	24
DR9S	RELIABILITY IMPROVEMENTS - ROCHESTER	1	8	3	14	(0)	5	7	1	(0)	38
DR9W	RELIABILITY IMPROVEMENTS - NEWPORT	9	88	8	13	0	22	77	26	30	274
DR9Z	RELIABILITY IMPROVEMENTS - BEDFORD	0	1	8	3	0	9	6	17	19	64
UB3CAD	PORCELAIN CHANGE-OUT	93	115	212	309	132	136	68	109	85	1,260
Total		634	698	682	1,259	1,208	1,494	1,641	843	781	9,241

(REP 2 Dollars)

REP by time period--

At December 31, 2010--

Total REP 1 In Service--January 1, 2010 Through March 31, 2010 (Note 1)	2,500
Total REP 1 In Service--April 1, 2010 Through June 30, 2010 (Note 1)	2,500
Total REP 2 In Service-- July 1, 2010 through December 31, 2010	5,975

Total REP 1 and 2 In Service-- January 1, 2010 Through December 31, 2010	10,975	to Page 3
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At March 31, 2010--

Total REP 1 In Service--April 1, 2010 Through June 30, 2010 (Note 1)	2,500
Total REP 2 In Service-- July 1, 2010 through December 31, 2010	5,975
Total REP 2 In Service-- January 1, 2011 through March 31, 2011	3,265

Total REP 1 and 2 In Service-- April 1, 2010 Through March 31, 2011	11,741	to Page 3
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Note 1-- REP 1 annual spending was \$10 million. Specific projects or programs were not identified. For the purpose of this filing PSNH is including \$2.5 million of REP 1 capital spending for each of the periods January 1, 2010 through March 31, 2010 and April 1, 2010 through June 30, 2010.