

Public Service Company of New Hampshire
Docket No. DE 12-110

Data Request STAFF-01	ORIGINAL
Dated: 06/08/2012	
Q-STAFF-001	
Page 1 of 2	
Exhibit No. #5	
Witness: Pangli	
DO NOT REMOVE FROM FILE	

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

Question:

Reference Attachment A, page 5 of 6. Regarding Part C - "Revision to Funding Level of Major Storm Cost Reserve," please calculate the impact to earnings if PSNH's proposal to increase the annual funding level of the Major Storm Cost Reserve is not approved.

Response:

Both Tropical Storm Irene and the October snow storm (2011 storms) meet the major storm criteria outlined in the DE 99-099 Restructuring Settlement. If the NHPUC declined to increase the annual funding level of the Major Storms Cost Reserve (reserve), PSNH would continue to defer the 2011 storm costs, accrue carrying costs on the deferred storm costs, and request recovery in the next distribution rate proceeding.

PSNH normally charges major storms against the reserve, but the 2011 storms were greater than the reserve balance and FERC accounting rules do not allow debit balances in reserve accounts. Consequently, both 2011 storms have been accounted for separately as a deferred asset (account 186). Both the 2011 storms and the reserve are accruing carrying costs at the Stipulated Return (60% debt/40% equity capital structure and an 8% ROE).

Assuming there are (i) no additional major storms, (ii) PSNH continues its monthly accruals to the storm reserve at the \$3.5 M level and (iii) the continued accrual of carrying costs on both the deferred storm costs and the reserve would produce the following carrying costs as noted below:

Chart 1. Net Storm Costs --No Add'l Funding	As of	As of	As of
	6/30/2013	6/30/2014	6/30/2015
Projected Deferred 2011 Major Storms	24,306	25,542	26,841
Projected Major Storms Reserve	(12,333)	(16,549)	(20,979)
Net to be recovered	11,973	8,993	5,862

Cost Impact	12 Months	12 Months	12 Months
	6/30/2013	6/30/2014	6/30/2015
Net Carrying Costs	665	521	369

Assuming there are (i) no additional major storms, (ii) the NHPUC approves an additional funding increase of \$3.5 M (to \$7.0 M annually) for the storm reserve and (iii) the continued accrual of carrying costs on both the deferred storm costs and the reserve would produce the following carrying costs as noted below:

<u>Chart 2. Net Storm Costs --\$3.5 M Add'l Funding</u>	<u>As of 6/30/2013</u>	<u>As of 6/30/2014</u>	<u>As of 6/30/2015</u>
Projected Deferred 2011 Major Storms	24,306	25,542	26,841
Projected Major Storms Reserve	<u>(15,922)</u>	<u>(23,908)</u>	<u>(32,300)</u>
Net to be recovered/(credited)	<u>8,384</u>	<u>1,634</u>	<u>(5,459)</u>
<u>Cost Impact</u>	<u>12 Months 6/30/2013</u>	<u>12 Months 6/30/2014</u>	<u>12 Months 6/30/2015</u>
Net Carrying Costs	<u>576</u>	<u>250</u>	<u>(93)</u>

Public Service Company of New Hampshire
Docket No. DE 12-110

Data Request STAFF-01
Dated: 06/08/2012
Q-STAFF-002
Page 1 of 4

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

Question:

Reference Attachment A, page 6 of 6. Please provide copies of any analyses, internal memoranda or other documentation related to the discontinuation of the insurance program for major storms.

Response:

As stated in Attachment A, page 6 of 6, the insurance program for major storms is directly impacted by adverse loss experience. The attachment below comprises internal memoranda including a discussion of the history and nature of the storm insurance program as well as the decision not to file claims for the 2011 storms and to ultimately terminate the program.



Re: EIS

From: Randy A. Shoop <VP INTEG N PLNG > < 728-4630 >

11/21/2011 10:17 AM

To: Jay S. Buth

Cc: David R. McHale, Jeffrey R. Cahoon, John H. Ireland

Jay,

I believe this approach is consistent with our last discussion with David . We do not need to make any decision with Aegis (in terms of notice) until like 45-60 days before renewal date of Nov 2012.

Lets discuss.

Randy

Randy Shoop
Vice President and Treasurer
Northeast Utilities
56 Prospect Street
Hartford, CT 06103
Phone: 860-728-4630

Jay S. Buth

Hi Randy & David - The accountants and regulat...

11/21/2011 10:02:41 AM

From: Jay S. Buth/NUS
To: Randy A. Shoop/NUS@NU, David R. McHale/NUS@NU
Cc: Jeffrey R. Cahoon/NUS@NU
Date: 11/21/2011 10:02 AM
Subject: EIS

Hi Randy & David - The accountants and regulatory folks got together today to walk through EIS and what that means going forward (as well as in terms of the PSNH settlement and the last CL&P rate case). I would like to discuss with you guys - but the short story would be to end the process with the existing 2010 and 2009 storm claims and not pursue anything for the recent 2011 activity. This would enable a more concise explanation as to why we are changing (from expense accounting to deposit accounting) and what we would do with customer payments and how we would credit those against the storm reserve in a form of "self-insurance" going forward. It would also match the accounting up very well.

Jay



T&D Insurance

From: John H. Ireland <CLMS+INSURANCE > < 728-4850 >
To: Jeffrey R. Cahoon
Cc: Randy A. Shoop, David J. Orpik

12/09/2011 11:47 AM

Jeff,

In 1994, we formed through Energy Insurance Bermuda (EIB) Mutual Business Program No.10 (MBP#10). This segregated cell operates as an insurance entity in order to access certain reinsurance to obtain coverage not available in the traditional market place. EIB has since relocated to South Carolina and was renamed Energy Insurance Services, Inc. (EIS). EIS is currently a facility utilized by utilities to place various risks.

NU's EIS program is currently 100 percent reinsured by AEGIS. Premiums paid to EIS are then forwarded to AEGIS to insure MBP#10. The AEGIS T&D reinsurance placement is a loss sensitive program with premiums placed into an Experience Account. When a loss occurs, AEGIS forwards the funds required to MBP#10 which then pays the claim. AEGIS is reimbursed for this payment by drawing down on the Experience Account. If Experience Account is insufficient to cover the loss payment, premiums over the next 3 to 5 years are increased until sufficient premium has been paid to AEGIS to cover the loss.

The October 2010 and October 2011 payments reflect the increased premiums as required by the AEGIS reinsurance contract.

Should you need additional information please contact me.

John H. Ireland
Director, Claims & Insurance
Tel: 860.728.4850
Fax: 860.728.4597
E-Mail: irelajh@nu.com



Re: EIS MBP 10 - T&D

From: Randy A. Shoop <VP INTEG N PLNG > <728-4630 >
To: John H. Ireland

04/05/2012 09:39 AM

History: This message has been forwarded.

John,
I agree that this approach is consistent with our recent discussions on this issue . I would move forward.

Randy

Please note my email address is now randy.shoop@nu.com

Randy Shoop
Vice President and Treasurer
Northeast Utilities
56 Prospect Street
Hartford, CT 06103
Phone: 860-728-4630

John H. Ireland

Randy, Following the October 2011 snow storm...

04/04/2012 03:15:24 PM

From: John H. Ireland/NUS
To: Randy A. Shoop/NUS
Cc: David J. Orpik/NUS@NU
Date: 04/04/2012 03:15 PM
Subject: EIS MBP 10 - T&D

Randy,

Following the October 2011 snow storm we met with David McHale, and Jay Buth to discuss the insurance recovery from EIM and costs going forward. After reviewing the situation it was decided to close EIS MBP 10, cancel the reinsurance policy with AEGIS, and not submit claims for the 2011 storms.

We have since informed PURA as noted below:

The Company has not received nor does it expect to receive an insurance reimbursement for tropical storm Irene or the October snow storm. The premiums for the storm insurance program are directly related to loss experience. The recent major storm claims (particularly in 2008 and 2010) and the resulting multiple full policy limit reimbursements has caused this insurance program to be unsustainable. If claims were filed for the 2011 storms, future years' premium requirements would be essentially equivalent to insurance reimbursements received.

With your concurrence I will:

1. Inform AEGIS that NU companies will not submit a claim for the 2011 storms.
2. Make final payment to AEGIS for the outstanding Experience Account Balance of \$2,025,273.
3. Cancel the reinsurance policy with AEGIS.
4. Proceed with the closure of EIS MBP 10.

Please advise.

John H. Ireland
Director, Claims & Insurance
Tel: 860.728.4850

Public Service Company of New Hampshire
Docket No. DE 12-110

Data Request STAFF-01
Dated: 06/08/2012
Q-STAFF-003
Page 1 of 3

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

Question:

Reference Attachment RAB-1, page 6 of 8. For comparison purposes, please provide the changes in net book value for each of the listed plant accounts for calendar years 2009 and 2010.

Response:

Please see the attached pages 2 and 3 which provide the changes in net book value by plant accounts for calendar year 2009 and 2010 .

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE--INTERIM RATE ADJUSTMENT FILING
CHANGES IN NET BOOK VALUE FOR CALENDAR YEAR 2009

(Thousands of Dollars)

Change Between Periods				
Plant Account	Account Description	Plant Total	Accumulated Reserve	Net Book Value
301	Organization	-	-	-
303	Miscellaneous Intangible Plant	(3,754)	(418)	(3,336)
360	Land and Land Rights	10	-	10
361	Structures and Improvements	1,169	53	1,117
362	Station Equipment	14,616	(398)	15,014
364	Poles, Towers and Fixtures	5,774	579	5,196
365	Overhead Conductors and Devices	24,615	7,828	16,786
366	Underground Conduit	667	14	653
367	Underground Conductors and Devices	2,957	1,510	1,447
368	Line Transformers	5,972	(1,347)	7,319
369	Services	3,545	523	3,022
370	Meters	1,551	1,335	216
371	Installation on Customer Premises	86	(83)	170
373	Street Lighting and Signal Systems	136	361	(224)
389	Land and Land Rights	(0)	-	(0)
390	Structures and Improvements	8,407	(161)	8,568
391	Office Furniture and Equipment	231	1,040	(809)
392	Transportation Equipment	13,973	556	13,417
393	Stores Equipment	(236)	(264)	28
394	Tools, Shop and Garage Equipment	148	(304)	451
395	Laboratory Equipment	24	(25)	49
396	Power Operated Equipment	194	2	192
397	Communication Equipment	701	(263)	964
398	Miscellaneous Equipment	107	(63)	170
	Subtotal--Plant Account Level	80,893	10,475	70,419
	Asset Retirement Obligation	(1)	5	(5)
	Provision for Amortization - Plt in Service	-	49	(49)
	Total	80,892	10,528	70,364

Amounts shown above may not add due to rounding.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DISTRIBUTION SEGMENT RATE CASE--INTERIM RATE ADJUSTMENT FILING
CHANGES IN NET BOOK VALUE FOR CALENDAR YEAR 2010

(Thousands of Dollars)

Change Between Periods				
Plant Account	Account Description	Plant Total	Accumulated Reserve	Net Book Value
301	Organization	-	-	-
303	Miscellaneous Intangible Plant	(5,359)	(3,476)	(1,884)
360	Land and Land Rights	99	-	99
361	Structures and Improvements	1,424	437	987
362	Station Equipment	12,479	8,161	4,318
364	Poles, Towers and Fixtures	9,946	14,382	(4,436)
365	Overhead Conductors and Devices	15,694	(8,286)	23,980
366	Underground Conduit	1,013	(151)	1,164
367	Underground Conductors and Devices	3,115	(1,696)	4,812
368	Line Transformers	7,800	3,023	4,777
369	Services	5,601	151	5,450
370	Meters	1,127	(1,343)	2,470
371	Installation on Customer Premises	(46)	(813)	768
373	Street Lighting and Signal Systems	(9)	(248)	240
389	Land and Land Rights	-	-	-
390	Structures and Improvements	668	1,222	(555)
391	Office Furniture and Equipment	258	888	(630)
392	Transportation Equipment	3,537	1,281	2,256
393	Stores Equipment	733	(41)	774
394	Tools, Shop and Garage Equipment	420	11	409
395	Laboratory Equipment	253	(242)	495
396	Power Operated Equipment	7	16	(9)
397	Communication Equipment	1,342	(846)	2,188
398	Miscellaneous Equipment	5	(3)	8
	Subtotal--Plant Account Level	60,106	12,428	47,679
	Asset Retirement Obligation	10	10	1
	Provision for Amortization - Plt in Service	-	14	(14)
	Total	60,117	12,451	47,666

Amounts shown above may not add due to rounding.

Public Service Company of New Hampshire
Docket No. DE 12-110

Data Request STAFF-01
Dated: 06/08/2012
Q-STAFF-004
Page 1 of 4

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

Question:

Reference June 7, 2012 supplemental filing. Please describe what actions will be taken and measures implemented with respect to the review of PSNH's uncollectible expense by Monticello Consulting.

Response:

Please see the attached spreadsheet for the status of each of the recommendations. The recommendations have been sorted by category; thus, the order of the recommendations is different than the order in which they appeared in the consultant's report.

Account Initiation		
#	Recommendation	Comments
1	Assess the credit risk of new customer applicants by utilizing a credit score	Under further study. This requires new account initiation software provided by outside vendors
2	Utilize fraud detection technologies and solutions	Under further study. This requires new fraud detection software provided by outside vendors.
3	Obtain security deposits on certain high-risk residential accounts	Completed. Additional automation is being developed.
4	Require two forms of identification for residential applicants not able to validate positive identification through tradition methods	Under further study. This would require additional employees in the field or at a business office to meet with customers to verify identification.
5	Develop additional fraud investigation techniques and strategies, especially where adverse conditions exist	A process is being developed to identify high risk locations (multiple disconnects, fraud, or write off's, etc.).
6	Review and re-value the benefit of transferring outstanding balances to new accounts from old accounts, particularly high-balances transfers	This item is with training. The process and procedures are being developed to clearly identify when old balances should be transferred to active accounts.
7	Consider requesting changes to Denial of Service (Puc 1203.15)	Under further study. A docket has not been opened for rule review at this time.
8	Consider requesting changes to Payment Arrangements (Puc 1203.07)	Under further study. A docket has not been opened for rule review at this time.

Active Account Collection and Customer Management		
#	Recommendation	Comments
9	Utilize credit risk technologies and solutions for large commercial and industrial customers	Under further study. This requires new account initiation and fraud detection software.
10	Accelerate collection timeline by 30 days on certain residential delinquent accounts	This item is being tested and will be in production by mid June.
11	During the Winter Period, revise practice of collecting only the incremental amount above the actionable minimum balance set by the PUC and the Company	Completed.
12	Utilize existing behavioral scoring methodology to enhance collection treatment strategies, including accelerated timeline on residential accounts	This item is being tested and will be in production by mid June.
13	Continue to limit the number of renegotiated payment plans after broken by the customer	Completed.
14	Require security deposits on certain delinquent residential and non-residential customers	Completed.
15	Utilize legal collection strategies on seriously delinquent active accounts, including account protected from disconnection for non-payment (i.e., Medical Emergency accounts)	Under further study.
16	Revise CIS /accounting system to age transferred dollars to reflect actual time period of billed revenue	The review of the specifications, schedule, and required resources is underway.
17	Enhance measurement and reporting of AR buckets out to 360+ days past due	Completed.
18	Enhance measurement and reporting of collection activities and outcomes by the number of accounts, dollars and average balances, as well as by type of account (residential vs. non-residential)	In process.
19	Continue to scrutinize written Puc Rules and Regulations and adjust collection strategies to the maximum level allowed.	Ongoing.
20	Require payment of restoration fees before service reconnection after a DNP	Requires legal and regulatory review. IT work would be required to display the charge as paid in order to minimize incoming calls.
21	Consider requesting changes to Deposits-Existing Service (Puc 1203.03)	Under further study.
22	Consider requesting changes to Payment Arrangements (Puc 1203.07 and Puc 1204.4)	Under further study. A docket has not been opened for rule review at this time.
23	Consider requesting changes to Rules and Regulations related to Financial Hardship and Medical Emergency customers	Under further study. A docket has not been opened for rule review at this time.

Inactive Account Collection and Recovery		
#	Recommendation	Comments
USE MIDDLE WARE		
24	Measure, monitor, manage and report CACS accounts (i.e., accounts from the collection system) and C2 accounts (i.e., accounts from the CIS system) as separate programs	Under further review. The use of an outside vendor (a "Middle Ware"process) is being investigated to improve the reporting and assessment of agency performance.
27	Measure, monitor, manage and report residential account performance separately from non-residential account performance	
32	Use Opportunity-Cost analysis to performance manage the agencies	
35	Publish monthly KPIs	
36	Publish monthly scorecards to promote agency competition	
40	Use reports to enhance future performance and strategies (i.e., stratification)	
42	Consider a third-party "middleware" collection agency management solution	
REORGANIZE AGENCIES & FINAL ACCOUNT TIMELINE		
28	Consider eliminating the tertiary and late-stage agency programs due to low yield performance	Under further review. RFP process required to continue Early Placement pilot. We would also require additional collection agencies. With these changes to collection agencies, we would restructure and implement these suggestions at that time.
29	Consider implementing a warehouse ("trigger") program after end of secondary program	
30	Establish an agency champion-challenger competition in each agency program (i.e., Early-Out, Primary and Secondary)	
31	Use market share of placements to reward best-performing agencies	
33	Eliminate inconsistent commission fees within each agency program	
34	Reduce time accounts worked by agencies in each program	
37	Eliminate upstream agencies working same accounts downstream	
OTHER INACTIVE ACCOUNT COLLECTION AND RECOVERY RECOMMENDATIONS		
25	Consider eliminating the final bill reminder notice on delinquent and other high-risk accounts	Recommendation is under review. An automated calling campaign may be a practical replacement for the final bill reminder letter. Calling campaigns are already in use for other customer situations.
26	Measure all agency performance by monthly-batch comparison	Completed.
38	Obtain consistent reports from agencies	Completed.
39	Obtain data integrity reports from agencies	Completed.
41	Develop/enhance legal collection program	Under further review.