



**Public Service
of New Hampshire**

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The Northeast Utilities System

Gerald M. Eaton
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May 18, 2007

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

Re: Interim Default Energy Service Rate
Docket No. DE 06-125



Dear Ms. Howland:

Enclosed please find an original and six copies of the testimony and attachments of Robert A. Baumann containing a recalculation and supporting documentation for a Default Energy Service rate applicable to PSNH's customers who take service under Default Energy Service Rate D on and after July 1, 2007. PSNH requests the Commission to approve a decrease in the rate from the current 8.59 cents per kilowatt-hour to 7.88 cents per kilowatt-hour.

PSNH has also filed on this date a request for a rate change in its Stranded Cost Recovery Charge Rate. PSNH will later file a request for an adjustment in the Transmission Cost Adjustment Mechanism rate ("TCAM"). All three rate changes are proposed for effect on July 1, 2007. PSNH requests that the Commission schedule a hearing in June to address all three rate changes. Copies have been mailed or hand delivered to the persons on the attached service list.

Sincerely,

Gerald M. Eaton
Senior Counsel

Enclosures
cc: Service List

Service List
Docket DE 06-125

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THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ROBERT A. BAUMANN
DEFAULT ENERGY SERVICE RATE MID-TERM ADJUSTMENT
Docket No. DE 06-125

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

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

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

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

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

11 **A. The purpose of my testimony is to provide a detailed overview of PSNH's request for a mid-term**
12 **adjustment to decrease the current Default Energy Service (ES) rate effective on July 1, 2007.**

Q. Please provide the historic and current ES rates.

A. The table below outlines ES rates in effect from May 1, 2001 to the present for residential, small commercial and industrial customers (Group 1) and large commercial and industrial customers (Group 2).

<u>Date of Service</u>	<u>(Small) Group 1</u>	<u>(Large) Group 2</u>
May 2001 - January 2003	4.40 cents per kWh	4.40 cents per kWh
February 2003 - January 2004	4.60	4.67
February 2004 - July 2004	5.36	5.36
August 2004 - January 2005	5.79	5.79
February 2005 - July 2005	6.49	6.49
August 2005 - January 2006	7.24	7.24
February 2006 – June 2006	9.13	9.13
July 2006 - December 2006	8.18	8.18
January 2007	8.59	8.59

Initially, Energy Service rates were set by statute. Beginning in February 2003, the Energy Service rate for large commercial and industrial customers (Group 2) was based on PSNH's forecast of "actual, prudent and reasonable costs." Beginning in February 2004, the Energy Service rate for all retail customers was based on a forecast of PSNH's "actual, prudent and reasonable costs."

10 **Q. What is PSNH requesting in this proceeding?**

11 A. In this proceeding, PSNH is requesting that the Commission approve a mid-term adjustment to
12 the ES rate for all customers effective July 1, 2007. This rate adjustment would decrease the
13 current ES rate of 8.59 cents per kWh to 7.88 cents per kWh, based on actual results through
14 April 2007 and the most current forecast of PSNH's costs of providing such power for the

1 remainder of 2007. The detailed calculations supporting the proposed ES rate and all
2 over-recovery values can be found in Attachments RAB-1 and RAB-2 to this testimony and a
3 detailed explanation of the reasons for the over recovery can be found in Attachment RAB-3, the
4 Technical Statement of Richard C. Labrecque.

5 **Q. Please provide an overview of how the Energy Service cost recovery mechanism works.**

6 A. PSNH recovers the cost of supplying energy to customers who choose to receive energy from
7 PSNH through the ES rate. The ES rate is forecasted and reconciled once actual costs are known.
8 ES reconciliation amounts beginning in February 2006 are deferred and applied to future ES rate
9 recoveries per the Commission's order and findings in Docket No. DE 05-164, Order No. 24,579,
10 dated January 20, 2006.

11 **Q. Describe what has transpired during the ES period beginning January 1, 2007?**

12 A. The current ES rate of 8.59 cents per kWh began on January 1, 2007 for the twelve month period,
13 January – December 2007. Since that time, there has been a decrease in current market prices
14 from the level used in forecasting the current ES rate of 8.59 cents. This change, coupled with
15 other operational issues that have also lowered ES costs, has created an over-recovery of ES costs
16 for the 12 month ES billing year. The total projected over-recovery for this ES year is now \$27.1
17 million. This amount is made up of actual over recovery through April 2007 of \$25.2 million and
18 projected over recovery of \$1.9 million for the May – December time period. Our proposed ES
19 rate of 7.88 cents/kWh reflects this actual and projected over recovery of \$27.1 million.

20 **Q. Are the costs that PSNH has included in this ES rate filing consistent with past ES filings?**

1 A. Yes with one exception noted below. ES costs contain the generation asset revenue requirements,
2 entitlements and purchased power obligations. In addition, Energy Service costs include the fuel
3 costs associated with PSNH's generation as well as costs and revenues from market purchases
4 and sales of electricity and ISO-NE expenses and revenues. The generation revenue requirements
5 include non-fuel costs of generation, including non-fuel operation and maintenance costs,
6 allocated administrative and general costs, depreciation, property taxes and payroll taxes, and a
7 return on the net fossil/hydro investment.

8 As an exception effective July 1, 2007, PSNH's proposed ES costs reflect the ES portion of
9 uncollectible expense consistent with the Settlement Agreement in PSNH's Delivery Service Rate
10 Proceeding, Docket No. DE 06-028. The proposed mid-term ES rate reflects uncollectible
11 expense of \$1,015,000 applicable to July – December 2007, which is 50% of the annual amount
12 of \$2,030,000 noted in the Settlement Agreement.

13 **Q. How are PSNH's mandated purchased power obligations (IPPs) valued in calculating the**
14 **Energy Service rate?**

15 A. PSNH includes the IPP generation as a source of power to meet the PSNH's load requirements,
16 and that power is valued based on projected market costs (energy and capacity). The over-market
17 portion of purchases from the IPPs are considered to be a stranded cost and recovered as a Part 2
18 cost through the Stranded Cost Recovery Charge. This treatment is consistent with the
19 Restructuring Settlement and the Commission's Order in Docket DE 02-166. As market prices
20 drop, the ES costs drop and there is a corresponding increase to the SCRC rate for the same time
21 period. To properly match the recovery of IPP costs, PSNH will also simultaneously file for a
22 change in the SCRC rate effective July 1, 2007.

Q. Does PSNH propose to implement the new Energy Service rates on a bills-rendered basis?

A. Yes. PSNH proposes implementation of the new ES rates for all customers taking such service on a bills-rendered basis, consistent with the methodology used for all such rate changes in prior years.

5 **Q. Does PSNH require Commission approval of this rate by a specific date?**

6 A. Yes, PSNH would need final approval of the proposed ES rate by June 29, 2007, in order to
7 implement the new rate for bills rendered as of July 1, 2007. Therefore, PSNH requests that the
8 Commission commence a proceeding so that the procedural schedule can be set to review this
9 filing and approve the ES rate in a timely manner.

Q. Does this conclude your testimony?

A. Yes, it does.

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**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION
(Dollars in 000's)**

10 **Summary of Forecasted Energy Service**

11 Cost For January 2007 Through December 2007	TOTAL COST	Reference
12		
13 Fossil energy costs	\$ 182,114	Attachment RAB-2, page 2
14 F/H O&M, Depreciation & Taxes	118,374	Attachment RAB-2, page 2
15 Return on rate base	35,297	Attachment RAB-2, page 2
16 Ancillary, ISO-NE, Uplift & Capacity Costs	39,355	Attachment RAB-2, page 2
17 Vermont Yankee	6,783	Attachment RAB-2, page 2
18 IPP costs	58,018	Attachment RAB-2, page 2
19 Purchases and Sales	197,622	Attachment RAB-2, page 2
20 Return on ES deferral	(961)	Attachment RAB-2, page 2
21 ES Uncollectible Expense	1,015	Attachment RAB-2, page 2
22 2006 actual ES under/(over) recovery	<u>(19,445)</u>	Attachment RAB-2, page 2
23 Total Updated Energy Service Cost	\$ 618,173	Attachment RAB-2, page 2
24 Total Updated Revenue at 8.59 cents per kwh	<u>645,285</u>	Attachment RAB-2, page 2
25 Energy Service Under/(Over) Recovery	\$ <u>(27,112)</u>	
26 Forecasted Retail MWH Sales - July - December 2007	<u>3,833,444</u>	Attachment RAB-2, page 2
27 Increase in Energy Service Rate - cents per kwh (L27/29)	\$ (0.71)	
28 Current Energy Service rate as approved in DE 05-164 - cents per kwh	\$ <u>8.59</u>	
29 Updated Energy Service rate effective 7/1/07 - cents per kwh	\$ <u><u>7.88</u></u>	

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION
(Dollars in 000's)

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	Actual January 2007	Actual February 2007	Actual March 2007	Actual April 2007	Re-estimate May 2007	Re-estimate June 2007	Reference
Energy Service Cost							
Fossil Energy Costs	\$ 21,284	\$ 26,340	\$ 13,720	\$ 10,418	\$ 7,606	\$ 11,630	RAB-2, P3
F/H O&M, Depreciation & Taxes	8,599	7,965	11,802	12,128	13,657	9,616	RAB-2, P5
Return on Rate Base	2,953	2,957	2,866	2,793	2,890	2,988	RAB-2, P6
Ancillary, ISO-NE, Uplift & Capacity Costs	1,774	4,986	2,923	2,658	3,489	3,199	RAB-2, P3
Vermont Yankee	638	566	570	567	365	345	RAB-2, P3
IPP Costs (1)	4,992	5,279	4,229	6,053	4,970	4,945	RAB-2, P4
Purchases and Sales	11,749	8,911	14,006	16,120	21,294	16,941	RAB-2, P3
Return on ES deferral	(91)	(101)	(97)	(90)	(72)	(66)	
ES Uncollectible Expense (2)	-	-	-	-	-	-	
2006 actual ES under/(over) recovery (3)	(19,445)	-	-	-	-	-	
Total Energy Service Cost Re-estimate	\$ 32,453	\$ 56,904	\$ 50,019	\$ 50,846	\$ 54,200	\$ 49,597	
Total Energy Service Revenue @ 8.59 Rate	\$ 60,480	\$ 54,896	\$ 52,348	\$ 47,521	\$ 49,681	\$ 51,066	
ES Under/ (Over) Recovery	\$ (28,027)	\$ 2,008	\$ (2,329)	\$ 3,125	\$ 4,519	\$ (1,469)	
Retail MWH Sales	704,095	639,076	609,575	552,066	578,362	594,481	
Energy Service Cost - cents per kwh	4.61	8.90	8.21	9.17	9.37	8.34	
Comparison to Approved Rate							
Energy Service Under/(Over) Recovery	\$ (5,598)	\$ 4,563	\$ 2,538	\$ 6,793	\$ 2,212	\$ (3,218)	
As Approved in DE 06-125, Order # 24,714 (4)							
Energy Service Recovery Variance	\$ (22,429)	\$ (2,555)	\$ (4,867)	\$ (3,668)	\$ 2,307	\$ 1,749	
Under/(Over) Recovery (Line 23 - 27)							

(1) The IPP costs represent the actual and forecasted market value of IPP generation. January 2007 also reflects a 2006 ES true up credit of \$48 thousand.

(2) Per the Settlement Agreement in Docket No. DE 06-028, PSNH will begin recovering the ES portion of uncollectible expense through the ES Rate effective 7/1/07 [(\$2,030/12) x 6 months].

(3) See PSNH SCRC filing in DE 07-057, Attachment RAB-4, page 2b.

(4) January 2007 includes (\$10,895) ES over recovery from 2006, as approved in DE 06-125, Order No. 24,714.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION
(Dollars in 000's)

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	Re-estimate July 2007	Re-estimate August 2007	Re-estimate September 2007	Re-estimate October 2007	Re-estimate November 2007	Re-estimate December 2007	Total	Reference
Energy Service Cost								
Fossil Energy Costs	\$ 21,752	\$ 22,169	\$ 11,630	\$ 12,057	\$ 11,431	\$ 12,078	\$ 182,114	RAB-2, P3
F/H O&M, Depreciation & Taxes	10,735	8,823	9,054	9,225	8,489	8,281	118,374	RAB-2, P5
Return on Rate Base	2,980	2,976	2,965	2,958	2,962	3,009	35,297	RAB-2, P6
Ancillary, ISO-NE, Uplift & Capacity Costs	3,343	3,405	3,117	3,488	3,386	3,587	39,355	RAB-2, P3
Vermont Yankee	629	629	608	629	608	629	6,783	RAB-2, P3
IPP Costs (1)	5,094	4,445	3,561	4,155	4,724	5,572	58,018	RAB-2, P4
Purchases and Sales	15,808	15,869	18,622	17,410	19,298	21,594	197,622	RAB-2, P3
Return on ES deferral	(66)	(63)	(67)	(75)	(83)	(90)	(961)	
ES Uncollectible Expense (2)	169	169	169	169	169	170	1,015	
2006 actual ES under/(over) recovery (3)	-	-	-	-	-	-	(19,445)	
Total Energy Service Cost Re-estimate	\$ 60,443	\$ 58,422	\$ 49,659	\$ 50,016	\$ 50,984	\$ 54,830	\$ 618,173	
Total Energy Service Revenue @ 8.59 Rate	\$ 58,969	\$ 58,267	\$ 51,413	\$ 51,811	\$ 52,442	\$ 56,392	\$ 645,285	
Total Energy Service Under/ (Over) Recovery	\$ 1,474	\$ 155	\$ (1,754)	\$ (1,795)	\$ (1,457)	\$ (1,562)	\$ (27,112)	
Retail MWH Sales	686,479	678,310	598,525	603,150	610,495	656,485	7,511,099	
Energy Service Cost - cents per kwh	8.80	8.61	8.30	8.29	8.35	8.35	8.23	
Comparison to Approved Rate	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007	Total	
Energy Service Under/(Over) Recovery	\$ 1,594	\$ 450	\$ (2,765)	\$ (3,355)	\$ (2,234)	\$ (1,236)	\$ (256)	
As Approved in DE 06-125, Order # 24,714 (4)								
Energy Service Recovery Variance								
Under/(Over) Recovery	\$ (120)	\$ (295)	\$ 1,011	\$ 1,580	\$ 777	\$ (326)	\$ (26,856)	
(Line 23 - 27)								

(1) The IPP costs represent the actual and forecasted market value of IPP generation
January 2007 also reflects a 2006 ES true up credit of \$48 thousand.

(2) Per the Settlement Agreement in Docket No. DE 06-028, PSNH will begin recovering the ES portion of uncollectible expense through the ES Rate effective 7/1/07 [(\$2,030/12) x 6 months].

(3) See PSNH SCRC filing in DE 07-057, Attachment RAB-4, page 2b.

(4) January 2007 includes (\$10,895) ES over recovery from 2006, as approved in DE 06-125, Order No. 24,714.

PUBLIC SERVICE RATE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION

PSNH Generation (GWh) and Expense (\$000)
IPP's Priced at Market Rate

		May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Total	
8	Hydro:										
9	Energy	37,138	27,548	19,741	19,015	17,148	23,367	31,505	30,417	205,879	
10	Coal:										
11	Energy	200,071	316,930	327,494	327,494	316,930	329,153	318,535	329,153	2,465,760	
12	Energy Expense	\$ 7,170	11,208	11,581	11,581	11,208	11,642	11,266	11,642	87,298	
13	Wood:										
14	Energy	30,132	29,160	30,132	30,132	29,160	28,715	11,421	30,132	218,984	
15	Energy Expense	\$ 1,467	1,420	1,467	1,467	1,420	1,398	556	1,467	10,662	
16	Revenue Credit	\$ (1,031)	(998)	(1,031)	(1,031)	(998)	(983)	(391)	(1,031)	(7,496)	
17	Nuclear:										
18	Energy	8,824	8,334	15,197	15,197	14,707	15,197	14,707	15,197	107,360	
19	Energy Expense	\$ 365	345	629	629	608	629	608	629	4,442	
20	Newington:										
21	Energy	0,000	0,000	105,486	109,924	0,000	0,000	0,000	0,000	215,410	
22	Energy Expense	\$ -	-	9,735	10,152	-	-	-	-	19,887	
23	IPP's:										
24	Energy	74,332	66,945	61,804	51,707	48,056	53,151	58,591	63,785	478,371	
25	Energy Expense	\$ 4,585	4,681	4,830	4,228	3,344	3,831	4,400	5,248	35,147	
26	ICAP	\$ 385	264	264	217	217	324	324	324	2,319	
27	Peak Purchase:										
28	Energy	27,750	26,018	39,457	33,950	33,611	35,294	48,624	63,605	308,309	
29	Expense	\$ 2,044	2,182	3,679	3,257	2,838	3,025	4,431	6,327	27,783	
30	Known Purchases										
31	Energy	237,787	174,656	131,787	128,587	169,856	146,587	141,056	144,187	1,274,503	
32	Expense	\$ 19,595	15,664	12,164	12,076	14,961	13,635	13,057	13,216	114,368	
33	Offpeak Purchase:										
34	Energy	33,466	14,744	27,319	33,100	30,483	15,150	26,186	31,099	211,547	
35	Expense	\$ 1,799	984	1,903	2,594	2,133	1,085	1,945	2,706	15,149	
36	Surplus Energy Sales										
37	Energy (Credit)	\$ (35,275)	(32,984)	(29,380)	(28,740)	(24,320)	(6,065)	(2,273)	(10,397)	(169,434)	
38		\$ (2,144)	(1,889)	(1,938)	(2,058)	(1,310)	(335)	(135)	(655)	(10,464)	
39	Congestion and Loss Adjustment	\$ 333	580	723	738	451	493	391	422	4,132	
40											
41	Total Energy GWH	614,225	631,351	729,037	720,366	635,631	640,549	648,352	697,178	5,316,689	
42	Total Energy Expense	\$ 34,568	34,441	44,006	43,849	34,872	34,744	36,452	40,295	303,227	
43											
44	Other Expense & Capacity										
45	ISO-NE, Uplift, Reserve & Regulation	\$ 995	1,011	1,012	1,012	1,011	1,057	1,057	1,057	8,212	
46	and Ancillary										
47	Newington Capacity Revenue	\$ (142)	(142)	(142)	(142)	(142)	(142)	(142)	(142)	(1,136)	
48											
49	Capacity (sold)/bought MW-mo	755	574	574	589	589	682	682	738	5,182	
50	Capacity (sold)/bought Cost (\$000)	\$ 2,303	1,750	1,750	1,797	1,797	2,080	2,080	2,251	15,806	
51											
52											
53	Amounts shown above may not add due to rounding.										

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION

1 **Forecasted PSNH IPP Market Value**

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4	Month	IPP GWh	IPP at Mkt Value (\$000)	Capacity MW	ICAP Value \$/kw-mo	ICAP (\$000)	Total (\$000)	Total \$/MWh
6	May	74.332	4,585	126.3	3.05	385.0	4,970	66.86
7	June	66.945	4,681	86.5	3.05	264.0	4,945	73.87
8	July	61.804	4,830	86.5	3.05	264.0	5,094	82.42
9	August	51.707	4,228	71.0	3.05	217.0	4,445	85.97
10	September	48.056	3,344	71.0	3.05	217.0	3,561	74.10
11	October	53.151	3,831	106.3	3.05	324.0	4,155	78.17
12	November	58.591	4,400	106.3	3.05	324.0	4,724	80.63
13	December	63.785	5,248	106.3	3.05	324.0	5,572	87.36
14	Total	478.371	35,147			2,319.0	37,466	78.32

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION
Fossil / Hydro O&M, Depreciation & Taxes Detail
(Dollars in 000's)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
	2007 Actual	2007 Actual	2007 Actual	2007 Actual	2007 Estimate								
11 Fossil / Hydro O&M, Depr. & Taxes													
13 F/H Operation & Maintenance Cost	\$ 6,026	\$ 5,383	\$ 8,956	\$ 9,598	\$ 10,979	\$ 6,932	\$ 8,038	\$ 6,070	\$ 6,335	\$ 6,516	\$ 5,778	\$ 5,585	\$ 86,196
14 F/H Depreciation Cost	1,824	1,825	1,830	1,827	1,935	1,952	1,955	1,958	1,960	1,966	1,974	1,980	22,986
15 F/H Property Taxes	608	608	608	553	639	639	639	639	639	639	639	639	7,487
16 F/H Payroll Taxes	141	149	265	150	105	94	103	157	120	105	98	78	1,563
17 Amortization of Asset Retirement Obligation			143										143
19 Total F/H O&M, Depr. and Taxes	\$ 8,599	\$ 7,965	\$ 11,802	\$ 12,128	\$ 13,657	\$ 9,616	\$ 10,735	\$ 8,823	\$ 9,054	\$ 9,225	\$ 8,489	\$ 8,281	\$ 118,374

30 Amounts shown above may not add due to rounding.

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENERGY SERVICE RATE CALCULATION
FOSSIL/HYDRO RETURN ON RATE BASE
(Dollars in 000's)**

	January 2007 Actual	February 2007 Actual	March 2007 Actual	April 2007 Actual	May 2007 Estimate	June 2007 Estimate	July 2007 Estimate	August 2007 Estimate	September 2007 Estimate	October 2007 Estimate	November 2007 Estimate	December 2007 Estimate	Total
12 Return on Rate Base	240,663	240,663	236,586	236,586	255,349	255,162	254,437	254,075	252,833	254,614	255,086	254,861	
20 Net Plant	11,590	11,590	11,590	11,590	10,637	10,637	10,637	10,637	10,637	10,637	10,637	10,637	
22 Working Capital Allow. (45 days of O&M)	57,145	57,145	42,293	42,293	42,550	42,550	42,550	42,550	42,550	42,550	42,550	42,550	
23 Fossil Fuel Inventory	38,840	38,840	39,099	39,099	38,810	38,902	37,984	39,224	37,177	36,944	35,943	46,953	
24 Mat's and Supplies	2,028	2,028	403	403	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	
25 Prepaid Property Taxes	(8,387)	(8,387)	(7,759)	(7,759)	(7,759)	(7,759)	(7,759)	(7,759)	(7,759)	(7,759)	(7,759)	(7,759)	
26 Deferred Taxes	(13,086)	(13,086)	(13,552)	(13,552)	(12,011)	(12,011)	(12,011)	(12,011)	(12,011)	(12,011)	(12,011)	(12,011)	
27 Other Regulatory Obligations	328,793	328,793	308,660	308,660	330,249	330,154	328,511	329,389	326,099	327,647	327,118	337,903	
28 Total Rate Base-Adjusted (sum L20 thru L27)	328,418	328,793	318,727	308,660	319,454	330,201	329,332	328,950	327,744	326,873	327,383	332,511	
30 Average Rate Base (prev + curr month)	0.8993%	0.8993%	0.8993%	0.9048%	0.9048%	0.9048%	0.9048%	0.9048%	0.9048%	0.9048%	0.9048%	0.9048%	
31 x Return	\$ 2,953	\$ 2,957	\$ 2,866	\$ 2,793	\$ 2,890	\$ 2,988	\$ 2,980	\$ 2,976	\$ 2,965	\$ 2,958	\$ 2,962	\$ 3,009	
32 Return-Adjusted (L30 x L31)	\$ 2,953	\$ 2,957	\$ 2,866	\$ 2,793	\$ 2,890	\$ 2,988	\$ 2,980	\$ 2,976	\$ 2,965	\$ 2,958	\$ 2,962	\$ 3,009	
33													\$ 35,297

39 Amounts shown above may not add due to rounding.

THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire
Energy Service Rate Mid-Term Adjustment

Docket No. DE 06-125

Technical Statement of Richard C. Labrecque

Actual Over-Recovery during January - April 2007 [\$33.5 million greater than original forecast]

Actual fuel and energy-related expenses for this period were \$26.7 million lower than forecasted, due to the combined effect of a reduced energy requirement and a lower-priced mix of resources. Also, the non-fuel and non-energy expenses (O&M, Depreciation, Taxes, Return on Rate Base, Return on ES deferral, ISO charges, and Capacity charges) were lower by approximately \$12.1 million. In addition, the actual 2006 over-recovery was \$8.6 million greater than originally forecasted. Total ES revenues were approximately \$13.9 million lower than forecasted due to fewer sales. The combined effect of reduced expenses and revenues resulted in an actual over-recovery of approximately \$25.2 million, which was \$33.5 million greater than the \$8.3 million under-recovery originally forecasted. Additional details are summarized on Tech Statement Table-1 below.

Comment on Reduced Customer Sales Forecast

The original expense forecast (filed November 17, 2006) assumed zero customer migration, i.e. the base sales forecast was not adjusted for potential migration. In actuality, approximately 40 MW of customers were taking alternative supply options during early January 2007. The level of migration reached approximately 125 MW by mid-April and has remained essentially constant. This loss has been reflected in the forecasted sales for May to December that are reflected in this filing.

Forecasted Over-Recovery during May - December 2007 [\$6.7 million less than original forecast]

Forecasted fuel and energy-related expenses for this period have decreased by \$38.5 million, primarily due to the reduced sales forecast and other various adjustments noted below. Forecasted non-fuel and non-energy expenses (O&M, Depreciation, Taxes, Return on Rate Base, Return on ES deferral, Uncollectible Expense, ISO charges, and Capacity charges) have increased \$2.6 million. The combined effect of these changes is a net expense decrease of \$35.9 million. At the current ES rate of 8.59 cents/kwh, forecasted revenues for May through December would decrease by \$42.6 million due to the reduced customer sales forecast. Thus, this updated ES filing reflects a net over-recovery of \$1.9 million, which is \$6.7 million less than the \$8.6 million over-recovery original forecasted.

<u>Description</u>	<u>Amount (\$000)</u>	<u>Note #</u>
1. Coal (Merrimack, Schiller 4 & 6)	(\$847)	1
2. Oil (Newington)	(\$791)	2
3. June Purchase	\$1,369	3
4. IPP Market Value	\$5,906	4
5. Spot Market Purchases	(\$35,903)	5
6. Spot Market Surplus Sales	<u>(\$8,267)</u>	6
Total net change in forecasted costs	(\$38,533)	

Notes:

1. Minor adjustment to the estimated delivered Merrimack coal cost (\$/ton).
2. Minor adjustment to the estimated Newington oil inventory cost (\$/bbl).
3. A June on-peak bilateral purchase of 50 MWs (16.8 GWH) was executed for \$81.50/MWh.
4. This filing includes one additional IPP selling power (81 GWH) to PSNH under short-term rates. The original filing assumed this IPP would no longer sell to PSNH after rate order expiration.
5. The original forecast included approximately 1008 GWH of hourly spot market purchases at an average expense of over \$78/MWh. Based on the reduced sales forecast, the purchase quantity has been reduced to approximately 520 GWH. Based on higher forward market prices, the average cost of these purchases is forecasted to be approximately \$83/MWh. The combined effect of lower quantity and higher price results in the noted expense reduction.
6. The original forecast included approximately 33 GWH of hourly spot market surplus sales at average market revenue of \$67/MWh. Based on the reduced sales forecast, the surplus quantity has increased to approximately 169 GWH. Based on the monthly distribution of these sales and a decrease in the ratio of on-peak to off-peak sales, the average market revenue for these sales is forecasted to decrease to \$62/MWh. The combined effect of higher quantity and lower price results in the noted expense reduction.

Tech Statement Table-1 - Summary of Actual vs. Forecasted Power Supply Expenses [Jan – Apr 2007]

ACTUAL RESULTS	Actual	Actual	Actual	Actual	Total	
	January	February	March	April		
	2007	2007	2007	2007		
Energy Service Cost						
Fossil Energy Costs	\$ 21,284	\$ 26,340	\$ 13,720	\$ 10,418	\$ 71,762	
F/H O&M, Depreciation & Taxes	8,599	7,965	11,802	12,128	40,493	
Return on Rate Base	2,953	2,957	2,866	2,793	11,569	
Ancillary, ISO-NE, Uplift & Capacity Costs	1,774	4,986	2,923	2,658	12,341	
Vermont Yankee	638	566	570	567	2,341	
IPP Costs	4,992	5,279	4,229	6,053	20,553	
Purchases and Sales	11,749	8,911	14,006	16,120	50,786	
Return on ES deferral	(91)	(101)	(97)	(90)	(379)	
2006 actual ES under/(over) recovery (2)	(19,445)					
Total Energy Service Cost	\$ 32,453	\$ 56,904	\$ 50,019	\$ 50,646	\$ 209,467	
Total Energy Service Revenue @ 8.59 Rate	\$ 60,480	\$ 54,896	\$ 52,348	\$ 47,521	\$ 215,245	
Forecasted ES Under/ (Over) Recovery	\$ (28,027)	\$ 2,008	\$ (2,329)	\$ 3,125	\$ (25,223)	
Forecasted Retail MWH Sales	704,095	639,076	609,575	552,066	2,504,812	
Energy Service Cost - cents per kwh	4.61	8.90	8.21	9.17	8.36	
NOVEMBER 2006 FORECAST	Estimate	Estimate	Estimate	Estimate	Total	
	January	February	March	April		
	2007	2007	2007	2007		
Energy Service Cost						
Fossil Energy Costs	\$ 33,927	\$ 28,998	\$ 22,688	\$ 8,415	\$ 94,028	
F/H O&M, Depreciation & Taxes	9,113	8,267	11,103	15,717	44,200	
Return on Rate Base	2,882	2,854	2,819	2,804	11,359	
Ancillary, ISO-NE, Uplift & Capacity Costs	6,017	5,655	4,938	3,948	20,557	
Vermont Yankee	629	568	629	608	2,434	
IPP Costs	5,869	5,383	5,278	5,004	21,534	
Purchases and Sales	8,046	7,254	14,062	24,849	54,211	
Return on ES deferral	-	-	-	-	-	
2006 actual ES under/(over) recovery (2)	(10,895)					
Total Energy Service Cost	\$ 55,587	\$ 58,978	\$ 61,518	\$ 61,345	\$ 248,323	
Total Energy Service Revenue @ 8.59 Rate	\$ 61,186	\$ 54,415	\$ 58,980	\$ 54,552	\$ 229,132	
Forecasted ES Under/ (Over) Recovery	\$ (5,598)	\$ 4,564	\$ 2,538	\$ 6,793	\$ 8,296	
Forecasted Retail MWH Sales	712,292	633,464	686,607	635,065	2,667,428	
Energy Service Cost - cents per kwh	7.80	9.31	8.96	9.66	9.31	
VARIANCES						
	January	February	March	April	Total	Note
	2007	2007	2007	2007		
Energy Service Cost						
Fossil Energy Costs	\$ (12,643)	\$ (2,658)	\$ (8,968)	\$ 2,003	\$ (22,266)	1
F/H O&M, Depreciation & Taxes	(514)	(302)	699	(3,589)	(3,707)	2
Return on Rate Base	72	103	47	(12)	210	
Ancillary, ISO-NE, Uplift & Capacity Costs	(4,243)	(669)	(2,015)	(1,290)	(8,216)	3
Vermont Yankee	9	(2)	(59)	(41)	(93)	
IPP Costs	(877)	(104)	(1,049)	1,049	(981)	4
Purchases and Sales	3,703	1,657	(56)	(8,729)	(3,425)	5
Return on ES deferral	(91)	(101)	(97)	(90)	(379)	
2006 actual ES under/(over) recovery (2)	(8,550)	-	-	-	(8,550)	6
Total Energy Service Cost	\$ (23,134)	\$ (2,074)	\$ (11,499)	\$ (10,699)	\$ (47,406)	
Total Energy Service Revenue @ 8.59 Rate	\$ (706)	\$ 481	\$ (6,632)	\$ (7,031)	\$ (13,887)	
Forecasted ES Under/ (Over) Recovery	\$ (22,428)	\$ (2,556)	\$ (4,867)	\$ (3,668)	\$ (33,519)	
Forecasted Retail MWH Sales	(8,197)	5,612	(77,032)	(82,999)	(162,616)	
Energy Service Cost - cents per kwh	(3.19)	(0.41)	(0.75)	(0.49)	(0.95)	

Notes to Table-1

1. Newington oil expenses decreased \$24 million due to a reduced capacity factor. Newington was utilized significantly less than forecasted in January and February due to mild temperatures and low market prices. Newington was placed on economic reserve for most of March. The decision to not operate Newington as planned was driven by oil price movements relative to the price of energy purchases. PSNH was able to sell the oil cargos previously bought for use in these months, reduce SO2 emissions compliance costs, and purchase replacement power to achieve a lower cost power supply.
2. O&M costs were reduced primarily due to the timing of monthly expense reporting. The annual O&M forecast is essentially unchanged from the original filing.
3. ISO-NE costs were significantly impacted by reduced congestion and loss expenses, lower ancillary services expenses, reduced administrative and energy uplift expenses and lower capacity costs.
4. IPP production was approximately 11% higher than forecast. The average market price for this power decreased significantly, from a forecast of \$87/MWh to an actual average of approximately \$75/MWh. The combination of higher volume and lower price resulted in the noted variance.
5. The net purchase expense decreased by \$3.4 million relative to the forecast (this includes all bilateral and spot market purchase expenses as offset by spot market surplus sale revenues). This net decrease represents the combined effect of replacing a portion of Newington's forecasted operation, as offset primarily by a reduced energy requirement and higher baseload unit production.
6. The actual 2006 over-recovery was \$8.5 million greater than forecast due to actual results in November and December 2006. Those months were impacted primarily by improved baseload unit performance and lower market prices.