

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Updated Pro Forma Adjustment Explanations

December 15, 2009

Income Statement

1. Pension – Volume II, page 000103

This \$439,000 increase to pension reflects the latest actuarial values.

2. Other Post Employment Benefits – Volume II, page 000101

This \$221,000 increase to OPEB reflects the latest actuarial values.

3. Medical costs – Volume II, page 000107

This \$667,000 increase to medical reflects updated information related to medical costs including a greater number of High Cost Claims and a larger overall claim volume than was projected. A High Cost Claim is a single medical event for one participant that exceeds \$20,000.

4. NHPUC assessment

This \$209,000 increase to the NHPUC Assessment reflects the actual bill for the current year assessment that was not available at the time of the June 30, 2009 filing.

5. Rent expense - OCA-01, Q-OCA-035 and OCA-03, Q-OCA-014

This \$28,000 decrease to the test year rent expense reflects two items: 1) updated information projects current rent expense to be \$23,000 lower than originally filed; and 2) the removal of \$4,878 which reflects the thirteenth month of rent expense included in the test year for the Milford AWC.

6. Software maintenance agreement - OCA-01, Q-OCA-T-008 & OCA-01,
Q-OCA-052, Volume II, page 000095

This adjustment to decrease operating expense by \$35,000 reflects the expiration of a prior maintenance agreement that had not been previously removed from the pro forma revenue requirement.

7. Legal fees - OCA-01, Q-OCA-T-013 and OCA-01, Q-OCA-056

This adjustment to decrease Legal expense by \$43,000 reflects two items: 1) \$15,470 relates to services provided for work performed at the FERC for a Unitil delivery service agreement that will be reallocated; and 2) \$27,608 relates to a market-based rate update filing before the FERC that will be reallocated to the generation segment.

8. Uncollectible expense – Volume II, page 000091

This \$1,350,000 increase to Uncollectible expense reflects updated actual information through October 2009 that was not available at the time of the June 30, 2009 filing.

9. Customer Experience employee expense

This \$857,000 increase to O&M expense reflects the addition of 16 full time Customer Experience employees for the purpose of supporting the Credit Department and Call Center. The positions are as follows:

- Credit Department, (4) Customer Service Representatives: To support the additional volume of work which is primarily a result of the weak economy.
- Credit Department, (1) Credit Counselor: To handle escalated calls from retail customers and to oversee commercial and industrial account activity. Again, primarily the result of the weak economy.
- Call Center, (10) Customer Service Representatives: To support the increased average monthly call volume and duration of calls in order to meet customers' evolving needs during this economy.
- Call Center, (1) Customer Service Supervisor: To maintain the appropriate ratio of Customer Service Representatives per supervisor in order to ensure quality control and to take customer phone calls as needed.

10. Customer Assistance expense – AUDIT-25, Q-AUDIT-0044

This adjustment to decrease Customer Assistance by \$20,000 reflects costs originally accounted for as customer assistance costs that should have been accounted for as lobbying costs.

Other Expense

11. Depreciation – TS-01, Q-TECH-008, Volume II, page 000121

This \$283,000 decrease to Depreciation reflects recalculation of depreciation for 2009 additions at the mid-point of each quarter rather than at the beginning of the quarter.

12. Property Taxes – Volume II, page 000105

This \$73,000 increase to the Property taxes reflects updated information related to the actual property tax bills for the current year that was not available at the time of the June 30, 2009 filing.

Amortization

13. Deferred Environmental Remediation – Volume II, page 000113

This \$23,000 increase to the Deferred Environmental Remediation costs is primarily the result of an additional \$60,000 reserve that was accrued in 2009. The increase in the reserve is for additional costs associated with future remediation related activities at the Laconia MGP site, including NHDES required monitoring, sampling and analysis.

14. Donations –

This increase to Donations is to include all charitable contributions made by PSNH (See SFR #5, Volume III, page 000081) in its revenue requirements calculation. See also OCA-01, Q-OCA-044.

15. Major Storm Recovery – STAFF-02, Q-STAFF-022, Volume II, page 000115

This schedule updated both the deferred storm costs schedule originally filed (Volume I, pages 000083 – 000086) and a revision filed in data request STAFF-02, Q-STAFF-022, through November 30, 2009. The schedule has been updated to credit deferred storm costs for the reversal of UVLs and to reallocate NU system storm insurance proceeds among the NU system operating companies. See Audit Request – AUDIT ISSUE – STORM, questions 001 and 003 for additional information.

Any subsequent adjustments to the 2008 storm costs will be applied to the existing major storm reserve account, effective December 1, 2009.

Rate Base

16. Accumulated Depreciation – TS-01, Q-TECH-008

This \$283,000 decrease reflects the change in accumulated depreciation related to the recalculation of depreciation expense (adjustment #11 above).

17. Working Capital – Volume II, page 000152

The Working Capital was increased for the updated O&M level shown on page 3 of 4 for the Updated Pro Forma Adjustments.

18. Prepayments – Audit Issue #1

PSNH accepts the NHPUC's position in Audit Issue #1 and the rate base was reduced by \$514,000. This decrease in the prepayment balance reflects the revised segmentation procedure which is more accurate than the old methodology.

19. Accumulated Investment Tax Credit

This decrease of \$238,000 eliminates the Accumulated ITC from the rate base. PSNH refunds ITC to its customers through a reduction in tax expense in its tax calculation. Including ITC in rate base is duplicative.

Capitalization

20. Capital Structure

The updated capital structure reflects updated debt costs and the issuance of the new \$150M first mortgage bond on December 14, 2009.