

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF MICHAEL L. SHELNITZ
TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM)
Docket No. DE 13-167

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

2 A. My name is Michael L. Shelnitz. My business address is 107 Selden Street,
3 Berlin, Connecticut. I am Team Lead, Revenue Requirements - PSNH, for
4 Northeast Utilities Service Company (NUSCO) which provides centralized
5 services to the Northeast Utilities' (NU) operating subsidiaries, Public Service
6 Company of New Hampshire (PSNH), The Connecticut Light and Power
7 Company, Yankee Gas Services Company, and Western Massachusetts Electric
8 Company.

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

10 A. Yes. I have sponsored testimony for the ES and SCRC mid-year rate adjustment
11 filings before the Commission.

12 **Q. Please describe your educational background.**

13 A. I graduated from Northeastern University in Boston, Massachusetts in 1986 with a
14 Bachelor of Science degree in Toxicology. In 1990, I earned a Master's Degree in
15 Business Administration with a Specialization in Accounting from the University of
16 Connecticut.

1 **Q. Please describe your professional experience.**

2 A. Upon graduation, I worked in public accounting for 5 years with Price Waterhouse,
3 LLC, after which I joined Northeast Utilities as an analyst in the Fuel Accounting
4 and Recovery Department. Since joining Northeast Utilities I have held positions
5 of increasing responsibility through my current position as Team Lead, Revenue
6 Requirements – PSNH. As part of my experience, I have sponsored technical
7 statements before the Commission and I have testified in numerous proceedings
8 before the Connecticut Public Utilities Regulatory Authority. I am registered as a
9 Certified Public Accountant (CPA) in the State of Connecticut.

10 **Q. What are your current responsibilities?**

11 A. I am currently responsible for the calculation of revenue requirements for PSNH,
12 as well as the filings associated with PSNH's Energy Service charge, the
13 Stranded Cost Recovery Charge and the Transmission Cost Adjustment
14 Mechanism (TCAM). Additionally, I am responsible for certain accounting
15 activities performed by Northeast Utilities Service Company, including ISO-NE
16 billing and standard offer billing for some of Northeast Utilities' operating
17 companies.

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

19 A. My testimony supports PSNH's TCAM filing for rates effective July 1, 2013. The
20 testimony and supporting attachments present the actual reconciliation period

1 through May 2013 for transmission costs in this TCAM filing as well as the
2 proposed TCAM rate for the forecast period to be effective July 1, 2013.

3 **Q. What is PSNH requesting in this filing?**

4 A. PSNH is requesting approval of a forecasted average retail transmission rate to
5 be effective July 1, 2013, for a twelve month billing period. In addition, we are
6 requesting approval of the reconciliation of actual transmission costs and
7 revenues for the calendar year 2012. Our requests are in accordance with the
8 Commission's approval of the settlement in Docket No. DE 06-028 (PSNH
9 Distribution Rate Case), which included a provision for a transmission cost
10 adjustment mechanism.

11 **Q. Will anyone else be providing testimony in support of this filing?**

12 A. Yes. Stephen R. Hall will be filing testimony in support of the proposed retail
13 transmission rates. In his testimony he will detail the rates applicable to each
14 individual rate class.

15 **Q. Describe the types of costs included in this TCAM filing.**

16 A. There are two different groups of costs within this TCAM filing. The first group of
17 costs consists of four cost categories of "wholesale transmission" costs. The
18 second group consists of three cost categories of "other transmission" costs.

1 The “wholesale transmission” costs are as follows:

- 2 1) Regional Network Service (RNS) costs
- 3 2) Local Network Service (LNS) costs
- 4 3) Reliability costs
- 5 4) Scheduling and Dispatch (S&D) costs.

6 All of these costs are regulated by the FERC. These costs are discussed below in
7 more detail.

8 1) RNS costs support the regional transmission infrastructure throughout New
9 England. RNS costs are charged to PSNH by ISO-NE based upon tariffs
10 approved by the FERC. RNS costs are billed to all entities in the region that have
11 RNS load responsibility, such as PSNH, based on their monthly peak load.

12 2) LNS costs encompass NU's local transmission costs that are not included in
13 the FERC-jurisdictional RNS tariff. These billings are also governed by FERC
14 approved tariffs, and are based on costs allocated to PSNH based on their NU
15 load ratio share. PSNH's load ratio share is calculated using a rolling twelve
16 month coincident peak (12 CP).

17 3) Reliability costs include costs such as Black Start, VAR support, and other
18 uplift costs that are related to generation reliability. These reliability costs are
19 billed to all entities in the region that have RNS load responsibility, such as PSNH,
20 based on their monthly peak load.

1 4) S&D costs are associated with services provided by ISO-NE related to
2 scheduling, system control and dispatch services. These costs are billed by ISO-
3 NE to all entities in the region that have RNS load responsibility, such as PSNH,
4 based on their monthly peak load, in accordance with the applicable FERC tariff.

5 The “other transmission” costs are as follows:

- 6 A) Hydro-Quebec (HQ) support costs and related revenues
- 7 B) NHPUC assessment costs allocated to the TCAM
- 8 C) TCAM working capital allowance return

9 These other transmission costs were previously recovered through PSNH's
10 distribution rates, but were transferred in total or in part to the TCAM for recovery,
11 effective July 1, 2010, as part of a negotiated “Settlement Agreement on
12 Permanent Distribution Service Rates” (Settlement Agreement) between PSNH,
13 the Commission Staff, and the Office of Consumer Advocate (OCA) in Docket No.
14 DE 09-035 that was approved in Order No. 25,123. These costs are discussed
15 below in more detail.

16 A) Hydro-Quebec support costs are costs associated with FERC approved
17 contractual agreements between NU subsidiaries, including PSNH, and other New
18 England utilities to provide support for transmission and terminal facilities that are
19 used to import electricity from HQ in Canada. Under these agreements, PSNH is

1 charged its proportionate share of O&M and capital costs for a thirty year period
2 ending in 2020.

3 PSNH's share of any revenues associated with the HQ facility was previously
4 returned to customers through the Energy Service (ES) rate. Effective July 1,
5 2010, consistent with the requirements of NHPUC Order No. 25,122, in the 2010
6 TCAM Docket No. DE 10-158, PSNH began returning its share of any HQ facility
7 revenues to customers as a revenue credit in the TCAM.

8 B) NHPUC assessment costs were previously charged to and recovered from
9 customers through distribution rates. The Settlement Agreement revenue
10 requirement calculation allocates these costs to ES (61.9%), distribution (29.8%)
11 and the TCAM (8.3%) for recovery through all three of these rate components.

12 C) When the TCAM was initially approved in Docket No. DE 06-028, there was no
13 provision for a working capital allowance in the TCAM. The TCAM working capital
14 allowance continued to be included with the distribution working capital allowance.
15 As part the Settlement Agreement, the distribution revenue requirement
16 calculation excluded working capital on transmission costs. Therefore, the TCAM
17 includes a working capital allowance using the 45-day formula.

1 **Q. Please describe the overall mechanics of the TCAM as they are presented in**
2 **this filing.**

3 A. The TCAM is a mechanism that allows PSNH to fully recover defined FERC
4 and/or Commission approved transmission costs. The proposed TCAM rate is
5 based on reconciliations of historic transmission costs and forecasted future
6 transmission costs using the latest approved FERC transmission rates.

7 There are two basic premises of the TCAM. First, the TCAM sets transmission
8 rates for a defined future billing period based on transmission cost estimates using
9 current budget and forecast data supported by the latest known FERC approved
10 transmission rates. This future billing period is referred to as the “forecast period”.

11 Secondly, the TCAM provides all available actual cost and revenue (recovery)
12 data for the eighteen month period just prior to the forecast period. This eighteen
13 month period will be referred to as the “reconciliation period”. The reconciliation
14 period contains as much actual cost data that is available at the time of filing. Any
15 over- or under-recoveries that are incurred in the billing period are rolled into the
16 subsequent billing period as part of the next TCAM rate.

17 **Q. What is the forecast period used in this filing, and what is the eighteen**
18 **month reconciliation period?**

19 A. The forecast period in this filing is the twelve month period July 2013 through
20 June 2014. The eighteen month reconciliation period includes actual calendar

1 year 2012 and actual January 2013 through May 2013 costs, as well as estimated
2 costs for June 2013.

3 **Q. Do the transmission rate forecasts contained in this filing reflect the most**
4 **current FERC rates that were to be effective on June 1, 2013?**

5 A. Yes.

6 **Q. What then, is PSNH proposing as its annual TCAM rate in this filing?**

7 A. PSNH is proposing a forecasted average TCAM rate of 1.714 cents/kWh as
8 compared to the current average rate of 1.359 cents/kWh. The increase in the
9 average TCAM rate is driven primarily by an increase in the RNS rate for the
10 2013-2014 TCAM period when compared to the prior period. This increase in the
11 RNS rate is primarily a result of an increase in Pooled Transmission Facilities
12 (PTF) revenue requirements.

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

14 A. Yes, PSNH is requesting final approval of the proposed TCAM rate change early
15 in the week of June 24, 2013 to allow for the implementation of a July 1, 2013
16 change in rates.

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

18 A. Yes, it does.