

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 14-134

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, Berlin,
3 Connecticut. I am Team Lead, Revenue Requirements - PSNH, for Northeast Utilities
4 Service Company (NUSCO) which provides centralized services to the Northeast
5 Utilities' (NU) operating subsidiaries, Public Service Company of New Hampshire
6 (PSNH), The Connecticut Light and Power Company, Yankee Gas Services Company,
7 Western Massachusetts Electric Company, NSTAR Electric Company and NSTAR Gas
8 Company.

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

10 A. Yes. I have previously sponsored testimony before the Commission in ES and SCRC
11 mid-year rate adjustment and annual reconciliation dockets and the 2013 TCAM rate
12 adjustment docket.

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

14 A. I graduated from Northeastern University in Boston, Massachusetts in 1986 with a
15 Bachelor of Science degree in Toxicology. In 1990, I earned a Master's Degree in

1 Business Administration with a Specialization in Accounting from the University of
2 Connecticut.

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

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

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

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

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

2 A. My testimony supports PSNH's TCAM filing for rates effective July 1, 2014. The
3 testimony and supporting attachments present the actual reconciliation period through
4 April 2014 for transmission costs in this TCAM filing as well as the proposed TCAM
5 rate for the forecast period to be effective July 1, 2014.

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

7 A. PSNH is requesting approval of a forecasted average retail transmission rate to be
8 effective July 1, 2014, for a twelve-month billing period. In addition, we are requesting
9 approval of the reconciliation of actual transmission costs and revenues for the calendar
10 year 2013. Our requests are in accordance with the Commission's approval of the
11 settlement in Docket No. DE 06-028 (PSNH Distribution Rate Case), which included a
12 provision for a transmission cost adjustment mechanism.

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

14 A. Yes. Lois B. Jones will be filing testimony in support of the proposed retail transmission
15 rates. In her testimony, she will detail the rates applicable to each individual rate class.

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

17 A. There are two different groups of costs within this TCAM filing. The first group of costs
18 consists of four cost categories of "wholesale transmission" costs. The second group
19 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 more
7 detail.

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

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

1 3) Reliability costs include costs such as Black Start and VAR support that are related to
2 electric reliability. These reliability costs are billed to all entities in the region that have
3 RNS load responsibility, such as PSNH, based on their monthly peak load.

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

8 The “other transmission” costs are as follows:

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

12 These other transmission costs were previously recovered through PSNH’s distribution
13 rates, but were transferred in total or in part to the TCAM for recovery, effective July 1,
14 2010, as part of a negotiated “Settlement Agreement on Permanent Distribution Service
15 Rates” (Settlement Agreement) between PSNH, the Commission Staff, and the Office of
16 Consumer Advocate (OCA) in Docket No. DE 09-035 that was approved in Order No.
17 25,123. These costs are discussed below in more detail.

1 A) Hydro-Quebec support costs are costs associated with FERC approved contractual
2 agreements between NU subsidiaries, including PSNH, and other New England utilities
3 to provide support for transmission and terminal facilities that are used to import
4 electricity from HQ in Canada. Under these agreements, PSNH is charged its
5 proportionate share of O&M and capital costs for a thirty-year period ending in 2020.

6 PSNH's share of any revenues associated with the HQ facility was previously returned to
7 customers through the Energy Service (ES) rate. Effective July 1, 2010, consistent with
8 the requirements of NHPUC Order No. 25,122, in the 2010 TCAM Docket Number DE
9 10-158, PSNH began returning its share of any HQ facility revenues to customers as a
10 revenue credit in the TCAM.

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

15 C) When the TCAM was initially approved in Docket No. DE 06-028, there was no
16 provision for a working capital allowance in the TCAM. The TCAM working capital
17 allowance continued to be included with the distribution working capital allowance. As
18 part of the Settlement Agreement, the distribution revenue requirement calculation

1 excluded working capital on transmission costs. Therefore, the TCAM includes a
2 working capital allowance using the 45-day formula.

3 **Q. Have you made any changes to the costs or revenues typically included in the**
4 **TCAM filing?**

5 A. Yes. Black Start and VAR revenues previously included in the TCAM filing have been
6 transferred to PSNH's ES rate effective July 1, 2014. As discussed in Christopher J.
7 Goulding's testimony dated May 2, 2014, in docket no. DE 13-275, PSNH receives Black
8 Start payments from ISO-NE because certain of PSNH's generating units have
9 demonstrated their ability to be Black Start Generators. PSNH receives VAR payments
10 because certain PSNH generation units have been deemed to be qualified reactive
11 resources that provide reactive power to maintain transmission voltages to meet operating
12 requirements for the New England Transmission System. The Black Start and VAR
13 payments that PSNH receives are a direct result of PSNH owning generation, and, as
14 such, should be returned to generation customers through the ES and not TCAM.

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

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

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

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

11 **Q. What is the forecast period used in this filing, and what is the eighteen- month**
12 **reconciliation period?**

13 A. The forecast period in this filing is the twelve-month period July 2014 through June
14 2015. The eighteen-month reconciliation period includes actual calendar year 2013 and
15 actual January 2014 through April 2014 costs, as well as estimated costs for May and
16 June 2014.

1 **Q. Do the transmission rate forecasts contained in this filing reflect the most current**
2 **FERC rates that were to be effective on June 1, 2014?**

3 A. Yes.

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

5 A. PSNH is proposing a forecasted average TCAM rate of 1.642 cents/kWh as compared to
6 the current average rate of 1.714 cents/kWh. The decrease in the average TCAM rate is
7 driven primarily by LNS expense that was lower than forecast during the reconciliation
8 period. This lower LNS expense resulted from a true-up credit from PSNH's
9 transmission provider. The cause of the true-up credit was lower rate base and higher
10 Regional Network Service revenue credits than were originally forecast in the calculation
11 of the 2013 LNS transmission rate.

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

13 A. Yes, PSNH is requesting final approval of the proposed TCAM rate change by June 26,
14 2014 to allow for the implementation of a July 1, 2014 change in rates.

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

16 A. Yes, it does.