

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 08-114

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Interim Change to Stranded Cost Recovery Charge

Order Approving Petition

ORDER NO. 24,987

July 23, 2009

Appearances: Gerald M. Eaton, Esq. on behalf of Public Service Company of New Hampshire; Office of Consumer Advocate by Meredith A. Hatfield, Esq. on behalf of residential ratepayers; and Suzanne Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On May 20, 2009, Public Service Company of New Hampshire (PSNH) filed a petition with supporting testimony and schedules requesting an interim adjustment to its 2009 stranded cost adjustment charge (SCRC) effective with service rendered on and after August 1, 2009. The current average SCRC approved by the Commission in the instant docket is \$0.0098 per kilowatt hour (kWh). *See*, Order No. 24,923 (December 19, 2008). In its filing, PSNH calculated the new average SCRC rate as \$0.0114 per kWh. PSNH attributed the increase of \$0.0016 per kWh in the average SCRC rate to the increase in the above-market portion of the IPP valuation caused by a decrease in current wholesale market prices compared to the market prices used to estimate the above-market costs included in the current average SCRC rate. This estimate included actual costs through April 2009 and a projection of costs through December 2009. PSNH said it would file updated cost projections and rate calculations prior to the hearing in this matter.

The SCRC recovery mechanism was established pursuant to the restructuring agreement approved in *Public Service Co. of New Hampshire*, Order No. 23,549, 85 NH PUC 536 (2000).

The restructuring agreement categorized PSNH's stranded costs into three parts. Part 1 costs were defined as stranded costs that were securitized through the issuance of rate reduction bonds (RRBs). Part 2 costs included ongoing costs consisting of the over-market value of energy purchases from independent power producers (IPPs), the up-front payments made for IPP buy-downs and buy-outs previously approved by the Commission, and PSNH's share of the present value of the savings associated with those buy-downs and buy-out transactions. Part 3 costs comprised costs that had been deferred as regulatory assets on the books of PSNH, and for which PSNH assumed some risk of non-recovery under the terms of the agreement. They were fully recovered as of June 30, 2006. The restructuring agreement contemplated that, once Part 3 stranded costs were paid off, the SCRC would be set on a forecast basis every six months and would be reconciled to include any over- or under-recovery of Part 1 and Part 2 stranded costs from the previous period.

The Commission issued an Order of Notice on June 15, 2009. The Office of Consumer Advocate had previously filed a letter on September 19, 2008 informing the Commission that it would be participating in this docket on behalf of residential ratepayers pursuant to RSA 363:28. PSNH filed an update to its filing and related schedules on June 19, 2009, which included actual May 2009 revenues and costs, together with updated forecasts for the period August through December 2009. PSNH's updated request for an interim adjustment to its average SCRC rate to \$0.0114 per kWh was for the same amount as its initial filing. A hearing was held on July 2, 2009.

II. POSITIONS OF THE PARTIES

A. Public Service Company of New Hampshire

PSNH testified that there were no new charges or costs added to the underlying SCRC costs that are part of the SCRC rate. In response to questions at hearing regarding when the stranded costs will be fully recovered, PSNH stated that the majority of the remaining stranded costs relate to the RRBs that are expected to be fully amortized either at the end of 2012 or in 2013. Other than that, PSNH said, there are some costs associated with some small IPPs that are scheduled to continue into the 2020s.

In comparing its June 19, 2009 filing with its original May 20, 2009 filing, PSNH stated that there were only slight changes in both the Part 1 and Part 2 stranded costs which, when rounded, resulted in no difference to the average SCRC rate requested by the Company in its May 20th filing. PSNH said the principal differences were the inclusion in the June 19, 2009 filing of actual May 2009 data and a reforecast of IPP costs for the remaining years.

B. Office of Consumer Advocate

The OCA stated that it had no objection to PSNH's petition to modify its SCRC rate.

C. Commission Staff

Staff said that it had reviewed the filing and associated calculations and recommended that the Commission approve the petition.

III. COMMISSION ANALYSIS

RSA 378:7 authorizes us to determine the just, reasonable and lawful rates to be charged by public utilities under our jurisdiction. With respect to the SCRC charge, the Legislature has

specifically instructed that any recovery “should be through a nonbypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, consistent with the promotion of fully competitive markets and consistent with [the restructuring policy] principles” enumerated in the Electric Utility Restructuring Act. See RSA 374-F:3, XII (d). We find that PSNH’s proposal to adjust the SCRC to reflect current market conditions meets the “just, reasonable and lawful” standard and is consistent with the Legislature’s guidance with respect to stranded cost recovery. Upon review of the record, we conclude that PSNH’s proposed adjustment of the SCRC to an average rate of \$0.0114 per kWh is supported by the evidence. Accordingly, we approve PSNH’s petition.

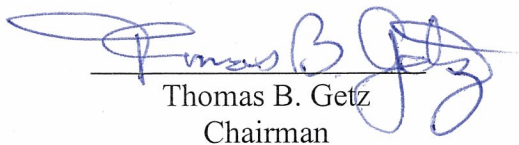
This is one of four orders we are issuing for PSNH rates for services rendered on and after August 1, 2009: in the instant docket, the SCRC; in Docket No. DE 08-113, an interim adjustment to PSNH’s energy service charge; in DE 09-114, an adjustment to PSNH’s transmission cost adjustment mechanism; and in DE 09-035, a temporary adjustment to PSNH’s distribution rates. Overall, the average impact of these rate changes effective August 1, 2009 is an approximate decrease of one percent for a PSNH customer not purchasing energy from a competitive supplier.

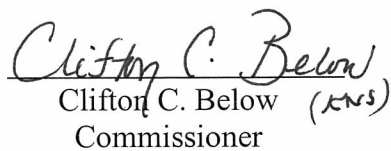
Based upon the foregoing, it is hereby

ORDERED, that the petition of Public Service Company of New Hampshire for an adjustment of its average Stranded Cost Recovery Charge to \$0.0114 per kWh effective with service rendered on and after August 1, 2009 is hereby **APPROVED**; and it is

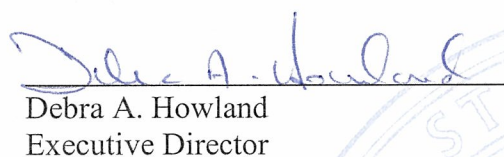
FURTHER ORDERED, that PSNH shall file tariffs conforming to this Order within 30 days of the date hereof.

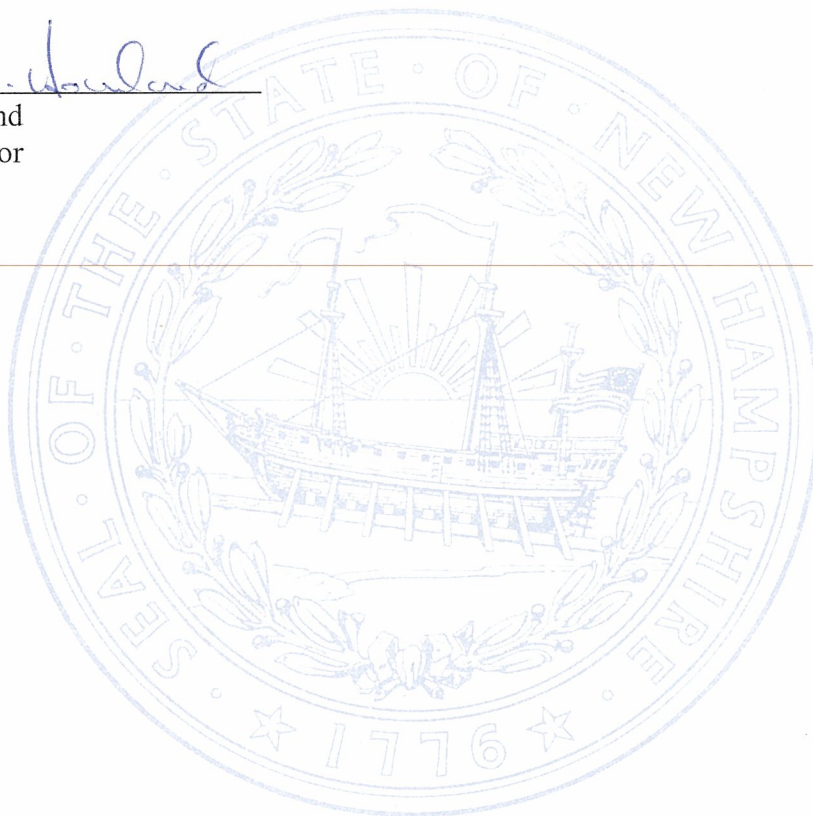
By order of the Public Utilities Commission of New Hampshire this twenty-third day of
July, 2009.


Thomas B. Getz
Chairman


Clifton C. Below (KNS)
Commissioner

Attested by:


Debra A. Howland
Executive Director



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07/23/09 Order No. 24,987 issued and forwarded to all parties.
Copies given to PUC Staff.

Docket #: 08-114

Printed: July 23, 2009

FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),

WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:

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