

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

**Public Service Company of New Hampshire
Energy Service Rate – Mid-year Adjustment**

Docket No. DE 10-257

**Joint Technical Statement of
Robert A. Baumann and Frederick B. White**

June 13, 2011

A. Purpose of Technical Statement

This Technical Statement is being submitted to explain the changes to Public Service Company's proposed Default Energy Service (ES) Rate effective July 1, 2011. This filing updates the Company's ES filing that was submitted on May 4, 2011.

B. Proposed Rate

On May 4, 2011, PSNH filed a preliminary mid-year 2011 ES rate of 8.74 cents/kWh to be effective for the six month period July 1 through December 31, 2011. In this filing, PSNH is proposing a mid-year ES rate of 8.89 cents/kWh to be effective July 1, 2011, which is an increase of 0.22 cents/kWh from the currently effective ES rate of 8.67 cents/kWh.

The increase in the ES rate from the May 4, 2011 filing to this June 13, 2011 filing is attributable to net additional actual and forecasted costs of \$3.9 million [a decrease of \$10.9 million in expense, net of a revenue decrease of \$ 14.8 million] which is contained in Attachment RAB-1. The June- December 2011 forecasted cost changes are contained in Attachment RAB-2, page 3, and are specifically referenced below. The forecasted cost changes are attributable to a change in forward electricity prices as of May 31, 2011 and additional customer migration. The forecasted revenue decrease is primarily due to additional customer migration.

C. Changes from May 4, 2011 Filing (Attachment RAB-2, Page 3):

For the forecast period June through December, 2011, the impact of updated higher forward market electricity prices and additional migration is a \$7.7 million decrease to overall ES costs as explained below:

1. Lines 4 and 5 – Projected coal generation increased by 33 GWh (1.8%) to 1,864 GWh due primarily to increased forward electricity prices. Coal fuel expense increased \$0.07 million, reflecting the net of increased generation cost and the inclusion of an additional \$1.2 million of credit from a resale of a previously scheduled coal contract. The May 4 filing reflected this credit in April & May but it is now forecasted to occur in the June-December forecast period.

2. Lines 7 through 9 – Wood generation remained the same but net costs were reduced by \$0.3 million due to increased REC revenues.
3. Lines 17 and 18 – Newington fuel expense decreased by \$2.3 million reflecting decreased generation of 46 GWh.
4. Lines 20 and 21 – IPP Energy Expense increased by \$0.7 million due to forward electricity price changes. A table showing forecasted forward electricity prices is provided in Item 12 below.
5. Lines 24 and 25, 30 and 31, and 33 & 34 – Peak Purchases decreased by 26 GWh decreasing expenses by \$0.8 million. Off-peak Purchases decreased by 54 GWh decreasing expenses by \$1.9 million. Surplus sales increased 39 GWh and revenues increased \$1.7 million.
6. Line 36 – Congestion and Loss Adjustment increased by \$0.2 million due to updated price assumptions, generation and purchases volume changes, and updated migration.
7. Line 38 – Total ES Energy load decreased 132 GWh resulting from updating migration from 32.2% to 34.8%. Total ES sales are lower by 107 GWh. The table below shows the forecasted sales and migration (Non-ES sales) used for calculating the ES rate filed on May 4, 2011, and for this filing. For consistency, rate setting values are shown as measured at the customer meter. The amount of migration modeled in this update is as of the end of May, 2011 and is 34.8% of forecasted total PSNH sales. Overall, ES sales are lower by 3.4% from the estimates used in the May 4, 2010 ES rate filing.

| PSNH ES Sales Forecast | | | | | | | | | | |
|------------------------|-------------|-----------|-----------|---------------|-----------|-----------|---------|---------|-----------|-------|
| MWh | | | | | | | | | | |
| Filing Dates | | | | | | | | | | |
| 2011 | May 4, 2011 | | | June 13, 2011 | | | Change | | | |
| | Total | Non-ES | ES | Total | Non-ES | ES | Total | Non-ES | ES | ES % |
| Jun | 631,143 | 203,228 | 427,915 | 635,424 | 221,128 | 414,297 | 4,281 | 17,900 | (13,618) | -3.2% |
| Jul | 716,126 | 230,593 | 485,533 | 733,877 | 255,389 | 478,488 | 17,751 | 24,797 | (7,046) | -1.5% |
| Aug | 693,393 | 223,273 | 470,120 | 702,242 | 244,380 | 457,862 | 8,849 | 21,108 | (12,259) | -2.6% |
| Sep | 625,333 | 201,357 | 423,976 | 616,633 | 214,588 | 402,045 | (8,700) | 13,231 | (21,931) | -5.2% |
| Oct | 615,358 | 198,145 | 417,213 | 610,046 | 212,296 | 397,750 | (5,312) | 14,151 | (19,463) | -4.7% |
| Nov | 617,120 | 198,713 | 418,407 | 619,469 | 215,575 | 403,894 | 2,349 | 16,863 | (14,513) | -3.5% |
| Dec | 689,540 | 222,032 | 467,508 | 689,850 | 240,068 | 449,782 | 310 | 18,036 | (17,726) | -3.8% |
| Total | 4,588,013 | 1,477,340 | 3,110,673 | 4,607,542 | 1,603,425 | 3,004,117 | 19,529 | 126,084 | (106,556) | -3.4% |

8. Line 42 – ISO-NE Ancillary costs decreased \$0.1 million due to increased migration.
9. Line 43 – RPS expense decreased by \$0.1 million. This change encompasses the impact of reduced sales requirements, and REC price changes.

10. Line 44 – RGGI costs decreased minimally \$13 thousand consistent with slightly lower generation amounts (increased coal generation is slightly less than decreased Newington generation).

11. Line 46 and 47 – Capacity costs decreased by \$1.3 million due to increased migration.

12. The following table compares forward electricity prices used in the May 4, 2011 filing to those used in this update. The updated prices were as of May 31, 2011.

| <u>Forward Electricity Prices for Delivery at Massachusetts Hub</u> | | | | | |
|---|--------------------------------|---------------------------------|---------------|----------|--|
| All Hours - \$/MWh | | | | | |
| <u>Filing Dates</u> | | | | | |
| | May 4, 2011 | June 13, 2011 | <u>Change</u> | | |
| <u>2011</u> | <u>(4/8/11 Closing Prices)</u> | <u>(5/31/11 Closing Prices)</u> | <u>\$/MWh</u> | <u>%</u> | |
| Jun | 42.8 | 45.2 | 2.3 | 5.5% | |
| Jul | 48.7 | 50.1 | 1.4 | 2.9% | |
| Aug | 49.3 | 50.6 | 1.3 | 2.7% | |
| Sep | 42.5 | 44.3 | 1.9 | 4.4% | |
| Oct | 42.8 | 44.8 | 2.0 | 4.7% | |
| Nov | 45.6 | 48.0 | 2.5 | 5.4% | |
| Dec | 56.0 | 58.7 | 2.6 | 4.7% | |
| Total | 46.8 | 48.8 | 2.0 | 4.3% | |

D. Other Cost Changes (\$ 3.2 million costs decrease)

13. The total decrease of all of the expense changes noted in items 1-12 above is \$7.7 million. All other actual and forecasted costs decreased by \$3.2 million, resulting in a total net expense decrease of \$10.9 million. The \$3.2 million decrease is primarily due to lower F/H O&M costs and lower return on rate base of \$4.8 million. The projected F/H O&M costs were reduced by \$4.4 million in September, 2011, since most of the work scheduled for the Fall Merrimack 1 outage was moved to the Spring and is already reflected in the April-May actual costs. In addition, lower working capital due to lower F/H O&M costs and lower fuel inventory levels contributed to a lower return on rate base. This was partially offset by higher January-May actual costs of \$1.6 M, caused primarily by the delay of the coal sale of \$1.2 million [as discussed in item 1 above].

E. Revenue Changes (\$14.8 million decrease)

14. The updated ES revenues for 2011 decreased by \$14.8 million, due to lower sales caused by additional customer migration. The actual and forecasted 2011 sales are lower by 64 GWH and 107 GWH respectively, for a total sales decrease of 171 GWH.