

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DE 11-216

**Public Service Company of New Hampshire
Petition for Alternative Default Energy Service Rate**

CLOSING STATEMENT OF FEL AND HAEC

I. Introduction

An evidentiary proceeding was held in this matter on December 19, 2011. Pursuant to Commission instruction, written closing statements must be submitted no later than close on business on December 20.

PSNH's proposed Rate ADE would make available an optional marginal cost-based rate (plus a once cent per kwh adder) to large PSNH customers that wish to reverse migrate back to PSNH default service to take advantage of a much lower rate than that which would be otherwise available under Rate DE. PSNH hopes that a "stable, simple, and competitively priced" optional default rate will lure large customers away from the competitive market.

PSNH's witnesses were capable and forthright during the hearing. PSNH's Excel-based model for calculating marginal costs appears to produce an accurate measure of marginal cost.

II. Implementation of Proposed Rate ADE would be Unlawful

"Default service" means electricity supply that is available to retail customers who are *otherwise without* an electricity supplier... . RSA 362-F:2, VI. (Emphasis supplied). PSNH's targeted large customer accounts are most decidedly not without an electricity supplier. Accordingly, implementation of proposed Rate ADE would be prohibited by the plain language of RSA 362-F:2, I-a.

Moreover, "[t]he price of such default service shall be PSNH's actual, prudent, and reasonable costs of providing such power... ." RSA 369-B:3, IV, (b)(1)(a). PSNH witnesses conceded on cross-examination that a proposed once cent per kwh adder would be "arbitrary" and not an actual cost. Accordingly, implementation of proposed Rate ADE would be prohibited by the plain language of RSA 369-B:3, IV, (b)(1)(a).

III. Implementation of Proposed Rate ADE would not Produce any Useful Result

As noted above, PSNH hopes that a “stable, simple, and competitively priced” optional default rate will lure large customers away from the competitive market. PSNH’s proposed Rate ADE would make available an optional marginal cost-based rate plus a once cent per kwh adder to large PSNH customers that might wish to reverse migrate back to PSNH.

However, as discussed during the hearing, marginal cost in practice is really nothing more than the approximate all-in wholesale cost of purchased power. Competitive suppliers operate on margins above cost that are a fraction of one cent. Accordingly, it would be very unlikely that Rate ADE would be attractive to any large PSNH customer unless they had very poor credit.

Accordingly, implementation of proposed Rate ADE would very likely not produce any useful result and would impose an additional work load on PSNH’s existing marketing and sales staff.

III. Implementation of Proposed Rate ADE would be Bad Policy

PSNH has very large and serious problems (possibly existential) facing it in 2012. By and large, PSNH’s problems all stem from an ever widening gap between what PSNH must charge to maintain its financial health and the much lower prices that competitive suppliers will be able to charge. (PSNH has no forecast of how wide the gap will be five years from now under a business-as-usual scenario.)

Approval of PSNH’s proposed Rate ADE would be akin to rendering palliative care to a patient in hospice and might even send a signal that the Commission does not see anything of more substance that the Commission has at its disposal to address the problems posed by PSNH. Interfering with the operation of the competitive markets is not a step in the right direction.

Respectfully submitted,
FREEDOM LOGISTICS, LLC
HALIFAX-AMERICAN ENERGY COMPANY, LLC
By their Attorney,

/s/ James T. Rodier

Dated: December 20, 2011

Certification of Service

Pursuant to Rules Puc 203.02(2) and Puc 203.11, I have served copy of this petition on each person identified on the commission's service list for this docket.

/s/ James T. Rodier