

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

DE 11-250

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Investigation of Merrimack Station Scrubber Project and Cost Recovery

ORDER OF NOTICE

On October 14, 2011 in Docket No. DE 11-215, the docket to establish PSNH's 2012 energy service (ES) rate, Public Service Company of New Hampshire (PSNH or Company) filed the joint testimony of Robert A. Baumann and William H. Smagula indicating that its flue gas desulfurization system (Scrubber Project) at Merrimack Station was placed in service on September 28, 2011. The Scrubber Project was installed at Merrimack Station pursuant to RSA 125-O:11. The joint testimony was an update to the Company's September 23, 2011 original filing in DE 11-215. In the updated testimony, PSNH proposed to begin recovery of the costs associated with the Scrubber Project in ES rates effective with service rendered on and after January 1, 2012. Concurrently, in Docket No. DE 11-216, PSNH proposed the establishment of an Alternate Default Energy (ADE) rate for effect beginning January 1, 2012, which would include an adder designed to recover certain non-operating costs associated with the Scrubber Project.

On November 15, 2011, the Commission issued a secretarial letter stating that it would open a separate docket for the purpose of considering the Scrubber Project, including the in-service status, PSNH's prudence, the appropriate rate treatment and the costs of the Scrubber Project. The Commission also stated that it would not consider the costs of the Scrubber Project in Docket No. DE 11-215 or DE 11-216 in setting the default ES rates and ADE rates for effect

on January 1, 2012. Furthermore, the Commission indicated that PSNH's October 14, 2011 filing seeking recovery of scrubber related costs would be treated as PSNH's petition for the separate docket and that an order of notice would be issued to schedule a pre-hearing conference for the purpose of, among other things, addressing procedural issues and the propriety of temporary rates.

On November 18, 2011, PSNH filed a motion for the establishment of temporary rates pursuant to RSA 378:27 and RSA 125-O:18, effective January 1, 2012, for costs associated with the Scrubber Project. In the petition, PSNH expressed concern that a delay in the initiation of cost recovery for the Scrubber Project investments would set the stage for added costs to customers and a period of rate volatility. PSNH requested that the Commission allow the commencement of cost recovery by establishing temporary rates pursuant to RSA 378:27 at a level of 1.18 cents per kilowatt-hour or by allowing the existing rate level for energy service to remain in effect beyond December 31, 2011 on a "temporary rate" basis until the Commission determines what should be done with Scrubber-related costs. PSNH said that allowing partial near-term recovery would mitigate harm of additional costs to customers and would provide a semblance of stability within the competitive energy market.

On November 23, 2011, the Conservation Law Foundation (CLF) objected to PSNH's motion for establishment of temporary rates, asserting a number of procedural deficiencies and requesting, as an alternative to rejecting the filing, the parties be allowed to respond to PSNH's request for a rate increase. The Office of the Consumer Advocate noted its agreement with CLF in a letter filed November 28, 2011.

A prehearing conference will be held in this docket on December 13, 2011, which will proceed in a manner typical of rate cases, i.e., statements of positions will be permitted,

interventions will be considered, and positions on scope and schedules will be entertained; a hearing on temporary rates, however, will not occur at that time but parties will be allowed the opportunity to argue for or against holding such a hearing. The motion filed by PSNH on November 15, 2011, moreover, is consistent with the Commission's determination to open a separate docket for consideration of appropriate rate treatment and costs of the Scrubber Project. Inasmuch as CLF, OCA and other parties will have a full opportunity to pursue their substantive positions, they need not file responses to PSNH's motion in order to preserve their positions and thus, no action is required on CLF's November 23, 2011 filing.

The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, will be posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2011/11-250.html>.

The filing raises, inter alia, issues related to whether the costs of the Scrubber Project were prudently incurred consistent with the requirements of RSA 125-O:11 et seq. and are eligible for recovery through default service rates as provided by RSA 125-O:18; whether temporary rates pursuant to RSA 378:27 are appropriate for recovery of any costs associated with the Scrubber Project; and whether the resulting rates are just and reasonable pursuant to RSA 378:5 and 8. Each party has the right to have an attorney represent the party at the party's own expense.

Based upon the foregoing, it is hereby

ORDERED, that a Prehearing Conference, pursuant to N.H. Code Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on December 13, 2011 at 10:00 a.m., at which each party will provide a preliminary

statement of its position with regard to the petition and any of the issues set forth in N.H. Code Admin. Rules Puc 203.15 shall be considered; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, PSNH, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow PSNH to provide any amendments or updates to its filing; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.12, PSNH shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than December 5, 2011, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before December 13, 2011; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to PSNH and the Office of the Consumer Advocate on or before December 8, 2011, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Code Admin. Rule Puc 203.17 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before December 13, 2011.

By order of the Public Utilities Commission of New Hampshire this first day of
December, 2011.



Debra A. Howland
Executive Director

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.



SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov

amanda.noonan@puc.nh.gov

Christina.Martin@oca.nh.gov

eatongm@nu.com

knowlsb@nu.com

Meredith.A.Hatfield@oca.nh.gov

ocalitigation@oca.nh.gov

steve.mullen@puc.nh.gov

suzanne.amidon@puc.nh.gov

tom.frantz@puc.nh.gov