

Before The  
New Hampshire Public Utilities Commission

Docket No. DE 06-061  
Investigation into EPAct Standards  
October 10, 2007 Hearing  
Staff's Closing Statement

## **I. Procedural Background**

On October 10, 2007, the Commission held a hearing in Docket No DE 06-061, Investigation into EPAct Standards, after granting a Motion for Rehearing filed by Public Service Company of New Hampshire (PSNH) on July 23, 2007. At hearing, the Commission heard testimony of PSNH, Unitil Energy Systems, Inc. (UES), Granite State Electric Company d/b/a National Grid (National Grid) and Wal-Mart Stores East, L.P. (Wal-Mart) regarding the implementation of time-based rates for customers consistent with the decision of the Commission in Order No. 24,763 (June 22, 2007). At the close of hearing, the Commission instructed the parties to the proceeding to file closing statements on October 26, 2007.

Pursuant to the procedural schedule promulgated earlier in the docket, George McCluskey, a utility analyst with the Commission's electric division, filed comments on November 3, 2006 addressing whether the Commission should adopt a time-based rate structure to help electric consumers manage energy use and costs. Mr. McCluskey did not file testimony for the October 10, 2007 hearing, but he did take the stand to offer his prior comments into evidence and to respond to cross-examination on those comments. In addition, Mr. McCluskey commented on the proposals filed by UES and National Grid to implement real-time pricing for large commercial and industrial customers.

## **II. Staff's Closing Statement**

Staff believes that the prefiled testimony of PSNH, UES and National Grid and the associated discovery responses provide the necessary information to develop cost

estimates to implement time-of-use rate schedules for both large commercial and industrial and small commercial and residential customers. However, the utilities did not provide estimates of the monetary benefits of time-of-use rate structures. Given the cost estimates developed by the utilities in this proceeding, Staff believes that it is reasonable to expect that the benefits of time-of-use pricing would exceed the costs for all large customers and some residential and small commercial customers.

Staff disagrees with the notion that customers necessarily prefer fixed rates over time differentiated rate structures. Experience in other jurisdictions with real time pricing supports the view that large customers will switch from fixed to variable rate structures provided the change results in bill savings.

PSNH's, UES' and National Grid's large commercial and industrial customers have meters that are compatible with time-of-use rates. For this reason, Staff believes that the potential cost-savings to large customers using a time-of-use rate could easily exceed the incremental costs of upgrading existing billing systems. Therefore, we support the Commission's decision in Order No. 24,763 to require time-of-use rates for large commercial and industrial customers. That being said, Staff is not opposed to the proposals of National Grid and UES to implement real time pricing instead of time-of-use rates for large customers. However, Staff does not support National Grid's proposal to implement real time prices on a pilot basis. National Grid already implements real time pricing in New York on a permanent basis, and should do the same in New Hampshire.

Staff also urges the Commission to implement a time-of-use rate structure for small commercial and residential customers, subject to a cost/benefit analysis. As noted in Staff's November 3, 2006 comments, some residential customers may have difficulty responding to price signals and as a result could incur higher bills under a time-of-use rate design. Therefore, we support the Commission's direction in Order No, 24, 763 that "Staff will also investigate with the parties the appropriate timeframe for converting small customers to time-based rates. Staff will also consider with the parties whether time-of-use pricing should apply to customers above some threshold annual usage based

on the assumption that small residential customers are unlikely to be able to shift enough load to reduce their bills.” Order No. 24, 763 (June 22, 2007) at 26.

Regarding PSNH’s recommendation to convene working groups, Staff does not oppose the concept of a working group but recommends that such group be restricted to working through the mechanics of implementing time-of-use rates. Staff would not agree to convene a working group to examine the merits of time-of-use rates as those issues have already been examined in this docket.

In conclusion, Staff believes that the record supports the Commission’s decision in Order No. 24,763 and that the parties should continue to meet in technical sessions to discuss implementation of time-of-use or real time pricing for large commercial and industrial customers. Further, Staff recommends that the Commission direct the parties to this docket to conduct an evaluation of the costs and benefits of implementing time-of-use rates for small commercial and residential customers with the aim of identifying a threshold annual usage below which time-of-use pricing would not apply.