

THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Amy L. Ignatius

COMMISSIONERS
Michael D. Harrington
Robert R. Scott

EXECUTIVE DIRECTOR
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX (603) 271-3878

Website:
www.puc.nh.gov

September 12, 2013

Senator Jeanne Forrester
Senate of the State of New Hampshire
107 North Main Street
Concord, N.H. 03301-4951

Re: PSNH involvement with the Northern Pass Project

Dear Senator Forrester:

I wanted to outline the Commission's activities in investigating the issues raised in your earlier letter, as well as the process the Commission will follow concerning the additional questions you raised in your letter of September 5th received yesterday.

As you know by the copy forwarded to you, PSNH, in its letter of August 15, 2013, denied using any regulated revenues to fund the Northern Pass Project. Upon receipt of that letter, Commission Staff requested detailed information from PSNH relating to its finances and record keeping concerning the Northern Pass Project. The Staff investigation is currently underway. Once Staff has gathered and verified sufficient information, Staff will file a report with the Commission outlining its initial findings. After the Staff report is issued, the Commission will determine what, if any, further action is appropriate.

As a foundation, here is some background information regarding transactions between a regulated utility and affiliated companies. The Commission's jurisdiction with respect to transactions between a regulated utility and its affiliates is detailed in RSA 366, *et seq.*, as well as in Chapter 2100 of the Commission's administrative rules (the "2100 rules"). The 2100 rules were initially implemented in 2003 in connection with electric industry restructuring that allowed for competition with respect to electricity supply services. How those rules apply to the relationship between PSNH and the Northern Pass Project is an issue that will be considered as part of Staff's investigation.

While some of your questions can best be answered following Staff's review of the relevant documentation, here are some preliminary responses to questions 3), 4) and 6) (question numbers as included in your September 5, 2013 letter and reproduced below).

3) If PSNH has the staff time to allocate significant resources to the non-regulated side of their business, and specifically to Northern Pass, how can ratepayers be assured that the regulated side of the business is not overpaying for resources allocated to the regulated side of the business?

4) Who decides if and when the resources of the regulated part of PSNH are being improperly used for non-regulated activity? How is information gathered and assessed to document that ratepayer interests are being monitored and protected?

6) Finally, how is the PUC monitoring these transactions so that it can assure ratepayers that their pocketbooks are being properly and fully protected?

The Commission is responsible for supervising regulated utilities and for ensuring that regulated resources are used for regulated services to wholesale and retail customers. The tools used by the Commission for gathering this information take the form of informal inquiries, financial reporting by the utility, audits of utility books and records, and more extensive review of all revenues and expenses during periodic rate cases.

When setting rates for a regulated electric distribution utility such as PSNH, a revenue requirement is established that is based on the ordinary and necessary expenses of a utility incurred in the provision of safe and reliable service at just and reasonable rates. The proceedings for a rate case take the good part of a year, are highly detailed, and involve testimony from the utility as well as Commission Staff, the Office of Consumer Advocate and other interested parties. The costs that go into developing a revenue requirement are highly scrutinized by all parties involved. Once that revenue requirement is established, which includes a reasonable level of earnings, electric distribution rates can only be changed by order of the Commission, including any Commission approval of certain rate adjusting mechanisms.

PSNH is currently in the midst of a five-year rate settlement that provided only for limited opportunities to adjust its distribution rates, with any such adjustment having to meet specific criteria. Also, PSNH files various monthly, quarterly and annual reports with the Commission through which PSNH's earnings and cost levels are monitored. To the extent that PSNH's earnings and cost levels are impacted by a shift to significant non-regulated activities, such impacts would appear in those reports. Also, as noted by PSNH, activities such as lobbying are not allowed to be recovered from customers and are explicitly not included when any rates are approved.

As stated above, Staff is investigating the relationship between PSNH and the Northern Pass project and will prepare a report when it has concluded its investigation which it plans to conduct in an expeditious manner. Once that is complete, the Commission will be better able to address your questions in full.

Please feel free to call me with any further questions.

Very truly yours,



F. Anne Ross, Esq.
General Counsel