

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 07-097

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Adjustment of Stranded Cost Recovery Charge

Order Following Hearing

ORDER NO. 24,872

June 27, 2008

APPEARANCES: Gerald M. Eaton, Esq. on behalf of Public Service Company of New Hampshire; Office of Consumer Advocate by Meredith A. Hatfield, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On April 21, 2008, Public Service Company of New Hampshire (PSNH) filed a petition, with supporting testimony and schedules, requesting a mid-year adjustment to its stranded cost recovery charge (SCRC) effective with bills rendered on and after July 1, 2008. The Commission had previously issued Order No. 24,807 on December 17, 2007, which approved the current average SCRC rate of 0.72 cents per kilowatt-hour (kWh). In its petition, PSNH stated that it was projecting no change to its SCRC rates. However, PSNH said it was likely the final requested SCRC rates would change as it would update its cost projections and rate calculations prior to hearing, as is customary with its mid-year adjustment filing.

The SCRC recovery mechanism was established pursuant to the restructuring agreement approved in *Public Service Co. of New Hampshire*, 85 NH PUC 536 (2000). Pursuant to the restructuring agreement, PSNH's stranded costs were categorized into three parts. Part 1 costs were defined as stranded costs that were securitized through the issuance of rate reduction bonds. Part 2 costs include ongoing costs consisting of the over-market value of energy purchases from

independent power producers (IPPs), the up-front payments made for IPP buy-downs and buy-outs previously approved by the Commission, and PSNH's share of the present value of the savings associated with these buy-downs and buy-out transactions. Part 3 costs, fully recovered as of June 30, 2006, comprised costs that had been deferred as regulatory assets on the books of PSNH, and of which PSNH assumed some risk of non-recovery under the terms of the agreement. Once Part 3 stranded costs were paid off, the restructuring agreement contemplated that the SCRC would be set on a forecast basis every six months and would be reconciled to include any over-or under-recovery of Part 1 and Part 2 stranded costs from the previous period.

PSNH stated that an increase in current market energy prices caused a decrease in the above-market portion of power purchases from independent power producers (IPPs) included in stranded costs. Additionally, decommissioning costs related to the former Connecticut Yankee and Maine Yankee nuclear units decreased. According to PSNH, those decreases were offset by results of actual data for the period November 2007 through March 2008, resulting in no estimated change to the SCRC rate, pending its submittal of updated data.

On May 16, 2008, an order of notice was issued scheduling a hearing for June 11, 2008. On May 20, 2008, the Office of Consumer Advocate (OCA) notified the Commission of its intention to participate in the mid-year adjustment pursuant to RSA 363:28.

On May 22, 2008, PSNH filed an updated request for an adjustment in the SCRC rate from the current charge of 0.72 cents per kWh to 0.69 cents per kWh. The filing contained actual data through the end of April 2008 and newly forecasted data through December 31, 2008.

The hearing was held as scheduled on June 11, 2008, following the hearing in DE 07-096, PSNH's request for a mid-year adjustment to its energy service rate. According to PSNH, the forward market price of energy was volatile and PSNH offered to update its calculation of an

energy service rate based on more recent market price information. PSNH noted that, because the market price for power was increasing, the over-market costs associated with PSNH power purchase from IPPs would decrease. As the over-market portion of IPP costs is directly impacted by variations in market prices, PSNH offered to update its SCRC rate subsequent to the hearing at the same time it updated its energy service rate.

The Commission reserved an exhibit number for the updated filing. On June 13, 2008, PSNH filed an updated SCRC rate which would reduce the current average rate from 0.72 cents per kWh to 0.65 cents per kWh. The Commission also directed PSNH to meet with the OCA and Staff to discuss the updated filings. On June 23, 2008, PSNH, Staff and OCA filed a joint report indicating that the technical session had been held on June 17, 2008. In the report, Staff and PSNH offered their joint recommendation regarding the SCRC rate for the period July 1 through December 31, 2008.

II. POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire

PSNH noted that the current average SCRC rate of 0.72 cents per kWh began on January 1, 2008. Since that time, there has been a decrease in the above-market portion of the IPP valuation caused by an increase in current market prices as compared to the market prices originally used to estimate the above-market IPP costs included in the 0.72 cent rate, resulting in decreased SCRC costs. In addition, PSNH recognized decreased costs related to decommissioning of the Connecticut Yankee and Maine Yankee nuclear units. According to PSNH, these two decreases were offset by the results of actual data for the period November 2007 through March 2008, resulting in no change to the estimated SCRC rate in its April 21, 2008 filing. Regarding its May 22, 2008 updated filing, PSNH testified that slightly higher

forward market prices caused the over-market portion of IPP costs to decrease, resulting in a decrease in the proposed average SCRC rate to 0.69 cents per kWh, from the existing rate of 0.72 cents per kWh.

At the hearing in Docket No. DE 07-096 regarding PSNH's energy service rate held immediately prior to the hearing in this docket, PSNH agreed to update its energy rate calculation following the hearing to reflect current forward energy market prices. Regarding that update, PSNH stated that it is essential that there be a change in the SCRC rate at the same time that there is a change in the energy rate to ensure that both rates are consistent with respect to IPP costs. The company also pointed out that the SCRC rate is a nonbypassable charge billed to all customers, and it sought to avoid rate inequities that might result from the fact that the energy rate is only billed to those customers who have not migrated to a competitive supplier.

Regarding rate design, PSNH stated that it could only provide the overall average SCRC rate at hearing. PSNH stated that once it had information related to the transmission and distribution rate levels, it would use that information to calculate individual rates and charges for the SCRC in the various rate classes. PSNH further explained that stranded cost rate design would be performed in a manner consistent with prior proceedings. Finally, PSNH said that in addition to including updated forward price information, the updated filing would include actual data for the month of May 2008.

B. Joint Report of PSNH, Staff and OCA

On June 23, 2008, Staff filed a report of the technical session, which was held on June 17, 2008. In the report, Staff noted that PSNH made the updated filing on June 13, 2008. In that filing, PSNH requested a decrease to the overall average SCRC rate from 0.72 cents per kWh to an overall average rate of 0.65 cents per kWh for the period July 1 through December 31, 2008.

The report noted that the updated cost calculations were performed using the same June 11, 2008 forward price information that was used to adjust the energy service rate calculation in Docket No. DE 07-096. In conclusion, Staff and PSNH recommended that the Commission approve the overall average SCRC rate at 0.65 cents per kWh for bills rendered on and after July 1, 2008.

The OCA stated that it did not object to the recommendations contained in the joint report.

III. COMMISSION ANALYSIS

RSA 378:7 authorizes us to determine the just, reasonable, and lawful rates to be charged by public utilities within our jurisdiction. With respect to the SCRC, the Legislature has specifically instructed that any recovery “should be through a nonbypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, consistent with the promotion of fully competitive markets and consistent with [the restructuring policy] principles” enumerated in the Electric Utility Restructuring Act. RSA 374-F:3, XII (d). We find that PSNH's proposal to adjust the SCRC to reflect current market conditions meets the "just, reasonable and lawful" standard and is consistent with the Legislature's guidance with respect to stranded cost recovery. Upon review of the record, we conclude that PSNH's proposed adjustment of the SCRC to an average rate of 0.65 cents per kWh is supported by the evidence. Accordingly, we approve PSNH's petition.

This is one of four orders we are issuing simultaneously in Docket Nos. DE 07-096, DE 07-097, DE 08-069 and DE 08-071 that adjust various components of PSNH's retail rates. The components concern, respectively (1) energy service, (2) the stranded cost recovery charge, (3) the transmission cost adjustment mechanism, and (4) the storm reserve fund, reflected in distribution charges. Overall, the average impact of these rate changes effective July 1, 2008 is

an average increase of 6.28 percent for a PSNH customer not purchasing energy from a competitive supplier.

Based upon the foregoing, it is hereby

ORDERED, the petition of the Public Service Company of New Hampshire for adjustment of its Stranded Cost Recovery Charge to 0.65 cents per kWh to be effective on and after July 1, 2008 is hereby APPROVED; and it is

FURTHER ORDERED, that PSNH shall file tariffs conforming to this Order within 30 days of the date hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of June, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

ChristiAne G. Mason
Assistant Executive Director & Secretary