


STATE OF NEW HAMPSHIRE

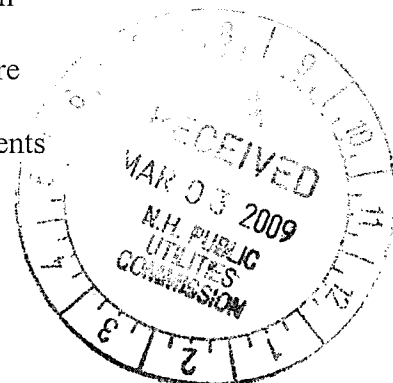
Inter-Department Communication

DATE: March 3, 2009
AT (OFFICE): NHPUC

FROM:  Steven E. Mullen, Assistant Director – Electric Division

SUBJECT: DE 09-035, Public Service Company of New Hampshire
Distribution Service Rate Proceeding
Request for Waivers of Certain Tariff Filing Requirements

TO: Commissioners
Debra A. Howland, Executive Director



On February 23, 2009, Public Service Company of New Hampshire (PSNH) filed two¹ Requests for Waivers of Certain Tariff Filing Requirements in preparation for its upcoming distribution rate filing. According to PSNH, on or about May 29, 2009 it intends to make a filing based upon results for the year ending December 31, 2008 supporting proposed new distribution service rates for effect on July 1, 2009. I have reviewed PSNH's requests and offer my comments and recommendations below.

In its first waiver request, PSNH asks for a waiver of Puc 1604.07(s) to be allowed to include end of test year rate base data in addition to the required five-quarter average rate base data. According to PSNH, granting of this waiver request "would not prejudice the issue of whether the Commission ought to approve a rate base for rate making purposes based upon five quarter average data or end of test year data; however, granting the waiver would allow PSNH to include all this information in its tariff filing for the Commission to weigh and consider." Puc 1604.07(s) reads as follows:

"A utility shall provide on "Schedule 3 – Rate Base," for the jurisdictional pro forma test year average, jurisdictional 13 monthly or 5 quarter average, pro forma test year average and total 13 monthly or 5 quarter average, the following:" (followed by the necessary rate base components set forth in subsections (1) through (6)).

In Staff's view, what PSNH is requesting merely amounts to inclusion of additional information in its upcoming rate case filing rather than an action necessitating a request for a waiver of the filing requirements. PSNH is not planning to omit a required

¹ Two waiver requests were received with cover letters dated February 23, 2009. One (the "first waiver request") dealt with filing end of test year rate base data in addition to five quarter average data. The text of that first waiver request was apparently also inadvertently included in the "second waiver request" that dealt with a number of other issues.

submittal, nor is it planning to replace required information with substitute information. Therefore, Staff recommends that the Commission advise PSNH that its requested waiver in this instance is not necessary.

Regarding PSNH's second waiver request, I have addressed the individual items by referencing the paragraph numbers contained in PSNH's filing:

Paragraph 2 – PSNH requests a waiver of certain internal financial reports and regulatory financial filings required by Puc 1604.01 (a), specifically subsections:

- (1) The utility's internal financial reports for the following periods:
 - a. For the first and last month of the test year;
 - b. For the entire test year; and
 - c. For the 12 months or 5 quarters prior to the test year;
- (2) Annual reports to stockholders and statistical supplements, if any, for the most recent 5 years;
- (10) The utility's Securities and Exchange Commission 10K forms and 10Q forms, for the most recent 2 years;
- (18) Balance sheets and income statements for the previous 3 years;
- (19) Quarterly income statements for the previous 5 years; and
- (24) If the short-term debt component of total invested capital is volatile, the amount outstanding, on a monthly basis, during the test year, for each short-term indebtedness.

PSNH states that it "has been providing the reports to the Commission as part of the Monitoring Docket IR 90-218 since the merger with Northeast Utilities." PSNH further indicates that it will provide copies of the reports to the Office of Consumer Advocate (OCA) and any other interested party who requests copies. Taking into account the fact that the above reports and filings are on file at the Commission and PSNH's stated intent to provide copies to the OCA and other interested parties, I recommend that PSNH's request be approved.

Paragraph 3 – Here PSNH requests a waiver of Puc 1604.01 (a)(3) whereby it is required to file its federal income tax reconciliation for the test year. PSNH states that the required information is contained in the FERC Form No. 1 which is supplied to the Commission and the OCA pursuant to Puc 308.10. I note that the test year for the forthcoming rate case, i.e., the calendar year ending December 31, 2008, coincides with the period covered by PSNH's annual FERC Form No. 1 filing which, according to PSNH, is scheduled to be filed with the Commission on or about April 17, 2009 (a date that precedes the anticipated date of the rate case filing). In that respect, there is no problem with PSNH's request. I further note, however, that the income tax reconciliation contained in the FERC Form No. 1 is prepared on a whole-company basis while the rate case will only deal with distribution rates. As PSNH does not file tax returns based solely on the distribution portion of its business, preparing a segmented income tax reconciliation for the test year would be very time consuming and involve the use of many estimates and judgment calls. Rather than require a segmented income tax reconciliation, I believe it is much more important to examine how PSNH calculates its

recoverable income taxes for the test year in the rate case filing. With that in mind, I recommend that this portion of PSNH's second waiver request be approved.

Paragraph 4 – Finally, PSNH requests that it be allowed to supply certain balance sheet data on a total company basis rather than at the distribution business segment accounting unit level. PSNH states that while it has fully segmented income statement and rate base information, it does not have a fully segmented balance sheet. According to PSNH, significant issues (explained further in its filing) would have to be addressed at both the accounting and legal entity levels in order to provide that information on a segmented basis. Understanding the difficulties involved, I think that it is acceptable for PSNH to report the balance sheet information on a company-wide basis, as PSNH indicates that it still plans to include segment-specific rate base calculations in its rate case filing. Also, in terms of the capital structure, it would not be necessary for PSNH to file segmented information as the “whole company” capital structure will be used in the rate proceeding.

In summary, I recommend that the Commission notify PSNH that its waiver request regarding the inclusion of end of test year rate base data is not necessary for the reasons stated above. As for what I've termed PSNH's second waiver request, I recommend it be approved in its entirety. Please let me know if you have any questions or would like to discuss this further.

cc: Tom Frantz
Suzanne Amidon