

THE STATE OF NEW HAMPSHIRE

BEFORE THE

**NEW HAMPSHIRE PUBLIC UTILITIES
COMMISSION**

Docket No. DE 09-XXX

Renewable Energy Service Rate

JOINT DIRECT TESTIMONY OF

Rhonda J. Bisson

&

Richard C. Labrecque

September 30, 2009

1 **I. INTRODUCTION**

2 **Q. Please state your name, position and business address.**

3 A. My name is Rhonda J. Bisson. My business address is PSNH Energy Park, 780 North
4 Commercial Street, Manchester, New Hampshire. I am a Senior Analyst in the Rate and
5 Regulatory Services Department for Public Service Company of New Hampshire
6 (PSNH).

7 A. My name is Richard C. Labrecque. My business address is PSNH Energy Park, 780
8 North Commercial Street, Manchester, New Hampshire. I am Supplemental Energy
9 Sources Manager for PSNH.

10 **Q. Have each of you previously testified before the Commission?**

11 A. Yes. We have each testified before the Commission. A summary of the educational
12 background and experience for Mrs. Bisson is contained in Attachment 1 and for
13 Mr. Labrecque is contained in Attachment 2.

14 **Q. What is the purpose of your testimony?**

15 A. The purpose of our testimony is to describe and summarize a new renewable default
16 energy service rate option which, if approved by the Commission, PSNH will offer to its
17 customers.

18 **II. BACKGROUND**

19 **Q. Why is PSNH filing a renewable default energy service rate at this time?**

20 A. PSNH is filing a renewable default energy service rate because our customers have
21 expressed an interest in renewable energy service rate options. In addition, offering a
22 renewable default energy service rate is consistent with PSNH's commitment to
23 supporting new renewable generation in New Hampshire, protecting New Hampshire's
24 natural environment and supporting New Hampshire's clean energy goals. Finally, the
25 New Hampshire legislature passed House Bill 395, which requires electric utilities to
26 offer to its customers one or more renewable energy source options. PSNH worked with
27 the legislature on House Bill 395 and made a commitment to seek the Commission's
28 approval of a renewable default energy service rate following the passage of the bill.

29 **Q. What key principles were utilized by PSNH when developing the proposed**
30 **renewable default energy service rate?**

- 1 A. PSNH utilized five key principles when developing the proposed renewable default
2 energy service rate:
- 3 (1) to develop a program that supports the market of new renewable sources of
4 generation in New England;
 - 5 (2) to develop a customer-friendly program that is straight-forward and easy-to-
6 understand from a customer's perspective;
 - 7 (3) to develop a program that is focused on residential and small business customers who
8 may have limited access to the competitive market for energy services, including
9 renewable energy service;
 - 10 (4) to develop a program that requires minimal changes to PSNH's existing billing
11 systems and accounting processes so that a program could be launched in the near
12 future;
 - 13 (5) to develop a program that did not require the expenditure of a significant amount of
14 money or result in a significant administrative burden.

15 **III. PROGRAM DESCRIPTION**

16 **Q. Please briefly describe PSNH's proposed Renewable Default Energy Service rate.**

17 A. Under PSNH's proposed Renewable Default Energy Service rate, PSNH's default energy
18 service customers will be provided with the opportunity to support the development of
19 qualifying renewable sources of generation in New England. PSNH will purchase and
20 retire, on the participating customers' behalf, renewable energy certificates (RECs) from
21 qualifying renewable sources of generation in New England that match either all or a
22 portion of the customers' actual energy use. Customers taking service under the
23 Renewable Default Energy Service rate will be billed at the Default Energy Service rate
24 plus an additional charge (in cents per kilowatt-hour) based on the renewable option
25 chosen.

26 **Q. Is the Renewable Default Energy Service rate available to all of PSNH's customers?**

27 A. No. The Renewable Default Energy Service rate is available only to customers who are
28 receiving their energy service under PSNH's Default Energy Service Rate DE; who are
29 not enrolled in PSNH's Residential Electric Assistance Program Rate EAP; and who have
30 not been approved to receive electric service payment assistance through the Fuel
31 Assistance Program administered by a Community Action Agency.

1 **Q. Why isn't the Renewable Default Energy Service rate available to customers**
2 **receiving their energy service from competitive energy suppliers?**

3 A. Customers receiving their energy service from a competitive energy supplier have
4 already demonstrated both access to third party energy service suppliers and willingness
5 to contract for such services. Therefore, PSNH believes those customers could contract
6 for renewable energy service from the competitive energy market. PSNH's Renewable
7 Default Energy Service rate is focused on providing renewable energy service to
8 customers with limited access to the competitive energy market, such as residential and
9 small business customers, although large business customers receiving service under
10 PSNH's Default Energy Service Rate DE are also eligible. In addition, excluding
11 customers who are receiving their energy service from a competitive energy supplier will
12 simplify the rate setting and cost reconciliation processes.

13 **Q. Why isn't the Renewable Default Energy Service rate available to customers**
14 **enrolled in PSNH's Residential Electric Assistance Program Rate EAP or to**
15 **customers approved to receive electric service payment assistance through the Fuel**
16 **Assistance Program administered by a Community Action Agency?**

17 A. Enrollment in PSNH's Residential Electric Assistance Program Rate EAP is limited and
18 there is currently a waiting list for new customers to enroll in the program. Typically,
19 PSNH does not collect enough revenues from the low income portion of the System
20 Benefits Charge to defray the cost of discounts provided to its Rate EAP customers.
21 Therefore, PSNH must request reimbursement from the Statewide EAP fund held by the
22 State Treasury. As a result, the additional cost per kilowatt-hour for renewable default
23 energy service would further limit the availability of Rate EAP service to other
24 customers, especially those customers that have qualified for service under Rate EAP and
25 are on a waiting list. In addition, PSNH understands that the Fuel Assistance Program
26 (FAP) is also limited in funding and is designed to assist eligible customers in meeting
27 their basic energy needs. Grants from the FAP do not cover a household's entire electric
28 service bill so that as many households as possible can receive a grant for payment
29 assistance. Because both of these programs have limited funding available and the
30 additional cost of renewable default energy service would further limit the availability of
31 these programs, PSNH is proposing that renewable default energy service not be

1 available to customers enrolled in the Residential Electric Assistance Program or to
2 customers that have been approved to receive electric service payment assistance through
3 the FAP.

4 **Q. How long is a customer required to take service under the Renewable Default
5 Energy Service rate once they are enrolled?**

6 A. Customers can enroll in and drop from the Renewable Default Energy Service rate on a
7 billing cycle basis. For example, if a customer contacts PSNH on July 1st to enroll in the
8 program and the customer's next meter read date is July 15th, then the customer's bill
9 rendered for the billing cycle ending July 15th will include a Renewable Default Energy
10 Service charge. If the same customer contacts PSNH on July 31st to drop from the
11 program, then the customer's next bill, which will be rendered in August, will not include
12 a Renewable Default Energy Service charge. An enrolled customer who begins taking
13 energy service from a competitive energy supplier or from ISO-NE or who enrolls in the
14 Residential Electric Assistance Program or is approved to receive electric service
15 payment assistance through the Fuel Assistance Program administered by a Community
16 Action Agency will be removed from the Renewable Default Energy Service rate.

17 **Q. What options will customers have to enroll in and to drop from the program?**

18 A. In addition to contacting PSNH's customer call center, customers will have the ability to
19 enroll in and to drop from the program electronically using PSNH's web site. If a
20 customer utilizes PSNH's web site, PSNH will attempt to process all requests within two
21 business days. Therefore, a customer would need to submit their request at least two
22 business days prior to the customer's next read date in order for the transaction to take
23 effect on the customer's next read date.

24 **Q. Please describe the renewable energy options that will be available to customers.**

25 A. Customers will have the opportunity to choose from three renewable rate options: 1) a
26 25% option; 2) a 50% option; and 3) a 100% option. Under the 25% option, PSNH will
27 purchase and retire renewable energy certificates to match 25% of the customer's actual
28 energy use. Under the 50% option, PSNH will purchase and retire renewable energy
29 certificates to match 50% of the customer's actual energy use. Under the 100% option,
30 PSNH will purchase and retire renewable energy certificates to match 100% of the
31 customer's actual energy use.

1 **Q. What are renewable energy certificates?**
2 A. A renewable energy certificate (REC) is a tradable environmental commodity with
3 specific environmental attributes that represent one megawatt-hour (or one thousand
4 kilowatt-hours) of electricity that was generated from a specific renewable resource.
5 These certificates are initially the property of the resource owner, but can later be sold
6 and traded until such time that the REC must be removed from circulation, i.e. “retired”.
7 The ultimate owner of a retired REC can claim to have purchased renewable energy. The
8 sale of RECs provides an additional source of income to owners of renewable resources
9 (such as wind farms or solar panels) over and above the price paid for the power
10 generated by the renewable resource. This additional source of income helps to stimulate
11 investment in new renewable sources of generation that would likely not exist absent a
12 market for RECs. Renewable energy certificates are a widely-used and accepted method
13 of tracking and validating the environmental attributes of generation resources.

14 **Q. What entity tracks and validates renewable energy certificates in New England?**
15 A. New England Power Pool (NEPOOL) Participants have developed and adopted the New
16 England Power Pool Generation Information System (NEPOOL GIS), which includes a
17 generation information database and certificate system that accounts for the generation
18 attributes of each megawatt-hour of electricity generated within New England. The
19 NEPOOL GIS has been accepted for use by the various New England state utility
20 regulatory commissions as a method to demonstrate compliance with state renewable
21 portfolio standards, including the New Hampshire standard (RSA 362-F:8).

22 **Q. What type or class of RECs will PSNH purchase on behalf of its customers taking**
23 **service under the renewable default energy service rate?**
24 A. As allowed under House Bill 395, PSNH will purchase RECs from facilities that are
25 certified as Class I or Class II generation resources under the New Hampshire Electric
26 Renewable Portfolio Standard (RSA 362-F:4-I), or are capable of earning certification
27 under RSA 362-F:4-I. Class I generation resources are defined as new renewable
28 resources (began operation after January 1, 2006). Examples of Class I generation
29 resources include: wind energy, geothermal energy, hydrogen derived from biomass fuels
30 or methane gas, ocean thermal or tidal energy, and methane gas. Class II generation
31 sources are defined as new solar technologies that began operation after January 1, 2006.

1 In addition, PSNH will only purchase RECs associated with renewable generation
2 resources, as defined above, that are physically located within the New England region.

3 **Q. What if Class I or Class II RECs are not available to be purchased from the market**
4 **at a reasonable cost?**

5 A. If Class I or Class II RECs are not available to be purchased from the market at a
6 reasonable cost, PSNH will make a payment to the Renewable Energy Fund created
7 pursuant to the Electric Renewable Portfolio Standard (RSA 362-F:10). This approach
8 complies with the Renewable Default Energy Service legislation (RSA 374-F:3,V(f)(8))
9 which indicates “If RES default service is not available for purchase at a reasonable cost
10 on behalf of consumers choosing an RES default service option, a utility may, as
11 approved by the commission, make payments to the renewable energy fund created
12 pursuant to RSA 362-F:10 on behalf of customers.”

13 **Q. Will PSNH utilize any of its owned renewable generation assets to supply RECs**
14 **under the renewable default energy service rate?**

15 A. PSNH has no current plans to do so. The New Hampshire legislature provided specific
16 guidance under the Renewable Default Energy Service legislation (RSA 374-F:3,V(f)(5))
17 which states: “A utility that is required by statute to provide default service from its
18 generation assets should use any of its owned generation assets that are powered by
19 renewable energy for the provision of standard default service, rather than for the
20 provision of a renewable energy source component.” As a result, PSNH does not plan to
21 utilize any of its owned renewable generation assets to supply RECs under the renewable
22 default energy service rate. However, if and to the extent PSNH’s ownership of
23 renewable generation assets generates sufficient RECs to fully meet the needs of PSNH’s
24 RPS obligation under RSA 362-F, PSNH may elect to utilize any surplus RECs to satisfy
25 the needs of this renewable energy service program. Any such use would be fully
26 disclosed in either the rate setting or cost reconciliation dockets and would only be
27 considered in cases that optimized the customer value of such surplus RECs.

28 **Q. Will the kilowatt-hour usage of customers taking service under the renewable**
29 **default energy service rate continue to be included in the calculation of PSNH’s**
30 **obligations under the Electric Renewable Portfolio Standard (RSA 362-F)?**

1 A. Yes. PSNH will continue to have the same obligations under the Electric Renewable
2 Portfolio Standard. The obligation to purchase RECs under the renewable default energy
3 service rate will be entirely incremental to PSNH's obligations under the Electric
4 Renewable Portfolio Standard. As a result, there can be no doubt that the implementation
5 of the renewable default energy service rate will provide greater support to the
6 development of new renewable sources of generation in New England.

7 **IV. RATE SETTING AND COST RECOVERY MECHANISM**

8 **Q. How will the rates be established for each option under the Renewable Default
9 Energy Service rate?**

10 A. PSNH proposes to utilize a regulatory process similar to the existing process utilized for
11 PSNH's Default Energy Service rate for the rate setting and reconciliation of revenues
12 and expenses associated with the Renewable Default Energy Service rate. Once a
13 Renewable Default Energy Service rate is approved and becomes effective, PSNH will
14 begin to forecast and monitor the obligation for RECs associated with Renewable Default
15 Energy Service. In each Renewable Default Energy Service rate setting docket, PSNH
16 will include a forecast of the incremental cost it expects to incur to purchase RECs for
17 those customers taking service or forecasted to take service under the Renewable Default
18 Energy Service rate in the following calendar year ("Forecasted Renewable ES Rate").
19 The Forecasted Renewable ES Rate will not exceed the applicable alternative compliance
20 payment (ACP) for Class I resources established pursuant to the Electric Renewable
21 Portfolio Standards (RSA 362-F:10). If recent renewable energy market intelligence
22 indicates a market price that is considerably lower than the ACP price, then PSNH will
23 likely propose a rate that falls between the market intelligence price and the ACP price.
24 In addition, based on the results of the most recent reconciliation of revenues and
25 expenses associated with the Renewable Default Energy Service rate, PSNH may adjust
26 the Forecasted Renewable ES Rate to account for the most recent reconciliation of
27 revenues and expenses, by increasing the Forecasted Renewable ES Rate to account for a
28 previous under-collection or by decreasing the Forecasted Renewable ES Rate to account
29 for a previous over-collection ("Adjusted Renewable ES Rate"). The reconciliation of
30 revenues and expenses is discussed in greater detail later in this Testimony. The
31 Renewable Default Energy Service rate for the 100% option would be set equal to the
32 Adjusted Renewable ES Rate. The rate for the 50% option would be one-half of the

1 Adjusted Renewable ES Rate and the rate for the 25% option would be one-quarter of the
2 Adjusted Renewable ES Rate. These rates will be applied to a customer's total monthly
3 billed kilowatt-hour usage based on the option chosen by the customer.

4 **Q. How often will the Renewable Default Energy Service rate change?**

5 A. The Renewable Default Energy Service rate will be subject to change annually on
6 January 1st of each year. In addition, the Renewable Default Energy Service rate would
7 be subject to a possible mid-year adjustment on July 1st of each year if a review of current
8 renewable energy market intelligence indicates a market price that is considerably higher
9 or lower than the Renewable Default Energy Service rate in effect. PSNH may also elect
10 to leave the rate unchanged for periods longer than one year, provided the filed rate is
11 still appropriate.

12 **Q. What costs will be included in the calculation of the Renewable Default Energy
13 Service rate?**

14 A. PSNH will include the forecasted incremental cost of the RECs to be purchased to meet
15 the requirements of the customers participating in the Renewable Default Energy Service
16 program in the calculation of the Renewable Default Energy Service rate.

17 **Q. Other than the cost of purchasing RECs, will PSNH incur any other costs to design,
18 implement, promote and administer this rate?**

19 A. Yes. Below is a summary of the estimated cost to administer the Renewable Default
20 Energy Service rate:

21	Billing System Upgrades	\$24,000
22	Customer Service Training	\$1,100
23	PSNH Website Changes	\$7,000
24	Promotion	\$56,000
25	Customer Communication	<u>\$25,700</u>
26	Total	\$113,800

27 Promotion and customer communication costs will be incremental, while all other costs
28 are based on utilizing existing resources.

1 **Q. How does PSNH plan to recover the incremental administrative costs summarized**
2 **above?**

3 A. The Electric Utility Restructuring Policy Principles (RSA 374-F:3, V(f)(2)) states, “Costs
4 associated with selecting an RES option should be paid for by those customers choosing
5 to take such option. A utility may recover all prudently incurred administrative costs of
6 RES options from all customers, as approved by the Commission.” PSNH proposes to
7 recover the incremental administrative costs of the Renewable Default Energy Service
8 rate from all customers through PSNH’s distribution rates. The implementation of a
9 Renewable Default Energy Service rate is similar to the implementation of any other new
10 rate offering (for example, PSNH’s PeakSmart Plus Program under Rate VIP). The
11 administrative costs for the PeakSmart Plus Program are recovered from all customers
12 through PSNH’s distribution rates. These costs are not tracked separately and recovered
13 from just the customers participating in the program. Since a Renewable Default Energy
14 Service rate will benefit all customers by increasing the level of financial support for new
15 renewable generation sources in New England and by increasing awareness of the health
16 and environmental benefits of new renewable generation sources, it is appropriate to
17 recover the administrative costs of this rate from all customers. The Commission will
18 have the option of reviewing costs associated with the Renewable Default Energy Service
19 rate during a permanent rate case proceeding. In the future, if an opportunity develops,
20 PSNH may also seek a grant from the Renewable Energy Fund created pursuant to RSA
21 362-F:10 to offset a specific marketing or program promotion cost.

22 **Q. How will over-collections and under-collections be reconciled?**

23 A. By July 1st of each year, PSNH will file with the Commission a reconciliation of revenues
24 and expenses for Renewable Default Energy Service for the previous calendar year. Any
25 over-collection or under-collection will be included in the calculation of the next
26 Renewable Default Energy Service rate, unless the inclusion of the over-collection or
27 under-collection results in a perverse outcome, such as an extremely low (or even
28 negative) rate or an extremely high rate. In this situation, PSNH proposes to include the
29 over-collection or under-collection in the calculation of the next Default Energy Service
30 rate.

1 **Q. How does PSNH define a perverse outcome?**

2 A. PSNH does not have a specific definition or a hard and fast rule as to what a perverse
3 outcome means. However, it's clear that some outcomes could produce unintended
4 results. For example, if the over-recovery was so large as to result in a negative or very
5 low rate, there could be a significant increase in the number of customers signing up for
6 service under the Renewable Default Energy Service rate. Under those circumstances,
7 the influx of customers onto the rate could produce a very large under-recovery during
8 the following period, because the over-recovery being refunded through the rate would be
9 divided by a much smaller number of estimated kilowatt-hours than what would
10 subsequently occur. The reverse situation could result if an under-recovery produced a
11 much higher rate. In either case, PSNH could be faced with costs that it could not
12 recover due to the optional nature of the rate offering.

13 PSNH will utilize judgment at the time the Renewable Default Energy Service rate is set
14 and will make a recommendation in its filing to the Commission to either include an
15 over-collection or an under-collection in the calculation of the next Renewable Default
16 Energy Service Rate or in the calculation of the next Default Energy Service Rate.

17 **Q. If an over-collection or under-collection associated with the Renewable Default
18 Energy Service rate is included in the calculation of the next Default Energy Service
19 rate, what is the likely impact on PSNH's Default Energy Service rate?**

20 A. According to the National Renewable Research Laboratory report entitled "Green Power
21 Marketing in the United States: A Status Report (2008 Data)", the median enrollment in
22 utility green power pricing programs from 2002 to 2008 has ranged from 0.8 percent to
23 1.2 percent of eligible utility customers. In addition, in 2008, the median percentage of
24 renewable energy sales as a percent of utility electricity sales was 0.4%. Assuming
25 PSNH's program results match the median results experienced by other utilities, the
26 number of customers likely to participate in the program would fall in the range of 3,900
27 customers to 5,900 customers and the annual megawatt-hour sales would be
28 approximately 28 thousand megawatt-hours annually. Based on twelve months-to-date
29 July 2009, the number of customers and the associated megawatt-hours receiving service
30 under PSNH's Default Energy Service rate is approximately 490,000 customers and
31 7 million megawatt-hours annually. Since the number of customers and megawatt-hours
32 that are likely to receive service under the Renewable Default Energy Service rate

1 represent such a small percentage of the total number of customers and megawatt-hours
2 receiving service under PSNH's Default Energy Service rate, the inclusion of a
3 Renewable Default Energy Service over-collection or under-collection in the calculation
4 of the Default Energy Service rate would have a negligible impact on the Default Energy
5 Service rate.

6 **V. COMPLIANCE REPORTING**

7 **Q. How will PSNH demonstrate to the Commission that the appropriate quantity and**
8 **class of RECs have been retained by PSNH on behalf of the participating**
9 **customers?**

10 A. The Electric Renewable Portfolio Standards (RSA 362-F:8) requires each provider of
11 electricity to submit an annual report by July 1st of each year to the Commission to
12 document compliance with the Electric Renewable Portfolio Standards for the preceding
13 calendar year. In addition to this annual report, PSNH will submit a report to the
14 Commission by July 1st of each year to document that the appropriate quantity and class
15 of RECs have been retained by PSNH on behalf of the customers that received service
16 under the Renewable Default Energy Service rate during the preceding calendar year. As
17 previously noted, this report will also include the reconciliation of costs and revenues
18 from the prior calendar year.

19 **Q. Can RECs retained in one calendar year be utilized to serve the kilowatt-hour**
20 **requirements of customers receiving service under the Renewable Default Energy**
21 **Service rate in another calendar year?**

22 A. Yes. PSNH proposes that up to 30% of one calendar year's Renewable Default Energy
23 Service REC obligation could be satisfied with RECs produced in either of the previous
24 two calendar years or during the first quarter of the subsequent calendar year. This is the
25 same process utilized for compliance with the Renewable Portfolio Standards (RSA
26 362-F:7).

27 **VI. MARKETING AND CUSTOMER COMMUNICATIONS**

28 **Q. Please describe PSNH's plans for marketing the Renewable Default Energy Service**
29 **rate.**

1 A. To market the Renewable Default Energy Service rate, PSNH will primarily use the
2 following methods: (1) press releases; (2) messages on the interactive voice response
3 system at PSNH’s customer call center; (3) a dedicated page on psnh.com; (4) inclusion
4 in PSNH’s *EarthSmart* branding program; (5) articles in PSNH’s Living With Energy bill
5 insert; (6) specific bill messages; (7) promotion via PSNH’s social media web sites (i.e.
6 blog, twitter); and (8) promotions at home shows, trade shows and chamber of commerce
7 events. PSNH may also partner with environmental or other interested organizations by
8 providing the organizations with communications materials, such as brochures. In
9 addition, although PSNH does not currently have a specific plan for a media event, if an
10 opportunity arises; PSNH may incorporate information about the Renewable Default
11 Energy Service rate in a future media event.

12 **Q. Does PSNH have any additional plans for customer communications?**

13 A. Yes. PSNH plans to provide each customer who enrolls in a renewable service option
14 with a “Welcome to the Program” package that will likely include: a welcome letter, a
15 program brochure and a promotional item (such as a window decal or mouse pad). In
16 addition, PSNH plans to provide an e-mail newsletter to customers enrolled in a
17 renewable service option on a quarterly or semi-annually basis, an annual report to all
18 customers who participated in the program during the previous calendar year describing
19 the new renewable sources of generation that were supported by the program, a blog on
20 PSNH’s web site to provide updates and program statistics, and possibly an HTML
21 button (or small graphic that would promote pride in the program (e.g. “I support
22 renewable energy”) that participating customers could add to their online profiles,
23 websites and e-mails.

24 **VII. INITIAL ESTIMATE OF RENEWABLE DEFAULT ENERGY SERVICE**
25 **RATE**

26 **Q. Is PSNH proposing a specific Renewable Default Energy Service rate at this time?**

27 A. No. PSNH will formally propose a rate based on updated market information prior to the
28 hearing in this docket.

29 **Q. Has PSNH performed a preliminary calculation of the Renewable Default Energy**
30 **Service rate based on the current market price of Class I RECs and the Alternative**
31 **Compliance Payment (ACP) in effect in 2010?**

1 A. Yes. The current market price of 2010 Class I RECs is 3.8 cents per kilowatt-hour based
2 on recent discussions with environmental brokers. The estimated ACP for effect in 2010
3 for Class I resources is 6.2 cents per kilowatt-hour. Therefore, PSNH estimates that the
4 Renewable Default Energy Service Rate will fall between 3.8 cents per kilowatt-hour and
5 6.2 cents per kilowatt-hour for the 100% option.

6 **Q. Using the low and high bound cents per kilowatt-hour estimates, please estimate the**
7 **incremental monthly bill impact of the renewable default energy service options for**
8 **a residential customer using 500 kilowatt-hours per month and for a small business**
9 **customer using 10,000 kilowatt-hours per month for the 25%, 50% and 100%**
10 **options.**

11 A. The incremental monthly bill impact of the renewable default energy service options for a
12 residential customer using 500 kilowatt-hours per month and for a small business
13 customer using 10,000 kilowatt-hours per month are summarized in Attachment 3. As
14 shown, the monthly bill impact for a residential customer using 500 kilowatt-hours per
15 month ranges from \$4.75 per month for the 25% option using the low bound estimate to
16 \$31.00 per month for the 100% option using the high bound estimate; while the monthly
17 bill impact for a small business customer using 10,000 kilowatt-hours per month ranges
18 from \$95.00 per month for the 25% option using the low bound estimate to \$620 per
19 month for the 100% option using the high bound estimate.

20 **VIII. PROPOSED TARIFF AND EFFECTIVE DATE**

21 **Q. Has PSNH included proposed tariff language for the Renewable Default Energy**
22 **Service rate options in this filing?**

23 A. Yes. PSNH's proposed tariff language for the renewable energy service options is
24 contained in Attachment 4. PSNH plans to add language relating to the renewable
25 default energy service options to PSNH's existing Default Energy Service Rate DE rate
26 schedule. For that reason, Attachment 4 contains a black-lined version of the Default
27 Energy Service Rate DE rate schedule which denotes the proposed tariff language
28 relating to the renewable default energy service options.

29 **Q. What is the proposed initial effective date for the Renewable Default Energy Service**
30 **rate?**

1 A. The proposed initial effective date for the Renewable Default Energy Service rate is
 2 March 1, 2010. In order to implement the Renewable Default Energy Service rate on
 3 March 1, 2010, PSNH respectfully requests Commission approval by January 4, 2010.
 4 This will provide PSNH with approximately eight weeks to finalize the bill testing, web
 5 site materials, customer communications materials and customer service personnel
 6 training. As indicated previously, if necessary, subsequent rate changes will take effect
 7 on January 1st of each year with a possible mid-year adjustment on July 1st of each year.

8 **IX. COMPLIANCE WITH HOUSE BILL 395**

9 **Q. Please summarize the requirements contained in House Bill 395 associated with the**
 10 **provision that requires electric utilities to offer one or more renewable energy**
 11 **source options to its customers and describe how PSNH’s proposed Renewable**
 12 **Default Energy Service rate complies with the requirements.**

13 A. The table below contains a summary of the requirements contained in House Bill 395 and
 14 a description of how PSNH’s proposed Renewable Default Energy Service rate complies
 15 with each of the requirements:

House Bill 395 Requirements	Description of How PSNH’s Renewable Default Energy Service Rate Complies with House Bill 395
1) Each utility must provide its customers with one or more Renewable Energy Service Options. The options may include Renewable Energy Service default service provided by the utility or retail access to competitive sellers of Renewable Energy Service attributes.	PSNH is proposing to offer its customers three Renewable Default Energy Service options, which will be offered and administered by PSNH.
2) Costs associated with selecting a Renewable Energy Service option should be paid for by those customers choosing to take such option.	PSNH is proposing to include the incremental cost of the RECs to be purchased to meet the requirements of the customers receiving service under the Renewable Default Energy Service rate in the calculation of the rate. PSNH is also proposing to include any over-collections or under-collections in the calculation of the rate, unless the inclusion of the over-collection or under-collection results in a perverse outcome, such as a negative rate or an extremely high or low rate. In this situation, PSNH is proposing to include the over-collection or under-collection in the calculation of the next Default Energy Service rate. The legislature provided flexibility to allow for this option, because

House Bill 395 Requirements	Description of How PSNH's Renewable Default Energy Service Rate Complies with House Bill 395
	the legislation indicates “the cost <u>should</u> be paid for by those customers choosing to take such option”, rather than “the cost <u>shall</u> be paid for by those customers choosing to take such option”.
3) A utility may recover all prudently incurred administrative costs of Renewable Energy Service options from all customers.	PSNH is proposing to recover the administrative costs of its Renewable Default Energy Service options from all customers through PSNH’s distribution rates.
4) The Renewable Energy Service options should have either all or a portion of its service attributable to a renewable energy source component procured by the utility, with any remainder filled by standard default service.	PSNH is proposing to offer its customers three options: a 100% option, whereby all of a customer’s usage will be attributable to a renewable energy source; a 50% option, whereby 50% of a customer’s usage will be attributable to a renewable energy source and 50% will be attributable to standard default service; and a 25% option, whereby 25% of a customer’s usage will be attributable to a renewable energy source and 75% will be attributable to standard default service.
5) Under any Renewable Energy Service option, the customer shall be purchasing electricity generated by renewable energy sources or the attributes of such generation, either in connection with or separately from the electricity produced.	Under PSNH’s proposal, PSNH will purchase RECs associated with a renewable energy source on behalf of the customers receiving service under PSNH’s Renewable Default Energy Service rate. A REC is an attribute of a renewable energy source.
6) The regional generation information system of energy certificates administered by ISO-NE should be considered at least one form of certification that is acceptable.	PSNH will utilize the information contained in the regional generation information system of energy certificates administered by ISO-NE to support its annual compliance reporting to the Commission.
7) A utility that is required by statute to provide default service from its generation assets should use any of its owned generation assets that are powered by renewable energy for the provision of standard default service.	PSNH does not plan to utilize any of its owned renewable generation assets to supply RECs under its Renewable Default Energy Service rate. However, if PSNH’s renewable generation assets generate sufficient RECs to fully meet the needs of PSNH’s RPS obligation, PSNH may elect to utilize any surplus RECs to satisfy the needs of its Renewable Default Energy Service rates.

House Bill 395 Requirements	Description of How PSNH's Renewable Default Energy Service Rate Complies with House Bill 395
8) Utilities should include educational materials in their normal communications to their customers that explain the Renewable Energy Service options and the health and environmental benefits associated with them.	PSNH plans to include articles in PSNH's Living With Energy bill insert to explain its Renewable Default Energy Service rate, including the health and environmental benefits.
9) If Renewable Energy Service default service is not available for purchase at a reasonable cost, a utility may make payments to the renewable energy fund created pursuant to RSA 362-F:10.	If Class I or Class II RECs are not available to be purchased from the market at a reasonable cost, PSNH is proposing to make a payment to the Renewable Energy Fund created pursuant to the Electric Renewable Portfolio Standard.
10) A utility may require that a minimum number of customers or a minimum amount of load choose to participate in the program in order to offer a Renewable Energy Service option.	PSNH's proposal does not include a minimum number of customers or a minimum amount of load to participate in the program.
11) Acceptable renewable energy sources are defined as sources of electricity as defined in the Renewable Portfolio Standards (RSA 362-F:2,XV), that would qualify to receive renewable energy certificates under RSA 362-F, whether or not it has been designated as eligible under RSA 362-F:6,III.	PSNH will purchase RECs from facilities that are certified as a Class I or a Class II generation resource under the NH Renewable Portfolio Standard or are capable of earning certification under the NH Renewable Portfolio Standard. In addition, PSNH will only purchase RECs associated with renewable generation resources, as defined above, that are physically located within the New England region.

1 Q. Does this complete your Testimony?

2 A. Yes, it does.