

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: October 20, 2011

AT (OFFICE): NHPUC

FROM: Grant W. Siwinski *GS*
Utility Analyst III

SUBJECT: DE 10-303, New Hampshire Electric Cooperative, Inc.
Re: Petition for 2011 Stranded Cost Charge

TO: Debra A. Howland
Executive Director



On October 13, 2011, New Hampshire Electric Cooperative, Inc. (NHEC) filed a letter requesting a reduction to its Stranded Cost Charge (SCC) effective with bills rendered on and after December 1, 2011. This filing is the result of Commission Order No. 25,177, which noted that NHEC would be completing its recovery of stranded costs and stated, in part, "...that NHEC seek Commission approval to adjust the Stranded Cost Charge following the third quarter of 2011 by written request filed no later than October 31, 2011, to account for any potential over- or under-recovery balance."

Because actual year-to-date sales through the third quarter have exceeded forecasted sales, NHEC anticipates a year-end over-recovery balance if the SCC is not reduced by December 1, 2011. According to NHEC, the balance as of September 30, 2011 is over-recovered by \$530,804 due to higher than expected sales. As a result, NHEC proposes to reduce its SCC from 1.032¢ to 0.408¢ per kilowatt-hour (kWh), which represents a decrease of 3.43 percent in its current total average revenue per kWh.

Background

The SCC includes the amortization of the Seabrook regulatory asset and the amortization of a regulatory asset associated with the termination of NHEC's wholesale power contract with Public Service Company of New Hampshire, both of which the Commission approved in Docket DR 98-097. In that docket, the original amount of stranded costs to be collected was \$121 million. As of December 31, 2010, the total stranded costs remaining were approximately \$7.2 million dollars, which are expected to be collected by the end of 2011. If the recovery balance at December 31, 2011, is less than \$25,000, NHEC proposed in its November 15, 2010 testimony in DE 10-303 to absorb the over/under amount into its cost of operations. For balances greater than \$25,000, NHEC would seek the Commission's approval for a refund/recovery plan¹.

¹ Brenda C. Inman's testimony at 4 of 5, lines 30-32 and 5 of 5, line 1.

NHEC continues to calculate the stranded cost charge by dividing the total stranded costs for the period by forecasted kWh sales, inclusive of ski area load. Each year the forecasted sales reflect "weather normalization" of historical sales adjusted for billing days along with the projected number of customers and usage per customer. Actual costs and revenue are reconciled on a monthly basis.

Recommendation

It is Staff's recommendation that the proposed reduction in the SCC from 1.032¢ to 0.408¢ per kWh be approved by an Order *Nisi* for bills rendered on and after December 1, 2011. It is also Staff's recommendation that any refund/recovery balance plan be submitted to the Commission for approval no later than January 31, 2012, per Order No. 25,177.

If you have any questions, please do not hesitate to contact me.