

STATE OF NEW HAMPSHIRE

Inter-Department Communication



DATE: February 4, 2011

AT (OFFICE):

SM
FROM: Grant W. Siwinski, Utility Analyst III *GW*

SUBJECT: DE 10-315, New England Power Company - Reconciliation of Contract Termination Charges to Granite State Electric Company d/b/a National Grid

TO: Commissioners
Debra A. Howland, Executive Director

On November 19, 2010, New England Power Company (NEP) filed its report on the reconciliation of its Contract Termination Charges (CTC) to Granite State Electric Company d/b/a National Grid for the period October 1, 2009 through September 30, 2010. The CTC billed to National Grid is recovered from National Grid's retail customers through National Grid's stranded cost charge. As part of its annual retail rate adjustment filing in Docket No. DE 10-307, National Grid proposed to decrease its stranded cost charge from 0.070 cents per kWh in 2010 to 0.020 cents per kWh in 2011 to reflect changes in revenues and the fixed and variable components of the CTC reported in the reconciliation. In its Order No. 25,183 (December 22, 2010) in Docket No. DE 10-307 approving National Grid's retail rate adjustments, the Commission stated the following with respect to the stranded cost charge:

National Grid proposes to decrease the stranded cost charge from 0.070 cents per kWh to 0.020 cents per kWh for 2011. A separate docket, Docket No. DE 10-315 will allow Staff adequate time to conduct an in-depth review of the proposed stranded cost charge. In the event an adjustment is required, the Company will reflect the adjustment in its CTC Reconciliation Account and incorporate it into its CTC filings for 2012. We conditionally approve the proposed stranded cost charge, subject to the review to be undertaken in DE 10-315.

Pursuant to the Commission's Order, Staff has reviewed the details supporting National Grid's proposed stranded cost charge and conducted discovery. Based on its review, Staff has determined that the documentation provided by National Grid supports the proposed 0.020 cents per kWh stranded cost charge for 2011 and that no adjustments are required at this time. Therefore, Staff recommends that the Commission close this docket.

One item of note, however, relates to estimated nuclear decommissioning costs that will be charged to National Grid in future years. National Grid states that decommissioning costs for the Yankee Companies (i.e., the Connecticut, Massachusetts and Maine Yankee

units) have been approved by FERC through 2015. Although those costs have been approved by FERC for the Yankee Companies, National Grid does not report them in its CTC supporting schedules because they differ from the decommissioning cost estimates approved by FERC for NEP in the 2005 CTC Settlement Agreement, and revising those estimates would require reopening the 2005 Agreement for FERC approval. For purposes of clarity and full disclosure, National Grid has agreed to include the decommissioning estimates approved by FERC for the Yankee Companies and the corresponding estimated cost allocations to NEP and Granite State in subsequent CTC reconciliation filings through 2015.

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

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