

THE STATE OF NEW HAMPSHIRE
before the
PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire
Alternative Default Energy Service Rate

Docket No. DE 11-216

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE'S
CLOSING STATEMENT

1. Introduction.

This proceeding arises out of the final order in the Migration proceeding, Docket No. DE 10-160. Order No. 25,256 ("Order"). In the Order, Public Service Company of New Hampshire ("PSNH" or "the Company") was directed to file an alternative Default Energy Service rate along with or contemporaneous to filing for approval of its default energy service rate for 2012. Order at 33. The Order required that the rate or rates should be consistent with RSA 369-B:3, IV(b)(1)(A), be cost-based, non-discriminatory and should not have an adverse effect on competition. Order at 31-32. PSNH has complied with the Commission's direction by filing its Alternate Default Energy Service Rate ADE on September 23, 2011. The tariff page filed with the Commission and the record in this proceeding are consistent with the standards stated in the Commission's Order.

2. Compliance with RSA 369-B:3, IV (b)(1)(A).

The rate proposed is based on a calculation of PSNH's marginal costs to provide default service plus an adder of one cent per kilowatt-hour. RSA 369-B:3,

IV(b)(1)(A) requires that the default service rate be based on PSNH's actual, reasonable and prudent costs of providing that service. The marginal cost is the threshold level at which a rate should be based, i.e. the per kilowatt-hour cost of energy service to an additional customer. PSNH has based its marginal cost on the forward market prices for 2012, a reliable estimate of the price of energy that PSNH could purchase for 2012 or the opportunity cost of generating the kilowatt-hours to serve this new, returning load. To these marginal energy costs, PSNH added capacity costs, ancillaries, Renewable Portfolio Standard costs, and ISO-New England expenses that would be incurred by the return of these customers. See, Exhibit 3. To calculate the rate under Rate ADE, PSNH proposed an adder of one cent per kilowatt-hour to the marginal cost. The purpose of the adder is to produce benefits for all customers served under PSNH's Default Energy Service.

This marginal cost plus the adder price is below the current average rate for Default Energy Service of 8.89 cents per kilowatt-hour and below rates proposed in the companion energy service proceeding, Docket No. DE 11-215. A rate between the marginal cost and average cost was acceptable to the Commission as a proposal. See, Order at 33. The proposed rate, therefore, reflects PSNH's actual costs of providing default energy service to these particular customers.

3. Reasonableness.

Rate ADE is reasonable because it is designed to attract customers back to default service. In PSNH's judgment as expressed in Mr. Hall's Second

Supplemental Testimony and his testimony at the hearing, the rate is adequate enough to provide a contribution to fixed energy service costs but not so high as to discourage customers from switching to Rate ADE. If the adder were too low, contribution to fixed costs may be reduced and a rise in actual market prices could result in the rate being below PSNH's marginal cost. Exhibit 2 at 4-5. Consistent with the process under which energy service rates are set, the Commission need not make a prudence decision at this time concerning Rate ADE. Qualifying customers who have been taking competitive supply service for twelve consecutive months and the twenty-four month limitation of the term of service under the rate are reasonable terms to prevent customers from "gaming" Rate ADE.

4. Discrimination.

The rate offering is not unduly discriminatory. Absolute equality in rates is not required. RSA 378:11. There is no undue preference afforded to those customers who qualify for Rate ADE. RSA 378:10. Billing the proposed rate for these large customers can be easily accommodated under PSNH's billing system. With respect to the OCA's concern that the rate is not being offered to residential customers, the relatively few small customers who have migrated will not make any significant contribution to fixed costs if they return on Rate ADE. Moreover, the expense and administrative burden of reprogramming the billing system under which small customers are billed (which serves all four Northeast Utilities' operating companies)

is not justified for the small number of customers and small amount of load to be regained from these low usage customer classes who have migrated.

5. Competition.

The rate will not unduly harm competition. The purpose of the rate is to provide an alternative default service price for customers taking service from competitive suppliers and contribute to the default service costs above marginal costs; therefore, it provides another price signal to compare with competitive suppliers' offers.

Competitive suppliers may be able to arrange supply at less than the forward market prices PSNH used to estimate its marginal energy costs, and they can reduce their margins in order to entice customers to remain. Moreover, PSNH's Rate ADE is entirely transparent in that both competitive suppliers and customers have full knowledge of not only the rate level but also of the methodology used to calculate the rate. As Mr. Hall testified, the rate may stimulate lower price offerings from competitive suppliers simply indexing offers at a fixed discount from PSNH's published default service average Rate DE. This sharpened competition will benefit customers who decide to remain in the competitive market

6. Conclusion.

PSNH has complied with the Commission's Order No. 25,256 in presenting an alternative default service rate that complies with RSA 369-B:3, IV(B)(1)(A), reflects PSNH's actual costs, is reasonable and does not unduly discriminate or

unduly harm competition. Rate ADE will provide migrated customers with an opportunity to return to energy service from PSNH at a lower price when market prices are low, and it will avoid the incurrence of higher costs by standard Default Energy Service customers as a result of migrated customers returning to energy service supplied by PSNH when market prices are high. Finally, all of the benefits realized from providing energy to returning customers at a price in excess of marginal cost will flow to standard Default Energy Service customers. For all of the above reasons, the Commission should approve PSNH's Rate ADE at 7.33 cents per kilowatt-hour for effect on January 1, 2012.

Respectfully submitted,

Public Service Company of New Hampshire

December 20, 2011
Date

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CERTIFICATE OF SERVICE

I hereby certify that, on the date written below, I caused the attached Final Statement to be served pursuant to N.H. Code Admin. Rule Puc §203.11.

December 20 2011
Date

Gerald M. Eaton
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