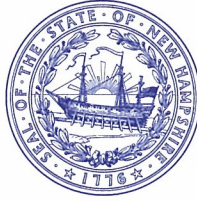


THE STATE OF NEW HAMPSHIRE

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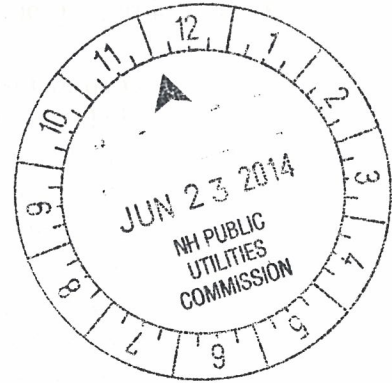
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June 23, 2014



Debra Howland
Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-7319

RE: DE 11-216 Public Service Company of New Hampshire
Alternative Default Energy Service Rate Pilot Program

Dear Ms. Howland:

On April 8, 2013 the Commission approved alternative default energy (Rate ADE) for Public Service Company of New Hampshire (PSNH). Order No. 25,488, (April 8, 2013). The Commission approved Rate ADE on a pilot program basis and approved a Settlement Agreement among the Office of the Consumer Advocate (OCA), Commission Staff (Staff).

Rate ADE was developed at the direction of the Commission given the high migration rate of PSNH energy service customers to competitive supply. As a result of high migration, the costs of PSNH's generation units were borne by a smaller customer group consistently primarily of residential customers. PSNH proposed Rate ADE for those customers who returned to PSNH after receiving service from a competitive supplier, and the rate was designed to include an "add-on" that would be applied to default energy service costs. The Commission recognized this expectation in approving the Settlement Agreement by stating:

[G]iven the current pressures on Rate DE that the Company is facing with customer migration, there is value in instituting Rate ADE on a pilot basis to attempt to provide a measure of benefit to Rate DE customers as well as providing potential relief to customers of competitive suppliers who default. Therefore, we will approve the Settlement as conditioned herein and closely monitor the pilot program. Order No. 25,488, (April 8, 2013.) at 21.

Pursuant to the Settlement Agreement, Rate ADE is priced based upon PSNH's forecast of the marginal costs to provide service to the New Hampshire load zone plus an adder that equals the non-operating costs of the wet flue gas desulfurization unit (Scrubber) at Merrimack Station. The Settlement Agreement further provides that if the projections of the marginal costs

of power for a given period have increased by a least 75% of the amount of the Scrubber adder, Rate ADE will be closed.

To date Rate ADE has failed to achieve the stated goal of providing "a measure of benefit to DE customers." In each of the monthly reports filed by PSNH, Energy Service customers are subsidizing Rate ADE customers in every month except in April 2014. In the column labeled "Difference Between Revenue Expenses - Revenue and Actual Cost Contribution to Fixed Costs" the dollar amount listed in all other months is a negative number. This means that Rate DE customers are not receiving any benefit and in fact are being harmed by Rate ADE. See PSNH Reports dated Aug 26, 2013; Sept 23, 2013; Nov 26, 2013; Dec 23, 2013; Jan 27, 2014; Feb 25, 2014; March 24, 2014; April 23, 2014; and May 22, 2014. This is the opposite of the projected impact of Rate ADE and is counter to the OCA's and Staff's stated support of the Pilot ADE program. In addition, due to the high market costs of power over the winter months, Rate ADE has been closed for several months as the marginal costs for power have exceeded 75% of the Scrubber adder. In those months where Rate ADE was closed, customers who returned to PSNH were enrolled in the default energy service rate. Staff and the OCA consider these results to merit ending the pilot program.

Pursuant to the Settlement Agreement, the Rate ADE pilot was to run for a period of 36 months; however, the Settlement Agreement further states: "Nothing in this agreement shall be construed to limit the authority of the Commission to terminate this rate prior to the end of the thirty-six month pilot period." The OCA and Staff respectfully request the Commission suspend the program as of July 1, 2014. We understand that PSNH still has customers on Rate ADE and will have to develop a process to move those customers to the default energy service rate or advise them of the opportunity to return to competitive supply but no new customers should be enrolled in the rate.

We also believe that PSNH needs to address what the Company will do if energy prices spike in the coming winter as they did for the 2013-2014 winter. Because customers can return to PSNH energy service when competitive suppliers' prices reflect the higher market prices, PSNH could again experience increased load that would have to be supported through market purchases at those higher prices. Staff originally proposed that customers who migrate to competitive supply should be subject to a 1-year "stay out" from default service, and the Commission may want to reconsider the merits of that proposal.

Respectfully,



Susan W. Chamberlin
Consumer Advocate

Suzanne Amidon
PUC Staff Attorney

cc: Service list via electronic mail

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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Docket #: 11-216-1 Printed: June 23, 2014

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**