

**STATE OF NEW HAMPSHIRE**  
**before the**  
**PUBLIC UTILITIES COMMISSION**

Public Service Company of New Hampshire

Investigation of Merrimack Station Scrubber Project and Cost Recovery  
Docket No. DE 11-250

Request for Accounting Statement Clarification

Supplemental Technical Statement of Stephen R. Hall and Michael L. Shelnitz

**I. Introduction**

On January 15, 2013, PSNH filed a Request for Accounting Statement Clarification in which it requested a Secretarial Letter from the Commission that would allow PSNH to first recover the equity return portion of the Cost of Capital of the Scrubber. That request was made in order to satisfy the requirements of SFAS No. 71, allowing PSNH to recognize the equity portion of its Cost of Capital currently and eliminate the difference in the deferral for regulatory and GAAP purposes associated with the operation of the asset. In that filing, PSNH cited the delay in the procedural schedule as one of the factors necessitating the request. PSNH stated that if there were additional future delays to the procedural schedule, such delays would exacerbate the negative impact on PSNH's earnings due to PSNH's inability to currently recognize a full equity return on the Scrubber.

On January 29, 2013, the Commission issued a Secretarial Letter suspending its decision in Order No. 25,445 pending further consideration of the issues contained in PSNH's Motion for Rehearing filed on January 23, 2013. The Commission also suspended the procedural schedule pending such consideration.

The purpose of this supplemental technical statement is to provide the Commission with additional information on the magnitude of the issue to date, and to describe the financial implications of further delay in receipt of the accounting statement clarification.

**II. Amount of unrecognized equity return to date and projected through 2013**

Attachment 1 hereto shows a calculation of the amount of unrecognized equity return to date as well as a projection of the amount of unrecognized equity return that will accrue through the end of 2013 absent action by the Commission clarifying temporary rate recovery, or absent a final decision on cost recovery in this docket. As of the end of 2012, the amount of unrecognized equity return is \$19.4 million. This amount is the sum of the 2011 equity return not recognized as of December 31, 2012 (Attachment 1, page 1, line 37) plus the 2012 equity return not recognized as of December 31, 2012 (Attachment 1, page 2, line 37).

Additionally, line 49 on page 2 of Attachment 1 shows that the amount of unrecognized equity return is projected to increase to \$22.8<sup>1</sup> million by the end of 2013. As of May, 2013, the unrecognized equity return will be approximately \$277,000 per month.

### **III. Impact on generation earnings**

The impact of this lack of recognition of equity return for financial reporting purposes is that PSNH's before-tax generation earnings were reduced by \$19.4 million in 2012, during a period when the Scrubber was performing its designed function. Absent an accounting clarification from the Commission or a final order in this docket, PSNH will continue to be unable to recognize its full equity return, resulting in continued earnings erosion. Action by the Commission clarifying the accounting will allow PSNH to recognize this return for financial reporting purposes. If the Commission does not issue the requested order clarifying the accounting, then PSNH will be required to wait until the Commission issues a final order in this docket. Only at that time would PSNH be allowed to recognize this return for financial reporting purposes over the same time frame allowed for recovery of any remaining previously deferred costs. As an example, if PSNH received an order regarding scrubber costs on December 31, 2013, that indicated PSNH could now recover deferred scrubber costs over a two-year period, PSNH would recognize the scrubber equity return amounts noted above over the next two years (2014 and 2015) in addition to the current equity return earned during those years. In this example the resulting lower generation earnings in 2012 and 2013 would lead to higher generation earnings in 2014 and 2015.

### **IV. Conclusion**

PSNH renews its request for prompt action by the Commission to issue an accounting statement clarification to allow PSNH, in compliance with SFAS No. 71, to commence recognition of equity return on the Scrubber on a current basis.

---

<sup>1</sup> The monthly rate of increase in the unrecognized balance is lower in 2013 than in 2012 because the 2011 unrecognized return will be fully recovered as of April 15, 2013, thus enabling the recovery of a greater amount of the equity return in a current basis.