

THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire

RECONCILIATION OF STRANDED COSTS AND ENERGY SERVICE CHARGE
FOR 2012
Docket No. DE 13-108

Stipulation and Settlement

This Stipulation and Settlement Agreement is entered into as of the date written below between Public Service Company of New Hampshire (“PSNH”), and the Staff of the Public Utilities Commission (“Staff”) hereinafter “PSNH and Staff.” This Stipulation and Settlement Agreement resolves, and represents a compromise of, all of the issues in this proceeding between PSNH and Staff, except as specifically noted herein.

I. Background

On April 10, 2013, PSNH filed a letter with the New Hampshire Public Utilities Commission (“Commission”) with respect to the reconciliation of stranded costs and energy service costs incurred in 2012 with revenues recovered in 2012 through the Stranded Cost Recovery Charge (“SCRC”) and Default Energy Service (“Energy Service” or “ES”) rate and requested that it be granted an extension to May 9, 2013 to submit its filing. That request was granted by a secretarial letter dated April 11, 2013.

The Office of Consumer Advocate (“OCA”) filed its letter of participation on April 17, 2013. On May 9, 2013, PSNH filed testimony and exhibits supporting its reconciliation of SCRC and ES costs and revenues. On June 10, 2013 Conservation Law Foundation (“CLF”) filed a petition to intervene to which PSNH objected on June 13, 2013. By Order No. 25,540 issued July 9, 2013 following a prehearing conference in this matter, the Commission granted CLF’s intervention and clarified the scope of the docket.

Thereafter, discovery was conducted on PSNH’s filing, and on November 20, 2013 Staff and the OCA filed testimony in the docket. PSNH filed rebuttal testimony on January 10, 2014.

II. Staff Testimony

Staff, through its consultant, Accion Group, Inc. (“Accion”) filed testimony on PSNH’s power procurement activities and the operation of its generating units. Mr. Michael D. Cannata, Jr. of Accion conducted an investigation of PSNH’s capacity and energy transactions in 2012 and the operation of its generating assets and unit entitlements.

In general, Mr. Cannata concluded that PSNH made sound and prudent management decisions with regard to its capacity and energy purchases consistent with its most recent

Least Cost Plan. Mr. Cannata concluded that PSNH made additional progress in making short-term sales of excess energy and capacity once that energy or capacity had been purchased. Mr. Cannata concluded that PSNH's efforts in focusing more on the short-term, as recommended, significantly reduced customer costs.

In addition, Mr. Cannata reviewed PSNH's capacity and energy transactions and concluded that PSNH's capacity factor projections used in 2012 were reasonable and that they had been factored into PSNH's estimates of operations and unit outages. Mr. Cannata also stated that he was satisfied with the manner in which PSNH modeled its reliability outages for 2012 and the impact of economic reserve status on its forecasts.

Mr. Cannata also reviewed PSNH's outage reports and conducted interviews with PSNH's employees regarding the operation and maintenance of its generating plants and entitlements. Accion found that PSNH's base load units generally performed well, with very high availability on the highest priced energy days during 2012.

Accion recommended that PSNH not recover from customers the cost of the replacement power related to certain outages at PSNH's units, specifically: Newington, Outage E on June 22, 2012; Schiller, Outage 6-E on August 16, 2012; Schiller, Outage 4-F on October 16, 2012; Schiller, Outage 4-H on December 7, 2012; Eastman Falls 2-I on July 13, 2012; Jackman Outage D on August 9, 2012.

The replacement power costs for each of these outages was approximately as follows:

<u>Outage</u>	<u>Replacement Power Cost</u>
2012 – Outages	
Newington, Outage E	\$0
Schiller, Outage 6-E	\$0
Schiller, Outage 4-F	\$0
Schiller, Outage 4-H	\$0
Eastman Falls, Outage 2-I	\$28,694
Jackman, Outage D	\$1,940
Total	\$30,634

Mr. Cannata conducted a review of PSNH's efforts to address the recommendations contained in the stipulation in the previous reconciliation proceeding, Docket No. DE 12-116. Mr. Cannata concluded that PSNH had satisfied the intended purposes of recommendations 2012-1; 2012-2; 2012-3; 2012-4; 2012-5; 2012-6; 2012-8; 2012-9; and 2012-12 and recommended that those items be closed. With respect to item 2012-7, Mr. Cannata recommended that it be closed subject to PSNH providing the results of an analysis in its reconciliation filing for calendar year 2013. Mr. Cannata recommended that item 2012-10 remain open. With respect to item 2012-11, Mr. Cannata recommended that it be closed subject to continued reporting by PSNH.

Staff also filed the testimony of Steven Mullen, the Assistant Director of the Commission's Electric Division. Mr. Mullen's testimony was provided for the purpose of stating Staff's comments on the Average Year of Final Retirement ("AYFR") PSNH applies to certain of its generating plants. Mr. Mullen discussed the "Technical Updates" that PSNH has undertaken to establish or amend the anticipated service lives of certain generating assets and how the methods used by PSNH resemble the "remaining-life" method of depreciation, as compared to the "whole-life" method. Mr. Mullen did not recommend that PSNH alter the manner of its calculations for this proceeding.

Mr. Mullen concluded, based upon his analysis, and in consultation with Mr. Cannata, that AYFRs used by PSNH in its most recent Technical Update from 2012 were not unreasonable given the capital additions, and physical and operational conditions at the generating plants. Mr. Mullen also noted that the adjustments to AYFR are based upon technical, rather than economic, analyses of the plants. Mr. Mullen did, however, note that the most recent changes to the AYFR resulted in a reduction in annual depreciation expense of \$4.4 million as compared to the prior AYFRs.

III. Settlement Terms

A. Power Supply and Procurement

PSNH and Staff agree that PSNH's filing contains an accurate representation of the capacity and energy purchases in 2012. PSNH and Staff agree that PSNH made sound management decisions with regard to such purchases, and that capacity factor projections used for 2012 market purchases were reasonable.

B. Unit Outages

PSNH agrees that it will not seek recovery of \$30,634 of replacement power costs associated with the outages identified in the table above. PSNH's agreement to forego recovery of such replacement power costs is not an admission of imprudence for any of the outages and is done in an effort to reach settlement of these issues.

C. Recommendations of Potential Improvements in Unit Operation

PSNH and Staff agree that items 2012-1; 2012-2; 2012-3; 2012-4; 2012-5; 2012-6; 2012-8; 2012-9; and 2012-12 be closed and that item 2012-10 remain open. Item 2012-10 concerns coordination studies and transient stability studies undertaken by PSNH personnel on PSNH's low voltage system. PSNH and Staff agree that 2012-7, which concerned PSNH's review, and potential modification, of seasonal temperature settings at its hydro stations should be closed. PSNH and Staff further agree, with respect to 2012-7 that PSNH will provide the results of the barometric controlled ventilation analysis as recommended by Mr. Cannata in its reconciliation filing for calendar year 2013. PSNH and Staff agree that item 2012-11, which concerned vegetation inspections along certain of PSNH's circuits and rights-of-way, as well as hazard tree removals along both distribution and transmission lines, be closed subject to continued reporting by PSNH.

D. Average Year of Final Retirement

PSNH and Staff agree that PSNH’s method of updating the AYFR is reasonable and that the AYFRs used by PSNH following its 2012 Technical Update are reasonable given the capital additions and the physical and operational characteristics of PSNH’s generating plants.

E. Miscellaneous

PSNH and Staff acknowledge that the provisions of this Stipulation and Settlement Agreement are interdependent and non-severable and shall not be binding upon, nor deemed to represent the positions of, PSNH and Staff if they are not approved in full without modification or condition by the Commission. PSNH and Staff further acknowledge that this Stipulation and Settlement Agreement is the product of settlement negotiations, that the content of such negotiations shall be deemed to be privileged and that all offers of settlement shall be without prejudice to the positions of PSNH and Staff. The Commission's acceptance of this Stipulation and Settlement shall not constitute precedent or admission by any party in any future proceeding. PSNH and Staff agree to support this Stipulation and Settlement Agreement before the Commission and to take all reasonable actions to implement the terms described herein.

IN WITNESS WHEREOF, PSNH and Staff have caused this Stipulation to be duly executed in their respective names by their agents, each being fully authorized to do so on behalf of their principal.

Date: January __, 2014

Staff of the Public Utilities Commission

By: _____

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Date: January 16, 2014

Public Service Company of New Hampshire

By:  _____

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D. Average Year of Final Retirement

PSNH and Staff agree that PSNH's method of updating the AYFR is reasonable and that the AYFRs used by PSNH following its 2012 Technical Update are reasonable given the capital additions and the physical and operational characteristics of PSNH's generating plants.

E. Miscellaneous

PSNH and Staff acknowledge that the provisions of this Stipulation and Settlement Agreement are interdependent and non-severable and shall not be binding upon, nor deemed to represent the positions of, PSNH and Staff if they are not approved in full without modification or condition by the Commission. PSNH and Staff further acknowledge that this Stipulation and Settlement Agreement is the product of settlement negotiations, that the content of such negotiations shall be deemed to be privileged and that all offers of settlement shall be without prejudice to the positions of PSNH and Staff. The Commission's acceptance of this Stipulation and Settlement shall not constitute precedent or admission by any party in any future proceeding. PSNH and Staff agree to support this Stipulation and Settlement Agreement before the Commission and to take all reasonable actions to implement the terms described herein.

IN WITNESS WHEREOF, PSNH and Staff have caused this Stipulation to be duly executed in their respective names by their agents, each being fully authorized to do so on behalf of their principal.

Date: January 16, 2014

Staff of the Public Utilities Commission

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Date: January __, 2014

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