

DE 03-175

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

**Petition to Increase Transition Service and Default Service Rate
Motion to Amend Order Regarding Coal Inventory**

Order Establishing Procedural Schedule

ORDER NO. 24,344

July 6, 2004

On July 1, 2004, Public Service Company of New Hampshire (PSNH) filed with the New Hampshire Public Utilities Commission (Commission) a petition to increase its Transition Service and Default Service rate from 5.36 cents per kilowatt-hour to 5.94 cents, effective on August 1, 2004. PSNH made the filing pursuant to Order No. 24,252 (December 19, 2003), in which the Commission approved a 5.36 cent per kWh Transition Service and Default Service rate for the year beginning on February 1, 2004, subject to a potential mid-year rate adjustment upon request of PSNH, another party or the Commission Staff.

In Order No. 24,252, the Commission addressed a concern raised by Constellation NewEnergy, Inc., a registered competitive electric power supplier, that transition rates be set as close as possible to actual costs in order to avoid deferrals. Constellation asserted that when transition rates are set too low, thus resulting in under-recoveries and deferral of costs for collection from customers in a later period, competitive electric power suppliers are disadvantaged. The Commission cited RSA 369-B:3, IV (b) (1) (E), which states that the Commission shall not “implement any pricing strategy for transition service that creates any deferrals”, and agreed that “steps should be taken to lessen the likelihood of deferrals.”

As a procedural device to obviate deferrals, the Office of Consumer Advocate recommended a one-time adjustment in transition service rates, between February 1, 2004 and January 31, 2005, of up to 20 percent. The Commission adopted an approach it described as “more flexible as to price and more temporally predictable.” Accordingly, the Commission indicated that transition service rates would be “revisited in July 2004 with an eye toward a possible adjustment in the price effective on August 1, 2004.” The Commission also indicated that it contemplated an abbreviated proceeding to consider such an adjustment, limited to the question of whether any adjusted rate is in the public interest and consistent with the methodology approved in Order No. 24,252.

Pursuant to RSA 374-F:2, Transition Service is “electric supply that is available to existing customers prior to each customer’s first choice of a competitive electricity supplier and to others, as deemed appropriate by the commission” and Default Service is “electricity supply that is available to retail customers who are otherwise without electricity supplier and are ineligible” for Transition Service. These energy charges are in addition to the Stranded Cost Recovery Charge and the Delivery Service charge also paid by PSNH customers, the latter currently under review on petition of PSNH in Docket No. DE 03-200. The vast majority of PSNH’s customers presently take Transition Service, as opposed to purchasing electricity from a competitive supplier. PSNH presently provides Transition Service out of its portfolio of company-owned non-nuclear generation assets, supplemented by additional wholesale purchases as necessary.

PSNH estimates that it will undercollect its Transition Service costs by approximately \$23.5 million as of January 31, 2005, if there is no change to the current

Transition Service rate. The proposed rate change would increase the bill for a residential customer using 500 kWh per month by \$2.90 and would increase overall rates by 4.8%. PSNH explains that the reasons associated with the rate increase request include an increase to forward market prices, higher coal costs due to supply constraints, higher ISO-NE expenses, higher emission allowance costs, and oil consumption at Schiller Station.

In addition, on July 1, 2004, PSNH filed a Consented-to Motion to Amend Previous Order in this proceeding. PSNH indicated that it is about to begin construction on a new wood-fired boiler for Schiller Station Unit No. 5, which will require space in the upper coal storage yard “as a laydown yard for the boiler parts and as a storage area for other necessary activities” during construction. Consequently, PSNH explains that, during the construction, there will be inadequate space to maintain the average minimum coal inventory levels at Schiller required by Order No. 24,252. PSNH, therefore, seeks to maintain its inventory requirements during construction through excess inventory maintained at Merrimack Station.

Pursuant to Order No. 24,252 and RSA 365:28, respectively, we will address the petition to increase rates and the motion regarding coal inventory in a hearing on July 26, 2004 at 10:00 a.m. A technical session open to the public will be held on July 15, 2004 at 9:00 a.m. and testimony responsive to either the petition or motion will be due July 21, 2004. Parties to Docket No. DE 03-175 remain parties to the proceeding; new motions to intervene are due by July 21, 2004. Consistent with standard practice, public statements will be entertained at the July 26 hearing.

Based upon the foregoing, it is hereby

ORDERED, that a Hearing be held at the Commission located at 8 Old Suncook Road, Concord, New Hampshire on July 26, 2004 at 10:00 a.m., and it is

FURTHER ORDERED, that the following procedural schedule:

Technical Session	July 15, 2004, 9:00 a.m.
Responsive Testimony on petition and/or motion	July 21, 2004

is established unless otherwise ordered; and it is

FURTHER ORDERED, that the Executive Director shall notify all persons desiring to be heard at this hearing by publishing in a newspaper with statewide circulation, no later than July 10, 2004, a display ad setting forth the purpose, time and place of the hearing and by posting this order on the Commission's website by such date; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to PSNH and the Office of the Consumer Advocate on or before July 21, 2004, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.02 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before July 26, 2004.

By order of the Public Utilities Commission of New Hampshire this sixth day of
July, 2004.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary