

DE 04-202

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Special Contract NHPUC-144, Westinghouse Electric Company, LLC

Order *Nisi* Approving Special Contract

ORDER NO. 24,411

December 8, 2004

I. PROCEDURAL HISTORY

On November 1, 2004, Public Service Company of New Hampshire (PSNH) filed with the New Hampshire Public Utilities Commission (Commission) a request for approval of a Special Contract NHPUC-144, with Westinghouse Electric Company LLC (Westinghouse) pursuant to RSA 378:18 and N.H. Admin. Rules, Puc 1603.03(a) and (b). PSNH stated that the purpose of the Special Contract was to provide interruptible power at a special rate to Westinghouse for its pump testing operation in Newington, New Hampshire. In support of its request, PSNH submitted testimony of Rhonda J. Bisson, Senior Analyst for PSNH, and a signed statement from Westinghouse confirming that the tariff rate applicable to Westinghouse will not meet its requirements. PSNH stated that the current contract with Westinghouse expires on December 31, 2004.

Staff submitted data requests to PSNH on November 5, 2004. PSNH responded on November 16, 2004, and moved for a protective order with respect to data requests NSTF-01, Q-STAFF-008 and NSTF-01, Q-STAFF-012. On November 17, 2004, Staff conducted a site visit of the Westinghouse facility. Staff completed its analysis and filed a memorandum with the Commission on December 3, 2004, recommending approval of Special Contract NHPUC-144.

II. BACKGROUND SUMMARY OF THE PROPOSED SPECIAL CONTRACT

Westinghouse's Newington facility manufactures a variety of steel components for the nuclear power industry in addition to performing pump tests. The manufacturing portion of the facility receives separately metered service under PSNH's tariffed Rate GV, while the pump testing portion of the facility currently receives service under the terms of a Special Contract, NHPUC-103, which expires December 31, 2004. PSNH avers that the current Special Contract contains terms similar to those being proposed in Special Contract NHPUC-144. Westinghouse currently employs roughly 220 individuals at its Newington facility.

As described in the filing, PSNH will provide interruptible power up to the level required to test an 8,800 horsepower pump under terms that depart from PSNH's Large General Service Rate LG. The terms that represent a departure from Rate LG relate to the maximum demand for billing purposes and the charges for energy service. The maximum demand for billing purposes will be based on fifty percent of the highest kilovolt-ampere demand during the current billing period only, in lieu of a demand ratchet that applies to the current and previous eleven billing periods.

For energy service, Westinghouse will have the option of purchasing its service from a competitive provider, directly from the Independent System Operator for New England (ISO-NE) under the terms of self-supply, or from PSNH. If Westinghouse elects to purchase energy service from PSNH, the terms of PSNH's Transition Energy Service Rate T or Default Energy Service Rate DE will apply, with the following exception: the energy charge per kilowatt-hour will be based on the applicable hourly ISO-NE Real Time Zonal Price for the New Hampshire load zone plus an adder which represents the cost per kilowatt-hour of all non-energy

and non-capacity charges assessed by ISO-NE that are used in the calculation of PSNH's Rate T or Rate DE in effect during the months PSNH is furnishing energy service to Westinghouse.

PSNH states that while it offers voluntary interruptible service to other customers, the interruptible service provided to Westinghouse is unique because PSNH has direct control of Westinghouse's circuit switcher from PSNH's Electric System Control Center in Manchester. Under this arrangement, PSNH can instantaneously terminate service to Westinghouse's pump testing operation. Special Contract NHPUC-144 includes notice provisions for both Westinghouse's requests for interruptible service as well as PSNH's interruption of service in those instances where interruption can be anticipated.

According to the filing, the proposed effective date of Special Contract NHPUC-144 is January 1, 2005, or the date upon which the Commission orders approval of the Special Contract. The existing contract, NHPUC-103, will expire on December 31, 2004. According to the terms of Special Contract NHPUC-144, the contract will be effective through December 31, 2007.

Special Contract NHPUC-144 contains a provision which could allow an extension of the Special Contract through December 31, 2014, during which time Westinghouse currently plans to test pumps of an increased size, not to exceed 13,500 horsepower. As part of this provision, PSNH plans to complete a Transmission System Study, prior to December 31, 2005. As set forth in the Special Contract, the Transmission System Study will outline any physical equipment that must be installed on Westinghouse's electric system and any financial support required of Westinghouse in order for PSNH to continue furnishing interruptible power to Westinghouse beyond December 31, 2007. Following the study, if Westinghouse installs the

required equipment, and pays PSNH the required financial support for installing the equipment, the terms of Special Contract NHPUC-144 will continue through December 31, 2014.

Otherwise, the Special Contract will terminate as of December 31, 2007. Details are contained in Article 2 of Special Contract NHPUC-144.

PSNH states that, without the Special Contract, the annual electric bill in 2005 for Westinghouse's pump testing facility would be 183% higher under standard tariff LG pricing. Westinghouse addressed in a signed statement the options it would pursue if Special Contract NHPUC-144 were not approved. Westinghouse stated that its options are to (a) relocate the pump manufacturing and testing operation to China or South Korea or to another existing Westinghouse facility; (b) purchase or rent a generator to support the pump testing on an as needed basis; or (c) exit the business.

PSNH states that the Special Contract accrues benefits to PSNH's other customers. According to PSNH, based on Westinghouse's current three-year testing schedule, PSNH's customers will benefit because the retained sales result in approximately \$180,000 in stranded cost recovery from the pump testing facility over that three-year period. Additionally, Westinghouse will contribute approximately \$290,000 in stranded cost recovery over the same three-year period from its manufacturing load requirements that are served under Rate GV.

In terms of delivery revenue, PSNH states that based upon Westinghouse's prospective pump testing schedule for the three-year period January 1, 2005 through December 31, 2007, PSNH will receive approximately \$230,000 in delivery revenue pursuant to the terms of Special Contract NHPUC-144 in addition to the approximately \$129,000 it expects to receive over that same period from Westinghouse's Rate GV account.

Finally, PSNH states that, taking into account Westinghouse's stated options if the Special Contract is not approved, it believes that the employment of approximately 220 individuals at the Newington facility would be at risk. PSNH further notes that, based upon Westinghouse's current product orders, Westinghouse expects to increase its employment level 15 percent over the next three years.

Pursuant to Puc 1606.03(b), PSNH's filing includes a "Statement of the Special Circumstances Rendering Departure from General Schedules Just and Consistent with the Public Interest." PSNH states those special circumstances as follows:

1. The service to be rendered under this Special Contract consists of the furnishing of interruptible power to Westinghouse Electric Company, LLC (Westinghouse) for its pump testing operation.
2. In the absence of this Special Contract, service would be rendered to Westinghouse under PSNH's Large General Delivery Service Rate LG. Westinghouse has determined, however, that interruptible power is more suitable to the needs of its pump-testing operation. Although less reliable than the service that would be furnished under Rate LG, interruptible power will have a lower cost.
3. Departure from PSNH's Delivery Service Tariff is justified because PSNH's Delivery Service Tariff does not provide for rates and charges for the furnishing of direct controlled interruptible power. Furthermore, Westinghouse (and its predecessor companies) has been rendered service under the terms of a special contract for direct controlled interruptible service at the existing location since 1978. This Special Contract extends the previous arrangements and provides for rate continuity for Westinghouse. In addition, while this contract is designed to meet Westinghouse's unique circumstances, it also provides benefits to PSNH's other customers by providing for a continued contribution to the recovery of stranded costs, and to the state of New Hampshire by providing for the continued employment of approximately 220 individuals.

III. STAFF'S RECOMMENDATION

In a December 3, 2004 memorandum to the Commission, Staff summarized its investigation of the assertions stated in PSNH's petition, and its analysis of the special circumstances as described by PSNH. Staff supplemented information by data requests and a site visit. Staff noted the uniqueness of the direct control arrangement whereby PSNH "controls the switch" for Westinghouse's interruptible load rather than relying on voluntary interruption by the customer. In terms of pricing, Staff indicated that the entire discount results from the lack of a demand ratchet as well as the fifty percent discount to maximum demand. Staff believes that because energy under Special Contract NHPUC-144 is priced at the NH zonal price plus an adder, the effect, if any, on PSNH's other customers would be negligible. In addition, Staff stated:

While Westinghouse certainly benefits from the special contract pricing terms, PSNH, its customers and the State of New Hampshire also benefit through the combination of delivery and stranded cost revenue from the retained load and the retention of a significant number of manufacturing jobs. Stranded cost revenue received from Westinghouse serves to reduce the amount of stranded costs that would need to be recovered from PSNH's remaining customers. In order for the contract to be extended through December 31, 2014, Westinghouse must pay for any related equipment necessary to supply its increased electrical power needs. PSNH's other customers, therefore, would further benefit from any additional stranded cost revenue resulting from Westinghouse's increased demand and consumption.

Based on its investigation and analysis, Staff recommended the Commission grant approval on a *nisi* basis to permit the terms of the Special Contract to go into effect on January 1, 2005.

IV. COMMISSION ANALYSIS

At the outset, the Commission notes that no objections were raised to PSNH's Motion for Protective Order regarding Data Responses to Staff Data Requests NSTF-01, Q-

STAFF-008 and Q-STAFF-012 In its Motion, PSNH states that Q-STAFF-008, which requested billing determinants and amounts for both the interruptible power and the Rate GV Westinghouse accounts for the past three years, required the production of customer specific information concerning usage, bills and operating costs. PSNH states that this information is eligible for confidential treatment pursuant to Puc 204.06(c). Q-STAFF-012 requested, for Westinghouse's pump testing operation, the percentage of operating costs which constituted electricity costs. PSNH states that the response to Q-STAFF-012 combined with the response to Q-STAFF-008 would, through a simple arithmetic calculation, disclose Westinghouse's total operation cost for the pump manufacturing business in Newington. This customer information, PSNH argues, is also eligible for confidential treatment under Puc 204.06(c).

The Commission notes that Puc 204.06 (c) provides for confidential treatment of utility information when the petitioner provides evidence that the information is financially or commercially sensitive. Puc 204.06(c)(2). We find that the information requested to Staff Data Requests Q-STAFF-008 and Q-STAFF-012 qualifies as information financially or commercially sensitive to the customer. In addition, we find that such confidential commercial or financial information is exempt from the requirements of the Right to Know statute, RSA 91-A:5,IV. We therefore grant PSNH's Motion for Protective Order with respect to the responses to Staff Data Requests Q-STAFF-008 and Q-STAFF-012.

We have reviewed PSNH's testimony and Staff's memorandum regarding Special Contract NHPUC-144. RSA 378:18 provides that: "Nothing here shall prevent a public utility from making a contract for service at rates other than those fixed by its schedules of general application, if special circumstances exist which render departure from the general schedules just

and consistent with the public interest.” We find that special circumstances exist in this matter which support the Petition for Special Contract NHPUC-144. The terms of the Special Contract apply only to the interruptible service Westinghouse requires in its pump testing operation. PSNH states that, absent this Special Contract, the annual electric bill for Westinghouse’s pump testing facility would be 183% higher under standard tariff Rate LG pricing. The Special Contract reduces this cost by eliminating the demand ratchet and providing a 50% discount for maximum demand.

Moreover, Special Contract NHPUC-144 does not benefit Westinghouse alone. According to PSNH’s analysis, which Staff endorses, PSNH’s other customers would benefit through the combination of delivery and stranded cost revenue from the retained load. Stranded costs revenue received from Westinghouse serves to reduce the amount of stranded costs that PSNH would have to recover from its remaining customers. In addition, the State of New Hampshire would benefit from retention of a significant number of manufacturing jobs. We note that Westinghouse has stated that if it cannot purchase interruptible service at reasonable rates, it would consider, among other options, relocating the pump manufacturing facility to either China or South Korea, or exit the business altogether. We find the retention of stranded cost revenue and the retention of manufacturing jobs are in the public interest and meet the requirements of RSA 378:18.

According to Staff’s recommendation, PSNH stated that the Transmission System Study to be performed by PSNH consistent with Article 2 of the Special Contract is a long-term study that would have been conducted absent the terms of this Special Contract. As part of our

approval, we will require PSNH to file with the Commission the results of the Transmission System Study as well as formal notification when and if the terms of the contract are extended.

We approve Special Contract NHPUC-144 and enter this order *nisi* to permit the Special Contract to take effect on January 1, 2005.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, Special Contract NHPUC-144 between PSNH and Westinghouse is APPROVED; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than December 14, 2004; and to be documented by affidavit filed with this office on or before January 1, 2005; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than December 21, 2004; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than December 27, 2004; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective January 1, 2005, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that PSNH is required to submit the results of its Transmission System Study upon its completion as well as formal notification when and if the terms of Special Contract NHPUC-144 are extended pursuant to Article 2 of the Special Contract.

By order of the Public Utilities Commission of New Hampshire this eighth day of December, 2004.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Michael D. Harrington
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary