

DE 06-134

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Adjustment of Stranded Cost Recovery Charge

Order Approving Petition

ORDER NO. 24,712

December 15, 2006

Appearances: Gerald M. Eaton, Esq. for Public Service Company of New Hampshire; Office of Consumer Advocate by Meredith Hatfield, Esq. on behalf of residential ratepayers; and Suzanne G. Amidon, Esq. of the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 22, 2006, Public Service Company of New Hampshire (PSNH) filed with the New Hampshire Public Utilities Commission (Commission) a petition for a downward adjustment of its Stranded Cost Recovery Charge (SCRC). The SCRC is paid by all PSNH customers and is designed to compensate PSNH for certain costs that would otherwise have been unrecoverable in light of the industry changes brought about by the Electric Industry Restructuring Act, RSA 374-F. Although the SCRC varies by customer class, the current average SCRC rate is 1.55 cents per kilowatt-hour (kWh). In its petition, PSNH estimated that the average SCRC rate should be reduced to 0.99 cents per kWh for the calendar year beginning January 1, 2007. In support of its petition, PSNH filed the testimony of Robert A. Baumann, director of revenue regulation and load resources for PSNH affiliate Northeast Utilities Service Company, with related attachments and exhibits.

The Commission issued an order of notice on September 27, 2006, scheduling a prehearing conference for October 5, 2006. The Office of Consumer Advocate (OCA) entered an appearance on behalf of residential ratepayers pursuant to RSA 363:28 on October 2, 2006.

On October 3, 2006, the Office of Energy and Planning (OEP) filed a motion to intervene. Following the prehearing conference, Staff and the parties proposed a procedural schedule which was approved by the Commission by a secretarial letter dated October 6, 2006. On November 17, 2006, PSNH filed a revised SCRC rate of 1.30 cents per kWh based on changed market conditions and the Commission's decision regarding the duration of certain Independent Power Producer (IPP) agreements.¹ A hearing was held on November 21, 2006 as scheduled.

II. POSITIONS OF THE PARTIES

A. Public Service Company of New Hampshire

PSNH noted that the SCRC consists of three components, pursuant to the PSNH Restructuring Settlement Agreement (Restructuring Agreement) approved by the Commission in *PSNH Proposed Restructuring Settlement* (Order No. 23,443) 85 NH PUC 154 (2000). Part 1 of the SCRC is composed of the Rate Reduction Bond (RRB) charge calculated to recover the costs of repayment on the RRBs. Part 2 costs include "ongoing" costs consisting primarily of (1) the costs in excess of market value associated with energy purchased from IPPs and (2) lump sum payments previously approved by the Commission and made to buy down or buy out certain long-term IPP rate orders. Part 3 stranded costs were those for which PSNH undertook some risk of non-recovery at the time it entered into the Restructuring Agreement. PSNH notes that in Order No. 24,641 (June 30, 2006) in Docket No. DE 06-078 the Commission approved a reduction of the average SCRC rate from 3.55 cents per kWh to 1.55 cents per kWh to recognize the full recovery of Part 3 stranded costs.

PSNH's petition proposed a further reduction for 2007, primarily due to PSNH's expectation that certain IPP rate orders would expire before or during 2007. Specifically, PSNH

¹ See Order No. 24,679 (October 16, 2006) in Docket No. DE 05-153.

assumed that the Bridgewater Power Company, LP (Bridgewater) rate order would end on December 31, 2006, and that the Pinetree Power Tamworth, Inc. (Pinetree-Tamworth) rate order would end on August 31, 2007. Based on these assumptions along with its forecast of energy and capacity market prices, PSNH estimated a 0.56 cent-per-kWh reduction to the average SCRC rate, resulting in a proposed average SCRC rate of 0.99 cents per kWh. In its petition, PSNH indicated that the rate was not fixed, and that the company would be filing updated market information before the date of the hearing.

On November 17, 2006, PSNH filed the updated market information and calculations supporting a revised SCRC average rate of 1.30 cents per kWh. PSNH stated that the revised rate reflected the most current information regarding above-market IPP costs and the 2006 SCRC true-up. In addition, PSNH attested that the revised rate also reflects the effects of Commission Order No. 24,679 (October 16, 2006), in which the Commission determined that the Pinetree-Tamworth and Bridgewater rate orders will terminate on dates later than PSNH had assumed in its previous estimate. PSNH concluded by requesting Commission approval of the SCRC calculation and resulting rates.

B. Office of Consumer Advocate

The OCA did not take a position on the petition.

C. Commission Staff

Staff stated that it reviewed PSNH's assumptions and calculations and recommended that the Commission approve the proposed SCRC rate.

III. COMMISSION ANALYSIS

RSA 378:7 authorizes us to determine the just, reasonable and lawful rates to be charged

by utilities within our jurisdiction. With respect to stranded cost recovery, the Legislature has specifically instructed that any recovery “should be through a nonbypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, consistent with the promotion of fully competitive markets and consistent with [the restructuring policy] principles” enumerated in the Electric Utility Restructuring Act. RSA 374-F:3, XII(d). We find that PSNH’s proposal to adjust the SCRC to reflect current market conditions is appropriate and consistent with the Legislature’s guidance.

Upon review of the record and Staff’s recommendation, we conclude that PSNH’s proposed reduction of the SCRC to an average rate of 1.30 cents per kWh is supported by the evidence and will result in a SCRC rate that is reasonable and lawful. Accordingly, we approve PSNH’s petition.

Based upon the foregoing, it is hereby

ORDERED, that the petition of Public Service Company of New Hampshire for a reduction to its Stranded Cost Recovery Charge beginning January 1, 2007 is hereby granted; and it is

FURTHER ORDERED, that Public Service Company shall submit a compliance tariff within 30 days of the date of this Order.

By order of the Public Utilities Commission of New Hampshire this fifteenth day of
December, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary