

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 07-068

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Transmission Cost Adjustment Mechanism

Order Approving Petition

ORDER NO. 24,770

June 29, 2007

Appearances: Gerald M. Eaton, Esq. on behalf of Public Service Company of New Hampshire; Nicholas J. Lazos, Esq. of Stebbins, Lazos and VanDerBeken on behalf of Freudenberg-NOK General Partnership; Office of Consumer Advocate by Meredith A. Hatfield, Esq. on behalf of residential ratepayers; and Suzanne Amidon, Esq. on behalf of the Commission Staff.

I. PROCEDURAL BACKGROUND

On June 1, 2007, Public Service Company of New Hampshire (PSNH) filed a petition requesting approval of the reconciliation of transmission costs from July 1, 2006 through June 30, 2007, as well as approval of an annual forecasted retail transmission revenue requirement and related costs for the period July 1, 2007 through June 30, 2008. The petition is PSNH's filing of its initial reconciliation and rate filing for the transmission cost adjustment mechanism (TCAM) approved by the Commission in Order No. 24,750 (May 25, 2007). With its petition, PSNH filed supporting testimony and related attachments.

PSNH requested approval of one change to the TCAM as approved by the Commission in Order No. 24,750. Instead of reconciling transmission costs based on a twelve-month period ending December 31, PSNH proposes to reconcile transmission costs based on a twelve-month period ending June 30. According to the Company, the regional transmission organization, ISO New England, revises its transmission rates annually on June 1, and the requested change to a

July-through-June forecast year would result in the most accurate annual forecasting period for PSNH's transmission rates.

At the time of its June 1 filing, PSNH stated that it had not yet received information from ISO New England regarding the transmission rates for effect June 1, 2007. PSNH indicated that it would update its calculations upon receipt of that information and would file the updated calculations along with rate design testimony by June 6, 2007.

The Commission issued an Order of Notice on June 4, 2007 scheduling a hearing for June 21, 2007. On June 6, 2007, PSNH filed additional testimony and updated exhibits to its June 1 filing. PSNH further updated and revised the proposed transmission rates and rate calculations on June 8, 2007.

On June 11, 2007, Freudenberg-NOK General Partnership, a manufacturing company and PSNH customer, filed a motion to intervene in the docket. The Office of Consumer Advocate (OCA) entered an appearance on June 14, 2007 on behalf of residential ratepayers pursuant to RSA 363:28. On June 15, 2007, PSNH filed a motion for confidential treatment regarding documentation provided to Staff in response to two data requests.

The hearing was held as scheduled. At hearing, the Commission granted Freudenberg's motion to intervene.

II. POSITIONS OF THE PARTIES

A. Public Service Company of New Hampshire

PSNH testified that the types of transmission costs included in this filing are: regional network service (RNS) costs, local network service (LNS) costs, reliability costs and scheduling and dispatch costs (S&D), all of which are approved by the Federal Energy Regulatory Commission (FERC). According to the company, 100 percent of the transmission costs are

FERC-approved and allocated according to FERC-approved tariffs.

PSNH explained that RNS costs are related to the costs required to support the regional transmission infrastructure throughout New England. PSNH stated that RNS costs are billed to all entities in the region that have load responsibility, such as PSNH, based on their monthly peak load.

According to PSNH, LNS costs encompass local transmission costs of PSNH and its affiliates (all subsidiaries of Northeast Utilities) that are not included in the FERC-jurisdictional RNS tariff. PSNH testified that these billings are governed by FERC-approved tariffs and are based on costs allocated to PSNH based on their Northeast Utilities load share calculated using a rolling twelve-month coincident peak.

Reliability costs, as described by PSNH, include costs such as Black Start, VAR support, Reliability Must Run (RMR), and other uplift costs that are related to generation reliability. PSNH said these costs are also billed to PSNH by ISO New England based on FERC-approved tariffs. Upon inquiry by Staff, PSNH explained that Black Start denotes generation units that are able to start up on their own, without power from the grid, through the means of special equipment, which requires additional capital investment. VAR support means the additional requirements of certain generators to make sure that transmission is maintained at appropriate voltage levels. PSNH explained that this also requires additional capital costs for those generators to make them more responsive to voltage requirements in various areas. VAR support costs are charged to generators based on their monthly peak load. RMR costs are billed only to entities in the specifically defined reliability region in which the RMR is located. PSNH stated that it does not pay costs for RMR because no units in the state have been designated by ISO New England as RMR units.

In Order No. 24,750 (May 25, 2007), (Docket No. DE 06-028, PSNH's delivery service rate case) the Commission approved a total permanent increase in transmission rates of \$13.5 million for rates in effect as of July 1, 2006. In its June 1 filing, PSNH initially calculated an under-recovery of transmission costs of \$4.647 million for the reconciliation period from July 2006 to June 2007. Based on its forecast at the time of its initial filing, PSNH estimated an average transmission rate of \$0.008096 per kilowatt-hour (kWh) for the period July 1, 2007 through June 30, 2008. That calculation incorporated the \$4.647 under-collection as well as forecast transmission costs of \$62.638 million for the twelve-month period. In the event that its request to change the twelve-month reconciliation period from a period ending December 31 to a period ending June 30 were not to be approved, PSNH included an additional calculation that resulted in an average transmission rate of \$0.008254 per kWh for the period July through December 2007.

On June 6, 2007, PSNH revised its calculations to reflect an updated sales forecast and to incorporate ISO New England's June 1, 2007 transmission rates. PSNH's updated calculations reduced the under-recovery associated with the July 2006 through June 2007 reconciliation period from \$4.647 million to \$1.751 million. PSNH made further adjustments reflecting a \$440,000 reduction in LNS costs for the months of May and June 2007. Taking into account all of the updated information, PSNH calculated a final overall average transmission rate of \$0.00752 per kWh for the period July 2007 through June 2008 or, alternatively, \$0.00709 per kWh for the 6-month period July 2007 through December 2007. PSNH stated that its proposed rates are based on the revised calculations and according to the terms of the settlement agreement approved by the Commission in Order No. 24,750 (May 25, 2007). According to the Company, the TCAM rate would increase an average residential customer's total bill by 2.1 percent.

However, PSNH testified that the combined changes¹ proposed for effect July 1, 2007 would result in an increase in residential bills of less than one percent.

According to the company, the settlement agreement in DE 06-028 provides that, for Rate B backup delivery service, transmission costs are recovered through a demand charge, and the demand charge is split into a base component and an incremental component for rate design purposes. Following the terms of the settlement agreement, PSNH calculated the base component of Rate B to be \$0.43 per kilowatt (kW) per month and the incremental component to be \$0.18 per kW per month for a total Rate B demand charge of \$0.63 per kW per month.

PSNH filed a motion for confidential treatment of documentation supplied to Staff in response to a request for the information that had been presented to the PSNH board of trustees in support of the budgeted and forecasted transmission costs used to determine the proposed transmission rates. In response to the data request, PSNH provided an extract of retail transmission that was included in the Northeast Utilities (NU) budget for 2007 as approved by the NU board of trustees.²

In its motion, PSNH asserted that the documentation provided is confidential, financial information and should be protected from public disclosure. PSNH stated that the NU trustees

¹ See Orders No. 24,768 and 24,769 in Dockets No. DE 06-125 and DE 06-134, respectively.

² Northeast Utilities is the parent company of PSNH. Although PSNH's testimony had referred to information provided to the PSNH Board of Trustees, the information was actually provided to the NU Board of Trustees for approval.

need this information to be presented in an unconstrained manner in order to decide upon the best corporate direction to follow in the future. PSNH said that management must feel free to disclose any details in what direction the transmission sector of the business is going, both the good news and the bad. According to PSNH, if the trustees or management knew that this information would be shared with the public, there would be a chilling effect upon comprehensive full disclosure by management, and as a result there would be less information available for the trustees to use in critical corporate decisionmaking. In applying the requisite balancing test to measure the benefits to the public of disclosing this information with the harm to the company if such information was made public, PSNH opined that the harm to the company clearly outweighs the benefits to the public.

B. Freudenberg-NOK General Partnership

At hearing, Freudenberg contended that PSNH's low energy service rates, combined with a substantial increase in transmission costs, reduces the amount of competition in the New Hampshire electric market. Freudenberg stated that PSNH has an unfair advantage because its parent company can increase revenues by building either new generation, to the extent it is allowed, or by investing in the transmission system. Because the Northeast region needs transmission upgrades, Freudenberg said, customers of PSNH have no choice but to accept the higher transmission costs due to determinations made by the FERC and ISO New England. In Freudenberg's view, due to the trend in rising transmission costs, substantial users of electricity are more likely to go off the electricity grid, develop their own generating capacity, or leave the state for lower cost electricity.

Freudenberg concluded by disputing the allocation of transmission costs by ISO New England, as approved by the FERC. Freudenberg urged the Commission to become more active

before both the FERC and ISO New England regarding transmission needs and allocation of costs.

C. Office of Consumer Advocate

Through examination of PSNH's witnesses, the OCA clarified that those customers who took electric service from competitive suppliers still had to pay the FERC-approved transmission costs. The OCA also clarified that RMR costs and certain costs of installing transmission lines that are deemed to be "local" costs by ISO New England are recovered exclusively from customers in the regions where those costs are incurred. OCA concluded by stating that it had no objection to PSNH's petition.

D. Commission Staff

Staff stated that it had reviewed the petition and revisions, and conducted discovery in the course of its investigation. Staff stated that it had no objection to the petition as revised and that it supported PSNH's request to adjust the reconciliation period from a twelve-month period ending December 31 to a twelve-month period ending June 30.

III. COMMISSION ANALYSIS

A. Confidentiality

PSNH requests confidential treatment of its response to a data request seeking the documentation supplied to the PSNH board of trustees in support of the budgeted and forecasted transmission costs used to determine the proposed transmission rates. PSNH provided an extract of retail transmission that was included in the 2007 budget approved by the NU board of trustees, but asserted that the supplied information is confidential, financial information and should be protected from public disclosure.

We have conducted an *in camera* review of the information supplied in response to the

data request. We find that the information is confidential, commercial or financial information within the meaning of N.H. RSA 91-A:5, IV. We do not find the public's interest in review of the confidential financial information sufficient to outweigh the benefit derived from maintaining the confidentiality of such information, given that it is customers as well as the corporate entities involved that benefit insofar as confidentiality promotes lower rates. *See Union Leader Corp. v. New Hampshire Housing Fin. Auth.*, 142 N.H. 540 (1997) (requiring application of balancing test to RSA 91-A:5,IV determinations, weighing public's interest in disclosure against privacy interest). We therefore grant confidential treatment to the information provided in response to the data request. Consistent with our practice, the confidential treatment provisions of this order are subject to the on-going authority of the Commission, on its own motion or on the motion of Staff, any party or other member of the public, to reconsider this protective order in light of RSA 91-A, should circumstances so warrant.

B. TCAM

We have reviewed the petition along with the supporting documentation and calculations. We find that PSNH used the appropriate methods to calculate the TCAM and associated rates for transmission expenses consistent with the terms of the settlement agreement that we approved in Order No. 24,750. We therefore grant PSNH's petition, as amended.

In addition, we approve PSNH's request to change the transmission cost reconciliation period from the twelve-month period ending December 31 to the twelve-month period ending June 30 after an initial eighteen-month transition period. We find that doing so will allow the use of the most recent FERC-approved transmission rates and provide a transmission cost forecast on the best available information. Related to that change, we approve PSNH's requested overall average transmission rate of \$0.00752 per kWh for the period July 2007 through June

2008.

Freudenberg requested that we increase our participation in discussions before the FERC and at ISO New England. Active involvement in regional and federal forums is a matter of longstanding Commission policy and will continue to be so consistent with specific authority as first set forth in RSA 374-F:8 as part of industry restructuring in 1996 and recently amended by Senate Bill 140, which has passed both the House and Senate and is currently in the enrollment process.

Based upon the foregoing, it is hereby

ORDERED, that the petition, as amended, of Public Service Company of New Hampshire to establish transmission rates and initiate a transmission recovery adjustment mechanism is hereby GRANTED; and it is

FURTHER ORDERED, that the reconciliation period for PSNH's transmission costs be revised to a twelve-month period ending June 30 of each year; and it is

FURTHER ORDERED, that the petitioner shall file conforming tariffs within 30 days of the date of this Order, consistent with N.H. Code Admin Rule Puc 1603.02.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of June, 2007.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary