

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-217

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Mid-Year Adjustment to Stranded Cost Recovery Charge

Order Following Hearing

ORDER NO. 25,381

June 27, 2012

APPEARANCES: Sarah B. Knowlton, Esq. on behalf of Public Service Company of New Hampshire; the Office of Consumer Advocate by Rorie E. P. Hollenberg, Esq. on behalf of residential ratepayers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On May 2, 2012, Public Service Company of New Hampshire (PSNH or Company) filed a request with supporting testimony and schedules to make a mid-term adjustment to its Stranded Cost Recovery Charge (SCRC) rate on a service-rendered basis effective July 1, 2012. The SCRC recovery mechanism was established pursuant to the Agreement to Settle PSNH's Restructuring Docket in Docket DE 99-099. *See*, Order No. 23,549, *PSNH Proposed Restructuring Settlement*, 85 NH PUC 536 (2000) (Restructuring Agreement). PSNH requested approval of the adjustment by June 28, 2012 to allow sufficient time to test its billing system for this change and all other rate changes proposed for effect on July 1, 2012.

The Commission approved the current average SCRC rate of 1.23 cents per kilowatt-hour (kWh) in Order No. 25,312 (December 30, 2011) entered in the instant docket. In the May 2, 2012 filing, PSNH projected an increase in the average SCRC rate from 1.23 cents kWh to 1.94 cents per kWh. The estimated rate was based on actual results through March 2012 and an

updated forecast for the remainder of 2012. The Commission issued an Order of Notice on May 15, 2012 scheduling a hearing for June 19, 2012.

The Office of Consumer Advocate (OCA) filed a letter on October 12, 2011 in the earlier stage of this docket indicating that it would be participating in the proceeding on behalf of residential ratepayers pursuant to RSA 363:28. On June 12, 2012, PSNH filed an update to the proposed average SCRC rate for effect July 1, 2012. In the update, the Company revised the proposed average SCRC rate from 1.94 cents per kWh to 1.88 cents per kWh.

II. POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire

The Restructuring Agreement defined PSNH's stranded costs and categorized them into three different parts (Part 1, Part 2 and Part 3), all of which are recovered through the SCRC rate. Part 1 SCRC is calculated to recover the principal, net interest, and fees associated with the rate reduction bonds. Part 2 costs are "ongoing" stranded costs consisting primarily of the over-market value of energy purchased from independent power producers (IPPs) and the amortization of payments previously made for IPP buy-downs and buy-outs approved by the Commission. Part 3 costs, which are primarily the amortization of non-securitized stranded costs, were fully recovered as of June 2006.

In the instant docket the Commission approved the current average SCRC rate of 1.23 cents per kWh in Order No. 25,312. In its May 2, 2012 filing, PSNH projected an increase in the average SCRC rate from 1.23 cents per kWh to 1.94 cents per kWh. PSNH stated that the primary reason for the increase was the additional over-market costs for purchases made from five wood-fired Wood IPPs and lower market prices which, in turn, increased the over-market portion of purchases from all IPPs from which PSNH purchases power.

The Commission approved the purchase power agreements with the five Wood IPPs in Order No. 25,305 (December 20, 2011) in Docket DE 11-184. PSNH explained that the market cost of power provided by the IPPs is recovered through the Company's energy service rate, and the over-market portion is recovered through the SCRC rate. PSNH said that the over-market costs associated with the Wood IPP contracts were not included in the current SCRC rate of 1.23 cents per kWh because Order No. 25,305 became effective on January 20, 2012¹ after PSNH implemented the 2012 SCRC rates. The Company testified that, for the first six months of the year, the SCRC experienced an under-recovery of approximately \$11 million attributable to over-market payments to the Wood IPPs. The Company said that it included all of the under-recovery in the mid-year adjustment to most closely match the recovery of costs at the time they occur and to mitigate year-end over- or under-collection. PSNH estimated that the over-market costs associated with the Wood IPP contracts for the balance of calendar year 2012 and the \$11 million under-recovery resulted in an approximate increase to the SCRC rate of \$26 million for the six-month period from July through December, 2012.

In its updated filing, PSNH revised its calculation of the proposed average SCRC rate for effect on July 1, 2012 from 1.94 cents per kWh to 1.88 cents per kWh. The Company attributed the decrease in the revised SCRC rate of 1.88 cents per kWh from the initial proposed rate of 1.94 cents per kWh to a slight increase in market costs for power purchased from IPPs which, in turn, decreased the over-market portion of the purchases from IPPs included in the SCRC. PSNH said that the market price of power purchased from IPPs is recovered through energy service rates.

¹ Although Order No. 25,305 was issued December 20, 2011, the 30-day appeal period ran until January 20, 2012. PSNH did not include any costs related to Order No. 25,305 to rates until the appeals period had expired.

With regard to future expected changes in the SCRC, the Company stated that Part 1 costs terminate mid-year in 2013. In addition, PSNH said that four of the five IPP contracts will terminate during 2013. PSNH said that the termination of Part 1 costs and the end of the Wood IPP contracts will have the effect of reducing the overall SCRC rate for 2013 to approximately 1.20 cents per kWh, or to about the same level that the Commission initially approved for calendar year 2012.

B. Office of Consumer Advocate

The OCA stated that it had no objections to the petition.

C. Staff

Staff said that it had reviewed the filing and that PSNH had appropriately calculated the SCRC rate and provided supporting detail for its calculation. Staff recommended that the Commission approve the average SCRC rate of 1.88 cents per kWh for effect on July 1, 2012. Regarding the under-recovery of approximately \$11 million, Staff stated that the under-recovery should not be deferred and that the Company should commence billing for the under-recovery with the new rate as proposed in its filing.

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 non-bypassable, 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, consistent with the Legislature's guidance and is just and reasonable.

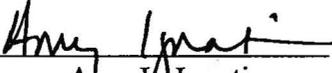
This is one of several orders we are issuing for PSNH rates for effect with services rendered on and after July 1, 2012: the instant proceeding, PSNH's stranded cost recovery charge; Docket DE 11-215, an adjustment to PSNH's energy service charge; Docket DE 12-159, an adjustment to PSNH's transmission cost adjustment mechanism rate; and Docket DE 12-110, an adjustment to distribution rates for additions to net plant and consultant costs, and an adjustment to collections to be deposited in PSNH's major storm reserve. Overall, the average total bill impact of these rate changes effective July 1, 2012 is an approximate decrease of 4.4 % for a PSNH customer who takes energy service from PSNH (i.e., a customer that does not purchase energy from a competitive supplier). We find these resulting rates to be just and reasonable pursuant to RSA 378:7.

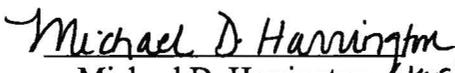
Based upon the foregoing, it is hereby

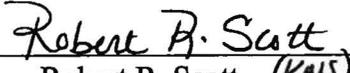
ORDERED, that the petition by Public Service Company of New Hampshire for an increase to the Company's overall average stranded cost recovery charge from 1.23 cents per kWh to 1.88 cents per kWh effective with service rendered on and after July 1, 2012 is hereby **APPROVED**; and it is

FURTHER ORDERED, that PSNH shall file tariff pages conforming with this order pursuant to Puc Part 1603 within 30 days of the date hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day
of June, 2012.


Amy Ignatius
Chairman


Michael D. Harrington (KMS)
Commissioner


Robert R. Scott (KMS)
Commissioner

Attested by:


Debra A. Howland
Executive Director