

THE STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

DE 07-096

ORDER OF NOTICE

On September 7, 2007, Public Service Company of New Hampshire (PSNH) filed with the Commission a petition to establish its default energy service (ES) rate for bills rendered on or after January 1, 2008. Pursuant to RSA 369-B:3,IV(b)(1)(A), customers who take energy service from PSNH will be billed at a rate equal to PSNH's actual, prudent and reasonable costs of providing the power, as approved by the Commission.

According to the petition, PSNH's costs for energy service contain the generation asset revenue requirements, entitlements, purchased power obligation and fuel costs associated with PSNH's generation, as well as costs and revenues from market purchases and sales of electricity and Independent System Operator-New England (ISO-NE) expenses and revenues. PSNH states that the generation revenue requirements include non-fuel costs of generation, including non-fuel operations and maintenance costs, allocated administrative and general costs, depreciation, property taxes and payroll taxes, and a return on the net fossil/hydro investment. In addition, effective July 1, 2007, PSNH's ES rates include the energy service portion of uncollectible expense. See Docket No. DE 06-028, *Public Service Company of New Hampshire*, Order No. 24,750 (May 25, 2007).

While it is not proposing a specific ES rate at this time, PSNH estimates, based on preliminary data, an ES rate of 8.56 cents per kilowatt hour (kWh) for effect with bills rendered on and after January 1, 2008. PSNH states that this estimate is 0.73 cents per kWh higher than

the current ES rate of 7.83 cents per kWh. In its petition, PSNH also requests approval of four additional items.

First, PSNH proposes to reduce 2008 ES costs by approximately \$12.2 million by amortizing McLane Dam buyout costs, Clean Air Act-deferred revenue and SO<sub>2</sub> allowances reserved for conservation and load management (collectively “net obligations”), all items it originally intended to write off at the time it was to sell its non-nuclear (fossil/hydro) generation assets.

Second, PSNH proposes to recover \$147,000 of consultant expense incurred in connection with its involvement in the development of mercury mitigation legislation. *See* RSA 125-O:11 through 18.

Third, PSNH proposes to update the return on equity (ROE) for its generation operations to 9.99 percent from the current ROE of 9.62 percent. According to PSNH, the proposed 9.99 percent ROE was calculated in a manner similar to the calculation of the 9.62 percent generation ROE in Docket No. DE 04-177. *Public Service Company of New Hampshire* (Order No. 24,473) 90 NH PUC 230 (2005) and *Public Service Company of New Hampshire* (Order No. 24,522) 90 NH PUC 542 (2005).

Finally, PSNH proposes to include approximately \$8 million in projected compliance costs related to RSA 362-F, a law enacted in 2007 establishing a renewable portfolio standard (RPS) for suppliers of electric service effective January 1, 2008. PSNH estimates that it will have to pay a total of \$8 million in alternative compliance payments to meet its 2008 RPS obligations.

PSNH’s filing also included information regarding the status of three improvement activities related to supplemental energy and capacity planning that were included in a settlement

agreement in *Public Service Company of New Hampshire*, Order No 24,711 (December 25, 2006) PSNH's 2005 stranded cost recovery charge reconciliation.

In the prior ES proceeding, DE 06-125, the Commission asked Constellation NewEnergy, Inc. (Constellation), the Staff and PSNH to provide a proposal on how competitive suppliers could provide information about the amount of load under contract for an upcoming year to help the Commission better understand the health of the competitive market and to assist PSNH in planning its supplemental power purchases. Staff, the Office of Consumer Advocate and PSNH filed a proposal on September 14, 2007. Constellation did not agree to the proposal and filed a separate letter on July 24, 2007 recommending a) that the Commission offer other suppliers an opportunity to comment on any reporting proposal, and b) that the Commission consider whether PSNH should be required to seek bids for the portion of its load that it procures from the competitive wholesale market.

The filing raises, inter alia, issues related to whether the energy service rate is based on PSNH's actual, prudent and reasonable costs of providing such power consistent with RSA 369-B:3, VV(b)(1); whether the resulting rates are just and reasonable as required by RSA 378; whether the Commission should grant a waiver to permit recovery of costs incurred in connection with PSNH's involvement in the mercury legislation; whether the estimated costs to comply with RSA 362-F are reasonable and should be included in rates; whether PSNH should apply the new rates on a bills rendered basis; whether the additional cost items described above are appropriate for inclusion in the calculation of energy service rates and whether the estimates of those costs are reasonable; whether PSNH should be required to seek bids for its supplemental power requirements; and the adequacy of PSNH's response to recommendations regarding the

company's supplemental power and capacity planning. Each party has the right to have an attorney represent them at their own expense.

**Based upon the foregoing, it is hereby**

**ORDERED**, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on October 9, 2007 at 11:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Admin. Rule Puc 203.15 shall be considered; and it is

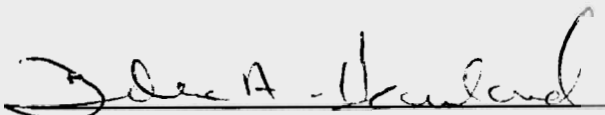
**FURTHER ORDERED**, that, immediately following the Prehearing Conference, PSNH, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow PSNH to provide any amendments or updates to its filing; and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.12, PSNH shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than September 28, 2007, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before October 9, 2007; and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to PSNH and the Office of the Consumer Advocate on or before October 5, 2007, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 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 October 9, 2007.

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



**Debra A. Howland**  
Executive Director and Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.

