

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 09-035

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Permanent Rate Increase

Order Suspending Tariffs and Scheduling Prehearing Conference

ORDER NO. 24,994

July 30, 2009

On June 30, 2009, Public Service Company of New Hampshire (PSNH or Company) filed proposed new tariff pages seeking an increase in its distribution rates of \$51,000,000, or 4.2% overall, annually. Previously, on April 15, 2009, PSNH filed a petition for temporary distribution rates pursuant to RSA 378:27, which was addressed in a hearing on July 13, 2009. The request for temporary rates is addressed in a separate order.

PSNH seeks to have its new rates become effective on August 1, 2009, to reflect changes in costs and additions to its rate base since its last distribution rate proceeding. *See Public Service Co. of N.H.*, Order No. 24,750 (May 25, 2007). According to PSNH, in the recent past it has faced financial challenges including, most significantly, attrition, as well as the need to replace or upgrade its existing, aging infrastructure. PSNH states that these and other factors have negatively impacted the Company's ability to achieve its last authorized rate of return on equity of 9.67%. As a result, PSNH has requested to increase its permanent distribution revenues and has proposed a return on equity of 10.5% to help accomplish this objective.

PSNH also seeks to begin recovery of the costs of responding to the December 2008 ice storm that were not covered by insurance. According to the filing, PSNH estimates those costs to be about \$66,000,000, which it proposes to recover over a period of five years.

Additionally, PSNH proposes to modify its Reliability Enhancement Program (REP), established in Order No. 24,750. The REP currently provides PSNH with \$10,000,000 in annual distribution revenues. The REP was originally intended to terminate after five years, that is, in 2012. PSNH seeks several changes to the REP including, among others, continuing the REP beyond 2012 and re-establishing the REP increment at \$4,000,000 of annual revenues.

PSNH identifies some key concepts, goals and possible measures for addressing the issue of attrition and proposes a mechanism for adjusting rates on an annual basis enabling PSNH to recover its increased investment in rate base.

PSNH also seeks to alter its rate design in response to a recently completed cost of service study, in part by increasing the customer charges and demand charges and decreasing the energy charge. The Company contends that the shift in charges will allow it to more accurately match the charges to the actual cost of providing services and will, to some degree, address the issue of attrition.

PSNH proposes to increase the distribution revenue to be received from each class of customers by a uniform percentage of 20.95%. As to bill impacts from the proposed rates, a residential customer currently pays a monthly customer charge of \$8.93 and a per kilowatt hour (kWh) charge of \$0.02914. If the rates are redesigned in accordance with PSNH's proposal, the customer charge would be \$12.00 monthly and the per kWh charge would be \$0.03315. For a residential customer using 500 kWh per month, the distribution portion of the bill would go from \$23.50 per month under the current rates to \$28.58 per month under the increased and redesigned rate. Similar changes would occur in the rates of the other classes.

The filing raises, inter alia, issues related to whether the proposed permanent rates are just, reasonable and lawful as required by RSA 378:7, whether the proposed rates yield a

reasonable return on the cost of PSNH's property that is prudent as well as used and useful in the public service less accumulated depreciation as required by RSA 378:28, whether the attrition mechanism proposed by PSNH or other possible measures for addressing attrition identified by PSNH would be lawful and would reflect proper policies for the Commission to follow, and whether the rate design proposed by PSNH is fair and equitable. Each party has the right to have an attorney represent them at their own expense.

Based upon the foregoing, it is hereby

ORDERED, that the proposed tariff pages for electric distribution service filed by PSNH be, and they hereby are, suspended pursuant to RSA 378:6, I(a) pending investigation and further order of the Commission; and it is

FURTHER 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 August 12, 2009 at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the filing for permanent rates and address any of the noticed issues; 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 filing and allow PSNH to provide any amendments or updates to its filing and establish a proposed procedural schedule for this proceeding; and it is

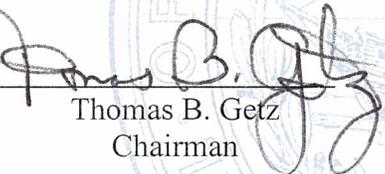
FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.12, PSNH shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order no later than August 3, 2009, in a newspaper with general circulation in those portions of the state in

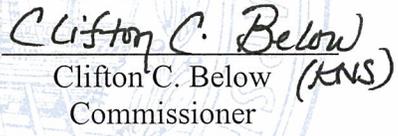
which operations are conducted, publication to be documented by affidavit filed with the Commission on or before August 12, 2009; and it is

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 August 7, 2009, 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

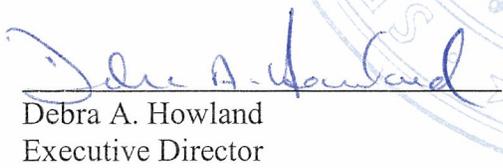
FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before August 12, 2009.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of July, 2009.


Thomas B. Getz
Chairman


Clifton C. Below (KNS)
Commissioner

Attested by:


Debra A. Howland
Executive Director

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.

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07/30/09 Order No. 24,994 issued and forwarded to all parties.
Copies given to PUC Staff.

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FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:
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EXEC DIRECTOR & SECRETARY
NHPUC
21 SOUTH FRUIT STREET, SUITE 10
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INTERESTED PARTIES
RECEIVE ORDERS, NOTICES OF HEARINGS ONLY