



**Public Service
of New Hampshire**

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The Northeast Utilities System

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April 17, 2009

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

Re: DE 09-035, Public Service Company of New Hampshire
Delivery Service Rate Proceeding



Dear Secretary Howard:

Enclosed please find an original and six copies of Public Service Company of New Hampshire's ("PSNH") Petition for Temporary Rates. In the near future, PSNH will file its Notice of Intent to File Rate Schedules. Approximately thirty days following the filing of the Notice of Intent, PSNH will be filing new rate schedules, testimony and exhibits in support of an adjustment in permanent distribution rates. PSNH has not yet determined the amount of its permanent rate increase request.

Enclosed also is the pre-filed written testimony of Gary A. Long, Robert A. Baumann, and Stephen R. Hall. This testimony supports the temporary rate request and explains the revenue allocation and rate design.

Copies have been provided to the persons on the attached service list.

Sincerely,

Gerald M. Eaton
Senior Counsel

Enclosures
cc: Service List

Service List
Docket DE 09-035

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THE STATE OF NEW HAMPSHIRE
before the
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire
Distribution Service Rate Proceeding
Docket No. DE 09-035

PETITION FOR TEMPORARY RATES

Pursuant to RSA 378:27, Public Service Company of New Hampshire ("PSNH" or "the Company") hereby petitions the New Hampshire Public Utilities Commission ("Commission") to immediately fix, determine and prescribe temporary rates for effect on July 1, 2009 and for the remainder of this rate proceeding. PSNH proposes to put into effect such temporary rates to reflect actual changes to costs incurred and additions to rate base which have taken place since the Company's last general rate proceeding, Docket No. DE 06-028.

In support of this Petition, PSNH says the following:

1. In the near future, PSNH will file with the Commission its Notice of Intent to File Rate Schedules pursuant to N.H. Code Admin. Rule Puc §1604.5. Approximately thirty days following the filing of the Notice of Intent, the Company will be filing new rate schedules, testimony and exhibits in support of an adjustment in permanent distribution service rates. PSNH has not yet determined the amount of its permanent rate increase request.
2. In separate filings to be made to the Commission in May and June, PSNH will request adjustments in its Stranded Cost Recovery Charge, Default Energy Service Rate and Transmission Cost Adjustment Mechanism also for effect on July 1, 2009. The net effect upon customers' bills of all the changes proposed to become effective on July 1 are discussed in the enclosed testimony of Robert A. Baumann.

3. The temporary rate statute, RSA 378:27, provides:

In any proceeding involving the rates of a public utility brought either upon motion of the commission or upon complaint, the commission may, after reasonable notice

and hearing, if it be of the opinion that the public interest so requires, immediately fix, determine, and prescribe for the duration of said proceeding, reasonable temporary rates; provided, however, that such temporary rates shall be sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation, as shown by the reports of the utility filed with the commission, unless there appears to be reasonable ground for questioning the figures in such reports.

4. Unless PSNH's proposed temporary rates are allowed to take effect on July 1, 2009, PSNH's existing permanent rates for distribution will be inadequate to provide recovery of prudently incurred costs plus a reasonable rate of return on its installed plant currently providing service to customers. Since the last rate case was concluded, PSNH has made substantial investments in distribution plant to provide safe and reliable service to customers. The Company is also proposing to begin collecting through temporary rates the extraordinary expenses associated with the ice storm that took place in December 2008. Allowing PSNH to implement its proposed temporary rates coincident with the other rate changes proposed for effect on July 1 would mitigate the effect of the temporary rate increase on customers' bills, provide more rate stability to customers than separate rate changes, mitigate the impact of inadequate rates on PSNH, and establish a point in time for the ultimate effective date of permanent rates approved by the Commission. In *Re Unitil Energy Systems, Inc.*,¹ the Commission recognized, "[I]t is noted that temporary rates are subject to reconciliation pursuant to RSA 378:29 after the final determination of permanent rates." 91 NH PUC 40, 41, (2006).

5. As described in the testimony of Robert A. Baumann, the most recent reports of PSNH filed with the Commission, Form F-1, show that the Company is earning approximately 6.26% return on equity (ROE) on its Distribution segment. These results are more than 35% below the 9.67% ROE deemed appropriate in PSNH's last distribution rate proceeding. 92 NH PUC 124, (2007). As explained in the enclosed testimony for Messrs. Long and Baumann, this inadequate financial performance will continue to further degrade absent temporary rate relief.

6. Hence, the revenues that PSNH receives under the current distribution rates are inadequate to cover increased expenses and also provide a reasonable return on the investment

¹ Docket No. DE 05-178, Order No. 24,585.

used and useful in the public service. As described in the pre-filed Testimony of Robert A. Baumann, significant items of cost which have increased substantially faster than revenues generated by the Company's current rates include: Property taxes (\$4 million/year); Pension costs (\$3 million/year); Payroll costs (\$2 million/year); and, Medical costs (\$1 million/year).

7. The Commission's analysis of a temporary rate request need not be as exhaustive as a permanent rate request. See, *New England Telephone and Telegraph Co. v. State*, 95 N.H. 515 (1949); cited in *Appeal of the Office of the Consumer Advocate*, 134 N.H. 651, 660 (1991); cited in *Re Hanover Water Works Company, Inc.*, 91 NH PUC 590, 592 (2006). Even if some questions may exist regarding figures in a temporary rate filing, such questions must be truly significant in order to deny the request for temporary rates. *Re Connecticut Valley Electric*, 81 NH PUC 724, 726 (1996).

8. The proposed effective date for temporary rates is July 1, 2009. This effective date will be consistent with Commission precedent stating, "temporary rates may not take effect before the date on which the utility files its request for a change in permanent rates; in any event, temporary rates may not be made effective as to services rendered before the date on which the permanent rate request is filed." *Unitil Energy Systems, Inc.*, 91 NH PUC 40, 41 (2006). It also comports with the New Hampshire Supreme Court's decision in *Appeal of Pennichuck Water Works*, 120 N. H. 562, 567 (1980), "[W]e hold that the earliest date on which the PUC can order temporary rates to take effect is the date on which the utility files its underlying request for a change in its permanent rates. In no event may temporary rates be made effective as to services rendered before the date on which the permanent rate request is filed."

WHEREFORE, PSNH respectfully requests that the Commission:

- A. Issue an order of notice setting a date for a procedural hearing to establish a limited discovery schedule on PSNH's request for temporary rates;
- B. Conduct a hearing on PSNH's request for temporary rates,
- C. Issue an order approving an increase in temporary distribution rates of \$36.4 Million to become effective as temporary rates on July 1, 2009,

D. Provide for refund or recoupment should the Commission's eventual decision on permanent rates differ from the temporary rate level, and

E. Order such further relief as may be just and equitable.

Respectfully submitted,
Public Service Company of New Hampshire

April 17, 2009
Date

By: Gerald M. Eaton
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CERTIFICATE OF SERVICE

I hereby certify that, on the date written below, I caused the attached Petition for Temporary Rates to be hand delivered or served pursuant to Puc § 203.02 and § 203.11(c) to the persons on the attached Service List.

April 17, 2009
Date

Gerald M. Eaton
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