

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 10-096

GRANITE STATE ELECTRIC COMPANY d/b/a NATIONAL GRID

Petition for Increase in Storm Fund Contributions

Order Granting Incremental Increase in Storm Fund Contributions

ORDER NO. 25,125

June 30, 2010

Appearances: McLane, Graf, Raulerson & Middleton by Sarah B. Knowlton, Esq., on behalf of Granite State Electric Company d/b/a National Grid; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On April 8, 2010, Granite State Electric Company d/b/a National Grid (National Grid or Company) filed a proposed tariff to temporarily increase customer contributions to the Company's Storm Fund. In support of its request, National Grid filed the testimony and related exhibits of David E. Tufts, Director of Electric Revenue Requirements for National Grid USA Service Company, Inc. and Kristin J. Mahnke, an analyst in the New England Pricing Group of Regulation and Pricing-Electricity Distribution and Generation department of National Grid USA Service Company, Inc. National Grid USA Service Company, Inc. provides engineering, financial, administrative and other technical support to subsidiary companies of National Grid USA, including the Company. National Grid stated that the purpose of the filing is to accelerate the elimination of a deficit in the Storm Fund resulting from what it termed "the extraordinary ice storm event" that occurred on December 11-12, 2008.

The Commission issued an Order on April 29, 2010, suspending the proposed tariff and scheduling a prehearing conference for June 1, 2010. No parties moved to intervene in the proceeding. Following the prehearing conference, Staff filed a report with the Commission.

The report said that the Audit Division was in the process of auditing the costs associated with the ice storm. As the audit was ongoing, Staff stated that it would not be making a final recommendation regarding storm cost recovery until the Audit Division completed its investigation of the costs submitted by National Grid. Staff said it would support an incremental adjustment to the customer contribution to the Storm Fund for effect on July 1, 2010, with a true-up of costs once the audit was concluded. The hearing was held on June 24, 2010, as scheduled.

II. POSITIONS OF THE PARTIES

A. National Grid

In prefiled testimony, the Company explained that the purpose of the Storm Fund is to smooth out the cost impact to customers of major storm events that cause damage to the Company's electrical system. National Grid said that its base rates currently include a collection of \$120,000 annually, which is credited to the Storm Fund at \$10,000 per month, pursuant to a settlement agreement approved by the Commission in Docket No. DG 06-107. *See* 92 NH PUC 279, Order No. 24,777 (July 12, 2007). The costs of major storms – those causing 30 concurrent troubles (interruption events occurring on primary or secondary lines) with 15% of customers interrupted or 45 concurrent troubles – may be charged against the Storm Fund. The Company said that the settlement agreement approved by Order No. 24,777 includes a provision that allows National Grid to request an increase in the funding level for the Storm Fund if there is a significant negative balance.

National Grid's testimony stated that the December 2008 ice storm was a major storm for which it incurred total costs of \$1.8 million, resulting in a balance in the Storm Fund of (\$1,737,387) as of December 31, 2009. According to the Company, if the Storm Fund mechanism had been in place from 2006 through 2008, the four-year average of qualifying storm costs would have been \$999,357 (in December 2009 dollars). Further, if costs associated with the ice storm and a flood experienced in April 2007 are excluded from the calculation, the four-year average of qualifying storm costs, inflated to December 2009 dollars, would have been \$163,540. Therefore, National Grid asserted, the current annual funding of \$120,000 is clearly insufficient to cover the costs of major storm events.

To address the current deficit and provide funds for potential future storm events, National Grid proposed to temporarily increase funding of the Storm Fund by \$1.98 million over a three-year period beginning July 1, 2010. To recover the \$1.98 million from its customers, National Grid proposed to implement a Storm Recovery Adjustment Factor of \$0.00074 per kilowatt-hour (kWh) for the period July 1, 2010 through June 30, 2013. National Grid stated that if the Commission approves the new Storm Recovery Adjustment Factor, it could be used to address necessary increases or decreases to the Storm Fund related to any significant deficit or excess balances that may arise. According to the Company, residential customers with average use of 640 kWh per month would experience an overall monthly bill increase of \$0.47, or 0.5%. For other customers, the Company estimated that overall increases would range from 0.4% to 0.7%.

At hearing, National Grid testified that the Company and Staff had agreed to a temporary \$30,000 per month increase to the customer contribution to the Storm Fund, in addition to the

existing \$10,000 per month funding, to allow National Grid to begin to bring the Storm Fund out of its negative balance. The Company said that it understood that the increase would remain in effect until such time as the Audit Division completed its work, and that any final recoveries would be subject to a true-up.

National Grid said that it would add a separate line item on its bill to identify the Storm Recovery Adjustment Factor separately from other charges on the bill. The Company proposes to use the new line item as a place holder for Storm Fund adjustments going forward. Because the current customer contribution of \$10,000 per month to the Storm Fund is recovered through distribution rates, National Grid explained that the customer does not see that contribution on its bill.

National Grid stated that customers pay a carrying charge on the deficit balance in the Storm Fund at the same rate that the Company pays interest on a positive balance in the Storm Fund. The rate of interest accrued in either case is the same rate as applied to customer deposits, *i.e.*, the prime rate. Customers would continue to pay this additional cost as long as the Storm fund remained at a negative balance.

National Grid prepared rate impacts for its customer classes based on the \$30,000 per month additional customer contribution to the Storm Fund (Hearing Exhibit 2). Residential customers who use 500 kWh per month would pay an additional \$0.20 per month as a result of the proposal, or an overall increase of 0.3%. Residential customers who use 640 kWh per month, the average residential consumption for National Grid customers, would pay an additional \$0.26 per month, or an overall increase of 0.3%.

The Company requested that the Commission approve the \$30,000 per month increase to customer contribution to the Storm Fund as agreed to by Staff and National Grid. The Company noted in its closing that an added benefit to customers would be the reduction over time of the amount of interest customers would have to pay on the negative balance in the Storm Fund.

B. Commission Staff

Staff said that it did not dispute that National Grid had incurred some costs associated with the December 2008 ice storm and reiterated that the Audit Division was asked to review the costs claimed by the Company. Although the audit was ongoing, Staff recognized the advantages in bringing the Storm Fund out of its negative position and thus agreed to recommend to the Commission that the customer contribution to the Storm Fund should be increased by \$30,000 per month until such time as the audit was completed. Staff concluded by saying that once the audit is complete, and the Staff has had the chance to review the results of the audit, an appropriate recommendation would be made to the Commission.

III. COMMISSION ANALYSIS

We have reviewed National Grid's filing and considered the joint recommendation of Staff and the Company to allow the Company to temporarily increase the customer contribution to the Storm Fund by \$30,000 per month, in addition to the \$10,000 per month it currently credits to the Storm Fund from distribution rates. Given that the Storm Fund is in a negative position, and one of the purposes of the Storm Fund is to smooth the impact to customers of the costs of major storm events, we find this adjustment to be consistent with the settlement agreement we approved by Order No. 24,777.

We have reviewed the rate impacts associated with the \$30,000 per month increase in customer contributions to the Storm Fund. The overall rate impacts are increases that range from 0.2% to 0.4%, with increases of 0.3% for customers in the residential rate class. We find the resulting rates are just and reasonable and in the public interest, especially in light of the fact that, as the negative balance in the Storm Fund is reduced, the amount of interest to be paid by customers on the deficit balance similarly diminishes.

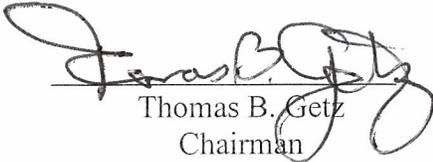
We will approve this increase on a temporary basis until such time as the Staff audit is concluded and a more specific recommendation is provided regarding a longer-term approach to restoring the Storm Fund to a positive balance. We will subject any final cost recovery to a true-up of costs and revenues.

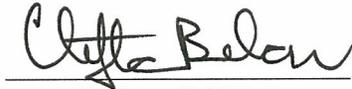
Based upon the foregoing, it is hereby

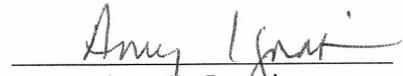
ORDERED, that Granite State Electric Company d/b/a National Grid's modified request to recover increased customer contributions of \$30,000 per month to be applied to the Storm Fund using the Storm Adjustment Recovery Charge effective with service rendered on and after July 1, 2010 is hereby APPROVED; and it is

FURTHER ORDERED, that National Grid shall file tariff pages conforming to this Order pursuant to Puc Part 1603 within 30 days hereof.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of June,
2010.

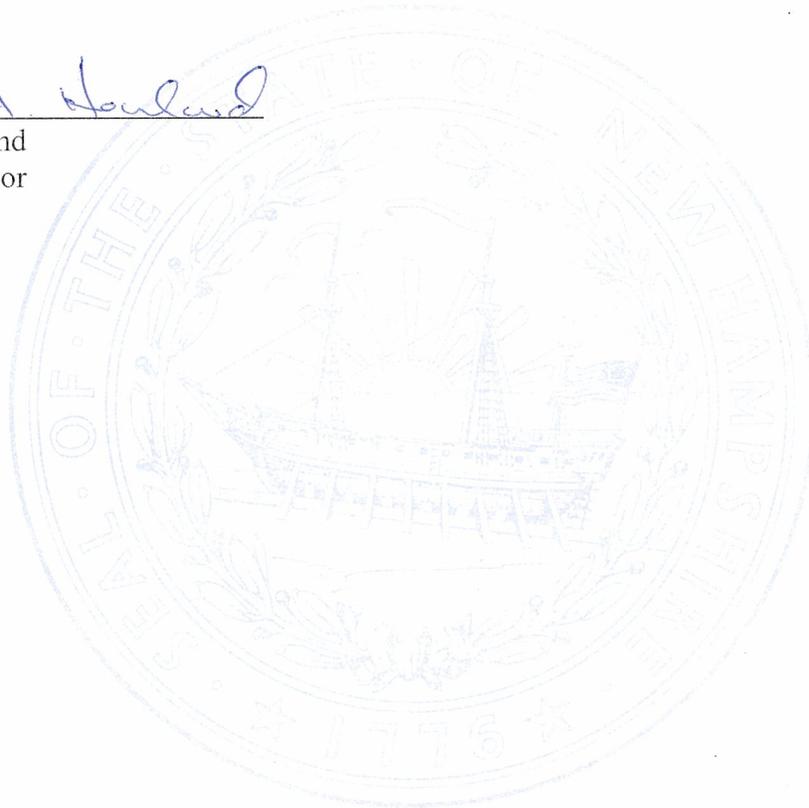

Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director



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