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May 13, 2011



Debra A. Howland, Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit St., Suite 10  
Concord, NH 03301

Re: Docket No. DE 11-070, Public Service Company of New Hampshire  
Certification of Exogenous Events

Dear Ms. Howland:

On March 28, 2011, pursuant to a Settlement Agreement approved by the Commission in Docket No. DE 09-035<sup>1</sup>, Public Service Company of New Hampshire (PSNH) filed a Certification of Exogenous Events for (1) termination of a Medicare subsidy credit and (2) bonus tax depreciation. Section 12 of the Settlement Agreement sets out in detail the definitions and requirements governing PSNH's annual filing for an Exogenous Event adjustment. Pursuant to Section 12, PSNH may on an annual basis request to adjust distribution rates upward or downward in response to Exogenous Events if the total distribution revenue impact, positive or negative, of all such events exceeds \$1,000,000 in any calendar year. Section 12.4 further provides that PSNH will make a filing (Certification of Exogenous Event) no later than March 31 of the following year either stating that a qualifying Exogenous Event occurred in the prior calendar year or no Exogenous Events occurred that exceeded the threshold. In addition, Staff and the Office of Consumer Advocate (OCA), on or before May 1 of each year, may make a filing requesting an Exogenous Event rate decrease or contesting an Exogenous Event rate increase proposed by PSNH. Any rate change associated with Exogenous Events would take effect July 1 of the year in which the filing is made.

On April 14, 2011, Staff propounded discovery on PSNH concerning its March 28 filing. Due to a delay in receiving the responses, on April 28, 2011 Staff filed a letter requesting an extension of time until May 13, 2011 to respond to PSNH's filing. The Commission granted that request by secretarial letter dated May 9, 2011.

<sup>1</sup> See Order No. 25,214 (April 26, 2011) in Docket No. DE 09-035, PSNH's most recent distribution rate case.

PSNH submitted its discovery responses on April 28 and 29, 2011, and a teleconference was held among PSNH, OCA and Staff on May 5, 2011.

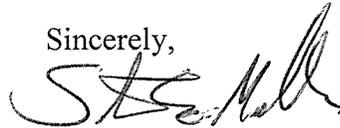
As stated above, PSNH's March 28, 2011 filing included Exogenous Events related to (1) termination of a Medicare subsidy credit (resulting from the Health Care Reform Act which became law in March 2010); and (2) bonus tax depreciation (related to the federal 2010 Tax Act which became law in December 2010). As set forth in its filing, PSNH proposed a net annual increase to its distribution rates, effective July 1, 2011, of \$2.93 million<sup>2</sup> (\$3.164 million increase due to the termination of the Medicare subsidy credit net of a \$0.234 million decrease due to the bonus tax depreciation). The Medicare subsidy credit issue involved both the elimination of an annual credit to revenue requirements that was recognized in PSNH's most recent distribution rate case and the amortization of certain deferred tax assets that were required to be written off. Regarding the amortization, PSNH had proposed a four-year recovery period which would coincide with the termination date of the DE 09-035 Settlement Agreement.

After review of the documentation, Staff proposed an alternative recovery period of 5 ½ years (66 months) to allow recovery of the written off deferred tax asset at a rate similar to that at which the deferred tax credit had previously benefitted customers. As a result of Staff's proposal, PSNH's requested distribution rate increase associated with Exogenous Events will decrease by \$0.5 million from \$2.93 million to \$2.43 million.<sup>3</sup> PSNH has agreed with Staff's proposal and the OCA does not object to it.

Consistent with the May 13, 2011 date for response to PSNH's filing, Staff hereby informs the Commission that PSNH will be submitting a revised Exogenous Events filing reflecting Staff's proposal and addressing the estimated rate impacts associated with all adjustments to distribution rates scheduled to take effect on July 1, 2011. After review of that filing, assuming agreement with the revisions, Staff will file its recommendation for approval of PSNH's revised filing.

Please contact me if you have any questions concerning this letter.

Sincerely,



Steven E. Mullen

Assistant Director – Electric Division

cc: Service List

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<sup>2</sup> The adjustment for Exogenous Events is just one of several adjustments to distribution rates, both positive and negative, scheduled to be effective July 1, 2011 (See Section V of PSNH's March 28, 2011 filing.)

<sup>3</sup> Neither Staff nor the OCA proposed any changes to PSNH's proposed bonus tax depreciation adjustment.