

**THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-215

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Request for Interim Adjustment to Default Energy Service Rate

ORDER OF NOTICE

On May 2, 2012, Public Service Company of New Hampshire (PSNH) filed a request with supporting testimony and schedules to adjust its energy service rate effective with service rendered on and after July 1, 2012. The proposed energy service rate does not include costs associated with the wet flue gas desulphurization system (Scrubber) installed at PSNH's Merrimack Station. At the time of the filing, PSNH estimated that the revised non-Scrubber portion of the energy service rate would be 6.85 cents per kilowatt hour (kWh), a decrease from the current non-Scrubber energy service rate of 7.77 cents per kWh. PSNH requested approval of the adjustment by June 28, 2012 to allow sufficient time to test its billing system for this change and all other rate changes proposed for effect on July 1, 2012.

Pursuant to RSA 369-B:3, IV(b)(I)(A), the price for PSNH's energy service shall be PSNH's actual, prudent and reasonable costs of providing the power, as approved by the Commission. Energy service costs include generation asset revenue requirements, entitlements and purchased power obligations, including the fuel used for generation; costs and revenues associated with market purchases and sales; New Hampshire Electric Renewable Portfolio Standard compliance costs (RSA 362-F); Regional Greenhouse Gas Initiative costs (RSA 125-O:19-28); independent power producer (IPP) power valued at market prices; and non-fuel operation and maintenance costs, property taxes and payroll taxes, depreciation, uncollectible costs attributable to energy service, and a return on net generation investment.

The Commission established the current non-Scrubber energy service rate of 7.77 cents per kWh in Order No. 25,346 (April 10, 2012) in Docket No. DE 11-250, the docket opened for purposes of investigating the costs and cost recovery for the installation of the Scrubber at Merrimack Station. Order No. 25,346 also established a temporary Scrubber rate of 0.98 cents per kWh. The temporary Scrubber rate of 0.98 cents per kWh added to the estimated non-Scrubber rate of 6.85 cents per kWh results in a total energy service rate of 7.83 cents per kWh for effect July 1, 2012. The estimated rate would be a decrease of 0.92 cents per kWh from the current total energy service rate of 8.75 cents per kWh. PSNH attributed the decrease in the energy service rate to lower market prices than reflected in the current rate.

PSNH said that the proposed energy service rate included a portion of a projected over-recovery of \$46.3 million over the current billing period. PSNH said that the primary cause of the over-recovery is falling market prices. In addition, PSNH said that the proceeds of the sale of oil inventories constitute about \$8 million of the over-recovery. In calculating the current estimate of the energy service rate for the period July 1 through December 31, 2012, PSNH included 50% of the \$46.3 million over-recovery. According to PSNH, it intends to apply the remaining 50% of the over-recovery to rates effective January 1, 2013. PSNH said that if the entire over-recovery is credited to rates beginning on July 1, 2012, the non-Scrubber portion of the energy service rate would drop to 5.93 cents per kWh, with a potential increase back to an estimate of 7.5 cents per kWh in 2013, depending on market prices. In addition, PSNH stated that it expects that the Scrubber portion of the energy service rate will increase following the conclusion of the proceeding in Docket No. DE 11-250. PSNH said that a radical swing in rates is not in the best interests of customers. PSNH said its proposal to defer a portion of the over-recovery provides reasonable rate continuity for the foreseeable future.

On October 12, 2011, the Office of Consumer Advocate filed a letter with the Commission stating that it would participate in the docket on behalf of residential ratepayers pursuant to RSA 363:28.

The original petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, will be posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2011/11-215.html>.

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 service consistent with RSA 369-B:3,IV(b)(1)(A); and whether the resulting rates are just and reasonable as required by RSA 378:5 and 8. Each party has the right to have an attorney represent the party at the party's own expense.

In addition to the proposed mid-year adjustment to the energy service, PSNH proposes the following rate adjustments for effect on July 1, 2012: a mid-term adjustment to its stranded cost recovery charge rate in Docket No. DE 11-215, and a change to its Transmission Cost Adjustment Mechanism (no filing as yet). The hearings on these matters are scheduled for June 19, 2012 with the hearing in Docket No. DE 11-215 to be held at 10:00 a.m., followed by the hearing in the instant docket at 11:00 a.m. The hearing on the proposed change to PSNH's Transmission Cost Adjustment Mechanism will be held at 1:30 p.m. on June 19, 2012.

Based upon the foregoing, it is hereby

ORDERED, that a Hearing, pursuant to N.H. Code Admin. Rules Puc 203.12, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on June 19, 2012 at 11:00 a.m.; and it is

FURTHER ORDERED, that pursuant to N.H. Code 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 May 22, 2012, 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 June 19, 2012; and it is

FURTHER ORDERED, that pursuant to N.H. Code 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 June 14, 2012, 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. Code 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 June 19, 2012.

By order of the Public Utilities Commission of New Hampshire this eleventh day of May, 2012.



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.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov
al-azad.h.iqbal@puc.nh.gov
allen.desbiens@psnh.com
amanda.noonan@puc.nh.gov
baumara@nu.com
Christina.Martin@oca.nh.gov
dhartford@clf.org
donna.l.mcfarland@oca.nh.gov
elizabeth.tillotson@nu.com
gerald.eaton@nu.com
heather.arvanitis@nu.com
kristi.davie@nu.com
langdond@axsessgroup.com
njperess@clf.org
ocalitigation@oca.nh.gov
puzios@nu.com
Rorie.E.P.Hollenberg@oca.nh.gov
sarah.knowlton@nu.com
stephen.hall@nu.com
Stephen.R.Eckberg@oca.nh.gov
steve.mullen@puc.nh.gov
suzanne.amidon@puc.nh.gov
tom.frantz@puc.nh.gov
william.smagula@psnh.com

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.