

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

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
REQUEST FOR ADJUSTMENT TO ALTERNATE DEFAULT ENERGY
SERVICE RATE**

Docket No. DE 11-216

Pursuant to the terms of the settlement agreement filed in Docket No. DE 11-216 on October 10, 2012, which was conditionally approved by the New Hampshire Public Utilities Commission (“Commission”) by Order No. 25,488 (April 8, 2003), and the recommendation of Commission Staff and the Office of Consumer Advocate (“OCA”) filed on June 23, 2014 in the same docket, with which Public Service Company of New Hampshire (“PSNH”) agreed in a submission of June 25, 2014, and which was accepted by the Commission in a secretarial letter dated June 27, 2014, PSNH hereby requests that the Commission amend PSNH’s Alternative Default Energy Service Rate (“Rate ADE”). In support of this request, PSNH says the following:

1. In 2010, in Docket No. DE 09-180, PSNH proposed to address certain issues relating to customer migration by removing a portion of fixed costs from its default energy service rate (“Rate DE”) and recovering those costs through a non-bypassable charge. In the May 28, 2010 order of notice in Docket No. DE 09-180 the Commission stated that it would open a separate proceeding to consider the impact of customer migration on PSNH’s Rate DE customers. On June 11, 2010, the Commission issued an Order of Notice opening Docket No. DE 10-160 for purposes of investigating PSNH’s proposed charge, as well as other issues relating to customer migration.

2. On July 26, 2011, the Commission issued Order No. 25,256 and concluded, in relevant part, that customer migration was having an adverse effect on PSNH’s Rate DE customers, but that PSNH’s proposed non-bypassable charge was not the appropriate means to address this effect. *See* Order No. 25,256 at 27-29. The Commission, therefore, ordered that as part of its 2012 default energy service filing, PSNH was to file alternative

proposed rates and tariffs for customers returning to PSNH's default energy service from competitive supply. *See* Order No. 25,256 at 31-33.

3, In compliance with the directive in Order No. 25,256, on September 23, 2011, PSNH filed a petition for approval of an alternative default energy service rate ("Rate ADE"). That petition was docketed as Docket No. DE 11-216. In its petition, PSNH proposed that Rate ADE be implemented to address the circumstance when the default Rate DE rate is greater than the market rate by offering a rate exceeding PSNH's marginal cost of default service, but less than the average embedded cost. As originally proposed, Rate ADE was based upon PSNH's marginal costs for power plus an adder based upon the non-operating costs of the wet flue gas fluidized desulfurization system ("Scrubber") recently installed at PSNH's Merrimack Station. On November 15, 2011, the Commission issued a secretarial letter stating that it would not consider the costs of the Scrubber in the docket.

4. Following a hearing and the receipt of written closing statements, on January 26, 2012 the Commission issued Order No. 25,320 denying PSNH's petition to implement Rate ADE as proposed in PSNH's November 22, 2011 filing. In its order, the Commission set out three primary concerns with PSNH's proposal, specifically: (1) pricing of Rate ADE might not reflect market pricing because the rate would only be adjusted twice per year; (2) customers might be able to "game" the system by moving back-and-forth between Rate ADE and competitive supply, which might cause PSNH to under-recover costs; and (3) the record did not support PSNH's proposed adder. The Commission also outlined other concerns about the proposed rate design and ordered PSNH to file a redesigned Rate ADE by June 30, 2012.

5. On April 27, 2012, PSNH filed updated testimony proposing a redesigned Rate ADE intended to address the shortcomings identified in Order No. 25,320. Following additional discovery and other process, on October 12, 2012 a partial settlement agreement between the Commission Staff, the OCA and PSNH was submitted to the Commission. Pursuant to the settlement, the price of Rate ADE is set on an annual basis at the same time

PSNH sets the price for Rate DE and includes an adder equal to the non-operating costs of the Scrubber. Rate ADE may be subject to a mid-term adjustment if PSNH's projected marginal costs for the remaining months of the annual period increase by at least 75% of the amount of the adder. The rate would temporarily close if this increase were to occur, and would be recalculated for the next six month period, starting July 1. The Commission held a hearing relating to the terms of the settlement agreement and the issues not settled. On April 8, 2013 the Commission issued Order No. 25,488 conditionally approving the settlement agreement. Consistent with the settlement agreement and the Commission's order, Rate ADE was to be implemented on a pilot basis for a term of 36 months following the Commission's approval. On that basis, following the Commission's approval of the redesigned Rate ADE, PSNH implemented the rate for large customers covered by its Large Power Billing system, with the intention of making the rate available to all customers within nine months.

6. Following implementation, Rate ADE was affected by certain changes in conditions relating to PSNH's marginal costs. As a result, Rate ADE was not opened to all customers on the anticipated schedule, and has remained closed to all new customers since March 2014. On June 23, 2014, the Commission Staff and OCA filed a joint recommendation noting that Rate ADE was not achieving the customer savings that had been anticipated and had, in fact, resulted in customers on PSNH's Rate DE bearing a greater share of costs than had been anticipated. Pursuant to a termination provision in the settlement agreement, Staff and OCA recommended "suspending" the Rate ADE pilot program. Moreover, Staff and OCA recommended that PSNH review options for addressing potential high prices in the coming winter period and renewed a proposal for the Commission to consider implementation of a "stay out" provision.

7. On June 25, 2014, PSNH filed a response stating that it agreed that circumstances warranted revisiting the implementation of Rate ADE and, potentially, revising the terms and conditions for the rate. PSNH also agreed that the rate should remain closed to new customers pending this review. On June 27, 2014, the Commission issued a secretarial letter ordering PSNH to work with others on potential modifications to

Rate ADE, including whether to continue Rate ADE through the remainder of the pilot term. PSNH was ordered to make a separate filing of a new proposal governing Rate ADE at the time of its energy service and stranded cost recovery filings to allow the Commission to review the filing in time for implementation on January 1, 2015. By this filing, and following other discussions, PSNH responds to the Commission's directive.

8. As stated in the enclosed testimony of Christopher J. Goulding and Frederick B. White, PSNH is proposing to amend Rate ADE by making the rate applicable only to customers taking service under rates GV, LG and B and not to customers taking service under rates R, R-OTOD, G, G-OTOD, EOL and or OL. As of January 1, 2015, all customers in rate classes GV, LG and B who are not taking service under Rate DE from PSNH on January 1, 2015 will only have Rate ADE available as a default service option when or if they take default service from PSNH after January 1. For any customer in those rate classes taking service under Rate DE as of January 1, 2015, the customer would remain on Rate DE for as long as the customer remains with PSNH. Should the customer leave Rate DE for competitive supply at any point after January 1, 2015, only Rate ADE will be available as a default service option when or if the customer should take default service from PSNH again. The requirement for a customer to have been taking service from a competitive supplier for 12 consecutive months to be eligible would be eliminated.

9. Aside from eligibility, Rate ADE will also be amended by changing it from an annual rate, subject to a mid-year adjustment, to a monthly variable rate. The schedule for amendments to the rate is described in the attached testimony. As a result of these amendments, it would no longer be necessary to close Rate ADE to new customers.

10. PSNH believes that the proposed changes will assist in avoiding cost shifting that has previously occurred by the migration of certain customer groups. Furthermore, PSNH believes that by amending the rate on a monthly basis, the new rate design will minimize any over or under collections and more closely align revenues with costs. Lastly, PSNH notes that, as presented in this filing, this proposal is intended to run for the remainder of the pilot term for Rate ADE and PSNH is open to further discussions and


proceedings on wider issues affecting the provision of default electric supply in New Hampshire.

WHEREFORE, PSNH respectfully requests that the Commission:

1. GRANT PSNH's request to amend Rate ADE as described above and in the attached testimony; and
2. GRANT such further relief as may be just and equitable.

Respectfully submitted this 15th day of September, 2014.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: 
Matthew J. Fossum
Senior Counsel
Public Service Company of New Hampshire
780 N. Commercial Street
Manchester, NH 03101
603-634-2961
Matthew.Fossum@nu.com

CERTIFICATE OF SERVICE

I hereby certify that, on the date written below, I caused the attached Request to be served pursuant to N.H. Code Admin. Rule Puc 203.11.

September 15, 2014
Date


Matthew J. Fossum