DE 11-221

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: November 10, 2011
AT (OFFICE): NHPUC

SEM

FROM: Grant W. Siwinski GWS
Utility Analyst III

SUBJECT: DE 11-221, Granite State Electric Company d/b/a National Grid.
Re: Storm Fund Recovery Filing

TO: Chairman Tom Getz
Commissioner Amy Ignatius
Debra A. Howland
Executive Director

Background

On September 30, 2011, Granite State Electric Company d/b/a National Grid (National Grid or Company) filed a proposed tariff to increase customer contributions to the Company's Storm Fund. In support of its request, National Grid filed the testimony and related Exhibits of Theresa M. Burns, Director of Revenue Requirements for National Grid USA Service Company, Inc., Kurt F. Demmer, Acting Director of Electrical Operations for National Grid USA Service Company, Inc. and Jeffrey D. Oliveira, Revenue Requirement Specialist in the Regulation & Pricing Department for National Grid USA Service Company, Inc. The Company's proposal increases its Storm Recovery Adjustment ("SRA") factor to offset three major storms. The three storms are: 1) the December 12, 2008 Ice Storm, 2) the February 24, 2010 Wind Storm and 3) the March 7, 2011 Ice Storm. The temporary SRA factor would increase from 0.040¢ per kWh[1] to 0.223¢ per kWh effective January 1, 2012, with a reduction to a permanent SRA factor of 0.127¢ per kWh effective January 1, 2017.

The Company's Storm Fund is currently in a substantial deficit position because of the size and frequency of the three storms. National Grid reports the costs of the 2008 Ice Storm at $1.8 million, the 2010 Wind Storm at $1.7 million and the 2011 Ice Storm at $1.8 million. The temporary increase through January 1, 2017 is intended to recover sufficient revenues to eliminate the existing fund deficit of $4.6 million over a five year period. The permanent increase in the SRA Factor is intended to raise the current level of base rate funding for the Storm Fund from $120,000 per year to $1.4 million, which National Grid believes will be sufficient to cover the ongoing costs of periodic storm events that qualify for the Storm Fund.

[1] The 0.040¢ per kWh SRA was established on a temporary basis in Docket DE 10-096.

Analysis

Staff has reviewed the filing and agrees that: 1) National Grid has experienced significant costs for the three storms (the February 2010 and March 2011 storms have not been audited); 2) there are advantages in reducing the $4.6 million Storm Fund deficit (interest accumulates on the balance at 3.25 percent); 3) restoration costs associated with Hurricane Irene[2] in August 2011 and the October 2011 Snow Storm are not reflected in the current $4.6 million negative balance, but have added significant costs to it; and, 4) a large increase in the SRA rate at this time due to the recent storms, the large debit balance, and the possibility of additional storms in 2011/2012 is reasonable and necessary.

Recommendation

Staff recommends increasing the temporary SRA factor to recover sufficient revenues to eliminate the existing fund deficit of $4.6 million over a five year period pending the outcome of Staff's audits and the inclusion of the August 2011 Hurricane Irene and the October 2011 Snow Storm costs. Staff also recommends temporarily increasing the SRA factor an additional $1.3 million to recover on-going storm costs. The combined effect on the SRA factor would be an increase from 0.040¢ per kWh to 0.223¢ per kWh effective January 1, 2012. Staff recommends that the new SRA factor of 0.223¢ per kWh be contingent on an annual July 1 filing with the Commission. The July 1 filing would report on the fund balance and the effectiveness of recovering on-going storm costs. In addition to the annual review on July 1, if the Company files a distribution rate case in 2012, Staff recommends that the SRA factor be included in Staff's review of the base rates in the distribution rate case.

If you have any questions, please contact me.

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[2] The Company estimates the total unaudited cost of Hurricane Irene at $1,050,000. (November 3rd email from Steven Camerino).