

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

Docket DE 06-061

**INVESTIGATION INTO  
IMPLEMENTATION OF THE ENERGY POLICY ACT OF 2005**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE'S CLOSING  
STATEMENT AND RECOMMENDATIONS**

Public Service Company of New Hampshire ("PSNH") hereby offers its Closing Statement and Recommendations regarding Section 1252 of the Energy Policy Act of 2005 – "Smart Metering". At the close of the hearing on October 10, 2007, the Chairman of the Commission permitted parties to file written closing statements and recommendations regarding the evidence presented at the hearing in addition to any comments on the articles contained in the bibliography supplied with the Secretarial letter of September 21, 2007. PSNH will file written comments on the papers and reports separately.

1. Introduction. The Commission opened this proceeding to review many of the new standards introduced through the Energy Policy Act of 2005 to be incorporated and governed by the Public Utilities Regulatory Policy Act of 1978. In its Order of Notice, the Commission provided:

The fourth standard for consideration, under Section 1252 of EPAAct, concerns Time-Based Metering and Communications or "Smart Metering". The EPAAct requires that each state regulatory authority conduct an investigation and determine whether it is appropriate for electric utilities "to provide and install time-based meters and communications devices for each of their customers which enable such customers to participate in time-based pricing rate schedules and other demand response programs." Order of Notice at 1 (April 24, 2006).

Written comments were filed by the parties and Staff in September and November of 2006 respectively. Testimony was filed on September 17, 2007 followed by data

requests propounded by the Staff to which the utilities<sup>1</sup> responded. The testimony was heard at a hearing on the merits held on October 10, 2007.

The Commission may adopt the PURPA standard contained in Section 1252, decide not to adopt the standard, or adopt some version of the standard which is most appropriate for the circumstances in New Hampshire. The result must meet federal standards as well as New Hampshire law. The result should be cost effective. Exhibit 31 at 14, n. 17, n.18. In their November 2006 Comments (Exhibit 31), the Staff noted that there was a complete lack of data on the cost and benefits of time based rates. Exhibit 31 at 24. The discovery responses, technical sessions and the hearing evidence added more data on the cost side of the equation; however, the benefits of such a decision to implement time differentiated rates is still “conceptual” as conceded by the Staff during cross examination. Transcript at 260<sup>2</sup>.

Given that there should be cost justified approaches to demand response and that we have yet to know how customers may actually react, the Commission should proceed cautiously, clearly state what goal or goals it is pursuing, and fashion an approach or approaches at this early stage which are appropriate for each utility. Mandatory time differentiated or real time pricing may be appropriate for some customer classes of some utilities and not appropriate for others based upon the differences between the utilities’ different pricing structures and the customers’ experiences.

## 2. Differences among the utilities justify a different result from these proceedings.

PSNH has retained its low-cost generation, and it purchases less than half of its default service customers’ requirements on the wholesale market. By purchasing directly on the

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<sup>1</sup> The utilities are Unitil Energy Systems, Inc (“Unitil”) , Granite State Electric Company d/b/a National Grid (Nat. Grid”) and PSNH.

<sup>2</sup>“A . . .I don’t think we necessarily have a good handle on how they would respond to time of use rates or retail or real-time pricing structures. So, I think there’s probably still a need to do some work on that side of the cost/benefit analysis, to determine whether it would be appropriate to apply time of use rates to all customers or just to subsets of customers.

Q. So is it safe for me to characterize what you just said is that we don’t have hard data on the benefits?

A. That’s correct” Transcript at 260-261.

wholesale market, PSNH does not pay a risk premium for load following service. PSNH's default service price is consistently below the market price due to its below-market generation and the absence of a risk premium in its price. PSNH supplies default service on an average price over all hours, with the price typically changing only twice a year.

National Grid and Unitil purchase default service for their large customers on a competitive bid basis. It is load following service, and a risk premium is included in the price. The rates change each month and are established in advance for three months with 45 days notice in advance. Gantz, Transcript at 145, Zchokke, Transcript 216-217. Nearly two thirds of the load of Unitil's large customers and 65% of National Grid's large customer load has gone to competitive suppliers. *Id.*

Both National Grid and Unitil proposed a day ahead pricing experiment or transition approach for their large customers. These customers would be moving from a monthly pricing design to an hourly pricing design; however, given the risk premium built into a load following service bid, these customers' overall bills may not be vastly different than the bills rendered under these companies' current default service rates, and may actually be lower than under the current market price of default service. PSNH's large customers are familiar with average default service rates that change on a semiannual basis. They benefit from the low-cost generation. Movement to a time differentiated rate closer to market will have disproportionate effect upon PSNH's customers compared to the effect on similar sized customers of Unitil and National Grid.

3. The Commission must decide and clearly state what goals it intends to accomplish through implementation of time based rates and consider other means to achieve those goals more easily or at a lower cost. If the goal is to reduce system peak, then a demand response program lasting 8,760 hours a year may be overkill. "In 2006, there were 254 hours when the real time Locational Marginal Price exceeded \$100.00 per MWh, 42 hours when the real time LMP exceeded \$150.00 per MWh, and 17 hours when the real time LMP exceeded \$200.00 per MWh." Exhibit 1 at 26. The capital and personnel resources needed for instituting time differentiated pricing for all large customers may

not be well spent if there are less than 300 hours in a year when a peak load may occur, and other means may be used to address the loads during these hours. Given that large power customers of all three utilities have the opportunity to purchase from the competitive market, mandatory time-differentiated rates for these customers do not guarantee load shifting from on-peak to off-peak periods. Limited resources may be better expended to install technology or replace existing facilities which will have a greater likelihood of curtailing or shifting load off peak.

If the goal is to bolster the competitive market, then mandatory real time pricing will drive PSNH's large customers to the competitive market if they desire rates that do not change on an hourly or time of day basis. Under hourly pricing, PSNH will not be able to tell customers what their price of electricity will be for even the very near future. Given that uncertainty, the customers who are risk averse will seek a fixed price offer from the competitive market or a financial hedge product at a premium above what they pay for PSNH's Default Service today. PSNH's average cost Default Service rate is below market and does not include a risk premium. Large customers forced to select a competitive supplier to avoid time differentiated pricing, will be deprived of the value of PSNH's generation assets required to serve default service load. They will pay more than they would by staying under PSNH's average cost default service rates. Through frequent contact with its customers, PSNH understands that customers desire predictability and stability in rate levels. Transcript at 107-108. Mandatory time differentiated pricing will have a detrimental effect upon business customers by raising the cost of doing business in PSNH's service territory. Transcript at 78.


4. Given the record in this proceeding, mandatory time differentiated pricing should not be ordered for any class of PSNH customers. PSNH recommends that time of use or real time pricing be offered on an optional basis for a limited number of large power customers who already have the metering. The number of customers taking this optional service would have to be limited due to the need to bill such customers manually; however, PSNH believes the demand for this rate would be limited given the experiences of customers who have left PSNH default service for real time pricing from ISO New

England and returned. Any lengthy delay and expense for wholesale changes to the large power billing system would be avoided.

PSNH recommends that a working group be established to explore the feasibility of Critical Peak Pricing. Another working group could be created to resolve collaboratively rate design issues surrounding time-differentiated pricing and real time pricing of energy service. If the Commission decides to implement mandatory time-differentiated energy service prices for all metered customers within a class or classes, technical sessions should be convened to explore the type of metering technology needed to accommodate that pricing, the time frame and cost associated with modifying metering and billing systems, the rate design issues including reconciling to PSNH's actual prudent and reasonable costs, and the manner in which utilities will receive recovery of the cost of metering and billing system modifications.

Respectfully submitted this 26th day of October, 2007,

**Public Service Company of New Hampshire**

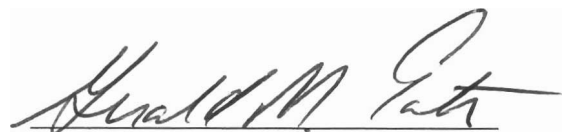
By:   
Gerald M. Eaton, Esq., Senior Counsel

Certificate of Service

I hereby certify that a copy of the above Comments and Recommendations was provided to all persons on the attached service list pursuant to the Commission rules of practice and procedure.



Date



Gerald M. Eaton