

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

**Public Service Company of New Hampshire
Energy Service Rate**

Docket No. DE 12-292

**Joint Technical Statement of
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December 12, 2012

A. Purpose of Technical Statement

This Technical Statement is being submitted to explain the major changes to Public Service Company of New Hampshire's proposed Default Energy Service (ES) Rate effective January 1, 2013. This filing updates the Company's ES filing that was submitted on September 28, 2012.

B. Proposed Rate

On September 28, 2012, PSNH filed a preliminary 2013 ES rate of 8.97 cents/kWh to be effective for the 12 month period January 1 through December 31, 2013. In this filing, PSNH has calculated an ES rate of 9.54 cents/kWh for effect on January 1, 2013, which is an increase of 0.57 cents/kWh from the September 28, 2012 filed ES rate. The rates above include the temporary recovery of Scrubber costs at a rate of 0.98 cents/kWh as ordered in DE 11-250, Order No. 25,346.

The 0.57 cents/kWh increase in the ES rate from the September 28, 2012 filing to this filing is attributable to a net increase in actual and forecasted costs of \$26.5 million [an increase of \$3.0 million in expense, net of a revenue decrease of \$23.5 million] which is contained in Attachment RAB-1.

The 2013 forecasted cost changes are contained in Attachment RAB-2, page 3, and are specifically referenced below. The forecasted cost and revenue changes are attributable to an increase in forward electricity prices as of November 30, 2012, lower load due to an increase in customer migration, and other changes as noted below.

C. Changes from September 28, 2012 Filing

Attachment RAB-2, Page 3:

For the forecast period January through December 2013, the impact of power supply variable cost updates is to increase ES costs by \$4.9 million. Following is a discussion of the major changes:

1. Lines 4 and 5 – Projected coal generation increased 224 GWh to 1,232 GWh due to higher forward electricity market prices. Coal fuel expense increased \$11.0 million due to higher forecasted generation.

2. Lines 11 and 12 – Newington generation decreased by 16 GWh due to higher delivered gas prices, relative to higher market prices.

3. Lines 15 and 19 – IPP and Wood IPP energy expenses increased by \$3.5 and \$3.0 million, respectively, due to higher forward electricity prices. A table showing forecasted forward electricity prices used for calculating the preliminary ES rate filed in September and for this filing is provided below.

<u>Forward Electricity Prices for Delivery at Massachusetts Hub</u>					
All Hours - \$/MWh					
<u>Filing Dates</u>					
<u>2013</u>	<u>September 28, 2012</u>	<u>December 12, 2012</u>	<u>Change</u>		
	<u>(8/28/12 Closing Prices)</u>	<u>(11/30/12 Closing Prices)</u>	<u>\$/MWh</u>	<u>%</u>	
Jan	53.8	71.6	17.8	33.1%	
Feb	54.0	63.6	9.6	17.7%	
Mar	38.2	48.8	10.6	27.9%	
Apr	34.8	39.9	5.1	14.6%	
May	32.5	35.5	2.9	9.0%	
Jun	33.9	36.9	3.0	8.8%	
Jul	39.1	43.7	4.6	11.7%	
Aug	39.2	41.4	2.2	5.5%	
Sep	33.9	36.9	3.0	8.8%	
Oct	29.4	39.2	9.8	33.3%	
Nov	43.6	44.3	0.7	1.5%	
Dec	45.3	60.0	14.7	32.4%	
Total	39.7	46.7	7.0	17.6%	

4. Lines 21 and 22, 27 and 28, and 30 & 31 – Net purchases decreased by 407 GWh decreasing expenses by \$10.7 million. The decrease in net purchases is primarily due to higher coal generation and lower loads.

5. Line 35 – Total Energy decreased 199 GWh due to an increase in migration from 40% to 42.5%. This figure includes a very small offset from a sales forecast increase of 11 GWh (approx. 0.1% increase). Total ES sales are lower by 188 GWh. The table below shows the forecasted sales and migration (Non-ES sales) as measured at the customer meter used for calculating the preliminary ES rate filed in September and for this filing. The amount of migration modeled in this update is as of October, 2012. Overall, ES sales are lower by 4% from the estimates used in the September, 2012 preliminary ES rate filing primarily due to additional migration.

PSNH ES Sales Forecast

MWh

Filing Dates

<u>2013</u>	<u>September 28, 2012</u>			<u>December 12, 2012</u>			<u>Change</u>			
	<u>Total</u>	<u>Non-ES</u>	<u>ES</u>	<u>Total</u>	<u>Non-ES</u>	<u>ES</u>	<u>Total</u>	<u>Non-ES</u>	<u>ES</u>	<u>ES %</u>
Jan	706,154	282,462	423,692	707,472	300,676	406,796	1,318	18,214	(16,896)	-4.0%
Feb	620,889	248,356	372,533	625,104	265,669	359,435	4,215	17,314	(13,099)	-3.5%
Mar	647,591	259,036	388,554	641,370	272,582	368,788	(6,221)	13,546	(19,767)	-5.1%
Apr	591,243	236,497	354,746	584,314	248,333	335,981	(6,929)	11,836	(18,765)	-5.3%
May	597,246	238,898	358,348	597,190	253,806	343,384	(56)	14,907	(14,963)	-4.2%
Jun	644,137	257,655	386,482	648,327	275,539	372,788	4,190	17,884	(13,694)	-3.5%
Jul	737,629	295,051	442,577	756,030	321,313	434,717	18,401	26,261	(7,860)	-1.8%
Aug	712,871	285,148	427,723	712,606	302,858	409,748	(265)	17,709	(17,974)	-4.2%
Sep	621,748	248,699	373,049	620,751	263,819	356,932	(997)	15,120	(16,117)	-4.3%
Oct	611,186	244,474	366,711	609,081	258,859	350,222	(2,105)	14,385	(16,490)	-4.5%
Nov	614,517	245,807	368,710	613,795	260,863	352,932	(722)	15,056	(15,778)	-4.3%
Dec	670,101	268,040	402,061	669,880	284,699	385,181	(221)	16,659	(16,880)	-4.2%
Total	7,775,310	3,110,124	4,665,186	7,785,920	3,309,016	4,476,904	10,610	198,892	(188,282)	-4.0%

6. Lines 40 and 44 – RPS and Capacity expenses decreased \$1.3 million and \$1.9 million, respectively, due to lower loads and lower REC prices.

7. Other forecasted changes totaling a net \$1.3 million cost increase include updates to Schiller 5, congestion & losses, ISO ancillaries and expenses, and RGGI expenses.

D. Other Cost Changes (\$1.9 million cost decrease)

All other actual and forecasted costs decreased by \$1.9 million. The primary reasons for the decrease in other actual and forecasted costs were due to lower loads caused by increased customer migration, partially offset by higher forward electricity prices. The increase of the forecasted expense changes noted in items 1-7 above totaled \$4.9 million; netting the other cost decrease of \$1.9 million results in a total net expense increase of \$3.0 million.

E. Revenue Changes (\$ 23.5 million decrease)

The updated ES revenues for 2012 and 2013 decreased by \$23.5 million due to lower sales caused by additional customer migration. The updated 2012 sales are lower by 120 GWH and 2013 sales are lower by 188 GWH.

F. Alternative Default Energy Service Rate update – DE 11-216

The final outcome of the Rate ADE docket is pending with the Commission. For continued perspective, the rate under Rate ADE that would be proposed by PSNH for effect January 1, 2013 through December 31, 2013, assuming Commission approval of PSNH's proposal, would be 7.76 cents /kWh. This rate is made up of a marginal cost of 6.63 cents/kWh and an adder of 1.13 cents/kWh. Any determination of the final rate under Rate ADE would depend on the timing of the receipt of approval for the rate.