

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 12-291

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Adjustment of Stranded Cost Recovery Charge

Order Granting Adjustment to Stranded Cost Recovery Charge

ORDER NO. 25,447

December 28, 2012

APPEARANCES: Matthew J. Fossum, Esq. on behalf of Public Service Company of New Hampshire; Office of Consumer Advocate by Susan W. Chamberlain, Esq. on behalf of residential ratepayers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On September 28, 2012, Public Service Company of New Hampshire (PSNH) filed testimony and related exhibits to establish a stranded cost recovery charge (SCRC) rate effective for service rendered on and after January 1, 2013. The SCRC is paid by all PSNH customers and is designed to compensate PSNH for certain costs that cannot otherwise be recovered as a result of the changes brought about by RSA Ch. 374-F, the statute restructuring the electric utility industry in New Hampshire. RSA 374-F:2 states that certain costs “will not be recovered as a result of restructured industry regulation that allows choice of electricity suppliers, unless a specific mechanism for such cost recovery is provided.” The SCRC is that specific mechanism. Although the SCRC varies by customer class, the current average SCRC rate is 1.88 cents per kilowatt hour (kWh). *See*, Order No. 25,381 (June 27, 2012) in Docket No. DE 11-217, PSNH’s 2012 SCRC proceeding. The average rate of 1.88 cents per kWh is intended to collect estimated revenue requirements for the period July 1, 2012 through December 31, 2012. At the time the petition was filed, PSNH calculated an average SCRC rate of 0.79 cents per kWh for effect with

rates on January 1, 2013, but did not request approval of a specific rate in its petition. Instead, PSNH indicated that it would update its estimates with more recent data prior to the hearing on the merits. In its updated filing of December 12, 2012, PSNH calculated an average SCRC rate of 0.67 cents per kWh.

An Order of Notice was issued October 9, 2012, scheduling a prehearing conference for October 24, 2012. On October 11, 2012, the Office of Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers consistent with RSA 363:28. On October 25, 2012, Staff filed a proposed procedural schedule which the Commission approved by secretarial letter dated October 29, 2012.

A hearing on the merits was held on December 18, 2012. On December 19, 2012, PSNH filed a response to a hearing record request to provide updated documentation supporting the calculation of the SCRC at 0.737 cents per kWh, the rate requested by PSNH at hearing (Revised Exhibit 2) and the affidavit of Terrance J. Large, Director of Business Planning and Customer Support Services for PSNH, attesting to the conformance of the filing with the Company's least cost integrated resource plan (LCIRP) most recently filed and accepted by the Commission. The Commission designated the affidavit as Exhibit 3 in a secretarial letter dated December 27, 2012. On December 24, 2012, the OCA filed a letter stating that it was unable to take a position regarding the affidavit of Mr. Large because the affidavit did not "add to the record in a substantive way."

II. POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire

In prefiled testimony, Robert A. Baumann, Director of Revenue Regulation and Load Resources for Northeast Utilities Service Company, an affiliate of PSNH, explained that the

SCRC recovers certain costs under the Restructuring Settlement approved by the Commission in Order Nos. 23,443 and 23,549, *PSNH Proposed Restructuring Settlement*, 85 NH PUC 154 and 536 (2000). According to Mr. Baumann, the Restructuring Settlement defined PSNH's stranded costs and categorized them into three parts as follows: Part 1 comprises the rate reduction bond (RRB) charge calculated to recover the principal, interest and fees related to the RRBs. Part 2 costs include "ongoing" costs consisting primarily of the over-market value of energy purchased from independent power producers (IPPs), the up-front payments made for IPP buy-downs and buy-outs previously approved by the Commission, and PSNH's share of the present value of the savings associated with these buy-down and buy-out transactions. Part 3 costs, consisting of non-securitized stranded costs, were fully recovered as of June 30, 2006.

At the time it filed its original petition, PSNH calculated the preliminary average 2013 SCRC rate to be approximately 1.09 cents per kWh, less than the current average rate of 1.88 cents per kWh, or 0.79 cents per kWh. PSNH said that the reason for the SCRC rate decrease was primarily due to (1) the full amortization of RRBs effective May 2013 resulting in an approximate \$40 million annual reduction in RRB costs, and (2) higher projected 2013 market prices which resulted in an annual decrease of approximately \$11 million in projected above-market IPP costs. Mr. Baumann indicated that if a mid-year rate adjustment to the SCRC is deemed necessary, PSNH will file a petition to change the SCRC rate on a schedule consistent with a petition for a mid-year modification to its energy service rate. According to Mr. Baumann, a petition would be filed at a time that would allow parties and Staff sufficient time to review the need for such mid-year adjustments.

In its December 12, 2012 updated filing, PSNH proposed an average SCRC rate of 0.67 cents per kWh, a decrease to the estimate of 0.79 cents per kWh contained in the September

filing. The Company explained that its updated calculations predicted higher market costs for power than originally forecast in its September filing, thus decreasing the over-market costs collected through Part 2 of the SCRC.

At hearing, PSNH said that its updated filing failed to consider the requirements of RSA 369-B:4, II. RSA 369-B:4, II states that the Commission “shall set the RRB charge, per kilowatt-hour of electricity for delivery of retail electric service, in an amount necessary and sufficient to provide for the full recovery of principal, interest and credit enhancement on the rate reduction bonds, in accordance with the amortization schedule for such bonds determined at the time of offering, as well as all other fees, costs, and charges in respect to the rate reduction bonds, based upon the electric utility’s reasonable assumptions, including sales forecasts.” PSNH referred to a September 24, 2012 letter it filed in Docket No. DE 99-099, *PSNH Proposed Restructuring Settlement*, regarding the Periodic RRB Charge True-Up Mechanism. In the September 24, 2012 RRB Charge True-Up letter, PSNH calculated the RRB Charge (i.e., Part 1 of the SCRC) necessary to collect revenues sufficient to recover the RRB costs at 0.7369 cents per kWh. To avoid contradicting the requirements of RSA 369-B:4, II or any covenants associated with the RRB and as set forth in the September 24th letter, PSNH asked the Commission to set the average SCRC rate at 0.737 cents per kWh (rounding 0.7369 to three decimals for rate calculation purposes) for effect for service rendered on and after January 1, 2013.

On December 19, 2012, PSNH submitted a filing which included updated documentation to support the calculation of the average SCRC rate at 0.737 cents per kWh (Revised Exhibit 2). The filing also contained the affidavit of Mr. Terrance J. Large (Exhibit 3) attesting to the conformance of the filing in the instant docket with PSNH’s 2007 LCIRP, the most recent PSNH

LCIRP on file and found adequate by the Commission. Mr. Large stated that the 2007 LCIRP was filed on September 28, 2007, and that the Company subsequently filed an LCIRP on September 30, 2010 (Docket No. DE 10-261), which is currently pending before the Commission.

B. Office of Consumer Advocate

The OCA said it did not object to the Company's filing.

C. Staff

Staff stated that it had reviewed the filing and that PSNH had calculated the average SCRC rate in a manner consistent with the Company's past SCRC rate filings. Staff said it supported setting the average rate of 0.737 cents per kWh as proposed by PSNH at hearing to avoid any compliance issues regarding the RRBs. Staff also observed the substantial decrease in the average SCRC rate is a positive development for ratepayers.

III. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to determine the just, reasonable and lawful rates to be charged by utilities within its jurisdiction. With respect to stranded cost recovery, the Legislature has specifically instructed that any recovery "should be through a non-bypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, consistent with the promotion of fully competitive markets and consistent with [the restructuring policy] principles." RSA 374-F:3, XII(d). We find that PSNH's proposal to adjust the SCRC to reflect the termination of the RRBs and current market conditions is appropriate and consistent with the Legislature's guidance.

PSNH, the OCA and Staff stated support for the establishment of an average SCRC rate of 0.737 cents per kWh effective January 1, 2013 to assure full compliance with RSA 369-B:4, II

and the covenants pertaining to the RRBs. The Company filed Revised Exhibit 2 in response to a record request. Revised Exhibit 2 provided the supporting calculations for the 0.737 cents per kWh and, after review of the materials, we find that the proposed rate of 0.737 cents per kWh is just and reasonable and consistent with the requirements of RSA 369-B:4, II. Accordingly, we approve PSNH's request to set the average SCRC rate at 0.737 cents per kWh effective January 1, 2013¹.

During the December 18, 2012 hearing in Docket DE 12-292, *PSNH Petition to Establish 2013 Energy Service Rate*, which was held following the hearing in the instant docket, the OCA asked the Commission to determine whether PSNH complied with RSA 378:40 in its petition to establish an energy service rate for 2013. The statute reads as follows:

No rate change shall be approved or ordered with respect to any utility that does not have on file with the commission a plan that has been filed and reviewed in accordance with the provisions of RSA 378:38 and RSA 378:39. However, nothing contained in this subdivision shall prevent the commission from approving a change, otherwise permitted by statute or agreement, where the utility has made the required plan filing in compliance with RSA 378:38 and the process of review is proceeding in the ordinary course but has not been completed.

At that hearing, we pointed out that RSA 378:41 is also implicated in proceedings before the Commission. RSA 378:41 reads as follows:

Any proceeding before the commission initiated by a utility shall include, within the context of the hearing and decision, reference to conformity of the decision with the least cost integrated resource plan most recently filed and found adequate by the commission.

Because the instant petition also requests a rate change, we will address the compliance of PSNH's petition to adjust its SCRC rate with the Company's most recently filed and accepted LCIRP.

¹ Although the SCRC is initially set for an annual period, the rate is subject to a mid-year review with rate adjustments typically taking place effective July 1. With the full amortization of the RRBs effective May 2013, costs for the remainder of the year are expected to decrease which would be reflected in a decrease to the SCRC as part of the mid-year review, all else being equal.

PSNH did not have a witness at the hearing in Docket No. DE 12-292 who could speak to the Company's compliance with RSA 378:40. Consequently, we issued a record request to PSNH to provide a written response on the issue. On December 19, 2012, PSNH provided an affidavit signed by Terrance J. Large, Director of Business Planning and Customer Support Services for PSNH which addressed the requests for adjustment to the SCRC that is the subject of the instant docket and the adjustment to PSNH's energy service rate in Docket No. DE 12-292. In the affidavit, Mr. Large attested to the instant filing being in conformance with PSNH's 2007 LCIRP, the most recent LCIRP filed with and accepted by the Commission. Mr. Large further stated that PSNH's most recent LCIRP filing in Docket No. DE 10-261 is currently pending before the Commission.²

We have reviewed the assertions made by Mr. Large in his affidavit and find that, as Mr. Large averred, the Company's LCIRP filing most recently reviewed and accepted by the Commission was filed on September 28, 2007 in Docket No. DE 07-108. In Order No. 24,966 (May 1, 2009) in Docket No. DE 07-108, the Commission ruled on a motion for rehearing and required PSNH to file its next LCIRP no later than May 3, 2010. Subsequently, in Docket No. DE 09-180, PSNH's 2010 Energy Service docket, we directed the Company to file its next LCIRP no later than September 30, 2010, the date on which PSNH made the LCIRP filing in Docket No. DE 10-261. *See* Order No. 25,061 (December 31, 2009).³ Mr. Large is also correct in stating that the filing in Docket No. DE 10-261 is currently under review.

The 2007 LCIRP, which was found adequate by the Commission, contains the following language regarding the SCRC:

² We provided Staff and the OCA opportunity to comment on PSNH's record request response; the OCA filed a letter with the Commission on December 24, 2012. Staff did not make any comment filing.

³ In Order No. 25,061, the Commission extended the LCIRP filing deadline to allow PSNH additional time to perform a continued unit operation study of its Newington generation unit. *See* Order No. 25,061 at 31.

“Stranded Cost Recovery Charge (“SCRC”) - SCRC rates are adjusted every year to fully recover the remaining securitized and ongoing non-securitized stranded costs (Part 1 and Part 2). The Stranded Cost Recovery Charge is expected to decrease in 2008 to 0.8 cents per kWh and remain constant throughout the forecast period.” PSNH LCIRP filing, September 28, 2007 at page 21.

The instant petition represents the annual adjustment to the SCRC rate for Part 1 and Part 2, consistent with PSNH’s 2007 LCIRP, the one most recently filed and accepted by the Commission. Further, as noted earlier in this order, the SCRC mechanism used by PSNH is authorized by RSA 374-F:3, XII (d) and was instituted pursuant to a Settlement Agreement approved by the Commission in Docket No. DE 09-099. Based on the foregoing, we find that PSNH’s SCRC filing conforms to the most recent LCIRP filed and found adequate by the Commission pursuant to RSA 378:40.

Based upon the foregoing, it is hereby

ORDERED, that the petition of Public Service Company of New Hampshire as modified at hearing to adjust its average stranded cost recovery charge rate to 0.737 cents per kilowatt hour effective with service rendered on and after January 1, 2013 is hereby APPROVED; and it is

FURTHER ORDERED, that PSNH shall file tariffs conforming to this Order within 30 days of the date hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of
December, 2012.



Amy D. Ignatius
Chairman

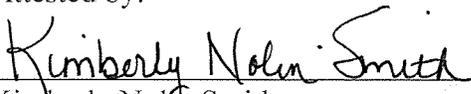


Michael D. Harrington
Commissioner

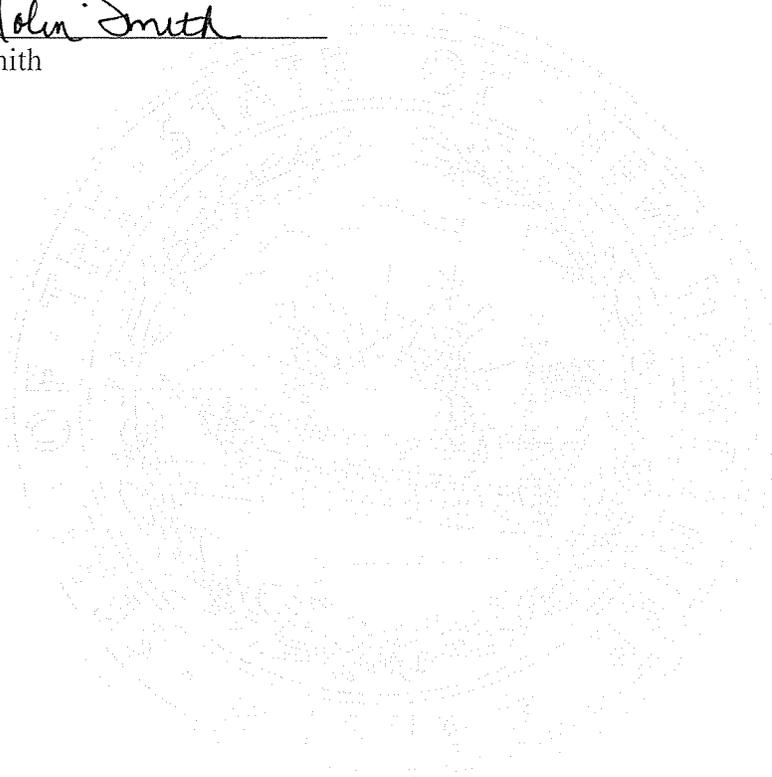


Robert R. Scott
Commissioner

Attested by:



Kimberly Nolin Smith
Assistant Secretary



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