

STATE OF NEW HAMPSHIRE

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February 13, 2013

Debra Howland  
Executive Director & Secretary  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, New Hampshire 03301-7319



RE: DE 12-320 PUBLIC SERVICE PSNH OF NEW HAMPSHIRE  
Petition for Recovery of Certain Storm Preparation Costs through the Major Storm Cost Reserve

Dear Ms. Howland:

On February 6, 2013, Steven E. Mullen, Assistant Director -- Electric Division filed Staff's Recommendation to the Commission to approve, through issuance of an order *nisi*, PSNH's Petition for Recovery of Certain Storm Preparation Costs through the Major Storm Cost Reserve. That letter provides a summary of the petition and procedural facts which are incorporated herein by reference.

The Office of Consumer Advocate (OCA) recommends the Commission deny Public Service Company of New Hampshire's (PSNH) Petition for Recovery of Certain Storm Preparation Costs through the Major Storm Cost Reserve. PSNH's request shifts financial risk from PSNH's shareholders to its ratepayers in a manner which is inconsistent with the Settlement Agreement approved by the Commission in Order No. 25,123 issued on June 28, 2010 in PSNH's most recent distribution rate case, DE 09-035.

Staff supports its recommendation by referencing the Commission's report "*The October 2011 Snowstorm – New Hampshire's Regulated Utilities' Preparation and Response*" (October 2011 Snowstorm Report), issued on November 20, 2012. That report contains a number of general findings and corrective actions regarding PSNH's storm recovery efforts for that significant storm event. It is reasonable for the Commission to consider the costs associated with implementing those corrective actions and also whether and how PSNH should recover costs associated with those actions. However, the method of any recovery must be taken in compliance with the Settlement Agreement in PSNH's Distribution rate case.

Any costs for pre-staging repair crews prior to potential major storm events are currently collected through distribution rates. PSNH's request to shift prestaging costs for storms which

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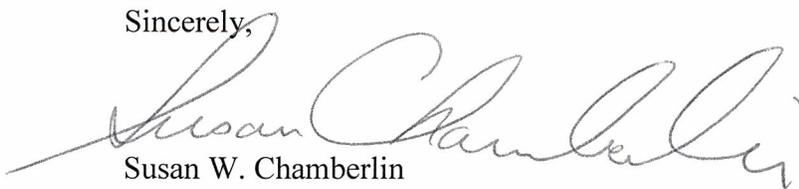
meet certain qualifying conditions to the Major Storm Cost Reserve (MSCR) shifts costs from the general category of Distribution Rates to the reconciling cost mechanism of the MSCR. This, in effect, shifts risks from PSNH and its shareholders to PSNH's ratepayers. This risk shifting upsets the overall balance of factors that each signatory to the Settlement Agreement considered in negotiating and arriving at the final complex agreement which was presented to the Commission and approved in Order 25,123.

The Settlement Agreement expressly forbids any changes to distribution rates except as outlined in the Agreement. The proposal to shift pre-staging costs to the MSCR fund is not in compliance with Section 2.1 of the Agreement and thus must be rejected by the Commission. The Settlement Agreement does contemplate circumstances which may have adverse financial impact on PSNH which were beyond the Company's control by specifically allowing PSNH to request a change in its distribution rates under certain exogenous circumstances. If PSNH faces costs which were not anticipated and meet the specific circumstances described in Section 12 of the Settlement Agreement then it has the right to request a rate change.

The OCA understands that the Corrective Actions made in the October 2011 Snowstorm Report are an integral basis for PSNH's current request related to pre-staging storm costs. However, PSNH must operate within the boundaries of the Settlement Agreement in DE 09-035 currently in effect. Therefore, the OCA recommends that the Commission deny PSNH's request in this Docket.

The OCA appreciates the opportunity to provide this input on behalf of residential ratepayers to the Commission as it contemplates a decision in this matter.

Sincerely,



Susan W. Chamberlin  
Consumer Advocate

Cc: Service List via electronic mail

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