

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

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

Docket No. DE 13-275

**Joint Technical Statement of
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May 2, 2014

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 July 1, 2014. This filing updates the Company's ES filing that was submitted on December 12, 2013.

B. Proposed Rate

On December 12, 2013, PSNH filed a 2014 ES rate of 9.23 cents/kWh to be effective for the 12 month period January 1 through December 31, 2014. In this filing, PSNH has calculated an ES rate of 9.98 cents/kWh for effect on July 1, 2014, which is an increase of 0.75 cents/kWh from the December 12, 2013 filed ES rate. The rates above include the temporary recovery of Scrubber costs at a rate of 0.98 cents/kWh as ordered in Docket No. DE 11-250, Order No. 25,346.

The 0.75 cents/kWh increase in the ES rate is attributable to a net increase in actual and forecasted costs of \$15.8 million (an increase of \$55.5 million in expense, offset by a revenue increase of \$39.7 million) which is contained in Attachment CJG-1.

The 2014 forecasted cost changes are contained in Attachment CJG-2, pages 1- 3, and are discussed below. The forecasted cost and revenue changes are attributable to an increase in forward electricity prices as of March 27, 2014, an increase in load due to a decrease in customer migration, and other changes as noted below.

C. Forecast Period Cost Changes from December 12, 2013 Filing

Attachment CJG-2, Page 3:

For the forecast period April through December 2014, the impact of power supply variable cost updates is to increase ES costs by \$32.8 million. Following is a discussion of the major changes:

1. Lines 4 and 5 – Projected coal generation increased 839 GWh due to higher forward electricity market prices. Coal fuel expense increased \$39.6 million due to higher forecasted generation.

2. Lines 14 and 15 – Generation from Newington Station increased by 17 GWh due to higher market prices. Newington fuel expense increased \$2.5 million due to higher forecasted generation and higher natural gas prices.

3. Line 17-19 – IPP energy decreased 77 GWh due to an updated forecast, and IPP costs decreased only \$0.1 million due to higher forward electricity prices. A table showing forecasted forward electricity prices used for calculating the ES rate filed in December, 2013 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>2014</u>	December 12, 2013	May 1, 2014	<u>Change</u>		
	<u>(11/20/13 Prices)</u>	<u>(3/27/14 Prices)</u>	<u>\$/MWh</u>	<u>%</u>	
Jan					
Feb					
Mar					
Apr	40.4	50.7	10.3	25.5%	
May	34.6	44.2	9.6	27.7%	
Jun	38.7	59.2	20.5	53.0%	
Jul	44.9	56.1	11.2	24.9%	
Aug	44.5	53.0	8.4	18.9%	
Sep	35.1	42.8	7.7	22.1%	
Oct	35.3	43.0	7.7	21.8%	
Nov	49.3	66.1	16.8	34.0%	
Dec	72.3	96.7	24.4	33.7%	
Total	43.9	56.9	13.0	29.5%	

4. Lines 24 thru 26 – Burgess BioPower forecasted generation decreased 52 GWh due to delays in commercial operation, and expenses have decreased by \$4.1 million.

6. Lines 28 thru 36 – Net purchases decreased by 381 GWh decreasing expenses by \$14.9 million.

7. Line 41 – Total Energy requirements increased 353 GWh due to a decrease in migration from 53.7% to 48.1%. The table below shows the forecasted sales and migration (Non-ES sales) as measured at the customer meter used for calculating the ES rate filed in December, 2013 and for this filing. The amount of migration modeled in this update is as of March, 2014. Overall, ES sales are higher by 12.1% from the estimates used in the December, 2013 filing.

PSNH ES Sales Forecast

2014	MWh									
	<u>Filing Dates</u>									
	<u>December 12, 2013</u>			<u>May 1, 2014</u>			<u>Change</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>Total</u>	<u>Non-ES</u>	<u>ES</u>	<u>ES %</u>
Jan										
Feb										
Mar										
Apr	593,663	318,797	274,866	593,663	285,552	308,111	0	(33,245)	33,245	12.1%
May	613,151	329,262	283,889	613,151	294,926	318,225	0	(34,336)	34,336	12.1%
Jun	667,009	358,184	308,825	667,009	320,831	346,178	0	(37,353)	37,353	12.1%
Jul	753,119	404,425	348,694	753,119	362,250	390,869	0	(42,175)	42,175	12.1%
Aug	729,195	391,578	337,617	729,195	350,743	378,452	0	(40,835)	40,835	12.1%
Sep	630,103	338,366	291,738	630,103	303,080	327,024	0	(35,286)	35,286	12.1%
Oct	621,278	333,626	287,652	621,278	298,835	322,443	0	(34,792)	34,792	12.1%
Nov	619,685	332,771	286,914	619,685	298,068	321,616	0	(34,702)	34,702	12.1%
Dec	710,233	381,395	328,838	710,233	341,622	368,611	0	(39,773)	39,773	12.1%
Total	5,937,437	3,188,404	2,749,034	5,937,437	2,855,907	3,081,530	0	(332,496)	332,496	12.1%

8. Lines 44 and 46 – ISO-NE Ancillary expense decreased (\$0.9) million due to adjustments to cost projections and increased loads offset by the addition of Winter Reliability revenue not yet received from ISO, and VAR and Black Start revenue for the months July through December. Estimated CO2 expenses increased \$2.4 million due to higher generation from owned resources and a 2013 true-up of avoidance of RGGI allowance costs.

9. Line 45 – RPS expenses increased \$3.5 million due to higher loads, lower generation from Burgess Biomass, and recognition that some surpluses produced during 2014 will likely not be sold until after year end.

10. Lines 48 and 49 – Capacity expenses increased \$4.1 million due to higher loads.

11. Additional small cost changes for Schiller 5 and Lempster generation, and congestion and losses adjustments result in increased costs of \$0.6 million.

Attachment CJG-2, Pages 1 and 2:

12. Line 14 – O&M increased \$0.2 million primarily due to actual costs higher than projected.

13. Line 15 – Return on rate base increased \$1.8 million primarily due to increase in Fossil Fuel Inventory and adjustments to accumulated deferred income tax projections that are deducted from rate base.

D. Actual Period Cost Changes from December 12, 2013 Filing

Actual costs as compared to forecasted costs for January through March 2014 increased by \$7.4 million. The primary reason for this increase was due to market prices in January through March 2014 being higher than projected.

E. Total Year Revenue Changes

The updated ES revenues for 2014 increased by (\$39.7) million due to higher sales caused by reduced customer migration. The updated 2014 sales are increased by 476 GWH.

F. Change to Prior Year Forecasted Underrecovery

Actual costs as compared to forecasted costs for November and December, 2013 increased resulting in an increase to the 2013 under-recovery of \$13.3 million due primarily to higher market prices than had been projected, O&M costs higher than estimated, and forecasted RGGI auction refund revenues that were not received until 2014.