

DE 00-267

CONNECTICUT VALLEY ELECTRIC COMPANY

Fuel Adjustment Clause and Purchased Power Cost Adjustment

Order Approving Change in Rates on a Temporary Basis

O R D E R N O. 23,613

December 29, 2000

APPEARANCES: Ransmeier & Spellman by Dom S. D'Ambruso, Esq. on behalf of Connecticut Valley Electric Company; McLane, Graf, Raulerson & Middleton by Steven V. Camerino, Esq. for the City of Claremont; Senior Assistant Attorney General Wynn Arnold, Esq. for the Governor's Office of Energy and Community Services; Michael W. Holmes, Esq. of the Office of Consumer Advocate on behalf of residential ratepayers and Gary Epler, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On December 1, 2000, Connecticut Valley Electric Company (CVEC or Company) made its annual fuel adjustment clause (FAC) and purchased power cost adjustment (PPCA) filing with the Commission. The purpose of the filing is to adjust the FAC and PPCA rates to recover the projected 2001 fuel and power costs and to recover any previous under-collections of fuel and/or power costs, including those under-collections not recovered in the Interim 2000 FAC/PPCA. The filing also includes changes to the rates it pays Qualifying Facilities delivering power to CVEC under short-term avoided costs. CVEC also requested that the Commission waive application of Puc 1203.05(a) which requires that rate changes be implemented on

a service rendered basis, and allow the Company to implement the proposed changes on a bills rendered basis.

CVEC proposed FAC/PPCA changes will result in an average annual revenue increase of 3.7 percent effective with all bills rendered on or after January 1, 2001. CVEC submitted the following proposed changes in its tariff:

20th Revised Page 17, Superseding 19th Revised Page 17;
17th Revised Page 18, Superseding 16th Revised Page 18;
13th Revised Page 50, Superseding 12th Revised Page 50; and
10th Revised Page 51, Superseding 9th Revised Page 51.

In support of the proposed tariff changes, CVEC submitted pre-filed testimony and exhibits.

On December 7, 2000, the City of Claremont filed a Motion to Limit Scope. On December 11, 2000, CVEC filed an Objection to Claremont's Motion to Limit Scope of Hearing. An Order of Notice scheduling a hearing for December 21 was issued on December 12, 2000. Motions to Intervene were filed on December 15, 2000 by the Attorney General's Office on behalf of the Governor's Office of Energy and Community Service (GOECS) and the City of Claremont, respectively. The City of Claremont also filed a letter seeking clarification that testimony on the issue of whether CVEC's power purchases from its parent company, Central Vermont Public Service Company (CVPS), were prudent would not be part of the December

21 hearing and to inform the Commission that neither CVEC nor Claremont planned on presenting witnesses on prudence at the December 21 hearing. On December 18, 2000, the Office of Consumer Advocate (OCA) informed the Commission that it would be participating in this proceeding on behalf of residential ratepayers. On December 20, 2000, the Commission issued a letter stating that the understanding of CVEC and Claremont was correct; the Commission did not expect testimony on whether CVEC was prudent in its power purchases from CVPS.

II. POSITIONS OF THE PARTIES AND STAFF

A. CVEC

CVEC presented the testimony of three witnesses: Charles A. Watts, Consultant, Power Engineering, Finance and Pricing at CVPS; Robert J. Amelang, Senior Consultant, Power Engineering with CVPS; and C.J. Frankiewicz, Financial Analysis Coordinator for CVPS.

CVEC requests that the Commission approve an increase in its 2001 FAC of \$0.0055 per kWh over the currently effective Interim FAC rate of \$0.0074 per kWh. The proposed PPCA rate of \$0.0138 per kWh is a decrease of \$0.0009 per kWh over the currently effective Interim PPCA rate of \$0.0147 per kWh. The annual average revenue effect of the combined FAC/PPCA rate changes is an increase of 3.7 percent.

Residential customers using 500 kWh per month will see a 3.0 percent increase in their monthly bills.

B. Claremont

Claremont did not present testimony, but it cross-examined the Company about RS-2 regulatory expenses that are included in the proposed PPCA, and it argued that the First Circuit Court of Appeals decision does not apply to any other FAC/PPCA decisions than the one it ruled on; the 1997 FAC/PPCA decision by the Commission. Alternatively, Claremont recommended that if the Commission were to approve CVEC's request, it do so only on a temporary basis and that the rates be placed under bond or some other form of financial assurance be made such as escrowed funds or a parental guarantee. In support of its position, Claremont referred to Mr. Frankiewicz' testimony that CVEC currently is insolvent and has been for some time.

C. GOECS

GOECS did not file testimony or present any witnesses. GOECS supported the position of Claremont that the Commission set temporary rates in this proceeding. GOECS also agreed with Claremont concerning the Commission's authority in regard to prudence in light of the First Circuit of Appeals decision.

D. OCA

The OCA did not present testimony, but cross-examined the Company about its suit with Hydro-Quebec, the status of the pending sale of Vermont Yankee to AmerGen and its effect, if consummated, on CVEC's customers and the costs associated with the Vermont/New Hampshire Solid Waste Plant, a Qualifying Facility that sells power back to CVEC under a Commission approved contract that is subject of a pending docket, DE 00-110, before this Commission. OCA agreed with Claremont that CVEC's rate request, if approved, should be under temporary rates and that the Company should be on notice that the sale of Vermont Yankee should include analysis of how it would benefit CVEC's customers.

E. Staff

Staff did not present testimony, but cross-examined the Company about the sale of Vermont Yankee and the reversal of a temporary disallowance by the Vermont Public Service Board concerning recovery of certain Hydro-Quebec costs.

Staff stated that it believes allowing the rate increase CVEC is requesting as temporary rates is in full compliance with the federal district court injunction. Staff pointed out that the Commission had raised the issue of recovery of regulatory expenses at the Federal Energy

Regulatory Commission (FERC) in the past and received an unfavorable response from the FERC.

III. COMMISSION ANALYSIS

On May 3, 2000, the Commission issued Order No. 23,465, which approved an increase to CVEC's fuel and purchased power adjustment clauses on a temporary basis. Our decision was based on the memorandum opinion and order issued by the District Court on March 6, 2000. [see Federal District Court Decision and Order in the matter of *Public Service Company of New Hampshire, et al. v. Patch, et al.*, District of New Hampshire C.A. No. 97-97-JD, District of Rhode Island, C.A. No. 97-121-L.] We had directed CVEC to escrow the incremental difference between the Interim FAC and Interim PPCA rates that became effective on May 1, 2000, and the rates in effect prior to that change. The escrow requirement terminated upon the decision of the First Circuit Court of Appeals affirmation of the District Court's March 6, 2000 decision. Based on those decisions, the Commission will allow CVEC to charge as temporary rates pursuant to RSA 378:27 the FAC/PPCA rates it has proposed effective for all bills rendered on or after January 1, 2001. The Commission also approves the rates paid to Qualifying Facilities under Rate E as filed. The Commission finds that it is in the public

interest to fix the rates as temporary rates pending a decision by the Federal Energy Regulatory Commission on the application of Central Vermont public Service Company (CVPS) to amend its RS-2 tariff to include an exit fee, and a decision by the United States Supreme Court on whether to accept the Commission's petition for a writ of certiorari.

Based upon the foregoing, it is hereby

ORDERED, that the following proposed tariff pages:

20th Revised Page 17, Superseding 19th Revised Page 17;
17th Revised Page 18, Superseding 16th Revised Page 18;
13th Revised Page 50, Superseding 12th Revised Page 50; and
10th Revised Page 51, Superseding 9th Revised Page 51 are

approved as temporary rates effective on all bills rendered on or after January 1, 2001; and it is

FURTHER ORDERED, that CVEC file tariff pages in compliance with this order no later than January 8, 2001.

By order of the Public Utilities Commission of New
Hampshire this twenty-ninth day of December, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary