

DE 02-177

CONCORD ELECTRIC COMPANY AND
EXETER & HAMPTON ELECTRIC COMPANY

Retail Fuel and Purchased Power Adjustments and
Short-Term Power Purchase Rates for Qualifying Facilities

Order Approving Charges and Rates

O R D E R N O. 24,081

October 31, 2002

APPEARANCES: Scott J. Mueller, Esq., LeBoeuf, Lamb, Greene & McRae, for Concord Electric Company and Exeter & Hampton Electric Company; Kenneth Traum for the Office of Consumer Advocate; and Edward N. Damon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 27, 2002, Unitil Service Corporation (USC) filed with the New Hampshire Public Utilities Commission (Commission) a set of proposed tariff pages, testimony and exhibits on behalf of USC affiliates Concord Electric Company (CEC) and Exeter & Hampton Electric Company (E&H) (collectively, the Companies) in support of the Companies' request to revise their retail fuel adjustment charges (FAC), purchased power adjustment charges (PPAC) and short-term power purchase rates for qualifying facilities (QFs). In accordance with the Phase II Settlement Agreement approved in *Concord Electric Company and Exeter & Hampton Electric Company*, Order No. 24,072 (October 25, 2002) in DE 01-247, the FAC and PPAC will be replaced effective December 1, 2002 by Interim Fuel and Purchased Power Charges

(IFPPC) and the short-term power purchase rates for QFs will be based on payments received for QF output from the Independent System Operator-New England. Thus, the rates proposed in this docket would apply to a one month period commencing on November 1, 2002 and ending on November 30, 2002.

CEC proposes a FAC of \$0.01185 per kilowatt-hour (kWh) and a PPAC of (\$0.01248) per kWh, or a net combined FAC-PPAC rate of (\$0.00063) per kWh. This represents an increase of \$0.00623 per kWh from the current rate. A residential customer of CEC using 500 kWh per month with a current bill of \$49.96 would see an increase of \$3.12, or 6.23 percent.

E&H proposes a FAC of \$0.01166 per kWh and a PPAC of (\$0.01062) per kWh, or a net combined FAC-PPAC rate of \$0.00104 per kWh. This represents an increase of \$0.00571 per kWh from the current rate. A residential customer of E&H using 500 kWh per month with a current bill of \$48.82 would see an increase of \$2.85, or 5.84 percent.

The short-term QF rates of both CEC and E&H would also increase. According to the Companies, however, no QF is selling power to them at this time.

The request further notes that in Order No. 23,707 (May 17, 2001), the Commission ordered CEC and E&H to include in their FAC/PPAC filings a report of the results of their Load

Response Program, along with expense information and verification that only costs attributable to regulated utilities (*i.e.*, CEC and E&H) are included in the charges assessed under the Load Response Tariff. The request reports that to date one of the Companies' eligible customers enrolled in the Load Response Program; however because the customer enrolled in the price response, or Class 2, program, no initial program setup fees or on-going monthly administrative fees are being incurred. Therefore, no costs are proposed for recovery in connection with the present filing.

On October 4, 2002 the Commission issued an Order of Notice which specified newspaper publication no later than October 8, 2002. The Commission held a merits hearing on the date specified in the Order of Notice, October 23, 2002.

By letter dated October 3, 2002, the Office of Consumer Advocate (OCA) notified the Commission that it would be participating in this docket on behalf of residential ratepayers consistent with RSA 363:28.

II. POSITIONS OF THE PARTIES AND STAFF

A. Concord Electric Company and Exeter & Hampton Electric Company

The Companies presented the testimony of Linda S. McNamara, Project Leader for Regulatory Operations with USC and Francis X. Wells, Senior Energy Trader with USC. Karen M. Asbury, Director of Regulatory Services for USC, provided additional testimony at the hearing about the relationship between the FAC-PPAC rates of CEC and E&H and the IFPPC rates of their successor, Unitil Energy Systems, Inc., established in DE 01-247 for effect on December 1, 2002, including the treatment of under or over-recovery balances.

Both Ms. McNamara and Mr. Wells confirmed that the Companies' methodology for calculating the relevant wholesale and retail rates in this docket is similar to the approach used in previous FAC-PPAC proceedings.

The purpose of Ms. McNamara's testimony was to explain the proposed rate changes and their impact on customers. Ms. McNamara discussed how the wholesale power rates charged to the Companies by Unitil Power Corp. (UPC) and retail collections of wholesale power charges in prior periods affect the PPAC and FAC.

According to Ms. McNamara, the proposed decreases to CEC's PPAC, (\$0.00769) per kWh, and E&H's PPAC, (\$0.00795) per kWh, are mainly due to lower demand and base energy charges from UPC which are used in the PPAC calculation for four months (January-April 2003) of the six month rate period (November 2002-April 2003); these decreases are partially offset by a retail undercollection in the prior period.

According to Ms. McNamara, the proposed increases to the Companies' FACs, \$.01392 per kWh in the case of CEC and \$.01366 per kWh in the case of E&H, are due to higher fuel charges from UPC which are used in the FAC calculation for four months (January-April 2003) of the six month rate period; increases in the prior period retail undercollection also contribute to the increases.

Mr. Wells discussed UPC's wholesale production plan and associated cost estimates for the January through April 2003 period and provided additional detail regarding the reasons underlying the proposed FAC-PPAC adjustments. Mr. Wells noted that for the period July-December 2002, UPC's demand charge, base energy charge and fuel charge rates to the Companies are \$19.07 per KW-Month, \$0.00686 per kWh, and \$0.02920 per kWh, respectively, while for the period January through April 2003, UPC's demand charge, base energy charge and fuel charge rates

will be \$11.98 per KW-Month, \$0.00363 per kWh, and \$0.03512 per kWh, respectively. UPC's new rates represent a 17.72 percent decrease from existing rates.

According to Mr. Wells, decreases in the demand, transmission and non-fuel "unbilled prior" components¹ of UPC's demand charge all contribute to the overall decrease in its demand charge; in addition, the decrease in the base energy charge is due to decreases in the base energy and "unbilled prior" component. Mr. Wells testified that UPC's fuel charge is increasing due to an increase in the "unbilled prior" component of the fuel charge resulting from an under-recovery in the period July-December 2002 caused by higher than estimated fuel costs during the summer of 2002 which were only partially offset by higher than estimated fuel revenues; on the other hand, however, the fuel component of UPC's fuel charge is decreasing slightly. Mr. Wells also presented the calculation of UPC's short term avoided cost rates.

Ms. McNamara explained that the recent downward trend of UPC's wholesale power rates cannot be directly compared to

¹ The non-fuel "unbilled prior" component is allocated to both the UPC demand rate and the UPC base energy rate. The decrease in the non-fuel "unbilled prior" component is said to reflect an over-recovery of non-fuel items for the period July-December 2002 caused by lower than expected demand costs and higher than expected demand revenues.

the recent upward trend of CEC's and E&H's retail FAC-PPAC rates because the time periods involved are different.

B. Office of Consumer Advocate and Staff

The OCA and Staff cross examined the Companies' witnesses on several points but did not present direct testimony. Neither the OCA nor Staff objected to the Company's filing.

III. COMMISSION ANALYSIS

We were informed at the hearing that newspaper notice of this proceeding was published on October 9, 2002, one day later than that specified in the order of notice. Since publication gave ample opportunity for all interested parties to participate, we will waive the requirement for publication on October 8 and accept the October 9, 2002 publication.

We have reviewed the Companies' proposed FAC, PPAC and short-term power purchase rates for QFs and we find them to be consistent with the public interest. Accordingly, we will approve them.

Previous FAC-PPAC proceedings have made clear that matters relating to UPC's power purchase contracts often affect the power costs charged to CEC and E&H and these costs in turn affect CEC's and E&H's FAC-PPAC rates. This proceeding is no exception. For example, Unitil reported that the Bangor-Hydro

System contract ended on August 15, 2002 and the Bangor-Hydro PERC contract, which provides six megawatts of power produced by a trash-burning generator, will terminate according to its terms at the end of February 2003. As in the past, UPC's practice is to replace expiring longer term power contracts with short term purchased power contracts and spot purchases. In addition, the restructuring of the New England Power Company contracts for Vermont Yankee has been effective since July 31, 2002 and the restructuring of the Great Bay Power Corporation contract for Seabrook Station will become effective on December 1, 2002. The Great Bay Power Corporation contract has been converted from a unit contingent contract to a fixed system output and the price has been lowered in return for changes in the financial security provisions of the contract. Finally, UPC's contract with the Massachusetts Municipal Wholesale Electric Company is being terminated at the end of April 2003 pursuant to a buyout we recently approved in *Concord Electric Company and Exeter & Hampton Electric Company*, Order No. 24,072 (October 25, 2002).

Based upon the foregoing, it is hereby

ORDERED, that the tariff NHPUC No. 12, twenty ninth revised page 20, twenty sixth revised page 20A, nineteenth revised page 22, twentieth revised page 24 and twentieth revised page 47 as filed on September 27, 2002 for Concord Electric

Company is APPROVED; and it is

FURTHER ORDERED, that the tariff NHPUC No. 17, twenty ninth revised page 20, twenty sixth revised page 20A, nineteenth revised page 22, twentieth revised page 24 and twentieth revised page 48 as filed on September 27, 2002 for Exeter & Hampton Electric Company is APPROVED; and it is

FURTHER ORDERED, that CEC and E&H file compliance tariffs in accordance with this Order no later than one week from the date of this Order.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Claire D. DiCicco
Assistant Secretary