

DE 02-207

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Proposed Changes to its Stranded Cost Charge

Order Approving New Stranded Cost Charge

O R D E R N O. 24,103

December 23, 2002

APPEARANCES: Devine, Millimet and Branch by Mark W. Dean, Esq. for the New Hampshire Electric Cooperative; Kenneth E. 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 November 15, 2002, the New Hampshire Electric Cooperative, Inc. (NHEC or the Company) filed with the New Hampshire Public Utilities Commission (Commission) a petition to revise its Stranded Cost Charge rate component effective with bills rendered on or after January 1, 2003.

NHEC proposed to increase its Stranded Cost Charge from \$0.02116 per kilowatt-hour to \$0.02169 per kilowatt-hour. If this proposal is approved, taken in isolation of any other rate changes scheduled for January 1, 2003, the Cooperative's average revenue per kilowatt-hour will increase by 0.4 percent. The impact on a 500 kilowatt-hour per month residential bill would be an increase of \$0.26, from \$72.06 to \$72.32. NHEC also plans to change its regional access and distribution charges, but both of these involve minor decreases in the rates. Taken

together, the net effect of all three changes would have a de minimus effect upon a customer's bill.

On December 9, 2002, the Office of Consumer Advocate (OCA) filed a letter notifying the Commission that it would be fully participating in this docket on behalf of residential ratepayers consistent with RSA 363:28.

A hearing was held on December 13, 2002 pursuant to the Order of Notice dated December 4, 2002.

II. POSITIONS OF THE PARTIES AND STAFF

A. New Hampshire Electric Cooperative

NHEC presented the testimony of Ms. Heather Kaufman, Controller and Manager of Rates. Ms. Kaufman stated that the Company had a beginning overcollected stranded cost balance of \$128,245. However, the stranded cost expenses for 2003 were estimated to be \$13.8 million, resulting in a net amount to be collected from ratepayers of \$13,684,029. By employing the same methodology followed in previous stranded cost charge dockets, that is, by dividing the total of stranded costs and interest for the period by the forecasted sales, exclusive of special contract ski area load, the Company arrived at its proposed rate of \$0.02169 per kilowatt-hour.

In her pre-filed testimony, Ms. Kaufman stated that prior to the sale of Seabrook the revenues realized from the

generation of the Seabrook plant generally exceeded the operating costs and thereby lessened the amount of stranded costs for which NHEC seeks recovery. Even though the Company, in effect, realized a profit from sales from its entitlement to its 25 MW share of the plant, it decided to sell at this time in order to obtain the maximum selling price. The proceeds from the sale were used to pay down the Company's stranded cost long-term debt and therefore minimize the increase in the Stranded Cost Charge.

B. Office of Consumer Advocate

The OCA questioned the Company's witness regarding NHEC's debt payments, patronage capital dividends received from the Cooperative Financing Corporation, its principal lender, debt service coverage, and the rationale for applying the proceeds from the sale of Seabrook Unit 1 to long-term debt incurred with the construction of that unit.

C. Staff

Staff questioned the Company's witness as to the apparent generation-related "profit" of \$7 million that NHEC received from its share of Unit 1's output sold to others. The Company responded that there were other expenses in addition to those enumerated in the response to Staff's data request #6 such

that the overall "profit" was approximately \$3.3 million along with the contingent risks of owning a nuclear plant.

Staff inquired as to the overall sale price of the two Seabrook units, and the actual amount received by NHEC. Since a few adjustments remain to be made, the Company reported a total sale price of approximately \$836.6 million and approximately \$17 million as the Company's pro rata share.

Staff also questioned the witness about the proper treatment of proceeds from the sale of Seabrook Unit 2. Ms. Kaufman responded that since the expenses with that unit had always been treated as below the line items (after clarifying questions from the bench), then any proceeds should be treated in a similar manner, in accordance with accounting principles and ratemaking history.

III. COMMISSION ANALYSIS

We have reviewed the Company's pre-filed testimony and exhibits and heard oral testimony and cross examination. The information presented by NHEC indicates that it has acted reasonably in managing and accounting for stranded cost charges. Accordingly, we find the Company's petition to be in the public interest and will approve it as filed.

Based upon the foregoing, it is hereby

ORDERED, that NHEC's proposed Stranded Cost Charge of \$0.02169 per kWh is APPROVED effective January 1, 2003 on a bills-rendered basis; and it is

FURTHER ORDERED, that the Petitioner shall file a compliance tariff with the Commission on or before January 3, 2003 in accordance with N.H. Admin. Rules, Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this twenty-third day of December, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary