

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 07-096

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Proposed Default Energy Rate for 2008

Order Following Hearing

ORDER NO. 24,871

June 27, 2008

APPEARANCES: Gerald M. Eaton, Esq. on behalf of Public Service Company of New Hampshire; Office of Consumer Advocate by Meredith A. Hatfield, Esq. on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On April 21, 2008, Public Service Company of New Hampshire (PSNH) filed a petition with supporting testimony and schedules requesting a mid-term adjustment to its energy service rates for bills rendered on and after July 1, 2008. PSNH's current energy service rate is 8.82 cents per kilowatt hour (kWh). *See* Order No. 24,814 (December 28, 2007). Pursuant to N.H. RSA 369-B:3, IV(b)(1)(A), the price for PSNH's energy service must reflect PSNH's actual, prudent and reasonable costs of providing the power. In prior energy service proceedings, the Commission has approved a twelve-month rate and has allowed any party to request a mid-term adjustment to the rate to avoid large over- or under-recoveries. In its petition, PSNH estimated that the new energy service rate would be 9.25 cents per kWh, but noted that, as in past mid-year filings, it would update its projected costs and rate calculations prior to hearing. An increase of this magnitude would increase the monthly bill of the typical 500 kWh residential customer by \$2.15.

On May 16, 2008, an order of notice was issued scheduling a hearing for June 11, 2008. On May 20, 2008, the Office of Consumer Advocate (OCA) entered an appearance on behalf of residential ratepayers pursuant to RSA 363:28.

On May 22, 2008, PSNH submitted revised attachments to its prefiled testimony. PSNH stated that based on data collected through the end of April and newly forecasted data through December 31, 2008, it was requesting an adjustment to the energy service rate from the current rate of 8.82 cents per kWh to 9.40 cents per kWh. PSNH also submitted a technical statement that contained an explanation of the factors contributing to the increased energy service rate.

At hearing, PSNH stated that the forward market price for energy was increasing and offered to revise its energy service rate to reflect the most recent forward prices and May 2008 actual closing data. The Commission reserved an exhibit for the revised energy service rate calculations and directed PSNH, OCA and Staff to file a report with recommendations regarding the rate. The Commission also directed PSNH to submit additional information regarding the recent forward energy market prices to provide a better understanding of the volatility of those prices.

On June 13, 2008, PSNH filed its updated calculation and requested an adjustment to the energy service rate from 8.82 cents per kWh to 9.57 cents per kWh for the period July 1, 2008 through December 31, 2008. On June 16, 2008, PSNH supplemented the filing with information regarding the forward market prices for each day from June 2 through June 11, 2008, average market prices using various combinations of those days' prices, and an estimate of an impact of the change in the forward market prices on the energy service rate. On June 23, 2008, PSNH, Staff and OCA filed a joint report of the post-hearing technical session which included the joint recommendations of PSNH and Staff.

II. POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire

Testimony at hearing centered on PSNH's then most recent update of May 22, 2008.

PSNH stated that, for the period January through April 2008, it experienced an over-recovery of \$20.2 million, which was \$11.3 million in excess of what was projected in its November 2007 filing. PSNH reported that the over-recovery resulted from lower than forecasted expenses offset partially by lower than forecasted energy sales. For the period May through December 2008, PSNH projected an under-recovery of approximately \$43.7 million, which is also greater than originally forecast. PSNH stated that in developing its forecast it took into account the increase in forward market costs for energy, including increased costs of fuel transportation and fuel (both coal and wood), the increased market value of power PSNH is required to purchase from independent power producers, increases in the cost of market purchases, and a lower sales forecast. According to PSNH, if it continued to use the current energy service rate of 8.82 cents/kWh, revenues for May through December would decrease by \$14.1 million, taking into account the reduced customer sales forecast. PSNH testified that with current increase in forward energy market prices, it estimated that the energy service rate would be in the range of 9.60 to 9.70 cents per kWh, as compared to the 9.40 cents per kWh rate contained in its May 22 filing. PSNH offered to file an updated energy service rate calculation following the hearing. The company explained that a later filing would allow it to include the most recent market cost of energy in its energy service rate calculations, and would allow it to include the actual data for May 2008 and thus provide a more accurate reconciliation of energy service costs with revenues.

In response to questions at hearing, PSNH explained that its changed sales forecast was driven primarily by factors such as customer migration, weather, economic conditions and

energy conservation. PSNH stated that, consistent with suggestions from OCA and Staff, it would file an updated energy service calculation subsequent to the hearing and would work with OCA and Staff to develop either joint or individual statements and report back to the Commission.

B. Office of Consumer Advocate

Regarding PSNH's concern about the effect of volatile forward energy market prices on the energy service rate, OCA acknowledged the advantages of applying the most updated numbers possible in order to avoid an over-or under-collection at the end of the year. However, if such an updated rate calculation was to be filed, the OCA requested that it be accompanied by detailed technical statements and that there be an opportunity to discuss the changes.

C. Commission Staff

Mindful that mid-year reviews to the energy service were intended to avoid large over- and under-collections at the end of a year, Staff supported PSNH updating its cost and rate calculations to reflect the most recent information. Staff agreed with OCA that the parties meet to discuss changes to the filing and suggested a joint report summarizing those discussions.

D. Joint Report of PSNH, Staff and OCA

PSNH, OCA and Staff met in technical session on June 17, 2008 to discuss the post-hearing filing. They filed a joint report of the technical session, including joint recommendations from PSNH and Staff, on June 23, 2008.

The report noted that PSNH filed an updated energy service rate calculation on June 13, 2008. In that update, PSNH requested an energy service rate of 9.57 cents per kWh for the period of July 1, 2008 through December 31, 2008, based on forward price information as of June 11, 2008. The company supplemented that filing on June 16 with a table showing daily

forward market prices for energy for June 1 through June 11, 2008 and forward prices for the same period averaged on a two- to eight-day basis. The daily forward prices varied from \$126.42 per megawatt-hour (MWh) to \$133.46 per MWh, with average prices varying from \$128.13 to \$129.97 per MWh. In its June 16, 2008 filing, PSNH said that for every \$1.00 per MWh change in assumed market price its energy costs for the second half of 2008 would change by approximately \$800,000. PSNH further explained that such a change would result in an approximate 0.02 cents per kWh change in its energy service rate, along with a minor offsetting change to PSNH's stranded cost costs of about \$100,000.

The report concluded with the recommendation that, given the relatively minor impact to the energy service rate of using any of the multiple-day forward market price averages provided by the company, the 9.57 cents per kWh energy service rate filed on June 13, 2008, using June 11, 2008 forward market prices, be approved for effect with bills rendered on and after July 1, 2008. The OCA stated that it did not object to that recommendation.

III COMMISSION ANALYSIS

Pursuant to RSA 369-B:3, IV(b)(1)(A), the price for PSNH's energy service rate must allow for recovery of the actual, prudent, and reasonable costs of providing the power, as approved by the Commission. We have reviewed the petition and the record, including the post-hearing submissions. Based on that evidence, we find that the calculations and related documentation support PSNH's request for a mid-term adjustment to its energy service rates. We find PSNH's calculations to be reasonable and we approve the energy service rate of 9.57 cents per kWh for the period of July 1, 2008 through December 31, 2008. We therefore grant the petition as amended.

This is one of four orders we are issuing simultaneously in Docket Nos. DE 07-096, DE 07-097, DE 08-069 and DE 08-071 that adjust various components of PSNH's retail rates. The components concern, respectively (1) energy service, (2) the stranded cost recovery charge, (3) the transmission cost adjustment mechanism, and (4) the storm reserve fund, reflected in distribution charges. Overall, the average impact of these rate changes effective July 1, 2008 is an average increase of 6.28 percent for a PSNH customer not purchasing energy from a competitive supplier.

Based upon the foregoing, it is hereby

ORDERED, Public Service Company of New Hampshire's petition, as revised on June 13, 2008, to adjust its energy service rate to 9.57 cents per kWh effective with bills rendered on and after July 1, 2008 is hereby **GRANTED**; and it is; and it is

FURTHER ORDERED, that that PSNH shall file tariff changes that conform to this Order within 30 days hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of June, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

ChristiAne G. Mason
Assistant Executive Director & Secretary