

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 09-114

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Revised Transmission Cost Adjustment Mechanism Rate

Order Approving Revised Rate

ORDER NO. 24,992

July 24, 2009

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 Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On June 12, 2009, Public Service Company of New Hampshire (PSNH) filed a petition with supporting testimony and schedules requesting an adjustment of its transmission cost adjustment mechanism (TCAM). The Commission approved the use of the TCAM for the reconciliation and recovery of transmission expenses and revenues in *Public Service Company of New Hampshire*, Order No. 24,750 (May 25, 2007), 92 NH PUC 124. In this filing, PSNH seeks reconciliation for: (1) the actual calendar year 2008; (2) January through May 2009 transmission costs and expenses; and (3) estimated costs for June and July 2009. In addition, the petition seeks approval of a forecasted retail TCAM rate for the eleven-month period beginning August 1, 2009. Through the TCAM rate, PSNH recovers regional network service (RNS) costs, local network service (LNS) costs, reliability costs, and scheduling and dispatch costs, all of which are approved by the Federal Energy Regulatory Commission (FERC) and administered by the Independent System Operator-New England (ISO-NE).

PSNH said it typically requests a July 1 effective date for its annual forecasted TCAM rate, but is requesting an effective date of August 1, 2009 in this docket to coincide with its requested effective date for temporary distribution rates in Docket No. DE 09-035. In its petition, PSNH estimates that the average TCAM rate would increase by \$0.0026 per kilowatt-hour (kWh) from the current \$0.00935 per kWh to \$0.01195 per kWh. PSNH stated that the actual TCAM charges for each rate class would be filed prior to the hearing.

The Commission issued an order of notice on June 18, 2009, scheduling a hearing for July 2, 2009. On June 19, 2009, PSNH filed the testimony and related attachments of Stephen R. Hall, which presented the calculation of TCAM rates applicable to each rate class. PSNH filed corrected versions of the attachments to Mr. Hall's testimony on June 25, 2009. The Office of Consumer Advocate participated in the hearing, which was held as scheduled.

II. POSITIONS OF THE PARTIES

A. Public Service Company of New Hampshire

PSNH described the four categories of costs that constitute transmission costs for purposes of calculating the TCAM. PSNH said RNS costs are related to the costs required to support the regional transmission infrastructure throughout New England and are billed to all entities in the region that have RNS load responsibility, such as PSNH, based on their monthly peak load.

LNS costs, as explained by PSNH, encompass Northeast Utilities' (NU) local transmission costs that are not included in the FERC-jurisdictional RNS tariff. PSNH stated that those billings are also governed by FERC-approved tariffs, and are calculated using costs

allocated to PSNH based on its NU load ratio share calculated using a rolling twelve-month coincident peak load.

PSNH testified that reliability costs, which are also billed to PSNH by ISO-NE based on FERC-approved tariffs, include such costs as Black Start, VAR support, Reliability Must Run (RMR), and other uplift costs that are related to generation reliability. According to PSNH, the reliability costs are billed to all entities in the region that have RNS load responsibility, such as PSNH, based on their monthly peak load. PSNH said that it is not currently charged for RMR as there are presently no generating units in New Hampshire that have received FERC designation as RMR units.

PSNH said that scheduling and dispatch costs are associated with services related to scheduling, system control and dispatch services, and are billed in accordance with a FERC tariff. The Company explained that these costs are billed to all entities in the region that have RNS load responsibility, such as PSNH, based on their monthly peak load.

PSNH testified that it calculated the average TCAM rate according to the settlement agreement approved by Order No. 24,750. According to PSNH, the settlement describes the design of transmission pricing for Backup Delivery Service Rate B specifically, and for all other customer classes in general. PSNH explained that, for Rate B, the settlement provided that the transmission costs be recovered through a demand charge, and it split the demand charge into two components for rate calculation purposes: a base component and an incremental component. According to PSNH, transmission costs are allocated to the Rate B customer class based on that class' contribution to system peak demand. Further, as there can be large swings in the Rate B class contribution to system peak from one period to another, the amount of costs that are

allocated to that class can vary significantly. As a consequence of the calculation requirements for Rate B in the settlement agreement, PSNH said that Rate B customers will experience a more significant percentage increase in the transmission component of rates than customers in other rate classes. PSNH points out, however, that the resulting dollar increase is not large.

PSNH was asked to explain the reason for a \$6.4 million true-up of 2007 LNS costs that was charged to PSNH and recorded in June 2008. In response, PSNH said that the difference related to the timing of in-service dates for many of the transmission projects that were originally assumed in the estimated costs, and that the change in the amount could not be attributed to a single project. Explaining further, PSNH said that the LNS tariff allows transmission companies to recover a portion of a regional RNS-eligible project that is under construction through the LNS tariff before the project is placed in service. Therefore, PSNH said, there may be an under-recovery of LNS-allowed costs once the project is in-service and becomes eligible for cost recovery under the RNS tariff.

B. Office of Consumer Advocate

The OCA stated that it had no objection to PSNH's petition.

C. Commission Staff

Staff stated that it had reviewed PSNH's filing and recommended that it be approved.

III. COMMISSION ANALYSIS

We have reviewed the petition along with the supporting documentation and calculations and the other evidence in the record. We find that PSNH used the appropriate method to calculate the TCAM and associated rates for transmission expenses consistent with the terms of the settlement agreement approved in Order No. 24,750. Taking the evidence into consideration,

we are comfortable that the transmission costs included in the filing are consistent with the applicable FERC-approved tariffs. We approve PSNH's requested overall average TCAM rate of \$0.01195 per kWh effective with service rendered on and after August 1, 2009.


We note that this is one of four orders we are issuing that have rate impacts effective August 1, 2009. The related dockets, in addition to the instant docket, are: DE 08-113, PSNH's interim energy service rate adjustment; DE 08-114, PSNH's interim adjustment to its stranded cost adjustment charge; and DE 09-035, regarding a temporary adjustment to PSNH's distribution rates. Overall, the average impact of the collective rate changes represented in these dockets is an approximate decrease of one percent for a customer purchasing energy from PSNH.

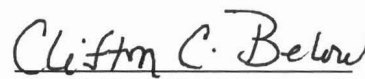
Based upon the foregoing, it is hereby

ORDERED, that the petition of Public Service Company of New Hampshire to implement an average transmission cost adjustment mechanism rate of \$0.01195 per kWh effective with service rendered on and after August 1, 2009 is hereby APPROVED; and it is

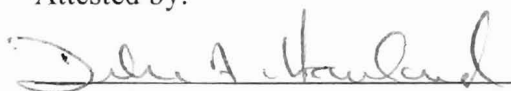
FURTHER ORDERED, that Public Service Company of New Hampshire shall make tariff filings that conform with this Order within 30 days hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of July, 2009.


Thomas B. Getz
Chairman


Clifton C. Below (xns)
Commissioner

Attested by:


Debra A. Howland
Executive Director