

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 10-158**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**

**Petition for Approval of New Transmission Cost Adjustment Mechanism Rate**

**Order Granting Petition**

**ORDER NO. 25,122**

**June 28, 2010**

**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 3, 2010, Public Service Company of New Hampshire (PSNH) filed a notice of intent to file a petition for approval of a new Transmission Cost Adjustment Mechanism (TCAM) rate. On June 11, 2010, PSNH filed a petition with supporting testimony and schedules requesting an increase in the TCAM rate from the current \$0.01195 per kilowatt-hour (kWh) to \$0.01501 per kWh for effect for services rendered on and after July 1, 2010. Also on June 11, PSNH filed testimony and related attachments of Stephen R. Hall, which presented the calculation of TCAM rates applicable to each rate class.

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 the instant filing, PSNH seeks reconciliation for: (1) the actual calendar year 2009; (2) January through May 2010 actual transmission costs and

expenses; and (3) estimated costs for June and July 2010. In addition, the petition seeks approval of a forecasted retail TCAM rate for the twelve-month period beginning July 1, 2010.

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, with the exception of LNS costs, administered by the Independent System Operator-New England (ISO-NE).

In its petition, PSNH estimates that the average TCAM rate would increase by \$0.00306 kWh from the current \$0.01195 per kWh to \$0.01501 per kWh. PSNH attributed the increase to 1) FERC approved transmission rates effective June 1, 2010 that are higher than the previous year's rates, reflecting greater overall transmission revenue requirements and 2) the inclusion of certain costs in the TCAM that were previously recovered through PSNH's distribution rates but, pursuant to a settlement agreement in PSNH's distribution rate case (Docket No. DE 09-035) will be transferred in full or in part to the TCAM upon Commission approval of the settlement agreement.

The Commission issued an order of notice on June 9, 2010 scheduling a hearing for June 23, 2010. On June 17, 2010, the Office of Consumer Advocate filed a letter indicating that it would be participating in this docket on behalf of residential customers pursuant to RSA 363:28.

## **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.

As explained by PSNH, LNS costs 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.

Reliability costs, which are also billed to PSNH by ISO-NE based on FERC-approved tariffs, include 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 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.

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 based on their monthly peak load.

PSNH testified that part of the increase in the proposed TCAM rate is due to an \$8.5 million true-up of LNS costs for the prior period net of lower TCAM costs, primarily RNS costs, of about \$4.6 million. In addition, PSNH said that the additional costs moved to the TCAM pursuant to a settlement agreement in the Company's distribution rate case (Docket No. DE 09-035) added about \$5.7 million to the TCAM rate. The costs which, pursuant to the settlement

agreement, would be transferred out of the determination of distribution revenue requirements and into the TCAM rate calculations consist of: 1) PSNH's share of the costs to support the transmission and terminal facilities used to import electricity from the Hydro-Quebec system; 2) an allocated share of the Commission's annual utility assessment; and 3) a working capital allowance for transmission-related expenses. According to PSNH, it would need to recover these costs, which were previously recovered through distribution rates, in the TCAM retroactive to August 1, 2009 to coincide with the date when temporary distribution rates were implemented in Docket No. DE 09-035. Going forward, these costs will be transferred in total or in part to the TCAM for recovery pending Commission approval of the settlement agreement. PSNH stated that the shift of costs, as proposed by the settlement agreement, created a larger prior period under-recovery adjustment for the TCAM as well as higher forecasted costs.

PSNH testified that it calculated the individual class TCAM rates according to the settlement agreement approved by Order No. 24,750. *See, Public Service Company of N.H. 92 NH PUC 124 (May 25, 2007)*. The 2007 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 agreement provided that the transmission costs would be recovered through a demand charge, and that the demand charge was divided into two components for rate calculation purposes: 1) a base component and 2) an incremental component. Transmission costs are first allocated to the Rate B customer class based on that class' contribution to system peak demand. Once the ratio of average Rate B demands to average total PSNH demands at system peak is calculated, the Rate B base component revenue requirement for the forecast period is determined by multiplying the ratio by the total

transmission revenue requirement for the forecast period. The base component reconciliation from the prior period is then added to the base component forecasted revenue requirement to determine the total base component revenue requirement. Finally, the Rate B base rate is derived by dividing the total base component revenue requirement by the projected billing demand. The result in this instance is a Rate B base component of \$0.95 per kilowatt (kW) or kilovolt-ampere (kVA) per month.

The Rate B incremental component is adjusted and reconciled in the same manner that transmission prices for all other classes are changed and reconciled, that is, on an equi-proportional basis. To calculate the incremental charge, PSNH said that it used the billing determinants for the 2009 calendar year. The forecasted TCAM rate is then multiplied by the test year MWh sales to produce the target transmission revenue for the test year. From that test year revenue requirement, PSNH subtracted special pricing revenue imputed at the average transmission rate level and the Rate B base component revenue. The result of the calculation is the amount to be recovered from all other customers. Revenue and the resulting rates and charges were determined by proportionally adjusting all currently effective revenue and rates to the level necessary to recover the transmission revenue requirement net of the Rate B base amount. *See* Pre-filed Testimony of Stephen R. Hall, Exhibit 2.

At the conclusion of the hearing, and in response to an issue raised by the OCA (addressed *infra*), PSNH said that revenues it receives associated with the use of the Hydro-Quebec facilities are never projected but are based on actual revenues. In the event that the Commission adopted OCA's recommendation to transfer the Hydro-Quebec related revenues

from distribution rates to TCAM rates, PSNH asked that any such recognition of the revenues be done in arrears, based on actual revenues, as it is difficult to predict the revenues.

### **B. Office of Consumer Advocate**

The OCA noted that PSNH proposed to recover its share of Hydro-Quebec support costs through the TCAM rate but any offsetting revenues received by PSNH associated with the use of the Hydro-Quebec line are included in its calculation of energy service rates. The OCA asked PSNH why the costs and revenues were not aligned in the TCAM rate, observing that the TCAM rate is a non-bypassable charge paid by all customers, including those customers taking competitive supply, but that the energy service rate is paid only by customers who take default service from PSNH. In response, PSNH said that the Hydro-Quebec revenues were initially allocated to Part 3 Stranded Costs pursuant to the Restructuring Settlement Agreement. *Public Service Co. of New Hampshire*, Order No. 23,549, 85 NH PUC 536 (2000). PSNH further explained that when the Part 3 Stranded Costs became fully recovered in 2006, the Hydro-Quebec revenues became part of the energy service reconciliation. The OCA recommended that the Commission require that any revenues associated with the use of the Hydro-Quebec facilities be credited back to the TCAM to benefit all customers who pay Hydro-Quebec support costs. Otherwise, the OCA said it did not object to PSNH's petition to adjust the TCAM rate.

### **C. Commission Staff**

Staff stated that it had reviewed PSNH's filing and that it supported the proposed TCAM rate of \$0.01501 for effect with service rendered on and after July 1, 2010. With respect to aligning the revenues and costs associated with the Hydro-Quebec facilities, Staff suggested that the issue could be addressed through the reconciliation process.

### 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 \$0.01501 per kWh effective with service rendered on and after July 1, 2010.

The final issue concerns treatment of the Hydro-Quebec revenues and expenses. Currently Hydro-Quebec revenues are included in the energy service mid-year rate and not in the calculation of the going-forward TCAM rate. In addition, the Hydro-Quebec revenues are included in the 2009 actual energy service rate results. We agree with the OCA that, because Hydro-Quebec support costs are paid by all customers, all customers should receive the benefit of the revenues associated with the Hydro-Quebec support contract. Therefore, on a going forward basis, effective July 1, 2010, the Hydro-Quebec revenues should be removed from energy service rates for purposes of the 2010 reconciliation and included in the 2010 TCAM reconciliation. Given the relatively low dollar amount and negligible rate impact, however, we will allow the Hydro-Quebec revenues to remain in the 2009 energy service reconciliation.

This is one of four orders we are issuing for PSNH rates for services rendered on and after July 1, 2010: in the instant docket, an adjustment to PSNH's transmission cost adjustment mechanism; in Docket No. DE 09-179, an adjustment to PSNH's stranded cost recovery charge; in Docket No. DE 09-180, an interim adjustment to PSNH's energy service charge; and in DE

09-035, an adjustment to PSNH's distribution rates. Overall, the average impact of these rate changes effective July 1, 2010 is an approximate increase of 4.84% for a PSNH customer not purchasing energy from a competitive supplier.

**Based upon the foregoing, it is hereby**

**ORDERED**, that PSNH's petition to adjust the transmission cost adjustment mechanism rate to \$0.01501 for effect with service rendered on and after July 1, 2010 is hereby APPROVED; and it is

**FURTHER ORDERED**, that PSNH shall file tariff pages conforming with this Order pursuant to Puc Part 1603 within 30 days hereof; and it is

**FURTHER ORDERED**, that, going forward, PSNH shall credit the revenues associated with use of the Hydro-Quebec facilities to the 2010 TCAM reconciliation.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of June, 2010.

Thomas B. Getz  
Thomas B. Getz (KNS)  
Chairman

Amy L. Ignatius  
Amy L. Ignatius  
Commissioner

Attested by:

Debra A. Howland  
Debra A. Howland  
Executive Director