

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 10-256**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**

**Petition for 2011 Stranded Cost Recovery Charge**

**Order Granting Adjustment to Stranded Cost Recovery Charge**

**ORDER NO. 25,188**

**December 29, 2010**

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

**I. PROCEDURAL HISTORY**

On September 22, 2010, Public Service Company of New Hampshire (PSNH) filed testimony and related exhibits to establish a stranded cost recovery charge (SCRC) effective for service rendered on and after on January 1, 2011. The SCRC is paid by all PSNH customers and is designed to compensate PSNH for certain costs that would otherwise have been unrecoverable in light of the industry changes brought about by the Electric Industry Restructuring Act, RSA Ch. 374-F. Although the SCRC varies by customer class, the current average SCRC rate is 1.20 cents per kilowatt-hour (kWh), with that rate set to expire on December 31, 2010.<sup>1</sup> At the time the petition was filed, PSNH estimated an average SCRC rate of 1.18 cents per kWh, but did not request approval of a specific rate in its petition. Instead, PSNH indicated it would update its estimates with more recent data prior to the hearing on the merits. In its updated filing on December 16, 2010, PSNH calculated an SCRC of 1.17 cents per kWh.

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<sup>1</sup> The Commission approved the current average SCRC rate of 1.20 cents per kWh for the period July 1, 2010 through December 31, 2010 in Order No. 25,120 (June 28, 2010).

An order of notice was issued on October 1, 2010 scheduling a prehearing conference for October 21, 2010. The Office of Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers consistent with RSA 363:28 on October 5, 2010. Following the prehearing conference, the Staff filed a proposed procedural schedule, which the Commission approved by secretarial letter dated October 22, 2010. In accordance with the procedural schedule, the parties and Staff engaged in discovery and the hearing took place on December 21, 2010.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Public Service Company of New Hampshire**

In prefiled testimony, Robert A. Baumann, Director of Revenue Regulation and Load Resources for Northeast Utilities Service Company, an affiliate of PSNH, explained that the SCRC recovers certain costs under the Restructuring Settlement approved by the Commission in Order No. 23,549, *PSNH Proposed Restructuring Settlement*, 85 NH PUC 536 (2000). According to Mr. Baumann, the Restructuring Settlement defined PSNH's stranded costs and categorized them into three parts as follows: Part 1 is composed of the rate reduction bond (RRB) charge calculated to recover the costs of repayment of the securitization of the RRBs. Part 2 costs include "ongoing" costs consisting primarily of the over-market value of energy purchased from independent power producers (IPPs), the up-front payments made for IPP buy-downs and buy-outs previously approved by the Commission, and PSNH's share of the present value of the savings associated with these buy-down and buy-out transactions. Part 3 costs, consisting of non-securitized stranded costs, were fully recovered as of June 30, 2006.

At the time it filed its original petition, PSNH calculated that the preliminary average 2011 SCRC rate would be approximately 0.02 cents per kWh lower than the current average rate of 1.20 cents per kWh, or 1.18 cents per kWh. PSNH said that the primary reason for the SCRC rate decrease was the reduction in the prior year under-recovery, partially offset by lower market prices which, in turn, increased the over-market portion of purchases from the IPPs. Mr. Baumann indicated that if a mid-year rate adjustment to the SCRC is deemed necessary, PSNH would file a petition to change the SCRC rate on a schedule consistent with a petition for a mid-year modification to its energy service rate. According to Mr. Baumann, a petition would be filed at a time that would allow the parties and Staff sufficient time to review the need for such mid-year adjustments.

In its December 16, 2010 updated filing, PSNH proposed an average SCRC rate of 1.17 cents per kWh as opposed to the rate of 1.18 cents per kWh estimated in the original filing. The Company explained that its updated forecast showed a slight increase in retail sales, thus providing a larger kWh base over which to recover the SCRC costs.

PSNH said that it calculated the average SCRC rate in accordance with past practice and concluded by requesting that the Commission approve the average SCRC rate of 1.17 cents per kWh effective for service rendered on and after January 1, 2011.

**B. Office of Consumer Advocate**

The OCA stated that it had no objection to PSNH's filing for the 2011 SCRC rate.

### **C. Staff**

Staff stated that it had reviewed the filing and concluded that PSNH had calculated the average SCRC rate in a manner consistent with the Company's past SCRC rate filings and recommended that the Commission approve the Company's petition.

### **III. COMMISSION ANALYSIS**

RSA 378:7 authorizes us to determine the just, reasonable and lawful rates to be charged by utilities within our jurisdiction. With respect to stranded cost recovery, the Legislature has specifically instructed that any recovery "should be through a non-bypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, consistent with the promotion of fully competitive markets and consistent with [the restructuring policy] principles" enumerated in the Electric Utility Restructuring Act. RSA 374-F:3, XII(d). We find that PSNH's proposal to adjust the SCRC to reflect current market conditions is appropriate and consistent with the Legislature's guidance.

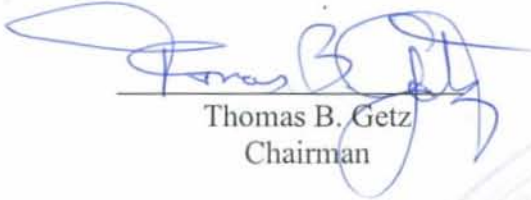
Upon review of the record, we conclude that PSNH's proposed adjustment of the SCRC rate to an overall average of 1.17 cents per kWh beginning with service rendered on and after January 1, 2011 is supported by the evidence and will result in an average SCRC rate that is reasonable and lawful. Accordingly, we approve PSNH's petition as updated by its December 16, 2010 filing.

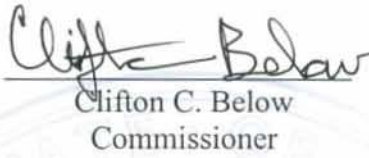
#### **Based upon the foregoing, it is hereby**


**ORDERED**, that the petition of Public Service Company of New Hampshire for adjustment of its stranded cost recovery charge effective for services rendered on and after January 1, 2011, as updated by its December 16, 2010 filing, is hereby **APPROVED**; and it is

**FURTHER ORDERED**, that PSNH shall file tariffs conforming to this Order within 30 days of the date hereof.

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

  
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Thomas B. Getz  
Chairman

  
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Clifton C. Below  
Commissioner

  
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Amy L. Ignatius  
Commissioner

Attested by:

  
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Debra A. Howland  
Executive Director

