

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-217

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Adjustment of Stranded Cost Recovery Charge

Order Granting Adjustment to Stranded Cost Recovery Charge

O R D E R N O. 25,312

December 30, 2011

APPEARANCES: Gerald M. Eaton, Esq. and Sarah B. Knowlton, 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 HISTORY

On September 23, 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, 2012. 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 changes brought about by RSA Ch. 374-F, restructuring the electric utility industry in New Hampshire. Although the SCRC varies by customer class, the current average SCRC rate is 1.09 cents per kilowatt-hour (kWh). The average SCRC rate of 1.09 cents per kWh is intended to collect estimated revenue requirements for the months July 1, 2011 through December 31, 2011.¹ At the time the petition was filed, PSNH calculated an average SCRC rate of 1.16 cents per kWh for effect with rates on January 1, 2012, but did not request approval of a specific rate in its petition. Instead, PSNH indicated it would update its estimates with more

¹ The Commission approved the current average SCRC rate of 1.09 cents per kWh for the period beginning July 1, 2011 in Order No. 25,241 (June 28, 2011).

recent data prior to the hearing on the merits. In its updated filing of December 14, 2011, PSNH calculated an average SCRC rate of 1.23 cents per kWh.

An order of notice was issued on October 5, 2011, scheduling a prehearing conference for October 17, 2011. On October 12, 2011, the Office of Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers consistent with RSA 363:28. On October 19, 2011, the Staff filed a proposed procedural schedule, which the Commission approved by secretarial letter dated October 20, 2011.

On December 14, 2011, PSNH filed a Motion for Postponement of December 19, 2011 Hearings pursuant to N.H. Code Admin. Rules Puc 203.13(a).² The Company said that the public interests of rate stability and continuity supported the Commission's postponement of its consideration of the Company's 2012 Energy Service (ES) rate adjustment (Docket No. DE 11-215) and the SCRC rate adjustment in the instant docket until a date close in time to the Commission's consideration of the PSNH's request for temporary rates in DE 11-250, the docket designated for the review of costs and cost recovery related to the installation of a wet flue gas desulphurization system (scrubber) at PSNH's Merrimack Station. On December 16, 2011, the Commission issued a secretarial letter stating that the hearing set for December 19, 2011 would be held as scheduled.

² In its motion to continue, the Company argued that it was in the public interest to delay consideration of the changes in the SCRC rate and the ES rate until such time as a temporary rate is set for recovery of scrubber costs, noting that scrubber costs are recovered through the ES rate. PSNH requested postponement of the implementation of the changes proposed to the proposed 2012 ES and SCRC rates and stated that the Commission could implement these changes and the temporary rate for scrubber cost recovery at the same time, thus avoiding rate volatility.

II. POSITIONS OF THE PARTIES AND STAFF

A. PSNH

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 Nos. 23,443 and 23,549, *PSNH Proposed Restructuring Settlement*, 85 NH PUC 154 and 536 (2000). According to Mr. Baumann, the Restructuring Settlement defined PSNH's stranded costs and categorized them into three parts as follows: Part 1 comprises the rate reduction bond (RRB) charge calculated to recover the principal, net interest, and fees related to 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 2012 SCRC rate would be approximately 0.07 cents per kWh higher than the current average rate of 1.09 cents per kWh, or 1.16 cents per kWh. PSNH said that the reason for the SCRC rate increase was a lower prior period over-recovery of \$400,000 versus the over-recovery reflected in the current SCRC rate of \$2.4 million (which increased the rate by \$2 million) and the increase in ongoing costs due to lower credits pertaining to the RRBs. 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 14, 2011 updated filing, PSNH proposed an average SCRC rate of 1.23 cents per kWh, an increase to the initial estimate of 1.16 cents per kWh contained in the original filing. The Company explained that its updated forecast predicted lower market costs for power, thus increasing the portion of over-market costs collected through Part 2 of the SCRC, and a lower sales forecast.

In closing, 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 1.23 cents per kWh effective for service rendered on and after January 1, 2012, pending the outcome of the Commission's decision on PSNH's motion in Docket No. DE 11-215 regarding the timing of rate changes.

B. Office of Consumer Advocate

The OCA noted there is currently an under-recovery in the SCRC and that customers bear the associated carrying costs. While the OCA stated that it had no position on the calculation of the rates, the OCA opined that if the Commission accepted the calculation, the SCRC should be adjusted effective January 1, 2012, to allow the Company to draw down the under-recovery and minimize carrying costs for customers rather than delaying the change to the SCRC.

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 the Commission to determine the just, reasonable and lawful rates to be charged by utilities within its 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.” 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 determine that PSNH’s proposed updated adjustment of the SCRC rate to an overall average of 1.23 cents per kWh beginning with service rendered on and after January 1, 2012 is supported by the evidence and will result in an average SCRC rate that is just reasonable and lawful. Accordingly, we approve PSNH’s petition as updated by its December 14, 2011 filing. We find it is the interest of ratepayers to adjust the SCRC effective on January 1 because the imposition of the rate change will begin to reduce the current under-recovery and the associated carrying charges to be paid by customers.

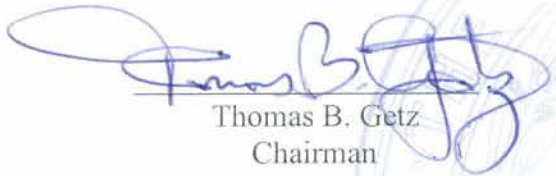
We note that PSNH requested postponement of changes to both the ES and the SCRC rates to allow the Company to time such changes with its proposal to establish temporary ES rates in Docket No. DE 11-250. In a separate order issued contemporaneously in Docket No. DE 11-215, we address the Company’s request to postpone changes to the ES and SCRC rates.

Based upon the foregoing, it is hereby

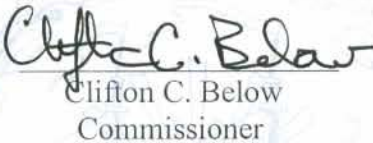
ORDERED, that the petition of Public Service Company of New Hampshire to adjust its stranded cost recovery charge to 1.23 cents per kWh effective with service rendered on and after January 1, 2012, as calculated in its December 14, 2011 filing, is hereby **APPROVED**; and it is

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

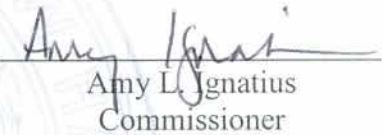
By order of the Public Utilities Commission of New Hampshire this thirtieth day of December, 2011.



Thomas B. Getz
Chairman

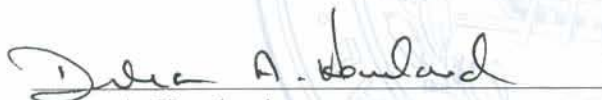


Clifton C. Below
Commissioner



Amy L. Ignatius
Commissioner

Attested by:



Debra A. Howland
Executive Director