

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-216

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
Proposed Revised Alternative Default Energy Service Rate
Order Suspending Tariff and Scheduling Hearing**

ORDER NO. 25,368

May 24, 2012

On April 27, 2012, Public Service Company of New Hampshire (PSNH) filed testimony and related exhibits describing its proposed redesigned alternate energy service rate (Rate ADE) and illustrative tariffs. PSNH made the filing pursuant to Order No. 25,320 (January 26, 2012) in the instant docket. In Order No. 25,320, the Commission denied PSNH's initial petition to implement a proposed Rate ADE and directed PSNH to file a redesigned Rate ADE by June 30, 2012. The initial filing was made pursuant to Order No. 25,256 (July 26, 2011) in Docket No. DE 10-160, *Investigation into the Effects of Customer Migration*. PSNH requested that the Commission approve its revised Rate ADE for effect on a service rendered basis as of July 1, 2012.

Order No. 25,320 required PSNH to address the following issues in its redesign of Rate ADE: (1) the failure of initial Rate ADE design to reflect changes in market prices; (2) the potential for gaming inherent to a provision of the proposed Rate ADE which allowed customers to move between competitive supply and Rate ADE for a 24-month period so long as the customer did not stay with a competitive supplier for a consecutive 12-month period; and (3) the lack of an objective basis for the calculation of a Rate ADE "adder" at one cent per kilowatt hour (kWh). In Order No. 25,320, the Commission expressed concern that the first two defects in rate

design could under-recover actual energy costs in Rate ADE, resulting in higher costs for customers remaining on PSNH default service (Rate DE) than currently results from existing customer migration.

PSNH said the redesigned Rate ADE retains the fundamental features of the Company's initial proposal. The revised Rate ADE would initially only be available to customers taking delivery service under Primary General Service Rate GV, Large General Service Rate LG, or Backup Service Rate B, the rate classes for the largest customers. In response to concerns raised by the Office of Consumer Advocate in the initial proceeding, the Company plans to extend Rate ADE to residential and small commercial customers after a period of nine months operation.

According to the filing, pricing of Rate ADE will be based on PSNH's marginal costs to serve customers plus an adder consisting of the non-operating costs of the wet flue gas desulphurization system (Scrubber) installed at its Merrimack Station. PSNH proposed a Rate ADE for effect July 1, 2012 of \$0.0640 per kWh which consists of \$0.0537 per kWh, the marginal cost of providing energy service, and an adder of \$0.0103 per kWh to recover non-operating costs of the Scrubber. PSNH said that because the Scrubber's non-operating costs are now known, the Company has sufficient cost basis to calculate the adder.

PSNH proposes to calculate Rate ADE on an annual basis with the rate to remain in effect for a full year unless there is a significant shift in the market. In response to the concern that the Rate ADE as initially proposed did not reflect market prices, PSNH said that it will monitor its forecasted marginal costs on a monthly basis and compare those prices to the prices used to calculate the annual rate. If new projections of average marginal costs for the remaining months of the annual period have increased by at least 75% of the adder as compared to the

marginal costs for those same months that were used to determine the annual rate, PSNH will file a request with the Commission to increase Rate ADE for the last six months of the annual period.

Finally, PSNH said that customers who return to PSNH service after taking service from a competitive supplier for at least 12 months would be required to take Rate ADE and remain on Rate ADE for a period of 24 months upon returning to PSNH. PSNH said that because Rate DE will not be available to returning customers during the 24-month period, the Company proposes to change the availability section of Rate DE to clarify that it is not available to customers who are required to take service under Rate ADE.

RSA 378:6 provides that pending any investigation of a rate schedule which does not represent a general rate change, the Commission may suspend the taking effect of such tariff filing for up to 3 months in order to investigate whether the proposed rates are just, reasonable and otherwise consistent with applicable law. We determine that such suspension and investigation are necessary under RSA 378:6.

The Commission granted interventions in the earlier portion of this proceeding. All prior filings, with the exception of materials accorded confidential treatment, and rulings of the Commission can be found at <http://www.puc.nh.gov/Regulatory/Docketbk/2011/11-216.html>. The Commission will schedule a technical session and directs Staff to meet with the Parties to develop a procedural schedule for the remainder of this proceeding for the Commission's consideration.

The filing raises, *inter alia*, issues related to whether the marginal cost of energy service in Rate ADE is based on PSNH's actual, prudent and reasonable costs of providing such service consistent with RSA 369-B:3, IV(b)(1)(A) and is just and reasonable as required by RSA 378:5, 7 and 8; whether the proposed rate complies with Order No. 25,320; and the appropriate manner

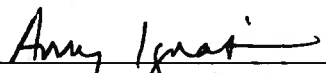
to consider the recovery of the prudent costs of complying with the requirements of RSA 125-O:11 *et seq.* Each party has the right to have an attorney represent the party at the party's own expense.

Based upon the foregoing, it is hereby

ORDERED, pursuant to RSA 378:6, I(b), the Commission hereby suspends PSNH's proposed tariff to allow the filing to be investigated; and it is

FURTHER ORDERED, that a Technical Session, pursuant to N.H. Code Admin. Rules Puc 203.09 (j), be held at the Commission's offices located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on June 20, 2012 at 10:00 a.m. at which time Staff and the Parties will meet to discuss a procedural schedule for this proceeding.

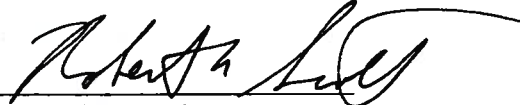
By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of May, 2012.



Amy L. Ignatius
Chairman

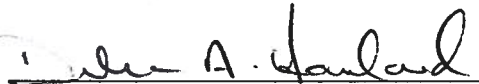


Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.