

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-159

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Approval of New Transmission Cost Adjustment Mechanism Rate

Order Granting Petition

ORDER NO. 25,383

June 27, 2012

APPEARANCES: Sarah B. Knowlton, Esq. on behalf of Public Service Company of New Hampshire; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On June 6, 2012, Public Service Company of New Hampshire (PSNH or Company) filed a petition requesting approval of a new transmission cost adjustment mechanism (TCAM) rate to be effective for service rendered on and after July 1, 2012. The Commission established the TCAM for the reconciliation and recovery of transmission expenses and revenues pursuant to a settlement agreement approved in Order No. 24,750 (May 25, 2007). In the June 6, 2012 filing, PSNH said it had not yet calculated a TCAM rate but expected to be updating its filing on or about June 12, 2012 with support for the new TCAM rate. The Commission issued an order of notice on June 6, 2012 scheduling a hearing for June 21, 2012.

PSNH made its updated filing on June 12, 2012 with supporting testimony and related exhibits. In that filing, PSNH estimated an increase to the average TCAM rate from the current rate of 1.189 cents per kilowatt hour (kWh) to 1.359 cents per kWh.

II. POSITIONS OF THE PARTIES

A. Public Service Company of New Hampshire

PSNH testified that the TCAM is a mechanism that allows the Company to fully recover certain defined Federal Energy Regulatory Commission (FERC) and/or Commission approved transmission costs. The proposed TCAM rate is based on a reconciliation of historic and forecasted transmission costs using the latest transmission rates approved by FERC.

PSNH said that the TCAM filing includes two groups of costs. The first group of costs consists of four categories of wholesale transmission costs that are regulated by FERC and charged to PSNH by the Independent System Operator-New England (ISO-NE) and are as follows: (1) regional network service (RNS) costs, (2) local net service (LNS) costs, (3) reliability costs, and (4) scheduling and dispatch (S&D) costs.

PSNH testified that RNS costs are based on FERC-approved tariffs; 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, including PSNH, based on their monthly peak load. LNS costs encompass local transmission costs incurred by Northeast Utilities (NU) that are not included in the FERC-jurisdictional RNS tariff. LNS billings are also governed by FERC-approved tariffs and are based on costs allocated to PSNH that reflect its NU load ratio share which is calculated using a rolling twelve-month coincident peak. Reliability costs include Black Start capability, volts amps reactive (VAR) support, and other Net Commitment Period Compensation related to generation reliability. According to PSNH, reliability costs are billed to all entities in the region that have RNS load responsibility, based on their monthly peak load. PSNH testified that S&D costs are associated with services

provided by ISO-NE related to scheduling, system control, and dispatch services. The Company explained that these costs are also billed by ISO-NE to all entities in the region that have RNS load responsibility, including PSNH, based on their monthly peak load, in accordance with applicable FERC tariff.

PSNH said that the second group of costs recovered through the TCAM rate consist of three categories of other transmission costs: (1) Hydro-Quebec support costs and related revenues, (2) a portion of the Commission's annual assessment, and (3) TCAM working capital allowance. According to the Company, these other transmission costs were previously recovered through PSNH's distribution rates but are now recovered through the TCAM rate.

PSNH testified that the Hydro-Quebec support costs are associated with FERC-approved contractual agreements between NU subsidiaries, including PSNH, and other New England utilities to provide support for transmission and terminal facilities that are used to import electricity from Hydro-Quebec in Canada. Under these agreements, PSNH is charged its proportionate share of operation and maintenance capital costs for a thirty-year period ending in 2020. According to PSNH, effective July 1, 2010, PSNH began returning its share of any Hydro-Quebec facility revenues as a revenue credit in the TCAM.¹

PSNH said that, in the past, the Commission's assessment was recovered from customers through distribution rates. The settlement agreement approved in Docket No. DE 09-035, PSNH's 2009 distribution rate case, allocated the assessment to the various rate components as follows: 61.9% to energy service rates; 29.8% to distribution rates; and 8.3% to transmission rates. *See* Order No. 25,123 (June 28, 2010).

¹ *See* Order No. 25,122 (June 28, 2010) in Docket No. DE 10-158, PSNH's 2010 TCAM proceeding. Prior to Order No. 25,122, revenues associated with the Hydro-Quebec facility were returned to customers in the energy service charge.

PSNH testified that there was no provision for transmission-related working capital when the Commission first approved the TCAM in Order No. 24,570 (May 25, 2007) as, at that time, it was included in distribution rates. As part of the settlement agreement approved by Order No. 25,123, the transmission-related working capital was shifted from the distribution revenue requirement calculation to the TCAM rate calculation.

PSNH stated that the TCAM allows the Company to set transmission rates for a defined future billing period based on transmission cost estimates using current and forecast data that is supported by the latest known FERC approved transmission rates and other budget data, most of which is provided by the ISO-NE. The TCAM also includes all available actual cost and revenue data for the eighteen-month period just prior to the forecast period. PSNH referred to this eighteen-month period as the “reconciliation period.” PSNH said that the reconciliation period contains as much actual cost data that is available at the time of the filing, and any over- or under-recoveries that are incurred in each billing period are rolled into the subsequent billing period as part of the next TCAM rate. The Company said that the forecast period in this filing is the twelve-month period July 2012 through June 2013 and the reconciliation period includes actual calendar year 2011 and January 2012 through May 2012 costs, as well as estimated costs for June 2012.

PSNH proposed a forecasted average TCAM rate of 1.359 cents per kWh as compared with the current average rate of 1.189 cents per kWh. According to PSNH, the increase in the TCAM rate is driven primarily by an increase in the RNS rate for the 2012-2013 TCAM period when compared to the prior period. PSNH further explained that the increase in the RNS rate is primarily a result of increased pooled transmission facilities revenue requirements. The rate

includes an over-recovery of approximately \$13 million from the true-up of RNS costs for the reconciliation period.

PSNH testified that it calculated the individual class TCAM rates according to the settlement agreement approved by Order No. 24,750 in the Company's 2006 distribution rate case. That settlement agreement describes the design of transmission pricing for Backup Delivery Service Rate B specifically, and for all other customer classes in general. PSNH said that, for Rate B, the settlement agreement provided that the transmission costs would be recovered through a demand charge, and that, for purposes of rate calculation, the demand charge would be divided into a base component and an incremental component. Using that rate design, transmission costs are first allocated to the Rate B customer class based on that class's 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 demand 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 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 filing is a Rate B base component of \$0.21 per kilowatt or kilovolt-ampere 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 used the billing determinants for the 2009 calendar year as performed in Docket No. DE 09-035, PSNH's most recent distribution

rate case. The forecasted TCAM rate is then multiplied by the test year megawatt-hour 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. The result of the calculation is the amount to be recovered from all other customers.

B. Commission Staff

Staff stated that it had reviewed PSNH's filing and that the Company had appropriately calculated the overall costs contained in the TCAM and the resulting rates. Based on its review, Staff recommended that the Commission approve the petition.

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 satisfied that the transmission costs included in the filing are consistent with the applicable FERC-approved tariffs. Therefore, we approve PSNH's requested overall average TCAM rate of 1.359 cents per kWh effective with service rendered on and after July 1, 2012.

This is one of several orders we are issuing for PSNH rates for effect with services rendered on and after July 1, 2012: the instant proceeding, an adjustment to PSNH's TCAM rate; Docket No. DE 11-217, an adjustment to PSNH's stranded cost recovery charge; Docket No. DE 11-215, an adjustment to PSNH's energy service charge; and Docket No. DE 12-110, an adjustment to distribution rates for additions to net plant and consultant costs, and an adjustment

to collections to be deposited in PSNH's major storm reserve. Overall, the average total bill impact of these rate changes effective July 1, 2012 is an approximate decrease of 4.4 % for a PSNH customer who takes energy service from PSNH (i.e., a customer that does not purchase energy from a competitive supplier). We find that the resulting rates are just and reasonable pursuant to RSA 378:7.

Based upon the foregoing, it is hereby

ORDERED, that PSNH's petition for a new transmission cost adjustment mechanism rate at an average of 1.359 per kWh for effect with service rendered on and after July 1, 2012 is hereby APPROVED; and it is

FURTHER ORDERED, that PSNH shall file tariff pages conforming to this Order pursuant to New Hampshire Code Admin. Rules Part Puc 1603 within 30 days hereof.

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

Amy Ignatius
Amy C. Ignatius
Chairman

Michael D. Harrington
Michael D. Harrington (KNS)
Commissioner

Robert R. Scott
Robert R. Scott (KNS)
Commissioner

Attested by:

Debra A. Howland
Debra A. Howland
Executive Director