

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 14-134**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**

**Petition for Approval of a Transmission Cost Adjustment Mechanism Rate for July 1, 2014**

**Order Granting Petition**

**ORDER NO. 25,680**

**June 27, 2014**

**APPEARANCES:** Matthew J. Fossum, Esq. on behalf of Public Service Company of New Hampshire; Office of Consumer Advocate by Susan W. Chamberlin, Esq. on behalf of residential ratepayers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

This order grants PSNH's request to make a mid-year adjustment to its average TCAM rate effective with services rendered on and after July 1, 2014. The rate will drop from 1.714 cents per kWh to 1.642 cents per kWh. This change, combined with other adjustments approved today, will result in an overall decrease in monthly bills from \$114.26 to \$113.88 (a decrease of 0.33%) for the typical residential customer that has not switched to competitive supply.

**I. PROCEDURAL BACKGROUND**

On May 22, 2014, 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 on a service rendered basis on and after July 1, 2014. 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 PSNH's 2006 distribution rate proceeding. In the May 22, 2014 filing, PSNH said it had not yet calculated a TCAM rate but expected to update its filing on or about June 11, 2014. The

Commission issued an Order of Notice on May 27, 2014, scheduling a hearing in this docket on June 24, 2014.

PSNH made its updated filing on June 13, 2014, with supporting testimony and related exhibits. In the filing, PSNH estimated a decrease in the average TCAM rate from the current rate of 1.714 cents per kilowatt-hour (kWh) to 1.642 cents per kWh.

On May 28, 2014, the Office of Consumer Advocate (OCA) filed a notice of its participation in this docket on behalf of residential ratepayers pursuant to RSA 363:28.

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

### **A. PSNH**

PSNH testified that the TCAM 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 explained 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 network service (LNS) costs, (3) reliability costs and (4) scheduling and dispatch 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 the entity's 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, except for those costs that are specific to a state and are not shared by all of NU's affiliated companies.

Reliability costs include Black Start capability, volts amps reactive (VAR) support, and other Net Commitment Period Compensation related to generation reliability. Black Start support consists of payments to certain generating units that have demonstrated their ability to be generators that can start and energize the electrical grid without themselves relying on the external electric power transmission network to begin operation. VAR support represents payment to generating units that have been deemed to be qualified resources that are capable of providing reactive power to maintain transmission voltages necessary for the operation of the New England transmission system. The Company said that reliability costs are billed to all entities in the region that have RNS load responsibility, including PSNH, based on the entity's monthly peak load. Scheduling and dispatch 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 that have RNS load responsibility, including PSNH, based on their monthly peak load, in accordance with applicable FERC tariffs.

The Company testified that the second group of costs recovered through the TCAM rate consists of three categories of transmission costs as follows: (1) Hydro-Quebec support costs and related revenues, (2) a portion of the Commission's annual assessment, and (3) TCAM working capital allowance. Company said that these other transmission costs were previously

recovered through PSNH's distribution rates; however, in accordance with a settlement agreement in PSNH's most recent distribution rate case, these costs are now recovered through the TCAM rate. *See* Order No. 25,123 (June 28, 2010).

PSNH explained 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 for many years have been 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 also began returning its share of any Hydro-Quebec facility revenues as a revenue credit in the TCAM.

PSNH stated that the settlement agreement in its most recent distribution rate case also allocated the N.H. PUC assessment among the energy service (61.9%), distribution (29.8%), and transmission (8.3%) rate components. Order No. 25,123. The TCAM rate includes the allocated amount of the assessment attributable to the transmission rate component. PSNH also pointed out that when the TCAM was first approved in PSNH's 2006 rate case, the rate did not include an allowance for working capital related to transmission and the associated working capital was recovered through distribution rates. In Order No. 25,123, the Commission approved the recovery of transmission-related working capital through the TCAM and PSNH included the associated revenue requirement in its calculation of rate for effect July 1, 2014.

In the instant filing, PSNH proposes to make a change to the allocation of revenue it receives under the Black Start and VAR support payments. According to PSNH, it currently receives revenues from ISO-NE because certain PSNH generation units have demonstrated their

ability to be Black Start generators and certain units have been deemed to be qualified reactive resources that provide power necessary to meet operating requirements in the New England Grid. Because the Black Start and VAR payments are a direct result of PSNH owning generation, PSNH proposes to return the revenues through the energy service rate instead of the TCAM rate. The Company explained that because ratepayers taking energy service from PSNH support the costs of its generation units through the energy service rate, those same ratepayers should receive the benefit of any revenues associated with generation.<sup>1</sup>

PSNH explained that the TCAM allows the Company to set transmission rates for a defined future billing period (forecast 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 18-month period just prior to the forecast period. The reconciliation period contains as much actual cost data as 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 forecast period in this filing is the 12-month period July 2014 through June 2015, and the reconciliation period includes actual calendar year 2013 and January 2014 through April 2014 costs, as well as estimated costs for May and June 2014.

PSNH proposed a forecasted average TCAM rate of 1.642 cents per kWh as compared with the current average rate of 1.714 cents per kWh. According to the Company, the decrease in the TCAM rate is due to the fact that LNS expense was lower than forecast during the

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<sup>1</sup> An order regarding an energy-service rate adjustment is being issued concurrently with this order in Docket No. DE 13-275.

reconciliation period. The lower LNS expense resulted from a true-up credit from PSNH's transmission provider. The cause of the true-up credit was lower rate base and higher RNS credits than were originally forecast in the calculation of the 2013 LNS transmission rate.

PSNH testified that it calculated the individual class TCAM rates according to the settlement agreement approved by Order No. 24,750. The settlement agreement describes the design of the 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, for the 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 the 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 components revenue requirement for the forecast period is determined by multiplying the demand ratio by the total transmission 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, that is, the amount of power projected to be needed to service Rate B customers in the coming year. The result in this filing is a Rate B base component of \$0.41 per kilowatt (kW) or kilovolt-ampere per month

The Rate B increment component is adjusted and reconciled in the same manner that transmission prices for all other classes are changed and reconciled, that is, on an equal basis across all customer classes. To calculate the incremental charge, PSNH used the billing determinants such as kW or kWh 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 subtracts the Rate B base component revenue. The result of the calculation is the amount to be recovered from all other customers.

Finally, PSNH asserted that the rate change proposed in this filing is consistent with its most recently filed least cost integrated resource plan (LCIRP) found adequate by the Commission.

#### **B. OCA**

The OCA stated that it did not object to the filing, did express concern about the Company's proposal to credit the Black Start and VAR support revenues to energy service rates instead of TCAM rates.

#### **C. COMMISSION STAFF**

Staff stated that it had reviewed the filing and determined that PSNH had appropriately calculated the TCAM rates. Staff also expressed support for crediting the Black Start and VAR support revenues in the energy service rate because the revenues were associated with PSNH's ownership of qualified generation units.

### **III. COMMISSION ANALYSIS**

We have reviewed the petition along with the supporting documentation and calculations as well as 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, and that the resulting rates are just and reasonable pursuant to RSA 378:7. Therefore, we approve PSNH's requested overall average TCAM rate of 1.642 per kWh effective with service rendered on and after July 1, 2014.

We have reviewed PSNH's testimony and the OCA and Staff positions regarding PSNH's proposal to allocate the Black Start and VAR support payments to the energy service rate. PSNH would not receive these payments but for its ownership of qualified generation units, and we find it reasonable and in the public interest to credit the revenues to energy service rates.

We also find that pursuant to RSA 378:40, PSNH's TCAM filing in the instant docket is consistent with its most recently filed LCIRP found adequate by the Commission.

This is one of several orders we are issuing today for PSNH rates for effect with services rendered on and after July 1, 2014: the instant proceeding, an adjustment to PSNH's TCAM rate; Docket No. DE 13-274, an adjustment to PSNH's stranded cost recovery charge, Docket No. DE 13-275, an adjustment to PSNH's energy service charge; and Docket No. DE 09-035, an adjustment to distribution rates pursuant to an earnings sharing agreement approved in PSNH's most recent distribution rate case. Overall, the average total bill impact of these rate changes effective July 1, 2014, for residential customers using 640 kWh per month, the monthly usage of a typical PSNH residential customer that has not selected a competitive supplier, will be a decrease in monthly bills from \$114.26 to \$113.88 (a decrease of 0.33%).

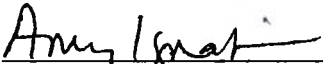


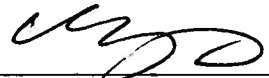
**Based upon the foregoing, it is hereby**

**ORDERED**, that PSNH's petition for an average transmission cost adjustment rate of 1.642 cents per kWh for effect with services rendered on and after July 1, 2014 is hereby APPROVED; and it is

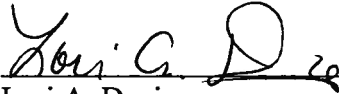
**FURTHER ORDERED**, that PSNH shall file conforming tariff pages within 30 days of this Order pursuant to New Hampshire Code Admin. Rules Part Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of June, 2014.

  
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Amy C. Ignatius  
Chairman

  
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Martin P. Honigberg  
Commissioner

Attested by:

  
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Lori A. Davis  
Assistant Secretary