

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 13-275

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Request for Mid-Year Adjustment to Default Energy Service Rate

Order Approving Mid-Year Adjustment

ORDER NO. 25,683

June 27, 2014

APPEARANCES: Matthew J. Fossum, Esq. on behalf of Public Service Company of New Hampshire; Christophe G. Courchesne, Esq. on behalf of Conservation Law Foundation; 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 approves a mid-year adjustment to PSNH's energy service rate effective on service-rendered basis as of July 1, 2014. The energy service rate will increase the energy service charge from 9.23 cents per kWh to 9.87 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 HISTORY

On May 2, 2014, Public Service Company of New Hampshire (PSNH or Company) filed a request with supporting testimony and schedules to adjust its energy service rate effective with service rendered on and after July 1, 2014. The proposed energy service rate includes a temporary rate of 0.98 cents per kilowatt hour (kWh) for recovery of costs associated with the installation of the wet fuel desulphurization system (Scrubber) installed at PSNH's Merrimack Station. At the time of the initial filing, PSNH estimated that the non-Scrubber portion of the

energy service rate would be 9.00 cents per kWh, an increase from the current non-Scrubber portion of the energy service rate of 8.25 cents per kWh.

On June 13, 2014, PSNH filed an updated estimate of the energy service charge that included actual costs for March and April 2014 and updated forecasts for May and June 2014 and the remainder of the calendar year. The June 13, 2014, update revised the non-Scrubber energy service rate calculation to 8.89 cents per kWh for a total rate of 9.87 cents per kWh when combined with the temporary scrubber rate of 0.98 cents per kWh.

The Office of Consumer Advocate (OCA) previously filed a letter of participation in this docket on October 11, 2013. In addition, the Commission granted intervention of Conservation Law Foundation (CLF) and North American Power and Gas, LLC, in Order No. 25,596 (November 15, 2013) in the prior phase of this proceeding.

The Commission issued an Order of Notice on May 19, 2014, scheduling a hearing in this matter on June 24, 2014. North American Power and Gas, LLC, did not participate in the hearing.

II. POSITIONS OF THE PARTIES AND STAFF

A. PSNH

PSNH attributed the estimated increase in energy service rates to an overall increase in forward electricity prices. PSNH also noted that the power requirements forecast also changed in the June 13, 2014, update due to an increase in customer migration from 48.1% to 50.2%. The increase in customer migration resulted in the Company revising downward its forecast of market power purchases needed to cover load.

PSNH also explained that in this filing, it included Black Start and voltage amps reactive (VAR) support payments in its calculation of energy service rates. Black Start support consists

of payments by the Independent System Operator-New England (ISO-NE) to generating units that have demonstrated their ability to 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 capable of providing reactive power to maintain transmission voltages necessary for the operation of the New England transmission system. PSNH said that certain of its generation units are qualified as Black Start or VAR support units and, as a result, receive Black Start and VAR support payments from the ISO-NE. PSNH proposed to return the revenues through the energy service rate instead of the transmission cost adjustment mechanism (TCAM). 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. PSNH said that payments amount to approximately \$2 million annually.¹

At the hearing, PSNH addressed the purchase power agreement (PPA) between the Company and Burgess BioPower, a wood-burning generation unit located in Berlin, New Hampshire. PSNH said that while the ISO-NE considers Burgess BioPower to be in commercial operation, the plant is currently providing power on an intermittent base due to the need to work out problems that arose while the plant was in its initial run. In its June 13, 2014, update, PSNH reduced the volume of power it expected to purchase under the PPA in its forecast of costs and revenues.

PSNH concluded by stating that the filing is consistent with the Company's most recently filed least cost integrated resource plan (LCIRP) found adequate by the Commission.

¹ An order regarding a TCAM rate adjustment is being issued concurrently with this order in Docket No. DE 14-134.

B. CLF

CLF said that it does not support the resulting energy service rate of 9.87 cents per kWh. CLF pointed out that the energy portion of the rate increased by approximately 8% over the rate effective January 1, 2014, and recommended that PSNH should conform to the practice of Unitil Energy Systems, Inc. (UES), and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty), both of which purchase default service through a request for proposal (RFP) issued in the New England power market. CLF claimed that both UES's and Liberty's rates for residential customers are less than the rate proposed by PSNH for effect July 1, 2014.

C. OCA

The OCA said that it had no objection to the rate because the overall energy service rate for residential customers is decreasing. The OCA did express concern about the uncertainty regarding the operation of Burgess BioPower and PSNH's proposal to allocate Black Start and VAR revenues to energy service instead of the TCAM rate.

D. Commission Staff

Staff recommended that the Commission not rely on CLF's characterization of UES's and Liberty's rates. Staff pointed out both UES and Liberty issued RFPs for power two or three months in advance of the service delivery period, and that due to changing market conditions the forecast of market prices for power are subject to change on a daily basis. Staff stated that Commission sets the energy service rates of PSNH pursuant to RSA 369-B and until such time the statute is amended, PSNH energy service rates are based on their actual prudent and reasonable costs of procuring power.

Staff said that it had reviewed the filing and determined that PSNH had appropriately calculated the energy service rate. Staff also expressed its agreement with PSNH's proposal to apply Black Start and VAR revenues in the calculation of energy service rates.

III. COMMISSION ANALYSIS

Pursuant to RSA 369-B:3, IV(b)(1)(A), the price for PSNH's energy service shall be PSNH's actual, prudent and reasonable costs of providing the power as approved by the Commission. Based on our review of the petition and the evidence in the record, we find that the calculations and related documentation support PSNH's request for a mid-term adjustment to its energy service rates. PSNH's actual 2014 energy service costs and revenues, along with PSNH's actual stranded cost recovery costs and revenues, will be reconciled in PSNH's 2014 reconciliation docket, which will be filed next year.

We agree with PSNH and the Staff that the Black Start and VAR support revenues more correctly belong in the energy service rates, rather than in the TCAM rates. The expenses associated with each of these generation related services are now in energy service; so too should the revenues.

CLF argues that PSNH should follow the bidding process used by Liberty and Unitil to obtain energy service supply for its customers. We note the Commission's investigation into PSNH's ownership of generation assets, Docket No. IR 13-020, and the legislature's directive in House Bill 1602, now awaiting the Governor's signature, that the Commission commence an adjudicative proceeding to determine if PSNH should be required to divest some or all of its generation assets. This docket has not been noticed to consider a wholesale change in PSNH's methods of procuring supply and, therefore, we will not rule on CLF's recommendation.

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

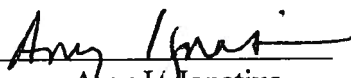
This is one of several orders we are issuing today for PSNH rates for effect with services rendered on and after July 1, 2014: the instant proceeding, an adjustment to PSNH's energy service rate; Docket No. DE 13-274, an adjustment to PSNH's stranded cost recovery charge; Docket No. DE 14-134, an adjustment to PSNH's Transmission Cost Adjustment Mechanism rate; 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

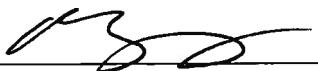
ORDERED, that Public Service Company of New Hampshire is authorized to adjust the non-Scrubber portion of its energy service rate from 8.25 cents per kWh to 8.89 cents per kWh on a service rendered basis effective July 1, 2014; and it is

FURTHER ORDERED, that PSNH shall file tariffs that conform to this order within 30 days hereof pursuant to New Hampshire Code Admin. Rules Puc 1603.

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

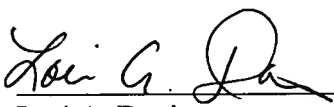


Amy Wignatius
Chairman



Martin P. Honigberg
Commissioner

Attested by:



Lori A. Davis
Assistant Secretary