

STATE OF NEW HAMPSHIRE
before the
PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire
Request for Permanent Distribution Rates Change
Docket No. DE 12-___

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE'S PETITION FOR STEP
ADJUSTMENT TO REFLECT CHANGE IN NET PLANT, CONSULTANT COSTS AND
MAJOR STORM COST RESERVE**

Pursuant to N.H. Code Admin. Rule Puc 202.01 and Puc 203.06, Public Service Company of New Hampshire ("PSNH" or "the Company") hereby petitions for an increase to its base delivery rates to recover (a) the revenue requirements associated with 80% of the value of additions to net plant that are not associated with the Reliability Enhancement Program ("REP"), (b) the cost of an independent consultant engaged to analyze PSNH's uncollectible expense, and (c) expenses associated with two Major Storms either through the step adjustment anticipated for July 1, 2012 or through an adjustment to the Major Storm Cost Reserve. In support of this Petition, PSNH states as follows:

1. On June 28, 2010, the Commission issued Order 25,123 approving a Settlement Agreement on Permanent Distribution Service Rates (the "Settlement Agreement") in DE 09-035, the Company's last distribution rate case. The Settlement Agreement provided for a series of step adjustments to the Company's Delivery Service rates on July 1, 2011, July 1, 2012 and July 1, 2013. The Commission approved the first of those step agreements on June 24, 2011. See Order 25,240 in DE 11-095. PSNH now seeks the second of those step increases.

Section 2 of the Settlement Agreement sets forth the series of changes to PSNH's permanent distribution rate level, including a projected step increase in distribution rates of \$9.5 million for effect on July 1, 2012 to recover the revenue requirements associated with 80% of changes to

non-REP net plant balances for the period April 1, 2011 through March 31, 2012. *See* Settlement Agreement, Section 2.5. As described in the Technical Statement of Robert A. Baumann and Stephen R. Hall, which is attached to this Petition as Attachment A, the value of the actual additions to non REP delivery plant rate base for the year ending March 31, 2012 was lower than projected by the Settling Parties who executed the Settlement Agreement. The actual 80% value of the changes to non-REP net plant balances results in a step increase request of \$7,000,000. The Company is thus seeking a permanent increase to its distribution rates of \$7.0 million on a service rendered basis as of July 1, 2012 associated with the change in actual net plant values during the reconciliation period.

2. In addition to this step increase, the Company is requesting that the Commission implement two addition rate changes that also arise out of the Settlement Agreement. The first relates to certain consultant costs associated with a review of the Company's uncollectible expense. Specifically, Section 8.1 of the Settlement Agreement provides that the Company shall retain an independent consultant to review and analyze recent trends in the Company's uncollectible expense, the underlying reasons for the increase level of expense incurred by the Company, the Company's collection practices, the Commission's rules and practices regarding credit and collection activities, and the Company's deposit and credit policy language for large customers. The Settlement Agreement further provided that "...PSNH shall be allowed to defer and recover the cost of the study over a 12-month period by including such costs in one of the step adjustments described in Sections 2.4 through 2.6." *Id.*

3. The Company now seeks recovery of the consultant expense given that the consultant has completed his review and analysis and will report his findings and recommendations in a final report before July 1, 2012. Because the consultant's work will be

completed before July 1, 2012, it is appropriate to include recovery of that expense as part of the second distribution rate step increase. Attachment A describes the calculation of this proposed adjustment in detail, which reflects that the consultant's expense is well within the \$100,000 cost provided for in the Settlement Agreement. *See* Attachment A, pp. 3-5.

4. The second additional rate change PSNH seeks relates to its Major Storm Cost Reserve which was originally established in PSNH's Restructuring Settlement. The amount of the Major Storm Cost Reserve was most recently set in the Settlement Agreement in DE 09-035, which provided that the Company would accrue \$3.5 million annually effective July 1, 2010. However, the Settlement Agreement acknowledged that the \$3.5 million accrual amount did not take into account any of the costs of the February 2010 wind storm, and provided that the Settling Parties could "recommend a modification to one or more of the rate changes specified in Sections 2.4 through 2.6 in order to provide for recovery of the cost of the February 2010 wind storm and/or for a revision of the funding level of the Major Storm Reserve." Settlement Agreement, Section 7.3.

5. As described in the Technical Statement, PSNH is requesting that the Commission increase the Major Storm Cost Reserve annual accrual from \$3.5 million to \$7.0 million in light of the costs of the February 2010 wind storm, and two other storms which could not have been contemplated at the time of the Settlement Agreement. In August/September 2011, the Company incurred \$7.1 million in expense associated with restoration efforts from Hurricane Irene, and in October 2011, incurred \$15.7 million in expense associated with restoration efforts from the October snow storm. As a result of those two storms alone, PSNH has \$14.6 million in unrecovered storm expense net of the \$8.2 million in the Major Storm Cost Reserve. *See* Attachment A, pp.5-6. PSNH is proposing that the Commission

increase the annual accrual for the Major Storm Cost Reserve to \$7.0 million in order to recover the \$14.6 million in unrecovered costs and to create a \$6 million fund for future storms.

6. For the reasons stated above and in the attached Technical Statement, PSNH requests that the Commission approve the step adjustment, the inclusion of the consultant expense in rates, and the increase in the annual accrual of the Major Storm Cost Reserve.

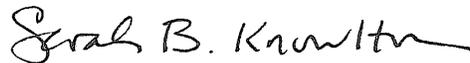
WHEREFORE, PSNH respectfully requests that the Commission:

- A. Grant this Petition For Step Adjustment to Reflect Change in Net Plant, Consultant Costs and Major Storm Cost Reserve Such further relief as may be just and equitable; and
- B. Grant such further relief as is just and equitable.

Respectfully submitted,

Public Service Company of New Hampshire

By Its Attorneys



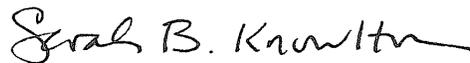
Dated: April 27, 2012

By: _____

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Certificate of Service

I hereby certify that a copy of this Petition has been served electronically on the persons on the Commission's service list in this docket in accordance with Puc 203.11 this 27th day of April, 2012.



Sarah B. Knowlton