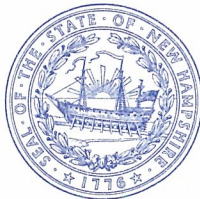


THE STATE OF NEW HAMPSHIRE

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NHPUC 28OCT'13PM4:00

October 28, 2013

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street Suite 10
Concord, New Hampshire 03301

Re: Docket No. DE 12-295
Power New England, LLC
Staff's Written Closing Statement

Dear Ms. Howland:

The purpose of this letter is to provide Staff's closing statement in the above-captioned docket pursuant to the Commission's October 8, 2013 Secretarial Letter.

Summary of Staff's Closing

- The scope of this docket is to determine "whether it is useful for the Commission to conduct a review of the reasonableness of the approved tariff charges separate from a review of PSNH's revenue requirements in the context of a future rate case." Order of Notice (11/21/12) at 4. The tariff charges at issue in this proceeding that Public Service Company of New Hampshire (PSNH) bills for service provided to competitive suppliers are (1) Selection Charge, (2) Billing and Payment Service Charge" and (3) Collection Service Charge. The scope of the docket does not include whether the Commission should grant monetary relief to competitive suppliers. (See, Petition of PNE Energy Supply LLC at ¶8. "PNE is not seeking a 'rate adjustment' in this proceeding. Any 'rate adjustment' would take place in a subsequent PSNH general rate case.")
- The record demonstrates that PSNH did not base the tariff charges on costs at the time that the Commission approved the tariff charges in connection with PSNH's restructuring proceeding, and Staff believes it is reasonable to conduct a review of the reasonableness of the charges through a cost of service study. Staff believes that the Commission could order such a cost of service study at any time but recommends that the Commission order the study in connection with PSNH's

next distribution rate case to more appropriately align overall distribution costs with revenues.

Discussion of Staff's Position

Scope of the Docket.

Pursuant to the Order of Notice in this docket, the issue before the Commission is whether it is useful to conduct a review of the reasonableness of the approved tariff charges separate from a review of PSNH's revenue requirements in the context of a future rate case, and, if so, whether the relief requested by the petition is in the public interest. Order of Notice at 4. The relevant tariff provisions are as follows:

- 1)"Selection Charge—The Company will be entitled to make a Selection Charge for any changes initiated by a Customer, Supplier or authorized agent to a different Supplier or to Default Service or Self Supply. Selection Charge---\$5.00."
- 2)"Billing and Payment Service Charge—The Company will provide Billing and Payment Service as an option to Suppliers who have entered into a written agreement for Billing and Payment Service with the Company for a minimum of one year. The monthly Billing and Payment Service Charge, listed below, is for billing arrangements which can be accommodated by the Company's billing systems without significant programming changes. Billing and Payment Service Charge---\$0.50 per bill rendered."
- 3)"Collection Services Charge---The Company will provide Collection Services in conjunction with Billing and Payment Service for Suppliers who have entered into a written agreement for such service with the Company for a minimum of one year. Collection Services Charge---0.252% of total monthly receivable dollars."

The scope of the docket does not implicate whether the Commission should grant monetary relief to competitive suppliers. Further, the petition that opened this docket did not seek such relief. The petition stated that "PNE is not seeking a 'rate adjustment' in this proceeding. Any 'rate adjustment' would take place in a subsequent PSNH general rate case." Petition of PNE Energy Supply LLC at ¶8.

The limited scope of the proceeding is relevant because, although the Commission's Order of Notice states that the scope of the docket is whether it is useful for the Commission to conduct a review of the charges, two competitive suppliers—North American Power and Gas and PNE Energy Supply LLC—requested that the Commission not only find that the charges are unreasonable without further examination and to also direct PSNH to refund competitive suppliers for the Selection Charge. North American Power and Gas also argued that the Billing and Payment Service and

Collection Charge paid should be also refunded to competitive suppliers. October 4, 2013 Hearing Transcript (Tr.) at 53-55.

Staff recommends that the Commission deny this request for refunds. Not only is the request beyond the stated scope of the docket, the fact is that there has been no review of the subject tariff charges to determine whether or not the charges are cost-based or just and reasonable. The lack of any record information on the cost basis for the charges points to the need for a cost analysis of the charges.

Because the Record Does Not Support any Finding on the Reasonableness of Subject Charges, the Commission should Direct PSNH to Include a Cost of Service Study for such Charges in its next Distribution Rate Case

At the outset of this proceeding, the petition claimed that PSNH's tariffed charges were not reasonable because the charges were not levied by PSNH's New England affiliates, by National Grid in Massachusetts and Rhode Island, or by Liberty Utilities or Unitil Energy Systems, Inc. Petition at ¶15. Petitioner and Intervenor continued to claim that the fact that no tariff charges similar to those of PSNH exist in other jurisdictions is a reason to conclude that PSNH's charges are not reasonable. Tr. at 211-212 and 230. The fact that utilities in other jurisdictions do not assess such charges is irrelevant to a determination regarding the reasonableness of PSNH's tariff charges.

PSNH's tariff charges were proposed by PSNH and approved by the Commission in Docket No. DE 99-099, the docket related to PSNH restructuring. According to PSNH, it proposed a selection charge of \$5.00 per transaction because that charge was assessed by National Grid for the same transactions. This fact does not support a finding that the selection charge is unreasonable; it does, however, support the need for the Commission and suppliers to understand the actual costs for the actions required by PSNH to institute a selection of supplier by a customer, supplier or agent.

PSNH's witnesses at hearing could not provide any additional insight as to the origin or basis for the calculation of the selection, billing and payment or collection charges. PSNH witnesses admitted that they had no knowledge of the basis for the charges in the tariff except that they were proposed and approved "for whatever reason." Tr. at 253. It is not surprising that PSNH could not provide any additional information because the rates were set over 12 years ago in PSNH's restructuring docket; however, the fact that PSNH witnesses cannot further elaborate on the source of the rates these years later does not support a finding that the charges are unreasonable.

Because there are no facts in the record that provides an analyzable basis for the three tariff charges, Staff recommends that the Commission direct PSNH to conduct a cost of service study for the Selection, Billing and Payment Service and Collection Services PSNH provides to competitive suppliers, and use that study as a basis for developing appropriate cost-based rates for such services. While some of the competitive

supplier intervenors disagreed with the imposition of, and asked that the Commission eliminate the Selection Charge, all intervenors supported an evaluation of the Billing and Payment and Collection Services charges to determine whether those charges are reasonable and cost based. Tr. at 51-57.

Staff notes that the settlement agreement in PSNH's most recent distribution rate case will expire in 2015. Although the timing is currently unknown, it is not unreasonable to expect that PSNH will file its next distribution rate case around the time of the termination of the settlement agreement, and Staff recommends that the Commission direct the study to be done in the context of that future distribution rate case to take into account all distribution costs and revenues. In the alternative, the Commission could direct PSNH to conduct a cost of service study of the subject tariffed charges outside of PSNH's next distribution rate case, but Staff encourages the Commission to consider waiting for PSNH's next distribution rate case to appropriately align overall distribution costs with revenues.

Until such time as the study is complete, Staff recommends that the Commission allow the exiting tariff provisions to remain in place. The tariff provisions were previously approved by the Commission and while a cost of service study is appropriate, there are no facts in the record of this proceeding to support the Commission suspending or terminating the tariff provisions without a prior investigation.

Conclusion

As stated, the scope of this docket is whether it is reasonable for the Commission to review the reasonableness of costs associated with PSNH's Selection Charge, Billing and Payment Charge and Collection Services Charge. The record indicates that the charges were established outside of a cost of service study and Staff recommends that the Commission require such a study of the costs in the context of PSNH's next distribution rate case. Finally, Staff recommends against the proposal to require PSNH to rebate or refund Selection Costs or any other costs paid by competitive suppliers to date because the relief was not requested in the initial petition and because ordering a rebate would presume that the tariff charges are unreasonable, a finding which is neither supported nor disproved by the record.

Sincerely,

A handwritten signature in black ink, appearing to read 'Suzanne G. Amidon', with a stylized flourish at the end.

Suzanne G. Amidon
Staff Attorney

Service List (electronically)