

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 11-133

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Approval of New Transmission Cost Adjustment Mechanism Rate

Order Granting Petition

ORDER NO. 25,243

June 29, 2011

APPEARANCES: Gerald M. Eaton, Esq., on behalf of Public Service Company of New Hampshire; and Suzanne Amidon, Esq., on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On June 9, 2011, Public Service Company of New Hampshire (PSNH or Company) filed a petition for approval of a new transmission cost adjustment mechanism (TCAM) rate to be effective for service rendered on and after July 1, 2011. 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) 92 NH PUC 124. At the time of the filing, PSNH said it had not yet calculated a TCAM rate but expected that the overall average TCAM rate for the period beginning July 1, 2011 would change.

The Commission issued an Order of Notice on June 10, 2011, scheduling a hearing for June 23, 2011. On June 13, 2011, PSNH filed testimony and related attachments regarding the calculation of the TCAM and resulting rates. In that filing, PSNH estimated that, due primarily to an over-recovery of costs in the prior period, the average TCAM rate will decrease from the current \$0.01501 per kilowatt hour (kWh) to \$0.01189 per kWh.

II. POSITIONS OF THE PARTIES

A. Public Service Company of New Hampshire

According to PSNH, the TCAM is a mechanism that allows it to fully recover 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 testified that there are two groups of transmission costs within the TCAM filing. The first consists of four categories of wholesale transmission costs that are all regulated by FERC and charged to PSNH by the Independent System Operator-New England (ISO-NE) as follows: (1) regional network service (RNS) costs, (2) local network service (LNS) costs; (3) reliability costs, and (4) scheduling and dispatch (S&D) costs. According to PSNH, 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, such as 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. PSNH said LNS billings are also governed by FERC-approved tariffs and are based on costs allocated to PSNH that reflect their NU load ratio share. PSNH said that its load ratio is calculated using a rolling twelve month coincident peak. The Company said that reliability costs include Black Start capability, VAR support, and other uplift related to generation reliability and are billed to all entities in the region that have RNS load responsibility, based on their monthly peak load. S&D costs, as described by PSNH, 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, such as PSNH, based on their monthly peak load, in accordance with the applicable FERC tariff.

PSNH said that the second cost group consists 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 PSNH, these other transmission costs were previously recovered through PSNH's distribution rates but are now part of the TCAM charge.

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 and capital costs for a thirty-year period ending in 2020. PSNH said that, effective July 1, 2010, any associated revenues were returned to customers as a revenue credit in the TCAM.¹

PSNH explained that in the past the Commission's assessment was recovered from customers through the distribution rate. The settlement refined that approach, allocating the assessment to various rate components as follows: 61.9% to energy service rates; 29.8% to distribution rates; and 8.3% to transmission rates.

PSNH said that there was no provision for working capital when the Commission first approved the TCAM in Docket No. DE 06-028. *See* Order No. 24,750 (May 25, 2007) 92 NH

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.

PUC 124. Since that time, working capital associated with transmission costs was included as part of the distribution working capital allowance. Since the distribution revenue requirement calculation developed in Docket No. DE 09-035 excluded working capital on transmission costs, PSNH added the requirement to the TCAM because the TCAM should include all transmission costs.

PSNH said 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 this data is provided by the ISO-NE. The TCAM also provides all available actual cost and revenue data for the eighteen-month period just prior to the forecast period. The Company referred to this prior period as the "reconciliation period." PSNH stated 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 2011 through June 2012, while the eighteen-month reconciliation period includes actual calendar year 2010 and actual January through May 2011 costs, as well as estimates for June 2011.

PSNH proposed a forecasted average TCAM rate of \$0.01189 per kWh as compared to the current rate of \$0.01501 per kWh. According to the Company, the decrease in the rate is driven by a prior period over-recovery (for the period ending June 2011) which is replacing a prior period under-recovery (for the period ending June 2010) being collected in the current rate. The over-recovery reflects an LNS true-up recorded in May 2011 related to the costs and

revenues for the period January through December 2010, resulting in a credit to LNS customers such as PSNH. According to PSNH, lower LNS revenue requirements during the period were the result of higher RNS revenue credits due to higher actual RNS load than forecasted. PSNH explained that the only way to return overpayments to RNS customers is through the LNS rate. This credit results in an overall decrease in revenue requirements in the forecast period.

PSNH testified that it calculated the individual class TCAM rates according to the settlement agreement approved by Order No. 24,750.² The 2007 settlement describes the design of transmission pricing for Backup Delivery Service Rate B specifically, and for all other customer classes in general. PSNH explained that, for Rate B, the settlement agreement provided that the transmission costs would be recovered through a demand charge, and that the demand charge was divided, for rate calculation purposes, into a base component and an incremental component. Transmission costs are first allocated to the Rate B customer class based on that class' 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 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 revenue 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 instance is a Rate B base component of \$0.31 per kilowatt (kW) or kilovolt-ampere (kVA) per month.

² See, *Public Service Company of N.H.* 92 NH PUC 124 (May 25, 2007).

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 said that it used the billing determinants for the 2009 calendar year, as proformed 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 revenue. 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 it supported the proposed average TCAM rate of \$0.01189 per kWh for effect with service rendered on and after July 1, 2011.

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 \$0.01189 per kWh effective with service rendered on and after July 1, 2011.

This is one of several orders we are issuing for PSNH rates for effect with services rendered on and after July 1, 2011: the instant proceeding, an adjustment to PSNH's transmission

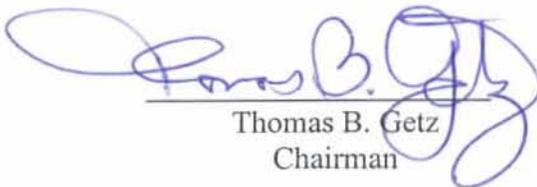
cost adjustment mechanism; in Docket No. DE 10-256, an adjustment to PSNH's stranded cost recovery charge; in Docket No. DE 10-257, an adjustment to PSNH's energy service charge; in Docket No. DE 11-070, an adjustment to distribution rates for exogenous events; in Docket No. DE 11-095, an adjustment to distribution rates for additions to net plant; and in Docket No. DE 11-082, an adjustment to recover costs associated with a February 2010 wind storm and for costs associated with the marketing of the renewable energy source program. Overall, the average total bill impact of these rate changes effective July 1, 2011 is an approximate decrease of 1.27 percent for a PSNH customer that takes its energy service from PSNH (i.e. they do not purchase energy from a competitive supplier).

Based upon the foregoing, it is hereby

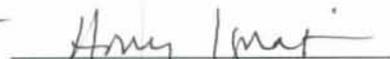
ORDERED, that PSNH's petition for a new transmission cost adjustment mechanism rate at an average of \$0.01189 per kWh for effect with service rendered on and after July 1, 2011 is hereby APPROVED; and it is

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

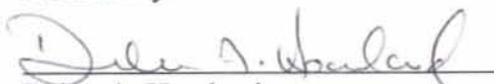
By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of June, 2011.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director