

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-082

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

**Request to Recover February 2010 Wind Storm Costs and Incremental Cost of Marketing
Renewable Service Option; and Request to Modify Deadline for Filing Executive
Compensation Report**

Order Approving Request

ORDER NO. 25,246

June 30, 2011

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

I. PROCEDURAL HISTORY

On April 15, 2011, Public Service Company of New Hampshire (PSNH or Company) filed a request to recover through rates an estimated \$12,225,000 in net storm restoration costs incurred by PSNH during the wind storm of February 2010. PSNH proposed to increase distribution rates for service rendered on and after July 1, 2011 by \$3,056,000, which would provide a four-year recovery period for the storm costs.

At the time of PSNH's last distribution rate case, Docket No. DE 09-035, the total costs of the February 2010 windstorm were undetermined. Consistent with Section 7.3 of a Settlement Agreement approved by Commission in Order No. 25,123 (June 28, 2010), PSNH circulated a draft filing to the Office of Consumer Advocate (OCA) and Staff for review when the costs were known. Following discussions with Staff and the OCA, it was agreed by the parties that PSNH would make the request in the instant filing.

On April 29, 2011, PSNH filed a separate request for relief as follows. First, PSNH requested authorization to recover through distribution rates, effective with service rendered on and after July 1, 2011, the incremental cost of marketing and promoting PSNH's renewable default energy service. Second, PSNH requested a modification of the portion of Order No. 25,123 in Docket No. DE 09-035 that established a deadline and time frame for PSNH to file its annual reports on executive compensation. PSNH requested that the Commission amend the order to allow the Company to file the executive compensation report by April 30 of each year instead of by August 1. PSNH said that it discussed this proposal with the OCA and Staff, who agreed that the report could be filed on a calendar year basis rather than a fiscal year basis.

On May 10, 2011, the Commission issued an order of notice consolidating the three matters and scheduling a hearing for June 23, 2011. On May 24, 2011, the OCA notified the Commission that it would participate in the docket on behalf of residential ratepayers consistent with RSA 363:28. On June 22, 2011, the OCA filed a letter stating that it would not be able to attend the hearing and provided positions on each of the issues.

II. POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire

In its filing regarding the February 2010 wind storm, PSNH proposed to increase distribution rates on July 1, 2011 by \$3.056 million and to continue to recover the February 2010 storm costs over the remaining four years (July 1, 2011 – June 30, 2015) of the settlement agreement approved in Docket No. DE 09-035. PSNH explained that the February 2010 storm costs of \$12.225 million was net of anticipated insurance proceeds (\$6.091 million) and 50% (\$3.653 million) of the projected balance of the major storm costs reserve (Reserve) as of June 30, 2011. According to the Company, applying 50% of the Reserve balance to the February

2010 wind storm costs would leave a balance of approximately \$4 million in the Reserve heading into the fall 2011 hurricane season and winter 2011-2012, pending the occurrence of other major storms. PSNH also stated that the current \$3.5 million annual accrual level to the Reserve is reasonable and does not warrant any change at this time.

PSNH explained that since it made its initial filing, Staff had completed an audit of the storm expenses and had made some observations regarding a lost discount opportunity and an apparent error in billing for the use of a truck. The Staff audit also contained certain recommendations regarding the return calculations used by PSNH in determining the total February 2010 wind storm costs. PSNH said that it had used the stipulated rate of return approved for the Reserve and established pursuant to the restructuring agreement approved in *Public Service Co. of New Hampshire*, Order No. 23,549, 85 NH PUC 536 (2000).

At hearing, PSNH said that it had reviewed and agreed to a Staff proposal regarding the recovery of the February 2010 wind storm costs, and that the OCA had agreed with the proposal as well, as noted in the OCA's June 22 letter. According to PSNH, the proposal would allow PSNH to recover the wind storm costs over four years and apply the stipulated rate of return as originally determined in Docket No. DE 99-099. PSNH said that the recovery of the costs over four years was not to be considered a precedent for such recovery. In addition, PSNH agreed to remove the costs of the lost discount and the billing error, a sum of \$4,248, from the total storm costs. PSNH also agreed to include estimated insurance proceeds in the return calculations to reduce the February 2010 storm balance and associated interest. Finally, PSNH agreed to review the balance in the major storm costs reserve on an annual basis on July 1 and to apply any amounts in excess of \$3.5 million to reduce the February 2010 storm costs, thus reducing the return associated with any remaining balance and accelerating the cost recovery. The effect of

these changes is a reduction in February 2010 recoverable storm costs from \$3.056 million to \$3.010 million.

Regarding the renewable service energy program, PSNH said that the Commission approved a partial settlement agreement between PSNH and Staff in Order No. 25,080 (March 5, 2010). Among other things, the partial settlement agreement provided that PSNH would seek Commission approval to recover the incremental marketing and promotion costs, not to exceed \$125,000 per year, through PSNH's distribution rates. Order No. 25,080 at 8. PSNH said that the Company incurred \$72,717 of incremental marketing and promotion costs in the first year of operating the renewable default energy service option product. PSNH testified that it plans to continue marketing the program during the next twelve months and requested that the Commission allow it to increase its distribution revenues to recover the incremental marketing costs of \$72,717 by adjusting its rates effective with service rendered on and after July 1, 2011.

The partial settlement agreement required PSNH to file a report after the renewable default energy service program had been in place for twelve months detailing program participation and all associated incremental costs. The Company stated that it filed its report on June 16, 2011 and acknowledged that Staff and the OCA did not have time to review the report. PSNH further agreed that the marketing plans for the program could be impacted by discussions with the Staff and the OCA. PSNH also agreed to provide Staff and the OCA with drafts of advertisements developed to promote the renewable energy service program.

Finally, PSNH addressed its request that the filing deadline and time frame for PSNH's annual reports on executive compensation be filed on a calendar year basis rather than on a fiscal year basis. PSNH said the current deadline created reporting difficulties, including the need to determine pension values and certain other compensation on a split year basis. The Company

testified that it had discussed this situation with Staff and the OCA and reached agreement on timing of the annual report..

B. Office of Consumer Advocate

Regarding the request for recovery of the February 2010 wind storm costs, the OCA stated in its June 22 letter that it supported the resolution proposed by Staff that was presented at hearing. With respect to PSNH's request to recover incremental marketing costs associated with the renewable energy service rate, the OCA stated in the letter that it did not object to the Company's recovery of \$72,717 of costs incurred during the first year of the program. The OCA said it did not have a position on PSNH's request for approval of the coming year's costs or any position with regard to any other aspects of the renewable program due to just receiving PSNH's report. The OCA stated that it wanted to review the report and discuss it with the Company and Staff prior to taking a position. Finally, the OCA stated that it had no objection to the Company's request regarding the deadline for the filing of the executive compensation report.

C. Staff

Staff requested that the Commission approve the agreement presented by PSNH regarding its proposed recovery of the February 2010 wind storm costs. Regarding the recovery of the incremental costs of \$72,717 associated with marketing PSNH's renewable default energy service program over the initial twelve months, Staff recommended that the Commission allow PSNH to recover those costs in distribution rates. Staff recommended that the Commission not approve the proposed marketing plan at this time to allow the Staff and the OCA to review the Company's report and evaluate the program as contemplated in the partial settlement agreement approved in Docket No. DE 09-186. Finally, Staff recommended that the Commission change the filing deadline for the annual executive compensation report.

III. COMMISSION ANALYSIS

First, we have considered the proposal described at hearing regarding PSNH's request to recover costs associated with the February 2010 wind storm. We understand that the proposal is as follows: (1) PSNH shall recover the costs over a four-year period; the four-year recovery period shall not be considered a precedent for such recoveries; (2) PSNH shall reduce the total costs by \$4,248 consistent with Staff's audit; (3) PSNH shall also reduce the total costs by including estimated insurance recoveries in its return calculations; (4) PSNH shall use the stipulated rate of return consistent with the restructuring settlement agreement approved in Docket No. DE 09-099; and (5) on July 1 of each year, PSNH will review the balance of the Reserve account and apply any amounts in excess of \$3.5 million to reducing the balance of the February 2010 wind storm account and accelerating the recovery of those costs.

We note that PSNH, Staff and the OCA are all in agreement regarding this proposal. We have determined that this revised methodology balances the interests of the Company in recovering the costs with the goal of reasonably minimizing the balance and associated return in the interest of ratepayers who bear those costs. Therefore, we find the agreement regarding the recovery of the February 2010 wind storm costs to be just and reasonable and in the public interest and we authorize PSNH to recover those costs according to the terms specified in this order.

We have reviewed PSNH's request to recover \$72,717 in incremental marketing costs associated with the Company's renewable energy service program and find that the request is consistent with the order issued in Docket No. DE 09-186. Consequently, we find that the recovery of these costs through distribution rates is just and reasonable and in the public interest. The Company should not consider approval of the costs associated with marketing and

promotion of the renewable energy service program in its first year of operation to constitute pre-approval for the marketing costs associated with the second year of the program's operation.

Finally, we address the deadline and term for filing the annual executive compensation report. We find it reasonable for the Company to make its filing on executive compensation on April 30 of each based on prior calendar year information.

This is one of the six orders we are issuing for PSNH rates for services rendered on and after July 1, 2011 in the following dockets: DE 10-256, a mid-year adjustment to PSNH's average SCRC rate; DE 10-257, a mid-year adjustment to PSNH's energy service charge; DE 11-070, an adjustment to distribution rates for exogenous events; DE 11-095, a step increase to distribution rates for changes to net plant; and DE 11-133, an adjustment to the transmission cost adjustment mechanism rate. Overall, the average impact of these rate changes effective July 1, 2011 is an approximate decrease of 1.27% for a PSNH customer not purchasing energy from a competitive supplier.

Based upon the foregoing, it is hereby

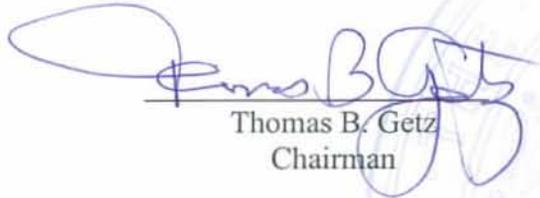
ORDERED, that Public Service Company of New Hampshire shall be allowed to commence recovery of the February 2010 wind storm costs in rates effective with service rendered on and after July 1, 2011 according to the terms and methodology described herein; and it is

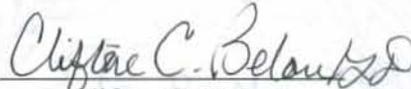
FURTHER ORDERED, that that Public Service Company of New Hampshire shall be allowed to recover \$72,717 in marketing costs associated with the implementation of its renewable default service program through distribution rates effective for service rendered on and after July 1, 2011;

FURTHER ORDERED, that the Petitioner shall file a compliance tariff with the Commission on or before July 15, 2011, in accordance with N.H. Code Admin. Rules Puc 1603.02(b); and it is

FURTHER ORDERED, that the deadline by which Public Service Company of New Hampshire must file its annual executive compensation report shall be April 30 of each year for the prior calendar year results.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of June, 2011.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Lori A. Davis
Assistant Secretary