

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-358

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

**Petition for Adjustment to Renewable Service Option Rate and to
Require a Minimum Participation to Continue the Rate Option**

Order Granting Petition

ORDER NO. 25,511

May 15, 2013

APPEARANCES: Matthew J. Fossum, Esq. on behalf of Public Service Company of New Hampshire; the Office of Consumer Advocate by Susan W. Chamberlain, Esq. on behalf of residential ratepayers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On December 19, 2012, Public Service Company of New Hampshire (PSNH or Company) filed a petition to revise the Company's renewable default energy service (RDES) rate established in Order No. 25,204 (March 15, 2011)¹. PSNH included supporting testimony and related attachments with its petition. In addition to seeking authority to revise the RDES rate, PSNH requested that the Commission approve PSNH's proposal to require a minimum level of customer participation in order to continue offering rate RDES, pursuant to RSA 374-F:3,V(f)(10). PSNH proposed that if, within six months of the Commission's order on the instant filing, participation was less than 1.0 percent of eligible customers, rate RDES would be discontinued.

On January 2, 2013, the Office of Consumer Advocate (OCA) filed a letter indicating its participation in the docket pursuant to RSA 363:28. The Commission issued an Order of Notice

¹ Pursuant to RSA 374-F:3,V(f)(2), electric utilities are required to provide one or more renewable energy source options to their default service customers.

on February 4, 2013 scheduling a prehearing conference for February 20, 2013. On March 6, 2013, the OCA filed a motion for expedited review.

Staff filed a letter on March 22, 2013 proposing a hearing date. On March 29, 2013, the Commission issued a secretarial letter scheduling a hearing for April 29, 2013. PSNH filed a technical statement on April 10, 2013 with updated information on the proposed RDES rate. The hearing was held as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire

PSNH said that the Commission approved the Company's RDES rate structure in Order No. 25,080 (March 5, 2010) in Docket No. DE 09-186. PSNH testified that in the instant filing, it seeks to revise the RDES rate and to establish a minimum level of participation by customers in order to continue offering rate RDES. PSNH noted that the Commission last set the Company's RDES rate in Order No. 25,324 (January 31, 2012 in Docket No. DE 11-255). PSNH stated that it had requested a revision of the rate established in Order No. 25,324 in June 2012 in Docket DE 11-255², however, the Commission never acted on that request. PSNH said that this filing withdraws the June 2012 petition and replaces it with the instant request. PSNH requested that the new RDES rate be approved expeditiously to be effective on the earliest possible date.

Pursuant to the settlement agreement approved in Order No. 25,080, PSNH purchases Class I (new) and Class II (solar) Renewable Energy Certificates (RECs) with revenues received from customers who elect to participate in rate RDES. PSNH said that the current RDES rate was set in March 2012 and since that time, the market price for RECs has increased. According to PSNH, because current market prices are just below the alternative compliance payment

² See PSNH filing dated June 1, 2012 in Docket No. 11-255.

(ACP) amount for Class I and Class II RECs and, therefore, the RDES rate should reflect the ACP value for Class I and Class II RECs. PSNH acknowledged that there may be an over-recovery of revenue if the Company is able to purchase RECs at less than the ACP amount, but stated that any over-collection would be applied to offset the current estimated under-collection of \$31,400.

PSNH calculated that the effect of rates proposed in the instant filing will result in increases for customers who participate in rate RDES as follows. Customers who choose to match 100% of their monthly kilowatt hour (kWh) usage with RECs will experience a rate increase from 3.579 cents per kWh to 5.5 cents per kWh, for a total RDES payment of \$27.50 per month for a residential customer using 500 kWh of energy per month. The RDES rate is in addition to the tariffed default service rate. Customers who choose to match 50% of their monthly usage will experience a rate increase from 1.79 cents per kWh to 2.75 cents per kWh, for a total RDES payment of \$13.75 for a residential customer using 500 kWh per month. Customers who choose to match 25% of their usage will experience a rate increase from 0.895 cents per kWh to 1.375 cents per kWh, for a total RDES payment of \$6.88 for a customer using 500 kWh of energy per month. For small commercial customers using 10,000 kWh per month, monthly bill increases resulting from the change in Rate RDES would range from \$137.50 per month for the 25% match to \$550.00 for a customer taking the 100% match, in addition to the tariffed rate.

PSNH said that the Company had spent approximately \$104,000 in marketing the program through newspaper advertising, bill inserts, radio tags and its website and that, despite these efforts, customer interest in rate RDES remains low. PSNH's prefiled testimony stated that although rate RDES has been in effect since May 1, 2010, as of November 30, 2012, there were

only 173 customers enrolled. In its April 10, 2013 update to its filing, PSNH reported that the number of customers on rate RDES had dropped to 160. At hearing April 29, 2013, PSNH said that the number had fallen to 141.

In light of the overall lack of customer participation and the administrative effort necessary to offer the rate, PSNH proposed to establish a minimum level of customer participation in order for PSNH to continue offering the rate. PSNH proposed that the threshold for participation be 1.0% of eligible customers. Using the current number of customers eligible to take rate RDES, 4,430 customers would need to be enrolled in rate RDES within six months of a favorable order from the Commission for PSNH to continue offering the program. PSNH testified that the proposal for minimum participation at 1.0% of eligible customers was derived from the National Renewable Energy Laboratory's report entitled "Green Power Marketing in the United States: A Status Report (2009 Data)", which stated that the median customer participation in utility green pricing programs was 1.0%. PSNH said that this metric is also consistent with its prior testimony in Docket DE 09-186, in which the program was first established.

If rate RDES is discontinued, PSNH said it would provide notice by letter to all current RDES customers explaining the changes in the program and their options, which would include third party vendors of RECs such as Sterling Planet. PSNH also testified that it would maintain the RDES website but change it to educate customers on REC purchases that are offered without the involvement of a utility. PSNH added that many competitive suppliers also offer programs supporting renewable energy in their electric service delivery plans.

The Company reiterated that the RDES program is currently experiencing a projected \$31,400 under-collection. Because the settlement agreement provided that over- and under-

collections in the program should be recovered by participants, PSNH calculated that rate RDES could increase to 9.0 cents per kWh for participating customers in order to recover the under-collected sum. According to PSNH, if the program were discontinued, the Company would propose to recover any under-collection through default service rates where it would have an imperceptible impact on rates, and any final reconciliation would be subject to Commission review and approval.

B. Office of Consumer Advocate

The OCA stated that it supported the discontinuation of the program in light of the fact that there are other vendors of RECs. The OCA also said that there would be less impact on customers if any over-collection were recovered from all default service customers rather than from those taking the RDES rate.

C. Staff

Staff said that it had reviewed the proposed RDES rates and that the rates as modified by the April 10, 2013 filing were appropriately calculated. Staff also expressed support for the discontinuation of the program in light of the low participation and the associated administrative cost.

III. COMMISSION ANALYSIS

We have two issues before us—a proposed adjustment to PSNH's RDES rate and a proposal to relieve PSNH from offering the RDES rate if the rate fails to attract at least 1.0% of eligible customers within six months. While the proposed RDES rates represent a significant increase in the current rate, we have concluded that it is appropriate for PSNH to base the rate on the 2013 ACPs for Class I and Class II RECs. If PSNH set the rates any lower, the RDES program could experience an under-collection greater than the current under-collection of

\$31,400. Having reviewed PSNH's filing and testimony and participating in the hearing, we find that the proposed changes to the RDES rate appear to be market based and are just and reasonable as required by RSA 378:5 and 8.

We understand that higher RDES rates could cause customers who are currently participating in the RDES rate to opt out, thus decreasing the number of participants who are responsible for the under-collected amount. Further, we recognize that in spite of its marketing efforts, PSNH has not been able to attract a sufficient number of customers to sustain the RDES program offering. We also note that PSNH intends to maintain a link on its website to provide retail access to competitive sellers of renewable energy source attributes. Finally, we understand that some competitive suppliers offer electricity supply obtained from renewable generation which PSNH RDES customers could select as their energy provider.

Based on the foregoing, we conclude that PSNH has taken appropriate action by requesting that the Commission approve a minimum level of participation in the program in order for the program to continue. We will require a minimum participation of 1.0% of eligible customers in the RDES program within six month of this Order. If less than 1.0% of eligible customers participate in the RDES program within six months, PSNH may terminate the program offering. In the event the program discontinues, PSNH shall file its proposal for reconciling any outstanding costs associated for Commission review and approval.

We will consider PSNH's June 1, 2012 filing in Docket DE 11-255 as withdrawn according to the request of the Company.

Based upon the foregoing, it is hereby

ORDERED, that the petition of Public Service Company of New Hampshire as modified by its April 10, 2013 filing to adjust its Renewable Default Energy Service rate for effect no later than June 1, 2013 is hereby APPROVED; and it is

FURTHER ORDERED, that PSNH's request to require a minimum participation of 1.0 percent in the Renewable Default Energy Service rate within six months of the date of the Order as a condition to offering the rate is hereby GRANTED; and it is

FURTHER ORDERED, that in the event that the Renewable Default Energy Service program is discontinued, PSNH shall seek Commission approval of the final reconciliation of any over- or under-collections existing at the time of the program's cessation; and it is

FURTHER ORDERED, that PSNH shall file a tariff pursuant to New Hampshire Code Admin. Rules Puc 1603 within 20 days of the date of this Order.

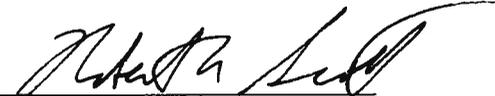
By order of the Public Utilities Commission of New Hampshire this fifteenth day of May, 2013.



Amy L. Ignatius
Chairman



Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director