

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 12-292**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**

**Petition for Interim Adjustment to Default Energy Service Rate**

**Order Following Hearing**

**ORDER NO. 25,535**

**June 27, 2013**

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

**I. PROCEDURAL HISTORY**

On May 2, 2013, Public Service Company of New Hampshire (PSNH) filed a request with supporting testimony and schedules to adjust its energy service rate effective with service rendered on and after July 1, 2013. The proposed energy service rate does not include costs associated with the wet flue gas desulphurization system (Scrubber) installed at PSNH's Merrimack Station because the Scrubber costs are being separately reviewed in Docket DE 11-250. The charge to be assessed to energy service customers, however, will include both the energy service rate and a Scrubber adder, which is currently set on a temporary basis at 0.98 cents per kilowatt-hour (kWh). At the time of the filing, PSNH estimated that the revised non-Scrubber portion of the energy service rate would be 8.00 cents per kWh, a decrease from the current non-Scrubber portion of the energy service rate of 8.56 cents per kWh. PSNH stated that the proposed decrease in the non-Scrubber energy service rate is primarily due to the reductions in calendar year 2012 and 2013 costs to comply with the N.H. Renewable Portfolio Standard (RPS) law (RSA 362-F) and expected refunds for customers resulting from Regional Greenhouse

Gas Initiative (RGGI) auctions in 2013 (RSA 125-O:19-28). PSNH said that it would file updated calculations of the energy service rate prior to hearing to reflect the actual results for April and May 2013 and updated forecasts for the period June through December 2013.

The Office of Consumer Advocate filed a letter on October 11, 2012 in the first stage of this proceeding, stating that it would participate in this docket on behalf of residential ratepayers pursuant to RSA 363:28.

The Commission issued an Order of Notice on May 13, 2013 scheduling a hearing for June 19, 2013; by Secretarial Letter dated June 17, 2013, the Commission rescheduled the hearing for June 20, 2013.

PSNH filed an updated non-Scrubber energy service rate of 7.64 cents per kWh on June 13, 2013 with a technical statement and revised schedules.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Public Service Company of New Hampshire**

PSNH testified that energy service costs include generation asset revenue requirements, entitlements and purchased power obligations, including the fuel used for generation; costs and revenues associated with market purchases and sales; New Hampshire RPS compliance costs; RGGI costs; independent power producer (IPP) power valued at market prices; and non-fuel operation and maintenance costs, property taxes and payroll taxes, depreciation, uncollectible costs attributable to energy service, and a return on net generation investment.

In its May 2, 2013 filing, PSNH proposed a non-Scrubber energy service rate calculation of 8.00 cents per kWh, a decrease of 0.56 cents per kWh from the Company's current non-Scrubber rate of 8.56 cents per kWh. According to PSNH, the primary causes of the calculated decrease in estimated energy service rates is an energy service over-recovery attributable to

decreases of \$9.299 million and \$9.005 million in 2012 and 2013 in RPS compliance costs, respectively, and an estimated credit to customers of \$8.818 million expected from RGGI action proceeds in excess of \$1 per allowance associated with the 2013 quarterly auctions in March, June, September and December.

In its June 13, 2013 update, PSNH revised its non-Scrubber energy service rate calculation to 7.64 cents per kWh, a decrease of 0.36 cents per kWh from its May 2, 2013 rate estimate of 8.00 cents per kWh. According to PSNH, the primary cause of the further decrease to energy service rates is attributable to a \$34.2 million decrease in costs associated with operating its generating fleet and power purchases offset by a \$28.3 million decrease in revenue resulting from additional customer migration. In calculating the existing energy service rate, PSNH used an actual customer migration rate of 42.5% as of October 2012. In the May 2 filing, the migration rate was revised to 45.6% based on March 2013 actual migration, and in its June 13, 2013 update, PSNH used 50.9%, the actual migration rate for May 2013.

According to PSNH, the Commission approved a temporary Scrubber rate adder of 0.98 cents per kWh in Order No. 25,346 (April 10, 2012) in Docket DE 11-250, the docket opened for the purposes of investigating the costs and cost recovery for the installation of the Scrubber at Merrimack Station. The temporary Scrubber rate of 0.98 cents per kWh added to the proposed non-Scrubber rate of 7.64 cents per kWh results in a total proposed energy service rate of 8.62 cents per kWh, a decrease from the current total energy service rate of 9.54 cents per kWh.

PSNH concluded its testimony by affirming that the instant filing was consistent with its most recent least cost integrated resource plan on file with the Commission.

## **B. Office of Consumer Advocate**

While the OCA stated that it did not object to the filing, it opined that PSNH's calculation of the energy service rates based on its owned generation was unsustainable because the result is that 50% of PSNH default service customers, primarily residential and small commercial customers, bear 100% of the costs of the generation.

## **C. Staff**

Staff stated that it had reviewed the filing and supported PSNH's calculation of the default energy service rate in the June 13, 2013 filing, and opined that the rate was calculated consistent with the requirements of RSA 369-B:3 (IV)(b)(1)(A).

## **III. COMMISSION ANALYSIS**

Pursuant to RSA 369-B:3 (IV)(b)(1)(A), the price for PSNH's energy service shall be PSNH's actual, prudent and reasonable costs of providing the power, as approved by the Commission. Based on our review of the petition and the evidence in the record, we find that the calculations and related documentation support PSNH's request for a mid-term adjustment to its energy service rates. PSNH's actual 2013 energy service costs and revenues, along with PSNH's actual stranded cost recovery costs and revenues, will be reconciled in PSNH's 2013 reconciliation docket, which will be filed next year.

We also find that pursuant to RSA 378:41, PSNH's energy service filing in the instant docket is consistent with its most recently filed least cost integrated resource plan found adequate by the Commission.

We further direct PSNH to update its report regarding generation costs and submit it with its energy service rate filing in September 2013. In preparing the report, PSNH should take into account the recent developments at Independent System Operator-New England including but

not limited to their participation in the Winter Reliability Program, an update on the market values of power from the Berlin Station, and operations of the plants due to increased migration. PSNH is directed to use the term “capacity factor” as the term is generally understood by the industry in the report.

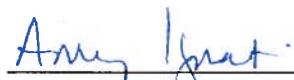
This is one of several orders we are issuing for PSNH rates for effect with services rendered on and after July 1, 2013: the instant proceeding, an adjustment to PSNH’s energy service charge; Docket No. DE 12-291, an adjustment to PSNH’s stranded cost recovery charge; Docket No. DE 13-127, an adjustment to distribution rates for additions to net plant and an adjustment to collections to be deposited in PSNH’s major storm reserve; and Docket No. DE 13-167, an adjustment to PSNH’s transmission cost adjustment factor. Overall, the average total bill impact of these rate changes effective July 1, 2013 is an approximate decrease of 5.3% for residential customers taking energy service from PSNH. We find that the resulting rates are just and reasonable.

**Based upon the foregoing, it is hereby**

**ORDERED**, that Public Service Company of New Hampshire is authorized to adjust the non-Scrubber portion of its energy service rate from 8.56 cents per kWh to 7.64 cents per kWh effective with service rendered on and after July 1, 2013; and it is; and it is

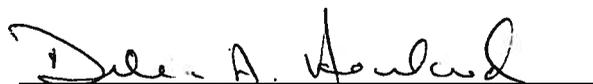
**FURTHER ORDERED**, that Public Service Company of New Hampshire shall file tariff pages conforming to this Order pursuant to Puc Part 1603 within 30 days of the date below.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day  
of June, 2013.

  
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Amy L. Ignatius  
Chairman

  
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Michael D. Harrington  
Commissioner

Attested by:

  
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Debra A. Howland  
Executive Director