

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 14-236

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition to Set 2015 Stranded Cost Recovery Charge

Order Approving Adjustment to Stranded Cost Recovery Charge

ORDER NO. 25,742

December 29, 2014

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.

In this Order, the Commission approves PSNH's proposed increase to the average SCRC rate effective with services rendered on and after January 1, 2015. Together with increases approved to PSNH's energy service and distribution rate for effect January 1, 2015, monthly bills for residential customers using 625 kWh per month will increase from \$111.50 to \$118.33, an increase of 6.13%.

I. BACKGROUND AND PROCEDURAL HISTORY

The stranded cost recovery charge (SCRC) is paid by all Public Service Company of New Hampshire (PSNH) customers and is designed to compensate PSNH for certain costs that cannot otherwise be recovered as a result of the changes brought about by RSA 374-F, the electric industry restructuring statute. RSA 374-F:2 states that certain costs "will not be recovered as a result of restructured industry regulation that allows choice of electricity suppliers, unless a specific mechanism for such cost recovery is provided." The SCRC is that specific mechanism.

The SCRC recovers certain costs under the Restructuring Settlement approved by the Commission in Order Nos. 23,443 and 23,549. *PSNH Proposed Restructuring Settlement*,

85 NH PUC 154 and 536 (2000). The Restructuring Settlement defined PSNH's stranded costs and categorized them into three parts as follows: Part 1 comprised the rate reduction bond (RRB) charge calculated to recover the principal, interest, and fees related to the RRBs. The RRBs were fully amortized as of May 1, 2013. Part 2 includes "ongoing" costs consisting of the over-market value of energy purchased from independent power producers (IPPSs), the up-front payments made for IPP buy-downs and buy-outs previously approved by the Commission, and PSNH's share of the present value of the savings associated with those buy-down and buy-out transactions. Part 3 costs, consisting of non-securitized stranded costs, were fully recovered as of June 30, 2006. Because recovery of Part 1 and Part 3 costs is no longer necessary, only Part 2 costs are still included in the SCRC.

Although the SCRC varies by customer class, the current average SCRC rate is a credit of 0.221 cents per kilowatt hour (kWh). Order No. 25,681 (June 27, 2014). The current SCRC is a credit because it refunds approximately \$13.1 million associated with Phase II Department of Energy (DOE) litigation proceeds to customers over the period July 1 through December 31, 2014.

On September 15, 2014, PSNH filed testimony of Christopher J. Goulding, Manager, Revenue Requirements for PSNH. The testimony included related exhibits supporting the establishment of an average SCRC rate effective with service rendered on and after January 1, 2015. At the time of the initial filing, PSNH calculated an average SCRC rate of 0.104 cents per kWh for effect with rates on January 1, 2015. PSNH indicated that it would update its estimate of the average SCRC rate with more current data prior to the hearing on the merits.

On September 18, 2015, the Office of Consumer Advocate (OCA) filed a letter of participation in this docket pursuant to RSA 363:28. Following a prehearing conference on

October 29, the Commission approved a procedural schedule with a merits hearing on December 18, 2014. PSNH filed an updated calculation of the average SCRC rate on December 15, 2014.

II. POSITIONS OF THE PARTIES AND STAFF

A. PSNH

As noted above, at the time it filed its original petition, PSNH calculated the preliminary average 2015 SCRC rate to be approximately 0.104 cents per kWh, an increase from the current rate, which is a credit of 0.221 cents per kWh. PSNH attributed the increase to the end of \$13.1 million in credits associated with Phase II DOE litigation proceeds. Those credits were returned to customers from July to December 2014.

In its updated filing of December 15, 2014, PSNH proposed an average SCRC rate for effect on January 1, 2015, of 0.110 cents per kWh, an increase of 0.006 cents per kWh from the initial proposal of 0.104 cents per kWh. PSNH stated that the increase was due to an increase in the actual and forecast above-market IPP costs for 2014, offset by a decrease in the forecasted above-market IPP cost for 2015. PSNH asserted that the resulting rates were appropriately calculated and constitute just and reasonable rates, and that the petition should be approved.

Mr. Goulding indicated that if a mid-year rate adjustment to the SCRC were deemed necessary in 2015, PSNH would file a petition to change the SCRC rate on a schedule consistent with a petition for a mid-year modification to its energy service rate, with sufficient time to allow parties and Staff to review the need for such a mid-year adjustment.

B. OCA

The OCA said that it did not object to the filing.

C. Staff

Staff stated that it reviewed the filing and determined that PSNH had appropriately calculated the SCRC rate. Staff expressed support for the petition.

III. COMMISSION ANALYSIS

RSA 378:8 authorizes the Commission to determine the just, reasonable, and lawful rates to be charged by public utilities within its jurisdiction. With respect to stranded cost recovery, the N.H. Legislature has specifically instructed that any recovery “should be through a non-bypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, consistent with the promotion of fully competitive markets and consistent with [the restructuring policy] principles.” RSA 374-F:3, XII (d). We find that PSNH’s proposal to adjust its SCRC rate to reflect changes in the costs, including the impact of changes in forecasted market prices, is appropriate and consistent with the Legislature’s guidance. Though the proposed rate constitutes an increase, the overall increase in default service rates proposed for January 1, 2015, reflects a reduction of a \$13.1 million credit customers received from July through December, 2014.

Based upon the foregoing, it is hereby

ORDERED, that PSNH’s petition as modified by its December 15, 2014, filing to adjust its average stranded cost recovery charge to 0.110 cents per kWh effective with service rendered on and after January 1, 2015, is hereby APPROVED; and it is

FURTHER ORDERED, that PSNH shall file tariffs conforming to this Order within 30 days of the date hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of
December, 2014.

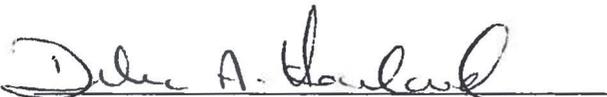


Martin P. Honigberg
Chairman



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director