

STATE OF NEW HAMPSHIRE

Inter-Department Communication

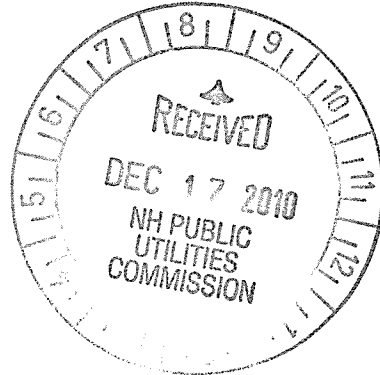
DATE: December 17, 2010

AT (OFFICE): NHPUC

FROM: Grant W. Siwinski *GS*
Utility Analyst III

SUBJECT: DE 10-303, New Hampshire Electric Cooperative, Inc.
Stranded Cost Charge Adjustment for 2011

TO: Debra A. Howland
Executive Director



Staff has reviewed the proposed change to the New Hampshire Electric Cooperative, Inc.'s (NHEC) Stranded Cost Charge for 2011 as filed in Docket No. DE 10-303. The proposed decrease in the Stranded Cost Charge from 1.502¢ per kWh to 1.032¢ per kWh represents a decrease of 2.49 percent in NHEC's average revenue per kWh. This decline will cause the bill of a residential customer using 500 kWh per month to decrease by \$2.35, from \$98.39 to \$96.04; however, NHEC notes in its testimony that the decline is calculated based on "no other changes to the Cooperative's rates." In its filing, however, NHEC states that it anticipates changes in its member Service Charge and the Delivery kWh Charge to occur on January 1, 2011; the anticipated changes are not indicated.

The Stranded Cost Charge includes the amortization of the Seabrook regulatory asset and the amortization of a regulatory asset associated with the termination of NHEC's wholesale power contract with Public Service Company of New Hampshire, both of which the Commission approved in Docket No. DR 98-097. The stranded costs to be collected in 2011 are estimated to total approximately \$7.2 million, a decrease of \$3.0 million compared to the forecasted collection in 2010. While such a decrease would normally result in a more significant rate decrease, the decrease is offset by lower forecasted kWh sales in 2011. NHEC is forecasting that 2011 kWh sales will be approximately 3.0% less than 2010 sales.

The original amount of stranded costs to be collected by NHEC was \$121 million, as determined in Docket No. DR 98-097. As of December 31, 2010, the total stranded costs remaining will total approximately \$7.2 million dollars; those costs are expected to be collected by the end of 2011 and will be NHEC's last to be recovered through a surcharge. To minimize the effects of an over/under recovery at year end, NHEC intends to monitor deviations in actual and forecasted sales during the year. If the deviations warrant an adjustment to the stranded cost surcharge, NHEC proposes to seek the Commission's approval of an adjustment following the third quarter of 2011. If the recovery balance is less than \$25,000, NHEC proposes to absorb the over/under amount into its cost of operations. For balances greater than \$25,000, NHEC would seek the Commission's approval for an over/under recovery plan. According to NHEC, the

Commission approved a similar plan in Order No. 23,880 in Docket No. DR 98-097. In discovery, NHEC explained that \$25,000 equates to approximately a 1.0 percent change in kWh sales for the fourth quarter of 2011, based on the proposed stranded cost charge of \$0.01032 per kWh. NHEC believes that the ending recovery balance will be less than \$25,000 if the proposed charge is approved.

Consistent with prior proceedings, NHEC calculates the stranded cost charge by dividing the total stranded costs for the period by forecasted kWh sales, inclusive of ski area load. Each year the forecasted sales reflect “weather normalization” of historical sales adjusted for billing days along with the projected number of customers and usage per customer. Actual costs and revenue are reconciled on a monthly basis.

Recommendation

It is Staff’s recommendation that the proposed change in the stranded cost charge be approved by an Order *Nisi* for bills rendered on and after January 1, 2011. It is also Staff’s recommendation that the New Hampshire Electric Cooperative, Inc. seek the Commission’s approval to adjust the Stranded Cost Charge following the third quarter of 2011 by filing no later than October 31, 2011, a written request with supporting documentation for the Commission’s review and approval.

Staff reviewed Order No. 23,880 and Staff cannot confirm that the Commission authorized the New Hampshire Electric Cooperative, Inc. to absorb the over/under recovery amount into its cost of operations in Docket No. DR 98-097. Staff therefore recommends that NHEC seek the Commission’s approval to address any over/under recovery amount remaining at year-end by filing no later than January 31, 2012, a written request with supporting documentation for the Commission’s review and approval.

If you have any questions, please do not hesitate to contact me.