



**Public Service
of New Hampshire**

DE 11-216

780 N. Commercial Street, Manchester, NH 03101

Public Service Company of New Hampshire
P. O. Box 330
Manchester, NH 03105-0330
(603) 634-2961
(603) 634-2438 Law Dept. Fax
Matthew.fossum@nu.com

A Northeast Utilities Company

Matthew J. Fossum
Senior Counsel

June 25, 2014

NHPUC JUN25'14 PM 4:17

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DE 11-216, Public Service Company of New Hampshire
Alternative Default Energy Service Rate
Response to Staff-OCA Recommendation

Dear Director Howland:

On April 8, 2013, the Commission issued Order No. 25,488 approving a partial settlement agreement between Commission Staff, the Office of Consumer Advocate ("OCA") and Public Service Company of New Hampshire's ("PSNH") and permitting PSNH to implement its proposed Alternative Default Energy Service ("ADE") Rate on a pilot basis for 36 months. Rate ADE had been designed with the intention of producing benefits that would accrue to all default service customers, in particular those on PSNH's standard default energy service rate, Rate DE.

Pursuant to the settlement, the price of Rate ADE is set on an annual basis at the same time PSNH sets the price for Rate DE and includes an adder equal to the non-operating costs of the Scrubber. Rate ADE may be subject to a mid-term adjustment if PSNH's projected marginal costs for the remaining months of the annual period increase by at least 75% of the amount of the adder. The rate would temporarily close if this increase were to occur, and would be recalculated for the next six month period, starting July 1. Pursuant to this pricing scheme, Rate ADE was closed to new customers as of March 1, 2014. On June 13, 2014, PSNH requested to reset the price of Rate ADE at \$0.0975 per kwh for the period beginning July 1, 2014 and to reopen the rate at that time.

On June 23, 2014, the Staff and OCA submitted a letter to the Commission stating their assessment that Rate ADE has "failed to achieve" its goal of benefitting Rate DE customers and that Rate DE customers had, in fact, been burdened by additional costs. The Staff and OCA recommended that the Commission suspend the rate and not allow it to reopen on July 1, 2014. The Staff and OCA further recommended that the Commission terminate the pilot program and end the rate, after allowing PSNH an opportunity to address the customers presently on that rate. The Staff and OCA also offered other recommendations about actions PSNH might take to militate against potential energy price spikes in the coming winter.

In response to the recommendations of Staff and the OCA, PSNH offers the following. First, PSNH agrees with the assessment that Rate ADE has not provided the benefits to Rate DE customers that were expected at the time Rate ADE was developed and implemented. While the shortfall in the benefits is not necessarily a result of the design of Rate ADE, it is, nonetheless, a consequence that should be addressed. To that end, PSNH agrees that this circumstance merits revisiting the rate and reassessing its continuing viability.

In the short term, PSNH agrees with the recommendation that the rate not reopen to new customers on July 1, 2014. If the rate is to be modified or terminated, adding additional customers at this time would not be advisable. With respect to the customers presently on Rate ADE, although the rate would be closed to new customers PSNH would recommend that the existing customers remain on Rate ADE and that beginning July 1, 2014 they be charged the \$0.0975 per kwh rate as filed by PSNH on June 13, 2014. The proposed rate level reflects the costs of serving those customers and should be the amount charged. Additionally, for those customers on Rate ADE, the "term of service" for those customers will continue to run. The net effect of not adding new customers while having the "term of service" run for existing customers will be that the number of customers on Rate ADE will diminish over time.

In the longer term, and while Rate ADE is closed to new customers, PSNH is open to revisiting the terms and conditions for implementing Rate ADE and to discussing potential modifications to the rate. PSNH is not, at present, convinced that Rate ADE should be terminated, but does agree that continuing Rate ADE in its present form may not be beneficial. Further, PSNH is open to discussing other means for addressing the potential for energy price spikes as noted in the Staff and OCA recommendation, including potentially modifying Rate ADE to more accurately reflect the costs in the marketplace.

Thank you for your assistance with this matter. Please do not hesitate to contact me with any questions.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Matthew J. Fossum", with a stylized flourish extending to the right.

Matthew J. Fossum
Senior Counsel

cc: Service list