

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 13-274

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Request for Adjustment of Stranded Cost Recovery Charge

Oder Approving Adjustment of Stranded Cost Recovery Charge

ORDER NO. 25,610

December 23, 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 September 27, 2013, Public Service Company of New Hampshire (PSNH) filed testimony and related exhibits to establish a stranded cost recovery charge (SCRC) rate effective with service rendered on and after January 1, 2014. The SCRC is paid by all 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 Ch. 374-F, the statute restructuring the electric utility industry in New Hampshire. RSA 374-F:2 stated 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. Although the SCRC varies by customer class, the current average SCRC rate is 0.127 cents per kilowatt-hour (kWh). *See*, Order No. 25,532 (June 27, 2013) in PSNH’s 2013 SCRC proceeding. The average rate of 0.127 cents per kWh is intended to collect estimated revenue requirements for the period July 1, 2013 through December 31, 2013. In its filing, PSNH stated that the proposed SCRC rate will be in conformity with PSNH’s least cost integrated resource

plan (LCIRP) most recently filed and found adequate by the Commission. At the time that the petition was filed, PSNH calculated an average SCRC rate of 0.38 cents per kWh for effect with rates on January 1, 2014, but did not request approval of a specific rate in its petition. Instead, PSNH indicated that it would update its estimates with more current data prior to the hearing on the merits.

An Order of Notice was issued on October 9, 2013 scheduling a prehearing conference for October 28, 2013. On October 11, 2013, the Office of Consumer Advocate (OCA) notified the Commission of its participation in the docket on behalf of residential ratepayers.

On November 4, 2013, the Commission approved a procedural schedule by secretarial letter. Pursuant to the procedural schedule, PSNH filed an update to its estimated SCRC calculation on December 12, 2013, and a hearing on the merits was held on December 16, 2013.

II. POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire

In prefiled testimony, Eric H. Chung, Director of Revenue Requirements for Massachusetts and New Hampshire at Northeast Utilities, PSNH's parent company, explained that 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). According to Mr. Chung, the Restructuring Settlement defined PSNH's stranded costs and categorized them into three parts as follows: Part 1 comprises the rate reduction bond (RRB) charge calculated to recover the principal, interest and fees related to the RRBs. The RRBs were fully amortized at May 1, 2013. Part 2 costs include "ongoing" costs consisting primarily of the over-market value of energy purchased from independent power producers (IPPs), 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 these buy-down and buy-out transactions. Part 3 costs, consisting of non-securitized stranded costs, were fully recovered as of June 30, 2006.

At the time it filed its original petition, PSNH calculated the preliminary average 2014 SCRC rate to be approximately 0.38 cents per kWh, an increase of 0.253 cents per kWh as compared to the current average rate of 0.127 cents per kWh. PSNH said that the reason for the SCRC rate increase was primarily due to (1) the current SCRC rate included an \$8.6 million credit for final disposition of the RRB reserves and the proposed 2014 rate does not include any such credit; and (2) the current SCRC rate included a \$4.7 million credit for Department of Energy litigation proceeds, while the 2014 rate includes a \$1.4 million credit for such proceeds. Mr. Chung indicated that if a mid-year rate adjustment to the SCRC is deemed necessary, PSNH will 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. According to Mr. Chung, a petition would be filed at a time that would allow parties and Staff sufficient time to review the need for such mid-year adjustments.

In its updated filing of December 12, 2013, PSNH proposed an average SCRC rate for effect on January 1, 2014 of 0.35 cents per kWh, a reduction from the initial proposal of 0.38 cents per kWh. PSNH stated that the reduction was due to an increase in forecasted market prices which decreased the above-market costs associated with purchases from the IPPs. PSNH presented its updated calculations at the December 16, 2013 hearing. As part of its testimony at hearing, PSNH affirmed that the filing is consistent with PSNH's most recent LCIRP filed and found adequate by the Commission.

B. Office of Consumer Advocate

The OCA stated that it did not object to PSNH's filing.

C. Staff

Staff stated that it had reviewed the initial filing and the December 12, 2013 update and concluded that PSNH had calculated the average SCRC rate in a manner consistent with its prior SCRC filings. Staff said that it did not object to PSNH's proposed SCRC rate as contained in the Company's December 12, 2013 updated filing.

III. COMMISSION ANALYSIS

RSA 378:8 authorizes the Commission to determine the just, reasonable and lawful rates to be charged by utilities within its jurisdiction. With respect to stranded cost recovery, the 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 is a significant increase on a percentage basis, it will only increase the distribution rate by a quarter of one cent per kilowatt hour.

The OCA and Staff stated no opposition to the establishment of an average SCRC rate of 0.35 cents per kWh effective January 1, 2014. Because the request contained in PSNH's filing is an adjustment to rates, pursuant to RSA 378:40 we must consider whether PSNH's request is consistent with its most recently filed LCIRP that was found adequate by the Commission. The most recent LCIRP filed by PSNH in 2010 was found adequate by the Commission in Order No.

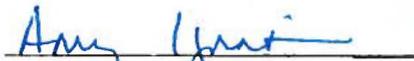
25,459 (January 29, 2013). Consistent with RSA 378:41, we find that the proposed adjustment to the SCRC in the instant proceeding is consistent with the LCIRP filed and found adequate in Order No. 25,459.

Based upon the foregoing, it is hereby

ORDERED, that the petition of Public Service Company of New Hampshire as modified by its December 12, 2013 filing to adjust its average stranded cost recovery charge to 0.35 cents per kWh effective with service rendered on and after January 1, 2014 is hereby APPROVED; and it is

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

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

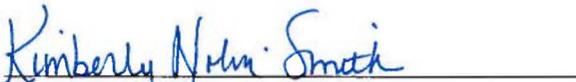


Amy L. Ignatius
Chairman



Robert R. Scott
Commissioner

Attested by:



Kimberly Nolin Smith
Assistant Secretary