

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 14-347

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition to Amend Assessment Collection Method

**Order Approving Assessment Collection Method
Amendment and Distribution Rate Increase**

ORDER NO. 25,743

December 29, 2014

APPEARANCES: Matthew J. Fossum, Esq., for Public Service Company of New Hampshire; the Office of the Consumer Advocate, by Susan W. Chamberlin, Esq., on behalf of residential ratepayers; and David K. Wiesner, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves an amendment to the method by which Public Service Company of New Hampshire recovers and collects the Commission's assessment under RSA 363-A. The approved change results in an average increase to PSNH's base distribution rates of 0.039¢ per kilowatt-hour, effective on January 1, 2015.

I. PROCEDURAL HISTORY

Public Service Company of New Hampshire (PSNH or the Company) filed a Petition to Amend Assessment Collection Method (Petition), in which it proposed to modify the means by which it recovers and collects the Commission's utility assessment under RSA 363-A, as amended by recently-enacted legislation. PSNH requested an effective date for the proposed changes of January 1, 2015. The Commission issued an Order of Notice scheduling a public hearing and setting a deadline for the filing of petitions to intervene. No petition to intervene was filed, but a notice of participation was filed by the Office of Consumer Advocate (OCA). The public hearing was held before the Commission on December 18, 2014.

II. POSITIONS OF THE PARTIES AND STAFF

A. PSNH

The Petition proposes to amend the manner in which PSNH collects funds relating to the Commission's expense assessment under RSA 363-A, as amended by Senate Bill 324 passed during the 2014 legislative session, Laws of 2014, Chapter 136 (SB 324). Under SB 324, all amounts assessed to electric distribution utilities are to be collected through their distribution rates, with the exception of the sum of \$10,000 required to be collected from the utility's energy service or default service customers.¹ RSA 363-A:6, I. SB 324 also provides that the Commission shall by order establish rate recovery mechanisms for each electric distribution utility that adjust annually to recover any change in the utility's annual assessment. RSA 363-A:6, III.

To comply with the statutory requirements of RSA 363-A:6, PSNH proposes to amend its distribution rate to recover through that rate all assessed amounts, with the exception of \$10,000 to be included in its energy service rate. PSNH's filing identifies the amount of the assessment currently included in the energy service and transmission rates that must now be included in its base distribution rates, and includes supporting schedules showing the calculation of the adjustment to the base distribution rates necessary to meet the new statutory requirements. In support of its Petition, PSNH filed the testimony of Christopher J. Goulding, together with related attachments.

In his pre-filed testimony, Mr. Goulding explained how, in consultation with other New Hampshire utilities, PSNH participated in the development of a proposed method to implement the changes required by SB 324. *See* Exhibit 1 at 6. Under that proposed method,

¹ "An amount equal to the amount assessed directly to a competitive electric power supplier under RSA 363-A:2, III (\$10,000) shall be collected from the energy service or default service customers of each electric distribution utility...." RSA 363-A:6, I.

PSNH identified a current level of assessment cost in its base distribution rates and established that level of cost to be a fixed base amount against which any change in its annual assessment may be calculated. *Id.* In this way, the amount of the assessment already included in PSNH's distribution rates would not be double counted. *Id.* The balance of the assessment amount (plus or minus) would be removed from the transmission and energy service rates and flow through to all distribution customers as an annual distribution rate adjustment. *Id.* Mr. Goulding noted that the amounts previously included in PSNH's energy service rates have already been removed from the proposed rate calculation under consideration by the Commission in Docket No. DE 14-235 [PSNH's 2015 Default Service Rate proceeding]. *Id.* The amount of the assessment included in PSNH's transmission rates will be removed and reconciled at the time of its next adjustment of the Transmission Cost Adjustment Mechanism (TCAM) in mid-2015. *Id.*

To implement the proposed changes, PSNH has requested an average distribution rate change of 0.039¢ per kilowatt-hour (kWh). *Id.* Because its last rate case was decided more than 12 months ago, PSNH proposes to use the Fiscal Year 2014 assessment amount allocated to distribution of \$1,017,157 (representing the \$3,413,278 total assessment amount multiplied by the 29.8% distribution allocation factor) for the period July 2013 to June 2014 as the baseline to offset against the Fiscal Year 2015 assessment amount of \$4,158,785.00. *See* Exhibit 1 at 6-7, and Attachments CJG-1, CJG-2, and CJG-3. After subtraction of the sum of \$10,000 charged to the energy service rate, as required under RSA 363-A:6, I, the difference between the \$1,017,157 base line and the offset amount of approximately \$4,149,000 would be calculated as approximately \$3,132,000. *See* Exhibit 1 at 8. This amount would be divided by PSNH's forecasted MWh sales of 7,940,388 to calculate the average distribution rate increase of 0.039¢ per kWh. *Id.*

At hearing, the Company introduced Exhibits 2 and 3, which contain detailed and specific calculations of monthly distribution rates, proposed rate changes for different customer classes, and typical bill comparisons for residential service customers. *See* Exhibits 2 and 3. Because PSNH does not have an available and appropriate reconciling mechanism, according to Mr. Goulding, the adjustment must be to its base distribution rates. *See* Exhibit 1 at 7. PSNH requested that the Commission approve this proposed modification of its distribution rates effective as of January 1, 2015. *Id.*

In the Petition, PSNH noted that RSA 363-A:6 provides that the Commission “shall by order establish rate recovery mechanisms for any public utility,” which rate recovery mechanisms “shall adjust annually to recover any change in a utility’ s annual assessment.” Petition at 3. PSNH requested that the Commission “establish a reconciling process as required by SB 324 and as described,” but PSNH did not propose any particular reconciling mechanism in its filing. *Id.* Mr. Goulding testified that,

In that the assessment recovery mechanism is to be adjusted annually, it would likely make sense to establish a reconciling mechanism that would address these costs without requiring adjustments to PSNH’s base distribution rates. PSNH may propose to establish a separate reconciling mechanism for assessment costs, or other appropriate costs, as part of its next distribution rate case. At this time, however, for administrative ease PSNH is proposing only to amend its base distribution rates.

See Exhibit 1 at 7. At hearing, Mr. Goulding testified that, only if future increases or decreases in the assessment amount were significant enough to drive a rate change, would the Company likely seek a further adjustment to its distribution rates. *See* Transcript of December 18, 2014, Hearing (Tr.) at 14-15. Mr. Goulding clarified that the rate adjustment issue would not be relevant until after the new assessment invoice is issued by the Commission in July or August of next year. Tr. at 18. He further acknowledged that, if a rate change were warranted by future

changes in the assessment level, the Company could make a similar filing seeking to adjust base distribution rates in the absence of a separate reconciling or tracking mechanism. Tr. at 19.

B. OCA

The OCA noted that the change in collection of most assessment costs from distribution customers is required under the statute and is appropriate because all electric customers benefit from the activities of the Commission. The OCA stated that it accepts the Company's proposal to amend its assessment collection methodology with the resulting increase in its base distribution rates. Tr. at 21.

C. Staff

Commission Staff stated that PSNH's proposed modification of its assessment collection method represents a reasonable means of effecting the SB 324 statutory amendments to RSA 363-A. Staff agreed that PSNH's calculations and proposed distribution rate increase are reasonable and appropriate adjustments designed to comply with the new statutory requirements. With respect to PSNH's request in the Petition that the Commission establish a reconciling process that would adjust annually to recover changes in PSNH's annual assessment, Staff noted that the Company had not proposed a specific reconciling mechanism for the Commission's consideration and that the adjustment issue would not be relevant until the next assessment invoice is issued in mid-2015. Staff further noted Mr. Goulding's testimony that any future change in the level of the annual assessment might well not have a material effect warranting an adjustment to PSNH's distribution rates. Staff recommended that the Commission not establish a reconciling mechanism at this time, but permit the Company to file a rate adjustment proposal, if and when it seeks to increase or decrease distribution rates as warranted by future changes in the level of the Commission's assessment. Tr. at 21-22.

III. COMMISSION ANALYSIS

The Company's Petition proposes an increase to its base distribution rates to comply with the requirements of RSA 363-A:6, as added to the assessment statute by SB 324. We therefore must determine whether the resulting rates are just and reasonable pursuant to RSA 378:5 ("Whenever any schedule shall be filed with the commission stating new and higher rates ... which the public utility filing the same proposes to put into force, the commission may investigate the reasonableness of such proposed rates"), and RSA 378:8 (the applicant carries "the burden of proving the necessity of" charging a higher rate).

The Commission has reviewed the proposed amendment to PSNH's assessment collection method and the resulting increase to its base distribution rates, and has concluded these proposals represent a just and reasonable means of compliance with the new requirements of the Commission assessment statute, RSA 363-A, as amended by SB 324. With respect to the request in the Petition that the Commission establish a reconciling process that would adjust annually to recover any change in PSNH's annual assessment, the Commission agrees with Staff that establishing such a process or mechanism at this time would be premature. The Company has not proposed a specific reconciling or adjustment mechanism for the Commission's consideration. The rate adjustment issue will not be relevant until after the new assessment invoice is issued next year, and the Company anticipates that the effect of any change in the assessment amount might not be significant enough to support a rate change proposal. The Commission therefore declines to establish an annually-adjusting rate recovery mechanism at this time, and instead directs the Company to file a rate adjustment proposal if and when it seeks to increase or decrease its distribution rates based on changes in the amount of the assessment under RSA 363-A.

Based upon the foregoing, it is hereby

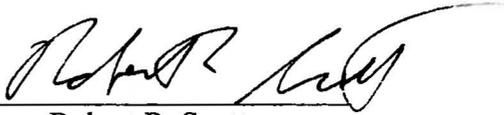
ORDERED, that PSNH's petition to amend its assessment collection method and increase its distribution rates as of January 1, 2015, is GRANTED; and it is

FURTHER ORDERED, that PSNH shall file conforming tariffs within 20 days of the date of this Order consistent with N. H. Code Admin. Rules Puc 1603.02.

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

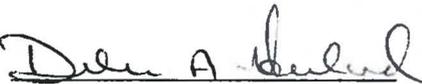


Martin P. Honigberg
Chairman



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director