

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10  
Concord, N.H. 03301-2429

Tel. (603) 271-2431

FAX (603) 271-3878

TDD Access: Relay NH  
1-800-735-2964

Website:  
[www.puc.nh.gov](http://www.puc.nh.gov)

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Debra A. Howland

June 23, 2008



Debra A. Howland  
Executive Director & Secretary  
N.H. Public Utilities Commission  
21 South Fruit Street Suite 10  
Concord, NH 03301

Re: Re: Public Service Company of New Hampshire  
Dockets No. DE 07-096 (Energy Service), DE 07-097 (Stranded Cost Charge) and DE  
08-069 (Transmission Cost Adjustment Mechanism)  
Joint Report of Post-Hearing Technical Session

Dear Ms. Howland:

Background

On June 11, 2008, the Commission held hearings on four dockets related to various components of Public Service Company of New Hampshire's (PSNH) retail rates:

DE 07-096, request for mid-year adjustment to its energy service (ES) rate;  
DE 07-097, request for a mid-year adjustment to its stranded cost recovery charge (SCRC);  
DE 08-069, request for an increase to its Transmission Cost Adjustment Mechanism (TCAM); and  
DE 08-071, request for adjustment to distribution rates related to the Major Storm Reserve account.

All four filings requested changes to be effective for bills rendered on and after July 1, 2008. Of the four dockets, all but DE 08-071 required the post-hearing submission of updated cost and rate calculations. The updates were required to address PSNH's testimony concerning the volatility of forward energy market prices as well as to provide updated transmission cost information.

During the hearings, PSNH testified that the market price for energy continued to be volatile and offered to revise its energy service rate to reflect the most recent market data. The

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Commission agreed and reserved record requests for the revised energy service rate in DE 07-096 and for an updated SCRC rate in DE 07-097. With respect to the TCAM, PSNH did not have final cost information on the day of the hearing, so the Commission reserved Exhibit Nos. 4 and 5 in DE 08-069 for the updated TCAM cost and rate calculations.

In addition, the Commission directed Staff, the Office of Consumer Advocate (OCA), and PSNH to meet to discuss the post-hearing filings and to report to the Commission regarding their recommendations. This letter summarizes the positions of the parties on the data filed after hearing.

#### DE 07-096 Energy Service Rate

When PSNH filed its original petition on April 21, 2008, it estimated that its energy service charge would increase from 8.82 cents per kilowatt hour (kWh) to 9.25 cents per kWh effective July 1, 2008. PSNH updated its on May 22, 2008 and stated that, based on market data, it was requesting an increase to its energy service charge to 9.40 cents per kWh. At hearing, the company testified that with current increases in forward energy market prices, it estimated that the energy service rate would be more in the range of 9.60 to 9.70 cents per kWh, rather than 9.40 cents per kWh. The Commission reserved an exhibit for a record request to allow PSNH to file an updated technical statement (identified as Exhibit 11) with energy service rate calculations using the actual results for May 2008 as well as current forward price information. In addition, the Commission requested that PSNH offer various options on the calculation of the energy service rate, whether such calculations were based on the most recent five day average of market costs, or the closing costs for each of the days of June, to allow the Commission to understand the volatility of the market prices. Finally, the Commission requested that the parties discuss the calculations and file a report with recommendations.

On June 13, 2008, PSNH filed its updated energy service calculation with a request that the Commission approve an energy service rate of 9.57 cents per kWh for the period July 1, 2008 through December 31, 2008, based on forward price information as of June 11, 2008. The company supplemented that filing on June 16, 2008 with a table showing daily forward market prices for energy for June 1 through June 11, 2008, and forward prices for the same period averaged on a 2- to 8-day basis. The daily forward prices varied from \$126.42 per megawatt-hour (MWh) to \$133.46 per MWh, with the average prices, depending on the number of days used in computing the average, varying from \$128.13 to \$129.97. To give a better sense of the impact of changes in the forward prices on PSNH's ES rate, PSNH stated that for every \$1.00 per MWh change in assumed market price, its energy costs for the second half of 2008 would change by approximately \$800,000. Such a change would result in an approximate 0.02 cents per kWh change to PSNH's ES rate, along with a minor offsetting change to PSNH's stranded costs of roughly \$100,000.

DE 07-097, Stranded Cost Recovery Charge

One cost component recovered via PSNH's stranded cost recovery charge (SCRC) is the over-market portion of PSNH's power purchases from Independent Power Producers (IPP). In its April 21, 2008 filing, PSNH estimated an average SCRC rate of 0.72 cents per kWh, which represented no change from the SCRC rate for the period January through June 2008. In its updated filing of May 22, 2008, the company requested a decrease in the SCRC rate to 0.69 cents per kWh because the market price for power had increased since the original filing, thus reducing PSNH's over-market IPP payment obligations.

At the June 11 hearing on the SCRC rate, the company testified that, if the Commission accepted a further increase to the energy service charge, the SCRC rate would experience a partially offsetting decrease. The Commission reserved Exhibit 6 for PSNH to file an updated SCRC rate at the same time it filed the recalculated energy service charge.

On June 13, 2008, PSNH filed its updated SCRC cost calculations and requested a decrease to the overall average SCRC from 0.72 cents per kWh to 0.65 cents per kWh for the period July 1 through December 31, 2008. The updated cost calculations were performed using the same June 11, 2008 forward price information as in the updated ES rate calculations in DE 07-096.

DE 08-069, Transmission Cost Adjustment Mechanism

On May 13, 2008, PSNH filed a proposed adjustment to its Transmission Cost Adjustment Mechanism (TCAM). Components of the transmission costs included in the TCAM are based on tariffs approved by the Federal Energy Regulatory Commission (FERC) and administered by the Independent System Operator-New England (ISO-NE). PSNH explained that the rates are updated annually and are released at the first of June. On June 6, 2008, PSNH filed updated Regional Network Service (RNS) transmission costs and provided an estimate of the Local Network Service (LNS) costs because the rates were not yet available. The LNS rates were still unavailable on the date of the hearing. Based on the information available at that time, PSNH requested a TCAM rate of 1.007 cents per kWh.

On June 16, 2008, PSNH filed an updated calculation of the average TCAM, including current RNS and LNS cost information, updated rates and charges under the TCAM, and a response to a record request regarding localized transmission costs. PSNH requested that the TCAM be set at a rate of 0.935 cents per kWh, an increase from the current rate of 0.752 cents per kWh. PSNH also filed a technical statement on June 18, 2008 explaining changes to the RNS and LNS cost data as well as individual rate calculations. PSNH further explained that the increase in transmission rates reflects the ongoing investment in regional transmission reliability projects. This proposed adjustment to the TCAM rate is an overall average increase of approximately 1.3 percent to PSNH's overall rate level.

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Post-Hearing Technical Conference and Recommendations

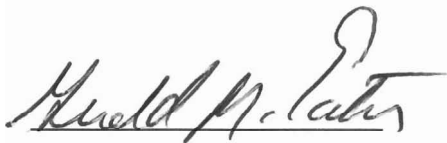
The Office of Consumer Advocate (OCA), Commission Staff and PSNH held a telephone conference on June 17, 2008 to discuss and review 1) the energy service rate and the options presented by PSNH, 2) the revised SCRC rate and 3) the updated TCAM filing. As a result of those discussions, Staff and PSNH recommend the following:

- a) Considering the relatively minor impact to the ES rate if any of the multiple day averages were used in the ES rate calculation, that the Commission approve the 9.57 cents per kWh ES rate filed by PSNH on June 13, 2008 using June 11, 2008 forward market prices;
- b) that the 0.65 cents per kWh average SCRC rate filed by PSNH on June 13, 2008 be approved; and
- c) that the TCAM rate of 0.935 cents per kWh and the rate calculations by class filed by PSNH on June 16, 2008 be approved.

PSNH and Staff recommend that these rate changes be effective for bills rendered on and after July 1, 2008.

The OCA does not object to these recommendations.

Respectfully Submitted



Gerald M. Eaton  
Public Service Company of New Hampshire



Suzanne G. Amidon  
Commission Staff



Meredith A. Hatfield  
Consumer Advocate