THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire
Energy Service Rate – Revised Estimate

Docket No. DE 11-215

Joint Technical Statement of
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December 14, 2011

A. Purpose of Technical Statement

This Technical Statement is being submitted to explain the major changes to Public Service Company's proposed Default Energy Service (ES) Rate effective January 1, 2012. This filing updates the Company's ES filing that was submitted on September 23, 2011.

B. Proposed Rate

On September 23, 2011, PSNH filed a preliminary 2012 ES rate of 8.39 cents/kWh to be effective for the 12 month period January 1 through December 31, 2012. In this filing, PSNH has calculated an ES rate of 7.90 cents/kWh for effect on January 1, 2012, which is a decrease of 0.99 cents/kWh from the currently effective ES rate of 8.89 cents/kWh. The rates above do not include costs associated with the wet flue desulfurization system ("Scrubber Project") at Merrimack Station which was placed in service on September 28, 2011.

The decrease in the ES rate from the September 23, 2011 filing to this December 14, 2011 filing is attributable to a net decrease in actual and forecasted costs of $25.5 million [a decrease of $43.0 million in expense, net of a revenue decrease of $17.5 million] which is contained in Attachment RAB-1.

The 2012 forecasted cost changes are contained in Attachment RAB-2, page 3, and are specifically referenced below. The forecasted cost and revenue changes are attributable to a decrease in forward electricity prices as of November 30, 2011, lower load due to a lower sales forecast and increased customer migration, the planned sell-back of contracted coal, and other changes as noted below.

C. Changes to Attachment RAB-2, page 3 from September 23, 2011 Filing

For the forecast period January through December 2012, the impact of power supply variable cost updates is to lower ES costs by $28.4 million. Following is a discussion of the major changes:

1. Lines 4 and 5 – Projected coal generation decreased by 720 GWh to 2,014 GWh due to increased economic reserve shutdowns modeled during March, April, June, October, and November. Lower coal generation is offset in part by increased economic purchases as noted in item 3 below. Coal fuel expense decreased $37.8 million reflecting lower generation, lower dispatch prices, and an estimated $5 million of benefit from the planned sale of coal.

2. Lines 17 and 18 – IPP Energy decreased by 111 GWh due to a revised forecast based on current IPPs on short term rates. IPP Energy Expense decreased by $8.1 million reflecting lower energy amounts and lower forward electricity prices. A table showing forecasted forward electricity prices as of November 30, 2011 is provided below.

Forward Electricity Prices for Delivery at Massachusetts Hub
All Hours - $/MWh
Filing Dates

2012	September 23, 2011 (8/31/11 Closing Prices)	December 14, 2011 (11/30/11 Closing Prices)	Change $/MWh	Change %
Jan	66.2	59.3	(6.8)	-10.3%
Feb	66.5	56.0	(10.5)	-15.8%
Mar	48.1	42.0	(6.1)	-12.7%
Apr	45.0	38.2	(6.7)	-15.0%
May	42.9	38.1	(4.8)	-11.2%
Jun	44.2	39.2	(4.9)	-11.2%
Jul	49.3	44.5	(4.9)	-9.9%
Aug	49.6	44.8	(4.8)	-9.7%
Sep	43.2	38.9	(4.3)	-9.9%
Oct	45.6	40.8	(4.8)	-10.5%
Nov	47.6	42.6	(5.0)	-10.5%
Dec	56.5	52.6	(3.9)	-6.9%
Total	50.3	44.7	(5.6)	-11.1%

3. Lines 21 and 22, 27 and 28, and 30 & 31 – Net purchases increased by 652 GWh increasing expenses by $18.5 million. The net increase in net purchases is primarily due to lower coal generation and energy from IPPs, offset by lower loads.

4. Line 35 – Total Energy decreased 145 GWh due to a lower sales forecast (approx. 1.7%) and an increase in migration from 33.4% to 34.0%. Total ES sales are lower by 137 GWh. The table below shows the forecasted sales and migration (Non-ES sales) as measured at the customer meter used for calculating the preliminary ES rate filed in September and for this filing. The amount of migration modeled in this update is as of November, 2011 and is 34.0% of forecasted total PSNH sales. Overall, 2012 ES sales are lower by 2.6% from the estimates used in the September, 2011 preliminary ES rate filing.

PSNH ES Sales Forecast

MWh

	Filing Dates									
	September 23, 2011			December 14, 2011			Change			
2012	Total	Non-ES	ES	Total	Non-ES	ES	Total	Non-ES	ES	ES %
Jan	715,776	239,069	476,707	706,793	240,310	466,483	(8,983)	1,240	(10,223)	-2.1%
Feb	652,663	217,989	434,674	639,226	217,337	421,889	(13,437)	(653)	(12,784)	-2.9%
Mar	651,906	217,737	434,169	638,234	217,000	421,234	(13,672)	(737)	(12,935)	-3.0%
Apr	596,366	199,186	397,180	584,206	198,630	385,576	(12,160)	(556)	(11,604)	-2.9%
May	595,168	198,786	396,382	588,006	199,922	388,084	(7,162)	1,136	(8,298)	-2.1%
Jun	644,822	215,371	429,451	632,285	214,977	417,308	(12,537)	(394)	(12,143)	-2.8%
Jul	741,737	247,740	493,997	727,553	247,368	480,185	(14,184)	(372)	(13,812)	-2.8%
Aug	709,914	237,111	472,803	703,408	239,159	464,249	(6,506)	2,047	(8,553)	-1.8%
Sep	620,356	207,199	413,157	612,453	208,234	404,219	(7,903)	1,035	(8,938)	-2.2%
Oct	612,852	204,693	408,160	601,819	204,619	397,201	(11,033)	(74)	(10,959)	-2.7%
Nov	623,208	208,151	415,056	608,064	206,742	401,322	(15,144)	(1,410)	(13,734)	-3.3%
Dec	689,513	230,297	459,216	676,034	229,852	446,182	(13,479)	(446)	(13,033)	-2.8%
Total	7,854,281	2,623,330	5,230,951	7,718,081	2,624,148	5,093,934	(136,200)	818	(137,018)	-2.6%

5. Other forecasted changes totaling a net $1.0 million cost decrease include updates to Schiller 5 and Newington generation, congestion & losses assumptions, ISO ancillaries and expenses, RPS and RGGI expenses, and capacity costs. Note that an error in the sales amount used to calculate REC obligations in the September filing has been corrected, and the sales amount used to calculate REC obligations in this filing agrees with the 5,094 GWh of forecasted retail sales in RAB-1, page 1.

D. Other Cost Changes ($ 14.6 million costs decrease)

6. All other actual and forecasted costs decreased by $ 14.6 million. The decrease in other actual and forecasted costs was primarily due to lower F/H O&M costs ($4.6 million), lower depreciation expense ($4.8 million) and lower return on Rate Base ($2.1million). The O&M decrease results from the removal of ammonia costs which are included in coal fuel expense (the September, 2011 filing had included ammonia costs twice, once in the coal fuel expense and again as part of the O&M). The decrease in depreciation is due to a periodic update of generation unit service lives. The latest actual return on rate base was used in the update resulting in lower return costs. The decrease of the forecasted expense changes noted in items 1-5 above totaled $28.4 million plus the other cost changes of $14.6 million resulted in a total expense decrease of $43.0 million.

E. Revenue Changes ($ 17.5 million decrease)

7. The updated ES revenues for 2011 and 2012 decreased by $17.5 million due to lower sales caused by a lower sales forecast and additional customer migration. The updated 2011 sales are lower by 85 GWH and 2012 sales are lower by 137 GWH.