

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-221

GRANITE STATE ELECTRIC COMPANY d/b/a NATIONAL GRID

**Petition to Increase Storm Recovery Adjustment Factor and to Increase Base Storm Fund
Annual Revenue**

Order Suspending Tariff and Scheduling Prehearing Conference

ORDER NO. 25,276

October 7, 2011

On September 30, 2011, Granite State Electric Company d/b/a National Grid (National Grid or Company) filed a proposed tariff to adjust its Storm Recovery Adjustment (SRA) factor for effect with services rendered on and after January 1, 2012. In support of its request, National Grid filed testimony with related exhibits and attachments. National Grid requested that the SRA factor be increased from its current level of \$0.00040 per kilowatt hour (kWh) to \$0.00223 per kWh effective January 1, 2012. As a result of the proposed increase, a residential customer using 672 kWh per month, the average monthly usage for National Grid residential customers, would experience a 1.3% increase in monthly bills.

National Grid proposes to increase the SRA factor to offset a significant deficit balance in the Storm Fund that resulted from the costs associated with three major storms and to provide a sufficient level of funding for future storms. The three major storms are (1) the December 12, 2008 ice storm, (2) the February 24, 2010 wind storm, and (3) the March 7, 2011 ice storm. The Company said the creation of the Storm Fund was part of the Settlement Agreement approved by the Commission in Docket No. DG 06-107. *See*, Order No. 24,777, 92 NH PUC 279 (July 12, 2007). The purpose of the Storm Fund is to smooth out costs to customers of the inevitable impact of major storm events that cause damage to the Company's electrical system. The Settlement Agreement defines a "major storm" as a severe weather event causing 30 concurrent troubles (interruption events

occurring on either primary or secondary lines) and 15 % of customers interrupted, or 45 concurrent troubles.

Pursuant to the Settlement Agreement, the Company's base rates were set at a level that credited annual collections of \$120,000 to the Storm Fund, accruing at the rate of \$10,000 per month. In addition, beginning July 1, 2010, the Commission authorized National Grid to implement the SRA factor. *See*, Order No. 25,125 (June 30, 2010) in Docket No. DE 10-096. The SRA factor allows National Grid to temporarily collect \$30,000 per month, or \$360,000 annually, to address the deficit position of the Storm Fund resulting from the costs associated with the December 2008 ice storm.

The Company said it is taking into consideration the final cost of \$1,762,372 related to the December 2008 storm in the instant filing. National Grid testified that it also incurred approximately \$1.7 million in costs resulting from damage to its electrical system following the February 2010 wind storm, and approximately \$1.8 million in similar costs following the March 2011 ice storm. The Company stated that, if the current annual base revenue of \$120,000 and the temporary annual increment of \$360,000 remained unchanged, it would take 10 years for the Storm Fund to reach a break-even level, assuming no additional major storms occurred. National Grid said that the Storm Fund balance at December 31, 2011 will be a deficit of \$4,645,761.

To address the estimated deficit balance at December 31, 2011, National Grid is requesting an annual increase of \$540,000 in the temporary funding over a five-year period commencing January 1, 2012. The Company also said that, based on the costs of major storms over the past five years, the \$120,000 annual base rate allowance is insufficient. Therefore, the Company is also requesting a permanent increase in annual Storm Fund collections to \$1.3 million. With these two elements, the SRA factor would increase from its current level of \$0.00040 per kWh to \$0.00223 per kWh for five years effective January 1, 2012, and would decrease to \$0.00127 per kWh effective

January 1, 2017 to reflect the termination of the temporary recovery and the continuation of the permanent increased funding of the Storm Fund.

The filing raises, inter alia, issues related to whether the costs incurred with the February 2010 and March 2011 major storms were prudently incurred; whether it is just and reasonable to allow National Grid to recover \$3.5 million related to the 2010 and 2011 storms from ratepayers; whether it is just and reasonable to allow National Grid to increase the annual base revenue for the Storm Fund; and whether pursuant to RSA 378:7 the resulting rates are just and reasonable.

The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, will be posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2011/11-221.html>.

Based upon the foregoing, it is hereby

ORDERED, pursuant to RSA 378:6, I(b), the Commission hereby suspends National Grid's proposed tariff to allow the filing to be investigated; and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Code Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on October 24, 2011 at 1:30 p.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in Puc 203.15 shall be considered; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, National Grid, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow National Grid to provide any amendments or updates to its filing; and it is

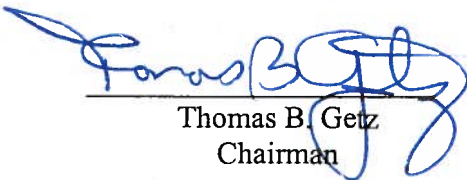
FURTHER ORDERED, that pursuant to Puc 203.12, National Grid shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than

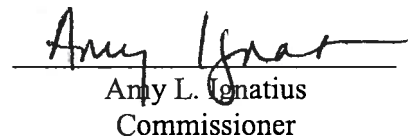
October 14, 2011, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before October 24, 2011; and it is

FURTHER ORDERED, that pursuant to Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to National Grid and the Office of the Consumer Advocate on or before October 19, 2011, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by Puc 203.17 and RSA 541-A:32,I(b); and it is

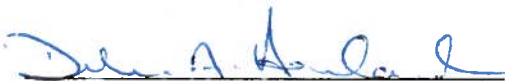
FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before October 24, 2011.

By order of the Public Utilities Commission of New Hampshire this seventh day of October, 2011.


Thomas B. Getz
Chairman


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.