

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

Docket No. DE 12-XXX

DIRECT TESTIMONY OF

Richard H. Branch

December 19, 2012

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address and position.**

3 A. My name is Richard H. Branch. My business address is PSNH Energy Park, 780 North
4 Commercial Street, Manchester, New Hampshire. I am an Analyst in the NH Revenue
5 Requirements Department for Public Service of New Hampshire (“PSNH” or the
6 “Company”).

7 **Q. Have you previously testified before this Commission?**

8 A. Yes. A summary of my education background and experience is contained in Attachment
9 RHB 1.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is twofold. First, my testimony requests authority from the
12 Commission for PSNH to establish a minimum number of Renewable Default Energy
13 Service Rate (“RDES”) customers required in order to continue to offer the RDES rate.
14 Second, I provide a detailed overview of PSNH’s request for a rate adjustment to increase
15 the current RDES to be effective on the earliest possible date that the Commission can
16 rule on this matter. The currently-effective RDES rate was approved by Commission
17 Order No. 25,324 and became effective on March 1, 2012.

18 **Q. Has PSNH made any RDES filings since Commission Order No. 25,324?**

19 A. Yes, PSNH filed a request for a rate increase as part of Docket No. DE 11-255 on June 1,
20 2012, but that request has not been acted on by the Commission. PSNH now proposes to
21 withdraw that filing and replace that request with the relief sought in this testimony.

1 **II. ESTABLISHING A MINIMUM NUMBER OF CUSTOMERS**

2 **Q. How many customers are currently enrolled in the RDES program?**

3 A. Though the RDES has been effective since May 1, 2010, as of November 30, 2012, there
4 were only 173 customers enrolled in the RDES rate. Forty-four (44) were enrolled under
5 the 25% option, 42 under the 50% option, and 87 under the 100% option. These 173
6 customers represent 0.04% of the total customers eligible for the RDES rate.

7 **Q. Which customers are eligible for the RDES rate?**

8 A. The RDES rate is open to all Default Energy Service customers who are not enrolled in
9 either the Electric Assistance Program or the Fuel Assistance Program.

10 **Q. How has enrollment changed since the start of the program in 2010?**

11 A. There were 91 customers enrolled in the rate as of December 31, 2010 and 166 customers
12 enrolled as of December 31, 2011.

13 **Q. Given this level of participation, what is PSNH proposing in this filing?**

14 A. In light of the overall lack of customer participation and the administrative effort
15 necessary to offer the rate, PSNH is proposing, consistent with RSA 374-F:3,V(f)(10), to
16 establish a threshold for the minimum number of customers who must choose to
17 participate in the RDES rate for PSNH to continue offering it.

18 **Q. What would PSNH establish as the minimum number of customers required in
19 order for the company to offer the RDES?**

20 A. With the approval of the Commission, PSNH proposes to require that at least 1.0% of
21 eligible customers choose to participate in the RDES rate in order for the Company to
22 continue to offer the rate. The Company further proposes that the minimum participation
23 percentage take effect six months following the issuance of a Commission order
24 approving PSNH's proposal contained herein. Using the current number of customers

1 eligible to take Rate RDES, 4,430 customers would need to be enrolled in the RDES (an
2 increase of 4,253 from the current enrollment level) for PSNH to continue to offer it.

3 **Q. What is the basis for proposing 1% as the minimum percentage of customers?**

4 A. According to the National Renewable Energy Laboratory's (NREL) report entitled
5 "Green Power Marketing in the United States: A Status Report (2009 Data), the median
6 customer participation in utility green pricing programs was 1.0% (a copy of the report is
7 provided as Attachment RHB-2). The NREL has been monitoring green marketing
8 programs since 2000, and is therefore in a position to determine what qualifies as a
9 normal participation rate in similar programs across the country. PSNH believes that the
10 NREL report provides a reasonable basis for establishing a minimum participation rate.
11 This metric is also consistent with the testimony of Richard Labrecque and Rhonda
12 Bisson on behalf of PSNH in Docket No. DE 09-186, at page 11, lines 21-24.

13 **Q. How would this change be communicated to current and potential RDES**
14 **customers?**

15 A. Upon Commission approval of PSNH's proposal, the Company will send a letter to all
16 current Rate RDES customers explaining the changes in the program and their options.
17 Also, PSNH will publish in its bill insert newsletter, "Living With Energy," an article
18 outlining the RDES rate and its benefits, and the deadline for enrollment in the RDES
19 rate. PSNH anticipates that this article could be included in February bills, pending the
20 Commission's approval of the proposal. PSNH will also add similar wording to the
21 RDES dedicated website, www.psnh.com/greenrate.

1 **Q. Has PSNH explored the option of having a third party administer PSNH's RDES**
2 **option?**

3 A. Yes. PSNH sees little to no administrative cost savings (as compared to PSNH's current
4 offering) in having a third party vendor administer the rate. If the program were
5 administered by a third party vendor, PSNH would still need to provide integration with
6 its billing systems, revenue reporting, as well as legal, regulatory, and purchasing
7 oversight.

8 **Q. Are there options for current Rate RDES customers to obtain renewable energy**
9 **should PSNH no longer offer the rate?**

10 A. Yes, there are third party vendors, such as Sterling Planet, that have similar programs
11 which do not necessitate any involvement with the utility company. Moreover, even if
12 PSNH no longer offers the RDES rate, it will maintain the RDES website
13 (www.psnh.com/greenrate) but alter it to educate customers on Renewable Energy
14 Certificates ("RECs"), renewable energy, and REC purchase programs that are offered
15 without the involvement of the utility. This would allow current RDES customers to
16 enroll in a similar program through a third party should they choose to do so.

17 **Q. How does PSNH's proposal for a minimum number of customers relate to the**
18 **request for a rate increase?**

19 A. If the Commission approves the RDES rate increase described below, the approved rate
20 will be in place until at least six months after the rate is formally adopted. If a sufficient
21 number of customers take the RDES option by this time, PSNH will continue to offer the
22 rate at the Commission-approved level. If fewer than 1 percent of customers take the
23 RDES option at the end of six months, the rate would no longer be offered and any
24 customers taking the RDES rate at that time would have the RDES option removed from

1 their account I address issues relating to possible over or under recoveries of the RDES
2 rate later in my testimony.

3 **III. ADJUSTMENT TO RDES RATE**

4 **Q. What is the current RDES rate?**

5 A. The current rate for the 100% option is 3.579 cents/kwh.

6 **Q. What is PSNH proposing for an RDES rate for 2013?**

7 A. PSNH is proposing rates of 5.558 cents/kwh for customers choosing the 100% option,
8 2.779 cents/kwh for those choosing the 50% option, and 1.3895 cents/kwh for those
9 choosing the 25% option.

10 **Q. What Renewable Energy Certificate (REC) cost assumptions contribute to the**
11 **updated RDES rate?**

12 A. PSNH proposes to set the RDES rate for the 100% option at the anticipated Alternative
13 Compliance Payment (“ACP”) for 2013 of 5.558 cents/kwh. This is the anticipated ACP
14 for both Class I and Class II RECs.

15 **Q. In past proceedings, the Company has used broker sheets to calculate the RDES.**
16 **Why is the Company proposing a different method in this rate update?**

17 A. In 2013, the New Hampshire legislature reset the ACP for Class I and Class II RECs
18 from \$64.02 and \$168.13 respectively to the anticipated \$55.58/REC. Given the
19 uncertainty of how this change will affect the market for RECs in New Hampshire, and in
20 view of the under recovery that has accrued, PSNH is proposing to set the rate at the
21 maximum value that could be required for the purchase of RECs.

1 Q. **Could setting the RDES rate at the 2013 ACP create an over collection in program**
2 **revenues?**

3 A. Possibly. To the extent that Class I and II RECs are available at a cost less than the
4 current ACP, PSNH will procure RECs in the market and an over recovery will occur.
5 Any such over recovery will be used to offset the net under recovery that will accrue
6 through 2012.

7 Q. **What are the amounts of the over recoveries or under recoveries since the**
8 **program's inception?**

9 A. The recovery variances have been extremely small. There was an over recovery of
10 \$3,823 in 2010, but an under recovery of \$7,037 in 2011, resulting in a net under
11 recovered balance of \$3,214 through the end of 2011. For 2012, it is anticipated that the
12 program will under recover, but the exact extent will not be known until program costs
13 and revenues are reconciled in early 2013.

14 Q. **Should the RDES rate be eliminated, how would PSNH recover any under or over**
15 **recovery through rates?**

16 A. In its testimony supporting Docket No. DE 09-186, which established the RDES rate,
17 PSNH proposed that any over or under recovery be recovered via the Default Energy
18 Service Rate. For purposes of this filing, PSNH would still propose to address any over
19 or under recovery through the Default Energy Service Rate. The addition of any over or
20 under recovery to the Default Energy Service Rate would have an imperceptible impact
21 on that rate.

1 **Q. Are there any other costs included in the market update to the RDES rate?**

2 A. No. PSNH only included the forecasted incremental cost of the RECs to be purchased to
3 meet the requirements of customers participating in the RDES program in the calculation
4 of the RDES Rate. There are no marketing or administrative costs included.

5 **Q. Please estimate the monthly bill impact of the Renewable Default Energy Service**
6 **options for a residential customer using 500 kilowatt-hours per month and for a**
7 **small business customer using 10,000 kilowatt-hours per month for the 25%, 50%,**
8 **and 100% options.**

9 A. The monthly bill impact of the renewable default energy service options for a residential
10 customer using 500 kilowatt-hours per month and for a small business customer using
11 10,000 kilowatt-hours per month are summarized in Attachment RHB-3. As shown, the
12 monthly bill impact for a residential customer using 500 kilowatt-hours per month ranges
13 from \$27.79 for the 100% option to \$6.95 for customers choosing the 25% option, while
14 the monthly bill impact for a small business customer using the 10,000 kilowatt-hours per
15 month ranges from \$555.80 for customers choosing the 100% option to \$138.95 for
16 customers choosing the 25% option.

17 **Q. This proposed rate is a large increase over the current rate. Do you anticipate that**
18 **this will have any impact on program participation?**

19 A. The proposed rate change merely reflects the cost of renewable energy in the
20 marketplace. The exact effect of this price increase is unknown. In March 2012, the
21 price of the RDES rose from 1.972 cents/kwh to 3.579 cents/kwh and the program lost a
22 net of six customers. PSNH believes that it is important that the rate reflect the current
23 state of REC markets to send customers an appropriate price signal. The proposed rate
24 does just that.

1 **Q. What is the proposed effective date for the proposed update to the Renewable**
2 **Default Energy Service rate?**

3 A. PSNH will implement the approved rate on the earliest date the Commission can rule on
4 this matter.

5 **Q. Does this complete your testimony?**

6 A. Yes, it does.