Public Service Company of New Hampshire
Docket No. DE 14-235

Date Request Received: 12/18/2014
Request No. RR-001
Request from: New Hampshire Public Utilities Commission Staff

Date of Response: 12/31/2014
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Witness: Christopher J. Goulding

Request:
Referring to Attachment CJG-4, p. 6, of PSNH's September 15, 2014 submission in Docket No. DE 14-235, and the updated Attachment CJG-4, p. 6, in PSNH's December 15, 2014 submission. Line 16 of that attachment notes the use of "45 days of O&M" in the calculation relating to the Company's Working Capital Allowance. Please explain the basis for the Company's use of 45 days in this calculation.

Response:
PSNH calculates its working capital allowance as a certain number of days of its daily average non-fuel O&M costs. The daily average non-fuel O&M costs are typically calculated as the annual amount of non-fuel O&M costs divided by 365 days. This value is then multiplied by a number that represents one-half the length of PSNH's billing cycle, plus 30 days. PSNH's current billing cycle is 30 days, so the average non-fuel O&M costs are multiplied by 45 days ((1/2 x 30 days) + 30 days = 45 days) to arrive at PSNH's working capital allowance.

Use of this "billing cycle days formula approach" is consistent with the Commissions' requirement in PUC 1604.07(t) to use "a detailed lead-lag study or a formula based on the length of 1/2 of the utility's billing cycle plus 30 days" in describing its working capital. The "billing cycle days formula approach" avoids the significant time and expense associated with performing a detailed lead-lag study, as well as the expenses associated with consultants, expert witnesses, and other costs associated with prolonged litigation surrounding such a study, all of which are ultimately charged to customers.

The "billing cycle days formula approach" is an accepted calculation, is relatively straight-forward, easy to analyze and verify, and is very cost-effective to implement.