

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 14-339

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Petition for Approval of Special Contract with Westinghouse Electric Company, LLC

Order *Nisi* Approving Special Contract

ORDER NO. 25,748

December 31, 2014

In this Order, the Commission approves a special contract rate between PSNH and Westinghouse. The contract continues a longstanding discount to tariffed interruptible service rates for Westinghouse's pump testing operations.

I. PROCEDURAL HISTORY

On November 25, 2014, Public Service Company of New Hampshire (PSNH) filed a request for approval of a Special Contract NHPUC-145 (Special Contract) with Westinghouse Electric Company, LLC (Westinghouse), pursuant to RSA 378:18 and RSA 378:18-a, II, and New Hampshire Code Admin. Rules Puc 1606.02(a) and (b). PSNH stated that the purpose of the Special Contract is to provide interruptible power at a special rate to Westinghouse for its pump testing operation in Newington, New Hampshire. If approved, the Special Contract would supersede Contract No. NHPUC-144, which has been in effect since January 1, 2005, and expires on December 31, 2014. *See* Order No. 24,411, 89 NH PUC (2004).

In support of its filing, PSNH also filed the testimony of Charles R. Goodwin, Director of Rates and Load Forecasting for Northeast Utility Service Company (NUSCO), and related

attachments. NUSCO is the service company for subsidiaries of Northeast Utilities, including PSNH.

Commission Staff (Staff) filed its recommendation expressing support for the Special Contract on December 22, 2014.

II. SUMMARY OF SPECIAL CONTRACT NHPUC-145

Westinghouse's Newington facility manufactures a variety of steel components for the nuclear power industry in addition to performing pump tests. The facility currently employs approximately 320 individuals. The pump testing portion of the facility currently receives service under Contract NHPUC-144, which expires on December 31, 2014. PSNH states that NHPUC-145 contains terms similar to those of the expiring Special Contract NHPUC-144. The proposed effective date of Special Contract NHPUC-145 is January 1, 2015, or the date upon which the Commission orders approval of the Special Contract. According to the terms of Special Contract NHPUC-145, the contract will be effective through December 31, 2017.

Under the contract, PSNH will provide interruptible power up to the level required to test a 13,500 horsepower pump on terms that differ from PSNH's Large General Service Rate LG. The terms that represent a departure from Rate LG relate to the maximum demand for billing purposes and the charges for energy service. The maximum demand for billing purposes will be based on 50% of the highest kilovolt-ampere demand during the current billing period only, in lieu of a demand ratchet that applies to the current and previous eleven billing periods. According to PSNH, under the expiring special contract, the Company has been providing interruptible service to Westinghouse on the same maximum demand billing terms as are proposed in the new contract.

As described further by PSNH, the interruptible service offered Westinghouse is different from interruptible service options offered to PSNH's customers, such as Voluntary Interruption Program Rate VIP. Under Rate VIP, PSNH relies on the customer to terminate its designated interruptible load when requested. PSNH cannot determine whether the customer has complied with the request until later, after the customer's meter is read. With respect to service offered under the proposed Special Contract, PSNH has direct control of Westinghouse's circuit switcher from PSNH's electric system control center in Manchester. Consequently a dispatcher has the ability to instantaneously terminate electric service to Westinghouse's pump testing operation. This direct control arrangement provides PSNH with the assurance that it does not need to plan capacity to meet Westinghouse's load requirements and allows PSNH to maintain a higher system load factor, resulting in a more efficient use of PSNH's facilities.

PSNH explained that because it controls interruption of service to Westinghouse, such service should be priced lower than service under standard tariff pricing. According to PSNH, absent the special contract, Westinghouse's annual electric bill in 2015 would be more than 120% higher than under special contract pricing. PSNH stated that because it does not offer a direct controlled interruptible service rate under its Delivery Service Tariff, departure from the standard tariff pricing under a special contract arrangement is necessary to define the terms and conditions and pricing provisions of this unique interruptible service arrangement.

As required by Puc 1606.02(b), PSNH attached to its filing a letter from Westinghouse describing the special circumstances that justify the departure from the existing tariff. In its letter, Westinghouse said that it has multiple facilities across the globe and, without a contract in place for the electrical costs incurred during testing, other facilities would be evaluated for this

work. Westinghouse emphasized that if it did not retain the work at Newington, approximately 320 jobs would be in jeopardy, and many local area vendors such as machine shops, industrial painters, hotels, restaurants, and transportation companies would be adversely affected. According to the letter, the approval of Special Contract NHPUC-145 “is critical to the continued existence of the Westinghouse facility in Newington.”

PSNH argued that, in light of the unique load characteristic presented by Westinghouse’s operations, and the unique control PSNH possesses to interrupt Westinghouse’s service, special circumstances exist that make departure from PSNH’s general schedules just and reasonable and in the public interest, pursuant to RSA 378:18.

According to PSNH, the special contract also provides benefits to PSNH and its customers. To the extent that PSNH retains delivery sales that would not exist absent the special contract, its customers benefit from the retained contribution to fixed costs, which lowers rates for all other customers. In addition, when Westinghouse purchases energy service from PSNH, Westinghouse will also contribute to the cost of the wet flue gas desulphurization unit (Scrubber) at Merrimack Station through the per kilowatt hour adder included in the energy charge. Based on Westinghouse’s current three-year pump test plan for the period 2015 through 2017, PSNH should receive approximately \$466,000 in distribution revenue in the three year period. PSNH should also receive approximately \$270,000 in distribution revenue from Westinghouse’s other manufacturing load requirements currently being served under standard tariff pricing.

III. STAFF RECOMMENDATION

In its December 22, 2014, memorandum, Staff recommended that the Commission approve Special Contract NHPUC-145. According to Staff, while it is difficult to confirm what

actions Westinghouse would or would not take absent the special contract, the contract should be approved based on the economics and pricing of the contract. Staff said that the Special Contract allows PSNH to manage a large load without incurring any upgrade costs on the systems and maintains Westinghouse's contribution to distribution revenues that benefit PSNH and its customers, even if Westinghouse takes energy from a competitive supplier. If Westinghouse decides to take default service from PSNH, Westinghouse would also contribute to the Scrubber costs. Staff recommended that the Commission approve the three-year contract with an order *nisi* effective before January 1, 2015.

IV. COMMISSION ANALYSIS

Pursuant to RSA 378:18, a public utility may make a "contract for service at rates other than those fixed by its schedules of general application, if special circumstances exist" as found by order of the Commission. RSA 378:18-a further provides that "new special contracts designed to retain load shall be available to an electric utility customer only if the utility represents that the load would otherwise have left the utility, the contract is approved pursuant to RSA 378:18 and the commission determines that no tariffed rate is sufficient to retain load."

To confirm that conditions warrant a special contract, a utility must file a written statement of the customer to the special contract confirming that the tariffed rate will not meet its needs. New Hampshire Code Admin. Rule Puc 1606.02(a)(5). In addition, a utility must submit a copy of the special contract.

The Commission has reviewed PSNH's request, Special Contract NHPUC-145, Westinghouse's letter, and Staff's recommendation. Based on our review, we have determined that the NHPUC-145 conforms to RSA 378:18 and 378:18-a, and the special contract provisions

of Puc 1606. We agree with Staff that special circumstances exist warranting a deviation from tariffed rates. Westinghouse has stated that the special contract is “critical” and “essential” to its Newington operation, implying strongly that it would close Newington if the contract is not approved. In addition, the fact that PSNH’s system load dispatcher is contacted by Westinghouse and given information concerning the timing and amount of interruptible load, and that PSNH has the ability to instantaneously interrupt that load, makes this contract between Westinghouse and PSNH unique and beneficial to the customer, PSNH, and PSNH’s other customers. Westinghouse will continue to contribute to the distribution revenues of the system, benefiting both PSNH and its customers. Finally, Westinghouse has the ability to select an energy supplier of its choice. Based on the foregoing, we approve Special Contract NHPUC-145 on a *nisi* basis as provided below.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, is posted to the Commission’s website at <http://puc.nh.gov/Regulatory/Docketbk/2014/14-339.html>.

While the Commission is not aware of any parties that are opposed to approval of the Special Contract, the Commission approves the Special Contract on a *nisi* basis with a delayed effective date, to ensure that the public receives notice of the Special Contract and has an opportunity to request a hearing. The Commission authorizes PSNH and Westinghouse to operate under the terms of the Special Contract during the *nisi* period.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that Special Contract NHPUC-145 between PSNH and Westinghouse is hereby APPROVED; and it is

FURTHER ORDERED, that the Petitioner shall cause a summary of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than January 6, 2015, and to be documented by affidavit filed with this office on or before January 20, 2015; and it is

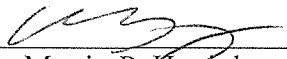
FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than January 13, 2015, for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than January 16, 2015; and it is

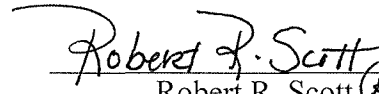
FURTHER ORDERED, that PSNH and Westinghouse may operate under the terms of the Special Contract beginning January 1, 2015, until this Order *Nisi* becomes final and fully effective as described below; and it is

FURTHER ORDERED, that this Order *Nisi* shall be final and fully effective January 21, 2015, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of
December, 2014.

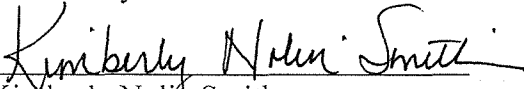


Martin P. Henigberg
Chairman



Robert R. Scott (RNS)
Commissioner

Attested by:



Kimberly Nolin Smith
Assistant Secretary