Public Service Company of New Hampshire, et al.
DE 11-184

NH PUC Non-Advocate Staff Responses
to Data Requests of the Wood IPPs

Date Received: October 21, 2011	Date of Response: October 28, 2011
Request: Wood IPP – 1-4	Witness: Steven E. Mullen

REQUEST:

Referencing p. 17 lines 2-11 of Mr. Mullen's testimony dated October 14, 2011 in Docket DE 11-184 and p.29 line 7 to p.30 line 10 of Mr. Mullen's testimony dated January 15, 2010 in Docket DE 09-035, please identify and explain the "shortcomings" referenced by Mr. Mullen of allocating the PUC assessment among functional rate components based on revenues.

RESPONSE:

Please see attached to this response copies of pages 29-30 of the referenced testimony from Docket DE 09-035. The "shortcomings" mentioned in that testimony dealt with the fact that while default service revenues were largest individual portion of overall revenues for PSNH, Granite State Electric Company and Unitil Energy Systems, the amount of time involved with default service proceedings at the Commission for those utilities varied greatly. Recognizing that disparity, I also stated that "Staff is open to comments regarding a more appropriate allocator."

Regardless of the "shortcomings" mentioned in my DE 09-035 testimony, the settlement reached in Docket DE 09-035 included an allocation of the regulatory assessment among PSNH's rate components based on their respective revenues. See also PSNH's response to Non-Advocate Staff 2-6 in this proceeding where, in reference to DE 09-035, PSNH stated,

> Neither the settlement, nor the Order, directly addressed the allocation of the PUC assessment or uncollectible expense; however, the revenue deficiency included in the settlement was premised, in part, on an allocation of uncollectible expense and regulatory expense to functional components.

to the firm of Rath, Young and Pignatelli during the test year. During the discovery process, PSNH indicated that, upon review of the related invoices, the costs were in the nature of lobbying expenses and should be removed from the filing.[1] As that response was received subsequent to PSNH's December 15, 2009 updated filing, I have included that cost reduction as adjustment #12.

Another issue that arose during the audit involved PSNH's assessment from the PUC. PSNH included 100% of the PUC assessment in distribution revenue requirements. However, PSNH also has energy service and transmission rate components, among others, so it does not appear to be appropriate to include the entire PUC assessment in distribution costs.

Q. How do you recommend the PUC assessment be allocated among PSNH's business segments?

A. One approach is to allocate the cost based on the revenues of each business segment. That approach would be consistent with how the PUC's total costs are assessed to all utilities pursuant to NH RSA 363-A:2. Applying that approach to allocations among various business segments or rate components of an individual utility, however, can be problematic. For example, default or energy service revenues comprise the largest individual portion of overall revenues for PSNH, Granite State Electric Company (GSEC) and Unitil Energy Systems (UES). Given the vast differences in methodologies used for those utilities to procure and provide default energy service – PSNH provides power from its own generation resources and procures supplemental power on the market while GSEC and UES acquire their power through competitive market solicitations – the amount of time involved with related Commission proceedings varies greatly. As such,

[1] See Attachment SEM-5, PSNH response to Q-AUDIT-OCA-10.

using revenues as the allocation factor, while potentially reasonable in the case of PSNH, would lead to inappropriately high cost allocations in the cases of GSEC and UES given the high default service revenues as compared to the relatively low amount of PUC time involved in their default service proceedings. Although I recognize the shortcomings of allocating the PUC assessment among rate components based on revenues, I have used it for purposes of recommending an adjustment in this proceeding. Staff is open to comments regarding a more appropriate allocator. In adjustment #13, I have removed approximately $2.3 million of the PUC assessment from distribution revenue requirements and have included my calculations on Attachment SEM-1, Schedule 3A.

Adjustments #14 and #15 reduce medical expenses and pension expenses by $665,000 and $402,000, respectively, as discussed in the testimony of Mr. Cunningham. Adjustment #16 includes $1,378,000 of costs related to electricity use at PSNH's distribution facilities in the calculation of revenue requirements. Previously, those costs had been recovered as part of PSNH's energy service costs. However, in PSNH's most recent energy service proceeding, those costs were identified as being more appropriately recovered through distribution rates.

Q. Have you made any adjustments to depreciation expense?

A. Yes. Consistent with the testimony of Mr. Cunningham, I have included an adjustment to reduce the annual depreciation expense for plant in service as of December 31, 2008 by $1,536,106 (adjustment #17). Also, I have included Mr. Cunningham's recommended reduction of $23,464 (adjustment #18) applicable to PSNH's 2009 capital additions that were included in PSNH's proposed July 1, 2010 step adjustment.