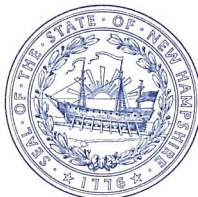


THE STATE OF NEW HAMPSHIRE

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November 4, 2011

NHPUC NOV04/11 PM 3:17

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
20 South Fruit Street Suite 10
Concord, New Hampshire 03301

Re: Docket No. DE 11-215, 2012 Energy Service Rate, DE 11-216 Alternative Default
Energy Service Rate and DE 11-217, 2012 Stranded Cost Recovery Charge
Public Service Company of New Hampshire
Staff Recommendation

Dear Ms. Howland:

On October 31, 2011, Public Service Company of New Hampshire (PSNH) filed a motion in the above captioned dockets to extend the procedural schedule. PSNH requested the extension due to the dedication of its personnel to restoring power lost as a result of the major snowstorm that occurred October 29 - October 30. In Dockets DE 11-215 and DE 11-217, PSNH has requested rates for effect with service rendered on and after January 1, 2012, and the procedural schedule is designed to allow the dockets to be completed in a timely manner given the Company's request.

In Dockets No. DE 11-215 (energy service) and DE 11-216 (alternative default energy service), PSNH proposed rates that include costs associated with the installation of a flue gas desulphurization (scrubber) unit at its Merrimack Station generating plant. According to PSNH, the scrubber became used and useful on September 28, 2011 and should be included in rates. On October 14, 2011, PSNH filed updates to Dockets No. DE 11-215 and DE 11-216 which included estimated costs for the scrubber and proposed the addition of these costs to rates effective with service rendered on and after January 1, 2012. Staff, the Office of Consumer Advocate (OCA) and intervenor Conservation Law Foundation (CLF) all issued data requests in one or both dockets that included questions regarding the scrubber. Freedom Energy Logistics LLC and Halifax-American Energy Company LLC (FEL/HAEC) also intervened in Docket No. DE 11-216 but did not propound discovery.

As stated in its motion, PSNH is requesting that the Commission waive the normal 10-day deadline for submitting any objections to the data requests, and that per Rule 203.09(g)(1) the Commission specify that any objections be served no later than November 14, 2011. PSNH Motion at paragraph 8. Based on this request, Staff expects that PSNH is considering whether to object to data requests regarding the scrubber because, at the prehearing conference, PSNH opined that the scrubber costs would be reviewed in the Company's annual reconciliation of

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energy service and stranded cost adjustment charge rates, not in the instant proceeding.¹ In addition, there are data requests regarding the draft Clean Water Permit recently proposed by the federal Environmental Protection Agency as it relates to the scrubber; PSNH may object to such data requests as well. As you know, parties receiving an objection to discovery requests may file motions to compel and it is likely that discovery disputes will occur in these dockets. Moreover, Staff needs to investigate PSNH's assertion that the scrubber is used and useful and the costs of the scrubber are appropriate for inclusion in rates in the first instance. This investigation cannot be accomplished within the time frames in the proposed procedural schedule.

Staff is mindful that energy service and stranded cost recovery charge rates need to be set for effect for January 1, 2012. Staff recommends that the Commission either designate a separate docket, or an extended schedule for the existing dockets, for purposes of investigating the installation and operation of the scrubber and the associated costs. An issue that will still require discussion is whether any costs related to the scrubber should be allowed for recovery in PSNH's energy service rate for effect January 1, 2012, subject to later reconciliation, or whether such determination should be made only after completion of the scrubber investigation.

Staff has reviewed this recommendation with PSNH, the OCA and intervenors CLF and FEL/HAEC. The OCA, CLF and FEL/HAEC concur with Staff's recommendations. PSNH stated that it had no position with respect to Staff's recommendations and said that the Company will file a response by close of business today.

Sincerely,

A handwritten signature in black ink, appearing to read 'Suzanne G. Amidon', with a stylized flourish at the end.

Suzanne G. Amidon
Staff Attorney

Service List

¹ Staff also notes that Docket No. 08-103 which the Commission designated for evaluating the public interest and monitoring progress with the scrubber installation is still open and that PSNH has not updated the docket since October 15, 2010.