

New Hampshire Electric Cooperative, Inc.

Power Cost Recovery

Order Approving Power Cost Recovery

O R D E R N O. 23,091

December 21, 1998

APPEARANCES: Dean, Rice and Kane by Mark W. Dean, Esq. on behalf of the New Hampshire Electric Cooperative, Inc.; Office of the Consumer Advocate by Kenneth E. Traum on behalf of residential ratepayers; and, Tracy B. Guyette, Thomas C. Frantz, and James J. Cunningham, Jr. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On November 24, 1998, the New Hampshire Electric Cooperative, Inc. (NHEC) filed with the New Hampshire Public Utilities Commission (Commission) a request and supporting testimony and exhibits to decrease its Stranded Cost Charge from \$0.01920 per kilowatt-hour to \$0.01343 per kilowatt-hour, increase each of its Default Power Service Charges by \$0.00577 per kilowatt-hour, and defer \$195,000 in power costs for effect January 1, 1999 to June 30, 1999. NHEC also filed short-term rates for purchases from Qualifying Facilities (QF). The proposed QF rates are based on the short-term avoided energy rates of each of the four utilities from which NHEC purchases power. A duly noticed hearing was held before the Commission on December 14, 1998.

II. POSITIONS OF THE PARTIES AND STAFF

A. NHEC

In its pre-filed testimony, NHEC proposed to maintain its current Power Cost Recovery Charge (PCR)(consisting of a Stranded Cost Charge and a Default Power Service Charge) by decreasing the Stranded Cost Charge by \$0.00577 per kilowatt-hour and increasing the Default Power Service Charge by \$0.00577 per kilowatt-hour. NHEC bases its 6-month PCR on a one-year forecast of Stranded Cost and Default Power Service Cost. The Stranded Cost forecast for 1999 is \$9,178,936 and the Default Power Cost forecast is \$54,149,157. The Cooperative is seeking to defer \$195,000 into the year 2000 in order to ensure rate continuity. The deferral has the effect of reducing the PCR by \$0.00035 per kilowatt-hour. Overall NHEC's filing has no effect on rates for this PCR period from January 1, 1999 to June 30, 1999.

The Stranded Cost Charge is composed of the non-incremental components of the wholesale power contracts through which NHEC obtains power. These elements include delivery point charges from Public Service New Hampshire (PSNH) and Green Mountain Power, minimum charges from Central Vermont Public Service, and billings from the New England Power Pool. In addition, the Stranded Cost Charge includes PSNH Demand Ratchet Charges. Total Default Power Service Charges are calculated by subtracting assumed Stranded Cost Charges from total forecast power recovery requirements. At the time customers are able to choose a competitive electricity supplier, the competitive power price will replace the Default Power Service Charge for those customers who switch to a competitive supplier, but all customers will still pay the Stranded Cost Charge.

Currently, NHEC is awaiting an order from the Federal Energy Regulatory Commission (FERC) to resolve the dispute

between NHEC and PSNH over interpretation of the Amended Partial Requirements Agreement (APRA). If NHEC receives a favorable ruling from the FERC, NHEC expects consumers who choose a competitive supplier to see substantial rate decreases. In its filing, NHEC assumed that all customers will choose a competitive supplier by January 1, 1999. This assumption creates no change to the PCR total but reallocates collections, effectively decreasing the Stranded Cost Charge and increasing the Default Power Service Charge.

Numerous adjustments, both increasing and decreasing, caused changes in the PCR. These changes, which balance each other out, include:

1. A change in PSNH's Wholesale Fuel and Purchased Power Adjustment Clause (FPPAC) rate, approved by FERC, plus a PSNH FPPAC deferral, to be collected in the upcoming period, cause an increase to the PCR of \$0.00020 per kilowatt-hour.
2. An increase in PSNH's base energy charges from \$0.0802 per kilowatt-hour to \$0.0822 per kilowatt-hour for calendar year 1999 in accordance with the APRA will increase the PCR requirement by \$0.00189 per kilowatt-hour.
3. QF purchases, at rates less than short-term avoided cost, with a strong likelihood of occurring are included in the PCR forecast, resulting in a decrease of \$0.00310 per kilowatt-hour.
4. A predicted under-recovery of \$919,139 as of January 1, 1999, offset by the collection of an under-recovery of \$435,277 in the period July 1, 1998 to December 31, 1998, results in a PCR increase of \$0.0004 per kilowatt-hour.
5. The interest charge in the proposed PCR offset by the interest in the current PCR results in a \$0.00014 per kilowatt-hour increase.
6. The proposed deferral of \$195,000 creates a decrease of \$0.00035 per kilowatt-hour.

In November of 1998, PSNH made an offer to NHEC to collect the FPPAC under-recovery balance, previously deferred, as a line item on customers' bills over 12 months without interest as opposed to the standard method of 6 months with interest. The Cooperative declined the offer because special contract ski area customers, whose rates are dependent upon FPPAC, would not pay any of the under-recovery under PSNH's proposed methodology of collecting the deferral through a line item charge on tariff customers' bills rather than through FPPAC.

Based on a contractual dispute between NHEC and other "secondary purchasers" of Maine Yankee, NHEC has stopped making payments to Maine Yankee. NHEC has not included any Maine Yankee costs in the 1999 PCR forecast.

B. OCA

The OCA did not file testimony, but questioned NHEC's witness about PSNH's FPPAC offer to NHEC, possible increases in QF purchases, and the effect of changing the assumption that all customers will choose a competitive supplier on January 1, 1999. The OCA also requested that NHEC ask PSNH if it would consider an interest free deferral recovery using a collection methodology which would be more acceptable to NHEC.

OCA recommended approval of the proposed rates in the interest of rate continuity. The OCA expressed concern that tariff ratepayers were not able to benefit from PSNH's offer to collect deferred FPPAC payments without interest due to mechanisms in the ski area special contracts.

B. Staff

Staff did not file testimony, but questioned NHEC's forecast of PSNH Demand Ratchet Charges, the effect of assuming all customers will choose a competitive supplier on January 1, 1998, purchases from New England Power, and steps NHEC is taking to mitigate power costs.

Staff recommended that the Commission approve NHEC's

proposed Stranded Cost Charge and Default Power Service Charge as filed. Staff stated it believed allowing NHEC to defer the proposed \$195,000 in order to prevent a rate increase is appropriate at this time given that NHEC is in QF negotiations which would lower its energy costs and that it is still awaiting a decision from the FERC over interpretation of the APRA.

### III. COMMISSION ANALYSIS

Pursuant to Order No. 23,013 (September 8, 1998) in docket DR 98-097, NHEC unbundled its Power Cost Recovery into its two component parts, namely, Stranded Cost and Default Power, and calculated the component rates. Based on the record in this proceeding, we find the proposed allocation of the PCR between the two component parts just and reasonable given the current over-recovery of the Stranded Cost component and the current under-recovery of the Default Power Cost component. Taking into consideration NHEC's high rates, the possibility of lower cost QF power in the near future, and the possibility of lower cost power once the FERC issues an order on the APRA issue, we find it in the public interest for NHEC to defer the proposed \$195,000 in order to keep PCR rates constant for the period January 1, 1999 to June 30, 1999.

We also agree with the OCA that NHEC should discuss with PSNH whether there is a mechanism to take advantage of PSNH's FPPAC offer without bypassing special contract customers.

Based upon the foregoing, it is hereby

ORDERED, that the New Hampshire Electric Cooperative, Inc. is authorized to increase its Default Power Service Charge by \$0.00577 per kilowatt-hour and decrease its Stranded Cost Charge by \$0.00577 per kilowatt-hour to \$0.01343 per kilowatt-hour for the period January 1, 1999 to June 30, 1999; and it is

FURTHER ORDERED, that the short-term avoided cost rate for Qualifying Facilities is set at the following prices per kilowatt-hour for the period January 1, 1999 to June 30, 1999 at the respective delivery points:

Public Service Company of NH	Base Energy	8.347¢
	FPPAC	1.050¢
Central Vermont Public Service	Base Energy	3.204¢
New England Power Company	Base Energy	
	On-Peak	2.782¢
	Off-Peak	1.766¢
Green Mountain Power Corporation	Base Energy	3.960¢
	Fuel Charge	varies monthly;

and it is

FURTHER ORDERED, that NHEC file with the Commission a letter summarizing the result of discussions with PSNH regarding FPPAC deferral payments.

By order of the Public Utilities Commission of New Hampshire this twenty-first day of December, 1998.

Douglas L. Patch  
Chairman

Susan S. Geiger  
Commissioner

Nancy Brockway  
Commissioner

Attested by:

Thomas B. Getz  
Executive Director and Secretary

