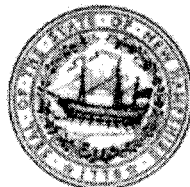


CONSUMER ADVOCATE
Susan W. Chamberlin

STATE OF NEW HAMPSHIRE



TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-1172

ASSISTANT CONSUMER ADVOCATE
Dr. Pradip K. Chattopadhyay

OFFICE OF CONSUMER ADVOCATE

21 S. Fruit St., Suite 18
Concord, N.H. 03301-2429

Website:
www.oca.nh.gov

SB 221 FREQUENTLY ASKED QUESTIONS

Q. WHAT IS THE PURPOSE OF SB221?

A. SB221 affects the generation-related costs of Public Service Company of New Hampshire (PSNH), including the costs of the scrubber on the Merrimack plant (Generation-related Costs). A scrubber is equipment that removes toxic compounds from the gas emissions of a coal plant. The purpose of SB221 is to reduce total costs paid by consumers in their electricity bills for Generation-related Costs.

Q. HOW DOES SB221 REDUCE CONSUMER COSTS?

A. SB221 authorizes the Public Utilities Commission (PUC) to issue a finance order addressing the interest rate which applies to Generation-related Costs. Using the financing mechanism called securitization, the higher interest rate representing utility profit is replaced by debt financing (a lower-risk market based interest rate), resulting in customer savings.

Q. HOW IS SB221 RELATED TO CASES BEFORE THE PUC?

A. SB221 is related to two PUC cases: DE 11-250 Public Service Company of New Hampshire - Investigation of Scrubber Costs and Cost Recovery (Scrubber Case); and DE 14-238 Public Service Company of New Hampshire, Determination Regarding PSNH's Generation Assets (Divestiture Case). Some of the parties to these cases developed a draft Settlement Agreement to end litigation in both cases. The proposed Settlement Agreement includes, and relies upon, the PUC's use of securitization as authorized by SB221.

Q. WHY DOES SB221 NEED TO PASS THIS YEAR?

A. Without SB221, resolution of the PUC cases will be delayed. During the delay, costs for consumers (utility profit) continue to accrue at the utility's return on equity of about 10%, compared to the lower rate of debt financing through securitization, currently about 3%. Delay causes costs to rise for consumers.

Q. IF SB221 IS PASSED INTO LAW, WHAT HAPPENS TO THE TWO PUC CASES?

A. There are several steps needed to resolve the Scrubber Case and the Divestiture Case at the PUC if SB221 is passed into law:

- 1) Meetings are taking place among all the parties. These discussions give all parties the opportunity to join, partially join or oppose the Settlement Agreement for the Scrubber Case and the Divestiture Case;

- 2) The settling parties will file the agreement at the PUC seeking PUC approval. All parties, those supporting and those opposed to the Settlement Agreement will have the opportunity to present their positions to the PUC;
- 3) After notice and hearing, the PUC will issue its decision. If the PUC approves the Settlement Agreement, the litigation of the Scrubber Case and the Divestiture Case will be over. The PUC will implement the Settlement Agreement terms.

Q. WHAT HAPPENS TO THE PUC CASES IF SB221 IS NOT PASSED INTO LAW?

A. Without the authority to use securitization provided by SB221, the PUC loses a major tool for lowering electric rates paid by consumers. Without SB221, the Scrubber Case and the Divestiture Case will be pursued by interested parties through the adjudicative and appeal processes. Regardless of the final outcome, costs for consumers will increase over the time it takes to reach a final litigated decision because of the accrual of interest on outstanding Generation-related Costs. While some parties may hope that the outcome of the two PUC cases will provide for a greater disallowance against PSNH of uneconomic Generation-related Costs, any additional write-off would need to be greater than accrued interest over the time it takes to reach a final decision for there to be savings to consumers.

Q. MANUFACTURERS SEE SB221 AS CAUSING AN INCREASE TO THEIR ELECTRIC BILLS. WHY SHOULD THEY PAY ANYTHING FOR UNECONOMIC PSNH GENERATION-RELATED COSTS?

A. There are 5 major reasons that manufacturers pay a portion of PSNH uneconomic Generation-related Costs as part of the Settlement Agreement:

- 1) about 50% of commercial and industrial customers use PSNH default service from time to time to reduce costs, so C & I customers received a direct benefit from the option of default ES service supported by PSNH generation;
- 2) as a result of the temporary rate of \$.0098, ES customers have already paid over \$100,000,000 of scrubber related costs through rates;
- 3) PSNH's voluntary sale of its generation assets (as part of the Settlement Agreement) reduces the total of Generation-related Costs by bringing in investment from 3rd parties and shifting the risk of future environmental costs from customers to competitive markets.
- 4) savings from securitization cannot take place without a contribution from all PSNH distribution customers, further shrinking the amount of uneconomic Generation-related Costs;
- 5) divestiture and securitization bring containment and certainty to the cost impact of outstanding uneconomic Generation-related Costs rather than waiting for an uncertain outcome through litigation.