

MERGERS & ACQUISITIONS

PSNH DESERVES SEVEN 5.5% INCREASES AFTER NU TAKEOVER, PUC STAFF AGREES

The New Hampshire Public Utilities Commission staff endorsed seven annual 5.5% rate hikes for Public Service of New Hampshire as part of its merger deal with Northeast Utilities.

But it also urged several conditions to the rate agreement to create a "fair apportionment of risks" between NU and ratepayers, set forth in May 17 testimony by staff attorney James Rodier.

The PUC hopes to make a final ruling on the rate agreement in July (Docket No. DR-89-244). Its approval is the last step needed before NU can wind up PSNH's Chapter 11 Bankruptcy Court proceedings and pay off PSNH stockholders and creditors.

Rodier called the rate increase package a "necessary but burdensome" price for ending the bankruptcy court case—to which New Hampshire drove PSNH after the state Supreme Court upheld a law barring the unfinished Seabrook-1 plant from rates and state legislators refused to change the law.

He said the proposed conditions were "not intended to jeopardize the merger, but harmonize the rate agreement with its own primary objectives and safeguard the public good."

The staff conditions include reducing NU's rights to seek extra cost recovery for conservation measures and large fuel adjustments, and cutting potential profits to NU stockholders from off-system sales of PSNH power. Also, if PSNH wholesale sales in New Hampshire drop, ratepayers would not be required to make up the difference.

Staff also wants the PUC to protect PSNH's right to seek compensation from another NU affiliate, North Atlantic Energy Co., in case the Seabrook nuclear plant is temporarily shut down.

North Atlantic has won special permission from the Federal Energy Regulatory Commission to recover full costs for Seabrook, even if the plant is cancelled (EUW, 21 May, 11), but PUC staff believes it should be responsible for the extra cost of replacement power during a shutdown.

The staff also urged that if NU is unable to achieve the expected economies on operation of the Seabrook plant, that the shortfall should not be automatically charged to ratepayers, but instead held separately on the books. If Seabrook efficiencies beat expectations later, the savings would be used as a credit against the shortfall.

The likely economic gain for PSNH from the merger has been a key item of debate during the hearings before the PUC. The PUC has been mandated by the state to determine whether total synergies equal at least \$300-million, which is the minimum amount needed to fit the 5.5% rate hike track.

In testimony submitted last week, NU officials admitted that their projected total of \$62-million in savings