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PSNH loses more customers to lower-priced competitors

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The number of customers who purchase electricity from Public Service of New Hampshire continued to drop over the past three months, the company reported Monday, providing more evidence that the state's largest utility is struggling to compete with lower-priced independent suppliers.

About 112,000 PSNH default energy customers switched to other suppliers by the end of June, according to data filed with the Public Utilities Commission. Of those, 89,000 were residential customers – up from 49,000 through the end of March.

The migration has legislators concerned because it leaves fewer PSNH customers to absorb the cost of the company's plants, which include coal, hydro and biomass.

"Stop thinking of this as some philosophical problem to decide, and start thinking of it as an engineering problem," Rep. Herb Vadney, a Meredith Republican, said yesterday during a legislative oversight committee meeting to discuss the future of PSNH's plants. "It's over. I don't see how you can make any other conclusion. We're on a path that will definitely leave, maybe in a year or two, where we'll pretty much have zero customers who are paying for the hardware costs."

PSNH's two coal-fired plants, including Merrimack Station in Bow, produce far less energy than they did years ago, before the decline in natural gas prices. Between 2008 and 2012, output at Merrimack Station fell from 75 percent of capacity to 30 percent, according to PUC data; the coal-fired units at Schiller Station in Portsmouth dropped from 80 percent to about 10 percent during the same period.

Still, PSNH spokesman Martin Murray said the company's plants remain an asset to the region's energy grid, ensuring a diversity of fuel sources and that demand is met during peak winter and summer months.

PSNH's rates have on average been higher than market rate over the past two years, Murray said, but over the last decade they have saved ratepayers money, because as market rates fluctuate, PSNH's remain relatively constant.

"Our role, with our regulated plants, is to act as an insurance policy," Murray said. "The question to legislators is, 'How valuable is that insurance policy?'"

In a widely read report released last month, the PUC posited that the costs of maintaining the company's fossil-fuel burning plants far outweigh the benefits. On Monday, the agency issued a directive stating that it plans to hire an outside consultant to further study PSNH's assets and entitlements, which it said would help legislators determine what, if any, actions it might take to address the issue.

Tom Frantz, who directs the PUC's electricity division, said yesterday at the meeting that the study could take several months to complete.

Vadney indicated that may be too long.

"In 10 months of study, you'll end up finding that it costs more to scrap (the plants) than the scrap is worth," he said. They're "a liability."

Sen. Jeb Bradley, a Republican from Wolfeboro, said he saw three options for moving forward: distribute certain fixed costs, such as the \$422 million mercury scrubber at Merrimack Station for which PSNH has yet to fully bill its energy customers, to all customers who rely on the utility's transmission lines; push the company to divest some or all of its plants; or do nothing.

The current model is unsustainable so long as PSNH continues to lose energy customers, Bradley added, both for the state and the utility itself.

"I think we have a gun to our head," he said. "But so do they."

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