

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 16, 2015 - 3:09 p.m.
Concord, New Hampshire

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RE: DE 11-250
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:
Investigation of Scrubber Costs and Cost
Recovery.
(Hearing on a Temporary Rate Adjustment)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Kathryn M. Bailey
Special Commissioner Michael J. Iacopino

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service Company of
New Hampshire d/b/a Eversource Energy:
Robert A. Bersak, Esq.

Reptg. Office of Energy & Planning:
Meredith A. Hatfield, Director
(Appearing as a Non-Intervenor)

Reptg. Residential Ratepayers:
Susan Chamberlin, Esq., Consumer Advocate
James Brennan, Finance Director
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division
Richard Chagnon, Electric Division

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

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P R O C E E D I N G

CHAIRMAN HONIGBERG: We're here this afternoon in Docket 11-250, the docket known as the "Scrubber docket", to talk about the temporary rate. Eversource has requested a change in the temporary rate to be collected from Default Service customers. And, we're here to decide that.

So, before we go any further, let's take appearances.

MR. BERSAK: Good afternoon, Commissioners. Robert Bersak, on behalf of Public Service Company of New Hampshire, doing business as Eversource Energy.

MS. CHAMBERLIN: Susan Chamberlin, Consumer Advocate. And, with me today is Jim Brennan.

CHAIRMAN HONIGBERG: And, we'll jump behind you, Ms. Chamberlin.

MS. HATFIELD: I'm Meredith Hatfield, for the Office of Energy & Planning. And, we are not a party in this docket. But, as the Commissioners are probably aware, we filed a comment letter.

MS. AMIDON: Suzanne Amidon, for Commission Staff. And, Mr. Chairman, my suggestion is that you allow the Office of Energy & Planning to submit

1 their comments following the -- at the end of this
2 proceeding, as you do with every other party, and perhaps
3 go first with the Office of Energy & Planning.

4 CHAIRMAN HONIGBERG: In terms of summing
5 up, you mean, Ms. Amidon?

6 MS. AMIDON: Yes. Yes.

7 CHAIRMAN HONIGBERG: And, Mr. Aslin, are
8 you going to have a speaking part today, or is it just
9 going to be Ms. Hatfield?

10 MR. ASLIN: Just Ms. Hatfield.

11 CHAIRMAN HONIGBERG: All right. I see
12 the witness has been pre-seated. Is there anything we
13 need to do before we hear from Mr. Goulding?

14 MR. BERSAK: Yes, Mr. Chairman. We've
15 premarked two exhibits for this proceeding. One is
16 identified as "Exhibit 135", which is the next exhibit in
17 this process from the last hearing, and that is the
18 Affidavit of Christopher J. Goulding, and the attachments
19 thereto. And, we've also premarked as "Exhibit 136" the
20 Company's response to a Staff Data Request Number 1, from
21 Docket Number DE 15-415.

22 And, I believe you should have copies of
23 both those documents.

24 CHAIRMAN HONIGBERG: All right. So,

1 135 --

2 MR. BERSAK: Is Mr. Goulding's
3 affidavit.

4 CHAIRMAN HONIGBERG: Yes, I've got to
5 find it. It's attached to the motion, is that right?

6 MR. BERSAK: It was filed November 2nd,
7 2015.

8 CHAIRMAN HONIGBERG: I've got it.

9 MR. BERSAK: If you need a copy, I've
10 get it for you?

11 CHAIRMAN HONIGBERG: Just, it's in the
12 filing, you have to plow through the filing to get to all
13 of the supporting documentation.

14 MR. BERSAK: Yes.

15 CHAIRMAN HONIGBERG: And, it's there.

16 (The documents, as described, were
17 herewith marked as **Exhibit 135** and
18 **Exhibit 136**, respectively, for
19 identification.)

20 MR. BERSAK: Do any of the Commissioners
21 need a copy of that affidavit? No? Good.

22 As you indicated at the start of this
23 proceeding, we're here today to talk about a temporary
24 rate for the Scrubber. An existing temporary rate is in

1 place per the order of the Commission that was issued back
2 in April, April 10th of 2012. This was a rate that Staff
3 witnesses anticipated would be in place for just one year;
4 we're now coming up on almost four years. It's time to
5 freshen up this rate, so that we stop growing deferrals
6 that will ultimately cost customers money, and to do a
7 rate change consistent with the 2015 Restructuring and
8 Rate Stabilization Agreement that the Company and about 15
9 other parties entered into, and which was filed in this
10 proceeding back in June 10th of this year. And, we ask
11 the Commission to take administrative notice of that
12 Settlement Agreement that has been previously filed.

13 One of the agreements -- one of the
14 ingredients of that Rate Stabilization relates to the
15 Scrubber. The Settlement was founded on the change in the
16 Scrubber rate to be effective on January 1st, 2016, either
17 on a permanent or a temporary basis. That would allow the
18 financials of that deal to stay intact while the
19 Commission has a chance to review the Settlement in Docket
20 14-238.

21 Per RSA 125-O, Section 18, this
22 temporary rate has to be billed as part of the Energy
23 Service charge. So, the rates that we're asking the
24 Commission to put into effect, the new temporary rate of

[WITNESS: Goulding]

1 1.72 cents per kilowatt-hour, will appear on bills or
2 would appear on bills as part of the overall Energy
3 Service rate that the Commission will determine as part of
4 Docket 15-415, for effect on January 1st, 2016.

5 And, if the Company -- if the Company's
6 filings are approved, the overall total rate, that would
7 include the Energy Service, plus the Scrubber component,
8 would be 9.99 cents per kilowatt-hour.

9 As noted in our motion to amend the
10 temporary rate, this motion and this new rate is supported
11 by over half a dozen parties. And, as you heard, Office
12 of Energy & Planning will make comments following the
13 presentation of the witness. And, we have available to
14 take questions Mr. Goulding, who submitted an affidavit on
15 November 2nd, 2015.

16 And, if we can get the witness sworn in,
17 we can proceed.

18 (Whereupon **Christopher J. Goulding** was
19 duly sworn by the Court Reporter.)

20 **CHRISTOPHER J. GOULDING, SWORN**

21 **DIRECT EXAMINATION**

22 BY MR. BERSAK:

23 Q. Good afternoon, Mr. Goulding. Can you please identify
24 yourself for the record?

[WITNESS: Goulding]

1 A. My name is Christopher Goulding. I'm the Manager of
2 Revenue Requirements for New Hampshire. I work for
3 Eversource Energy. And, in my role, I'm currently
4 responsible for the implementation and coordination of
5 revenue requirement calculations primarily for PSNH.

6 Q. Do you have before you what has been premarked as
7 "Exhibit 135"?

8 A. I do.

9 Q. And, is that an affidavit that was filed in this
10 proceeding November 2, 2015, consisting of six pages
11 and three attachments?

12 A. Yes.

13 Q. Do you have any corrections or changes to the testimony
14 that was included within that affidavit?

15 A. No, I do not.

16 Q. And, in that affidavit, is the Company requesting that
17 the temporary rate for the Scrubber be changed from the
18 existing rate of 0.98 cents per kilowatt-hour, to one
19 of 1.72 cents per kilowatt-hour, effective January 1st,
20 2016?

21 A. Yes.

22 Q. And, with that rate of 1.72, if the Company's request
23 for a Energy Service rate is approved, would the
24 overall rate then charged to customers who take Energy

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1 Service from Public Service Company of New Hampshire be
2 9.99 cents per kilowatt-hour?

3 A. Yes, it would.

4 MR. BERSAK: Thank you. I have no
5 further questions.

6 CHAIRMAN HONIGBERG: Ms. Chamberlin?

7 MS. CHAMBERLIN: No questions.

8 CHAIRMAN HONIGBERG: Ms. Amidon?

9 MS. AMIDON: Thank you.

10 **CROSS-EXAMINATION**

11 BY MS. AMIDON:

12 Q. Mr. Goulding, Exhibit 136 is a response to a data
13 request in Docket DE 15-415, Eversource's Energy
14 Service docket. And, originally, if you recall, in the
15 September filing, the Company included the temporary
16 rate as part of that filing in the calculation of that
17 rate. Do you recall that?

18 A. Yes, I do.

19 Q. And, so, this question was issued by Staff to get some
20 information related to, you know, to add to the record
21 to understand how these costs were generated. Do you
22 remember that?

23 A. Yes, I do.

24 Q. And, did you respond to this data request or oversee

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1 the preparation of the response?

2 A. Yes, I did.

3 Q. So, basically, Mr. Goulding, I would just like you to
4 walk through each page in this response, and just
5 explain how this leads to the temporary rate of 1.72
6 cents that was referred to by Attorney Bersak.

7 A. Okay. Sure. So, the response was looking for 2015 and
8 2016 Scrubber costs that were included -- or, excluded
9 from the September 28th Energy Service filing. So, if
10 we look at Page 2 of the response, it starts off with
11 the December 31st, 2015 -- or, excuse me,
12 December 31st, 2014 Scrubber deferral balance of
13 \$105 million. And, then, you have Merrimack Scrubber
14 O&M, fuel, avoided SO2 costs, depreciation expense,
15 property tax, and return on rate base for the year,
16 gives you total Scrubber costs for the year of
17 \$51 million. And, then, we have forecasted Scrubber
18 revenue at the temporary rate level of 0.98 cents per
19 kilowatt-hour gives you \$39.511 million of Scrubber
20 revenue. So, the activity for the year results in an
21 under recovery before carrying charge of 116.892
22 million, and we have a carrying charge of 6 million,
23 result in a total forecasted under recovery at the end
24 of 2015 of 123.287 million. And, that 123.287 million

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1 is consistent with the amount that we're -- is included
2 in the temporary Scrubber rate to be amortized over
3 seven years.

4 Q. In other words, if I understand the 2015 Settlement
5 Agreement, the Parties agree that one-seventh of the
6 deferral would be included, would be recovered each
7 year? Maybe you could just explain that to me. I
8 apologize if I mischaracterized it.

9 A. Sure. Let me just get to my notes. Okay. So, in
10 Section III.D of the Settlement Agreement, it called
11 for a temporary rate recovery of the Scrubber costs to
12 be changed effective January 1st to reflect recovery of
13 all ongoing costs of the Scrubber, as well as the
14 annual amortization of one-seventh of the deferred
15 Scrubber costs.

16 Q. Okay. Thank you.

17 A. So, this was just the -- that last calculation I walked
18 through was just how to get to the 123 million that we
19 would amortize over the seven years.

20 Q. Thank you.

21 A. Okay. So, in that same response, Exhibit 136, there's
22 Page 3, which provides monthly activity that roles into
23 Page 2, for O&M, fuel, avoided SO2, depreciation, and
24 property tax. Page 4 shows the calculation of the

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1 return for 2015 on a monthly basis, and then total.
2 Page 5 shows the Scrubber costs for the year on a
3 monthly basis, plus the Scrubber revenues, as well as
4 the deferral and the carrying charge on the deferral.
5 So, that's all for 2015 activity that feeds into
6 Page 2.

7 And, then turn to Page 6. So, this gets
8 us to the second part of the -- second part of the
9 temporary rate calculation, consistent with the
10 Settlement Agreement, which is to recover all 2016
11 forecasted Scrubber costs. So, in 2016, we have
12 forecasted O&M, Scrubber O&M of \$2.4 million, Scrubber
13 fuel of \$5.4 million, avoided SO2 costs of \$2.6
14 million, depreciation expense of \$15.5 million, and
15 property tax expense of 215,000, return on rate base of
16 25.6 million, for a total Scrubber cost of
17 \$46.7 million.

18 So, if we turn to the DE 11-250, the
19 exhibit marked as "135", Attachment CJG-1, the total
20 amount in the breakout is \$46.697 million that goes
21 into the temporary Scrubber rate calculation.

22 Q. Thank you. Now, as I understand it, this is an
23 adjustment to the temporary rate. Is that what your
24 understanding is?

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1 A. That's correct.

2 Q. And, the temporary rate, as the Commission indicated,
3 will be ultimately reconciled to whatever decision the
4 Commission issues with respect to this docket. Is that
5 fair to say?

6 A. Yes.

7 MS. AMIDON: Okay. Thank you. I have
8 no further questions.

9 CHAIRMAN HONIGBERG: Commissioner
10 Iacopino?

11 SP. CMSR. IACOPINO: No questions.

12 CHAIRMAN HONIGBERG: Commissioner
13 Bailey?

14 COMMISSIONER BAILEY: No questions.

15 BY CHAIRMAN HONIGBERG:

16 Q. Mr. Goulding, can you help me understand how the
17 reconciliation will work, in the event that a
18 settlement is approved along the lines of what's been
19 filed in this docket?

20 A. Sure. So, theoretically, this temporary rate is
21 supposed to match what we would -- we're actually
22 incurring for Scrubber costs. So, those revenues that
23 we receive from the temporary rate would be included in
24 the Energy Service revenues that we use to calculate

[WITNESS: Goulding]

1 our rate, and they would just be offset against all of
2 our Energy Service costs, including the Scrubber cost.
3 And, any differential, if we over recovery, that would
4 be flowed back to customers, if we under recovery, we
5 would have to adjust our future rate to recover that.

6 Q. Am I correct that, under the Settlement, the recovery
7 of the costs will be borne by all customers, not just
8 Energy Service customers, is that right?

9 A. Under the Settlement, once, if the Settlement is
10 approved and divestiture occurs, once we transition to
11 a Default Service -- non-Eversource generation Default
12 Service paradigm, any stranded costs will be recovered
13 from all customers.

14 Q. Will the Default Service customers who have been paying
15 the temporary rate be compensated at all at that time,
16 for paying this temporary rate, basically, carrying
17 these costs for so long?

18 A. Well, the temporary rate is recovering costs that
19 they're actually incurring at this time.

20 Q. True.

21 A. So, they're not really paying for anything that they --
22 that someone else should pay for. They're the ones
23 using the generation facilities at this time.

24 Q. And, so, you'll be able to isolate that, because we'll

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1 know what it is. And, the stranded costs associated
2 with the divestiture, if it ever happens, will be a
3 separate calculation?

4 A. Correct. So, theoretically, if it was a perfect world,
5 we'll just say that, or for my example, if
6 securitization and divestiture occurred of January 1st
7 2017, there will be no over/under recovery in the
8 Energy Service rate. We would have had a \$123 million
9 forecasted deferral at the end of this year that we
10 would have collected one-seventh from customers. So,
11 you would be left with \$106 million of Scrubber
12 deferral to securitize that all customers will pay for.

13 Q. Is there any risk to the Default Service customers of
14 allowing the higher rate at this time, given that it's
15 fully reconcilable?

16 A. No, because it's fully reconcilable.

17 CHAIRMAN HONIGBERG: I was hoping you
18 were going to say that. If you had said something else, I
19 would have been a little surprised. I don't think I have
20 any other questions.

21 Mr. Bersak, do you have any further
22 questions for Mr. Goulding?

23 MR. BERSAK: No, I do not. Thank you.

24 CHAIRMAN HONIGBERG: All right. I think

1 we're done.

2 If there's no objection to striking the
3 ID on Exhibits 135 and 136, we will do that?

4 *[No verbal response]*

5 CHAIRMAN HONIGBERG: All right. That's
6 done.

7 I think all that's left is for the
8 Parties and our guest commentators to provide us with
9 whatever comments they might have. Ms. Hatfield, you may
10 go first.

11 MS. HATFIELD: Thank you very much, Mr.
12 Chairman. As you know, OEP filed a comment letter in this
13 docket on November 12th, 2015, in order to express our
14 support for the Company's request to increase the
15 temporary rate for Scrubber costs. I won't read the
16 letter, because you do have it, but I will just touch on a
17 few reasons why OEP supports the Company's request.

18 One is to reduce the size of the
19 deferral, and also to reduce the amount that the deferral
20 is growing. As you heard, these are quite large numbers.
21 And, if we delay another six months, it's another
22 \$10 million on top of the already more than \$100 million
23 that has been deferred.

24 We believe that this is a move in the

1 right direction, even if the Commission does not approve
2 the Settlement Agreement, we think it is appropriate to
3 increase the rate, so that, again, customers can start
4 making a dent in that deferral.

5 And, we also support it under the sort
6 of theory that avoiding rate shock is good for customers.
7 If we continue to wait and the deferral grows, and we do
8 not divest, and Default Service customers have to pay the
9 full cost of the Scrubber and the deferral, we think it
10 would be hard for customers to absorb an increase greater
11 than the one that the Company is proposing today.

12 So, for all those reasons, we would
13 respectfully ask that you approve this. Thank you.

14 CHAIRMAN HONIGBERG: I note the
15 assumption built into the last part of your statement, Ms.
16 Hatfield, that the result of the Scrubber docket, if there
17 is no settlement, is something akin to full recovery of
18 the costs they sought, is it not?

19 MS. HATFIELD: You know, I don't want to
20 make any predictions.

21 CHAIRMAN HONIGBERG: No, I don't think
22 you do. But you are essentially assuming that there will
23 be a shock, in the event that this temporary rate isn't
24 increased?

1 MS. HATFIELD: Yes.

2 CHAIRMAN HONIGBERG: All right.

3 Ms. Chamberlin.

4 MS. CHAMBERLIN: The OCA supports the
5 filing. By putting all of the costs in the temporary rate
6 at this time, it does stop the deferral, as the other
7 parties have mentioned. It does create a rate increase
8 for the Energy Service customers. However, these are
9 costs that need to be recognized. And, by holding them
10 out in a deferral, it creates -- it starts to create a
11 false impression that these costs just don't exist. And,
12 they do exist, they need to be accounted for.

13 This is consistent with the Settlement
14 proposal. However, because it's a temporary rate, should
15 the Commission make any other changes, it will be
16 reconciled. It also results in a rate that is close to
17 market at this time, because of, you know, the weather and
18 other market conditions. And, so, customers will not be
19 experiencing an undue rate increase by putting it in ahead
20 of time, ahead of the Commission's decision.

21 So, for that reason, I support it.

22 CHAIRMAN HONIGBERG: The last part of
23 what you just said, Ms. Chamberlin, essentially, that
24 statement is the resulting rate would be just and

1 reasonable?

2 MS. CHAMBERLIN: As a temporary rate,
3 yes.

4 CHAIRMAN HONIGBERG: All right.
5 Ms. Amidon.

6 MS. AMIDON: Thank you. I believe that
7 the affidavit, and the further explanation provided by the
8 Company in connection with Exhibit 136, demonstrates that
9 there is a record on file with the Commission to support
10 the requested rate, temporary rate of 1.72 cents per
11 kilowatt-hour for recovery of the Scrubber costs. And,
12 for that reason, we recommend that the Commission approve
13 the Petition.

14 I would note it's about a -- looks like
15 it's maybe 0.74 cents increase over the current rate of
16 0.98 cents per kilowatt-hour. So, it seems reasonable to
17 begin recovery at this time. Thank you.

18 CHAIRMAN HONIGBERG: Mr. Bersak.

19 MR. BERSAK: Thank you, Mr. Chairman.
20 Last year, the Legislature enacted House Bill 1602. And,
21 as part of that legislation, it said one of its purposes
22 was to "promote the settlement of outstanding issues
23 involving stranded costs". Well, we've been very
24 fortunate that we've been able to reach a settlement of

1 the stranded costs, exactly like the Legislature desired.
2 We have well over a dozen myriad -- disparate and myriad
3 parties that have signed onto the Settlement. One of the
4 key ingredients of the Settlement is how to resolve the
5 stranded cost issue resulting from the Scrubber.

6 In order to maintain the integrity of
7 that Settlement, as the Commission goes through its review
8 of that Settlement in Docket 14-238, the Company asks that
9 the financials of that Settlement be protected by
10 implementation and putting into effect the temporary rate
11 increase that we've asked on January 1st, 2016. Knowing
12 that, should the Settlement not be approved or should
13 there be some other resolution ultimately of Scrubber
14 costs, the rate will be fully reconcilable. Customers
15 will be kept protected and made whole. And that, at
16 worst, it stops the deferral from growing any larger,
17 which is in the best interest of everybody at this time.

18 So, we ask the Commission to please
19 approve the rate as filed for effect on January 1st.

20 CHAIRMAN HONIGBERG: All right. Thank
21 you, Mr. Bersak.

22 Is there any other business we need to
23 transact?

24 *[No verbal response]*

1 CHAIRMAN HONIGBERG: Seems no. All
2 right. We will adjourn. Thank you all.

3 MR. BERSAK: Thank you.

4 ***(Whereupon the hearing was adjourned at***
5 ***3:30 p.m.)***

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