

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING
2018 DEFAULT ENERGY SERVICE RATE CHANGE
Docket No. DE 17-XXX

1 **Q. Please state your name, business address and position.**

2 A. My name is Christopher J. Goulding. My business address is 780 North Commercial
3 Street, Manchester, NH. I am employed by Eversource Energy Service Company as the
4 Manager of New Hampshire Revenue Requirements and in that position I provide
5 service to Public Service Company of New Hampshire d/b/a Eversource Energy
6 ("Eversource" or the "Company"). For purposes of this testimony, references to
7 Eversource Energy will mean the parent company and references to Eversource will
8 mean PSNH.

9 **Q. Have you previously testified before the Commission?**

10 A. Yes, I have.

11 **Q. What are your current responsibilities?**

12 A. I am currently responsible for the coordination and implementation of revenue
13 requirements calculations for Eversource, as well as the filings associated with
14 Eversource's Energy Service ("ES") rate, Stranded Cost Recovery Charge ("SCRC"),
15 Transmission Cost Adjustment Mechanism ("TCAM"), and Alternate Default Energy
16 ("ADE") rate.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
3 the necessary approvals to set the ES rate applicable to Eversource's customers who
4 take service under the default energy service rate that will take effect on January 1,
5 2018.

6 **Q. Has the ES rate been calculated consistent with Order No. 26,056 in Docket No. DE**
7 **17-113?**

8 A. Yes, the January 1, 2018 Energy Service rate has been prepared consistent with the
9 order that stated that "*Eversource shall prepare a filing to set an energy service and*
10 *stranded cost recovery charge for effect January 1, 2018, in the manner which it has*
11 *used in prior energy service rate filings*".

12 **Q. Please provide an overview of how customers acquire generation services and**
13 **how the ES cost recovery mechanism works.**

14 A. As a result of electric industry restructuring, customers may choose their source of
15 generation service. Eversource's customers may obtain generation service from an
16 approved competitive supplier, or they may choose to receive their energy from
17 Eversource in the form of default energy service.

18 Historically, through January 31, 2006, all ES reconciliation amounts (over or under
19 recoveries) were applied against Part 3 stranded costs. With the elimination of Part 3 of
20 the SCRC in June 2006, all ES reconciliation amounts effective with ES recovery
21 beginning February 1, 2006 were no longer applied to Part 3 stranded costs. ES

1 reconciliation amounts beginning in February 2006 are now being deferred and are
2 applied to future ES rate recoveries per the Commission's order and findings in Docket
3 No.DE 05-164, Order No. 24,579, dated January 20, 2006.

4 **Q. Please provide the historic and current ES rates.**

5 A. In this proceeding, Eversource is requesting the Commission determine an updated,
6 single ES rate for all eligible customers effective January 1, 2018, based on a forecast of
7 Eversource's costs of providing such power for the calendar year 2018.

8 The table on the next page outlines the ES rates in effect from May 1, 2001 to the
9 present for residential, small general service customers and large commercial and
10 industrial customers.

Date of Service

May 2001 - January 2003	(a) 4.40 cents per kWh
February 2003 - January 2004	(b) 4.60/4.67
February 2004 - July 2004	5.36
August 2004 - January 2005	5.79
February 2005 - July 2005	6.49
August 2005 - January 2006	7.24
February 2006 - June 2006	9.13
July 2006 - December 2006	8.18
January 2007 - June 2007	8.59
July 2007 - December 2007	7.83
January 2008 – June 2008	8.82
July 2008 – December 2008	9.57
January 2009 – July 2009	9.92
August 2009 – December 2009	9.03
January 2010 – June 2010	8.96
July 2010 – December 2010	8.78
January 2011 – June 2011	8.67
July 2011 – December 2011	8.89
January 2012 – April 15, 2012	8.31
April 16, 2012 – June 2012	(c) 8.75
July 2012 – December 2012	(c) 7.11
January 2013 – June 2013	(c) 9.54
July 2013 – December 2013	(c) 8.62
January 2014 – June 2014	(c) 9.23
July 2014 – December 2014	(c) 9.87
January 2015 – June 2015	(c) 10.56
July 2015 – December 2015	(c) 8.98
January 2016 – June 2016	(d) 9.99
July 2016 – December 2016	(d) 10.95
January 2017 – June 2017	(d) 11.17
July 2017 – December 2017	(d) 11.66

- (a) Set by statute for all retail customers.
- (b) Small C&I and residential rate set by statute (4.60 cents).
Large C&I rate set on forecasted costs (4.67 cents).
- (c) This rate includes 0.98 cents per kWh for Merrimack Scrubber costs approved in the temporary rates Order 25,346 in Docket No. DE 11-250.
- (d) This rate includes 1.72 cents per kWh for Merrimack Scrubber costs approved in Order 25,854 in Docket No. DE 11-250.

1 Initially, ES rates were set by statute. Beginning in February 2003, the ES rate for large
2 commercial and industrial customers was based on Eversource's forecast of "actual,
3 prudent and reasonable costs" (4.67 cents). Beginning in February 2004, the ES rate for
4 all retail customers was based on a forecast of Eversource's "actual, prudent and
5 reasonable costs."

6 In its initial decision in Docket No. DE 03-175 (Order No. 24,252), the Commission
7 reiterated its desire to avoid ES cost deferrals. As a way to minimize these deferrals, the
8 Commission provided any interested party the option of making an interim ES rate filing
9 in July, with the objective of setting a revised ES rate effective on August 1. This interim
10 process has been used in recent years. Beginning in 2007, the ES rate year was
11 adjusted to coincide with the calendar year January – December. In 2016, the current
12 ES rate was adjusted effective July 1, 2016.

13 **Q. Is Eversource proposing a specific ES rate at this time?**

14 A. No. In prior ES proceedings, the Commission has required Eversource to utilize market
15 information that is most current as of the hearing date. In light of that precedent, at this
16 time Eversource is supplying preliminary market data and operational data for its owned
17 generation, as well as for existing power purchase obligations based on contracts with
18 Independent Power Producers ("IPPs"). Eversource will formally propose an ES rate,
19 and provide a rate calculation based on updated market information, prior to the
20 anticipated hearing in December 2017.

1 **Q. Has Eversource performed a preliminary calculation of what its projected actual,**
2 **prudent, and reasonable costs of providing energy service will be from January 1,**
3 **2018 through December 31, 2018?**

4 A. Yes. As shown on Attachment CJG-1, for the period from January 1, 2018 through
5 December 31, 2018, Eversource's preliminary calculation of a projected ES rate
6 including scrubber recovery is 10.50 cents per kWh.

7 **Q. Are the costs that Eversource has included in this ES rate filing consistent with**
8 **the past ES filings?**

9 A. The major cost categories are consistent. These categories are the revenue
10 requirements for owned generation assets and the costs of purchased power
11 obligations. These costs include the fuel costs associated with Eversource's generation
12 assets, the costs from supplemental energy and capacity purchases, certain ISO-NE
13 ancillary service charges and the cost of compliance with the Renewable Portfolio
14 Standard ("RPS") and Regional Greenhouse Gas Initiative (RGGI). ES costs also
15 include non-fuel operation and maintenance costs (O&M), depreciation, property taxes
16 and payroll taxes, uncollectible costs attributable to ES, and a return on the net
17 generation investment.

18 **Q. How has Eversource handled the shipping contract Settlement and Release**
19 **described in the Testimony of Fredrick White in Docket No. DE 17-075?**

20 A. The \$3.4M payment associated with the settlement paid in December 2016 has been
21 excluded from the rate calculation pending review and approval in Docket No. DE 17-
22 075. Once that is approved, the Company will include that payment in rates in a manner
23 approved by the Commission.

1 **Q. Has Eversource reflected the results of its lead/lag analysis filed in Docket No. DE**
2 **16-822?**

3 A. No. Consistent with the instruction of the Commission in its November 28, 2016
4 secretarial letter in Docket No. DE 16-822, this filing includes 45 days of working capital
5 on O&M rather than the results of the previously completed lead/lag study. The
6 completed lead/lag analysis is currently being reviewed by Staff. Eversource anticipates
7 incorporating the results upon conclusion of the review and a determination on the
8 inclusion of the results by the Commission.

9 **Q. Does Eversource plan to minimize 2017 cost deferrals through a mid-term**
10 **adjustment?**

11 A. Yes. If divestiture has not been completed and a rate adjustment is deemed necessary,
12 Eversource (or any interested party) could file a petition in early June, prior to the
13 beginning of the second half of the year, requesting a change in the ES rate for the
14 remaining six months of the year. Eversource would submit actual and estimated data
15 on a date specified by the Commission to allow the parties, Staff and Commission
16 sufficient time to address the need for an interim adjustment during the year, if
17 necessary.

18 **Q. Were any changes made to the methodology in this ES rate filing regarding**
19 **recovery of the costs of the Scrubber?**

20 A. No. Section III.2.D, of the Restructuring and Rate Stabilization agreement dated June
21 10, 2015, in Docket No. DE 14-238, states that effective January 1, 2016, the Temporary
22 Rate for recovery of costs of the Scrubber shall be changed to reflect recovery of all

1 costs of the Scrubber incurred by PSNH (Eversource), along with its allowed return on
2 those costs. It also states that the previously-deferred costs resulting from the temporary
3 rate level shall be included in rates based upon an amortization period of seven years.
4 In accordance with Docket No. DE 11-250, Order 25,854 dated December 22, 2015, the
5 Scrubber Rate of 1.72 cents per kWh has been included in the calculation of this
6 preliminary January 1, 2018 ES rate.

7 **Q. Is the Company planning on updating the Scrubber rate?**

8 A. Not at this time. Although the Scrubber rate is not currently recovering 100 percent of
9 ongoing Scrubber costs and 1/7 of the Scrubber deferral as designed due primarily to
10 shifts in migration, in light of the impending divestiture of the Company's generating
11 assets maintaining the Scrubber rate constant is appropriate.

12 **Q. Please discuss the level of migration assumed in this filing.**

13 A. As explained in the testimony of Daniel J. Ludwig that is also included with this filing, the
14 level of forecasted migration assumed in Eversource's filing for September through
15 December 2017 is 56.8%. The level of forecasted migration assumed in Eversource's
16 filing for 2018 is 58.6%, which is the average forecasted migration level on Eversource's
17 system for January through December 2018.

18 **Q. How are Eversource's mandated purchased power obligations (IPPs) valued in**
19 **calculating the ES rate?**

20 A. Eversource includes IPP generation as a source of power to meet Eversource's load
21 requirements, and that power is valued based on projected market costs (energy and
22 capacity). The over-market portion of purchases from the IPPs are treated as a

1 stranded cost and recovered through the SCRC. This treatment is consistent with the
2 Restructuring Settlement and the Commission's Order in Docket No. DE 02-166. As
3 market prices drop, the value of IPP purchases recovered through the ES rate drops.
4 However, at the same time, there is a corresponding increase to the SCRC rate for the
5 above-market value of IPP purchases. As market prices increase, the ES costs increase
6 and there is a corresponding decrease to the SCRC rate for the same time period. To
7 properly match the recovery of IPP costs, Eversource is also concurrently filing for a
8 change in the SCRC rate effective January 1, 2018.

9 **Q. Please describe the detailed support for the calculation of the ES rate.**

10 A. Attachment CJG-1 provides a summary of the total energy service cost and the
11 calculation of the preliminary January 1, 2018 ES rate. Attachment CJG-2 provides
12 detailed cost and revenue components relating to Eversource's 2018 generating costs,
13 and also provides a breakdown of market purchases and sales. Page 3 of the
14 attachment provides further detail relating to Eversource generation and purchased
15 power for the period January 1, 2018 through December 31, 2018. Page 4 provides
16 further detail on the forecasted market value of IPP generation. Page 5 provides a
17 breakdown of Fossil/Hydro Operation and Maintenance costs. Page 6 provides a
18 detailed calculation of the return on Fossil/Hydro. Attachments CJG-3 and CJG-4
19 provide the detailed cost and revenue components relating to the preliminary 2017 ES
20 reconciliation.

21 **Q. Does Eversource require Commission approval of this rate by a specific date?**

22 A. Yes, Eversource needs final approval of the proposed ES rate by December 27, 2017, in
23 order to implement the new rate for service rendered on and after January 1, 2018.

1 Therefore, Eversource requests that the Commission commence a proceeding so that
2 the procedural schedule can be set to review this filing and approve the ES rate in a
3 timely manner.

4 **Q. Does this conclude your testimony?**

5 **A. Yes, it does.**