

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING
2015 DEFAULT ENERGY SERVICE RATE CHANGE
Docket No. DE 14-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 Northeast Utilities Service Company
4 (NUSCO) as the Manager, Revenue Requirements – PSNH. NUSCO provides
5 centralized services to the Northeast Utilities (NU) operating subsidiaries Public Service
6 Company of New Hampshire (PSNH), The Connecticut Light and Power Company,
7 Yankee Gas Services Company, Western Massachusetts Electric Company, NSTAR
8 Electric Company and NSTAR Gas Company.

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

10 A. Yes. I have previously sponsored testimony before the Commission in ES and SCRC
11 mid-year rate adjustment dockets.

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

13 A. I am currently responsible for the coordination and implementation of revenue
14 requirements calculations for PSNH, as well as the filings associated with PSNH's

1 Energy Service charge, the Stranded Cost Recovery charge, the Transmission Cost
2 Adjustment Mechanism, and the Alternative Default Energy Service Rate.

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

4 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
5 the necessary approvals to set the Default Energy Service (ES) rate applicable to PSNH's
6 customers who take service under Rate DE that will take effect on January 1, 2015.

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

8 A. In this proceeding, PSNH is requesting the Commission determine an updated, single ES
9 rate for all eligible customers effective January 1, 2015, based on a forecast of PSNH's
10 costs of providing such power for the calendar year 2015.

11 The table below outlines ES rates in effect from May 1, 2001 to the present for
12 residential, small general service customers and large commercial and industrial
13 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 2013 – December 2014	(c) 9.87

- (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.

1 Initially, Energy Service rates were set by statute. Beginning in February 2003, the
2 Energy Service rate for large commercial and industrial customers was based on PSNH's

1 forecast of "actual, prudent and reasonable costs" (4.67 cents). Beginning in February
2 2004, the Energy Service rate for all retail customers was based on a forecast of PSNH's
3 "actual, prudent and reasonable costs."

4 In its initial decision in Docket No.DE 03-175 (Order No. 24,252), the Commission
5 reiterated its desire to avoid ES cost deferrals. As a way to minimize these deferrals, the
6 Commission provided any interested party the option of making an interim ES rate filing
7 in July, with the objective of setting a revised ES rate effective on August 1. This interim
8 process has been used in recent years. Beginning in 2007, the ES rate year was adjusted
9 to coincide with the calendar year January – December. In 2014, the current ES rate was
10 adjusted effective July 1, 2014.

11 **Q. Is PSNH proposing a specific ES rate at this time?**

12 A. No, we are not. In prior ES proceedings, the Commission has required PSNH to utilize
13 market information that is most current as of the hearing date. In light of that precedent,
14 at this time PSNH is supplying preliminary market data and operational data for its
15 owned generation, as well as for existing power purchase obligations based on contracts
16 with IPPs. PSNH will formally propose an ES rate, and provide a rate calculation based
17 on updated market information, prior to the anticipated hearing in December 2014.
18 PSNH's formal proposal will also reflect the results of Docket No. DE 11-250, to the
19 extent that permanent rates for the recovery of Merrimack Scrubber costs have been
20 established in that proceeding by the time of the December 2014 ES rate filing.

1 **Q. Will the updated filing use the same calculation methodologies as in previous**
2 **proceedings?**

3 A. Yes.

4 **Q. Has PSNH performed a preliminary calculation of what its projected actual,**
5 **prudent, and reasonable costs of providing Energy Service will be from January 1,**
6 **2015 through December 31, 2015?**

7 A. Yes. As shown on Attachment CJG-1, for the period from January 1, 2015 through
8 December 31, 2015, PSNH's preliminary calculation of a projected ES rate prior to the
9 inclusion of the cost of the Scrubber is 8.63 cents per kWh.

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

12 A. As a result of electric industry restructuring, customers may choose their source of
13 generation service. PSNH's customers may obtain generation service from an approved
14 competitive supplier, or they may choose to receive their energy from PSNH in the form
15 of Default Energy Service.

16 Historically, through January 31, 2006, all ES reconciliation amounts (over or under
17 recoveries) were applied against Part 3 stranded costs. With the elimination of Part 3 of
18 the SCRC in June 2006, all ES reconciliation amounts effective with ES recovery
19 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. Are the costs that PSNH has included in this ES rate filing consistent with the past**
5 **ES filings?**

6 A. Yes, the major cost categories are consistent. These categories are the revenue
7 requirements for owned generation assets and the costs of purchased power obligations.
8 These costs include the fuel costs associated with PSNH's generation assets, the costs
9 from supplemental energy and capacity purchases, certain ISO-NE ancillary service
10 charges and the cost of compliance with the Renewable Portfolio Standard (RPS) and
11 Regional Greenhouse Gas Initiative (RGGI). ES costs also include non-fuel operation
12 and maintenance costs (O&M), depreciation, property taxes and payroll taxes,
13 uncollectible costs attributable to ES, and a return on the net generation investment. All
14 of these costs exclude any impact of the Merrimack Scrubber costs, which are subject to
15 review in Docket DE 11-250.

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

17 A. The level of migration assumed in PSNH's filing is 50.2%, which represents the actual
18 current migration level on PSNH's system as of July 31, 2014. Therefore, PSNH's
19 calculations have not presumed that customers will migrate more or less than what is now
20 actually known.

1 **Q. Has PSNH changed its approach to analyzing actual migration?**

2 A. No. PSNH analyzes migration on a monthly basis by summarizing actual migration
3 experienced for energy service load in both the energy and capacity markets, based on
4 ISO-NE market settlement reports.

5 **Q. How does PSNH apply the results of the migration analysis to the calculation of a**
6 **projected ES rate?**

7 A. Historically, PSNH has averaged the energy and capacity statistics into one migration
8 statistic, and applied that assumption to all of the components of providing full
9 requirements energy service.

10 **Q. Has PSNH made any adjustment to its application of migration assumptions in this**
11 **filing?**

12 A. Yes. PSNH has made one adjustment. In this filing, PSNH has applied the energy figure
13 to the components for which energy volume is the cost (or revenue) determinant and the
14 capacity figure to the capacity cost component.

15 **Q. Is PSNH continuing to use the latest actual migration statistics available in all**
16 **forward months of its ES rate projection?**

17 A. Yes.

1 **Q. Why has this adjustment been made?**

2 A. The adjustment described above reflects a more accurate representation of cost causation,
3 is relatively easy to implement, should add a small level of accuracy, and is expected to
4 result in a better projection of ES costs.

5 **Q. Why has this adjustment been made at this time?**

6 A. Rather than making this adjustment in the middle of a rate year, it seemed appropriate to
7 do so at the start of a new ES rate proceeding.

8 **Q. Has PSNH provided a forecast of customer migration as part of this Energy Service**
9 **filing consistent with Order No. 25,614 in Docket No. DE 13-275?**

10 A. Yes. Coincident with this submission, and pursuant to the requirements of Order No.
11 25,614 in Docket No. DE 13-275, Christopher Plecs is providing pre-filed testimony
12 regarding a forecast of customer migration.

13 **Q. How are PSNH's mandated purchased power obligations (IPPs) valued in**
14 **calculating the ES rate?**

15 A. PSNH includes IPP generation as a source of power to meet PSNH's load requirements,
16 and that power is valued based on projected market costs (energy and capacity). The
17 over-market portion of purchases from the IPPs are treated as a stranded cost and
18 recovered through the Stranded Cost Recovery Charge. This treatment is consistent with
19 the Restructuring Settlement and the Commission's Order in Docket No. DE 02-166. As

1 market prices drop, the value of IPP purchases recovered through the ES rate drops.

2 However, at the same time, there is a corresponding increase to the SCRC rate for the

3 above-market value of IPP purchases. As market prices increase, the ES costs increase

4 and there is a corresponding decrease to the SCRC rate for the same time period. To

5 properly match the recovery of IPP costs, PSNH will also concurrently file for a change

6 in the SCRC rate effective January 1, 2015.

7 **Q. Has PSNH included the information on Wood IPP costs required by Order No.**
8 **25,305 in Docket No. DE 11-184?**

9 A. Yes. The detail of purchases by contract for 2014, actual and forecasted, is shown on
10 page 7 of Attachment CJG-4 which reflects both the “market” and “over market” costs.

11 The market costs are summarized and reflected on CJG-4, page 3 of the ES rate while the
12 over market costs are reflected in the SCRC rate.

13 **Q. Please describe briefly the Winter Reliability Program ISO-NE has put in place for**
14 **the winter 2014-2015 period.**

15 A. ISO-NE has revised Appendix K of Market Rule 1, Winter Reliability Solutions. The
16 revised program consists of four components; Oil Fuel Service, Liquefied Natural Gas
17 Service, Dual Fuel Commissioning Service, and Demand Response Service. ISO-NE is
18 providing incentives for the four services in order to mitigate potential fuel-related
19 system reliability issues within New England during the winter season.

1 **Q. What is the current status of the Program?**

2 A. ISO-NE filed a revised Appendix K with the FERC on July 11, 2014. FERC issued its
3 order approving the program on September 9, 2014.

4 **Q. Is PSNH a participant in the Program?**

5 A. Yes. PSNH will participate in the Oil Fuel Service component of the program. With
6 respect to PSNH's participation, to qualify, participants need at least 10 days of full burn
7 (24 hours/day) in inventory on December 1 (approximately 160,000 barrels for
8 Newington). Payments of \$18/barrel will be based on the lesser amount of oil in
9 inventory on December 1 or March 15. Payments will be limited to 15 days of full-burn
10 inventory (approximately 240,000 barrels for Newington). In addition, there are penalties
11 for lost availability during December through February.

12 **Q. Does PSNH have an expectation regarding the outcome of the program?**

13 A. PSNH has based its expense expectation on a possible outcome posited in ISO-NE
14 consultant's report of total program costs of approximately \$77 million, for the three
15 month period for all of New England. The cost allocation to PSNH's ES customers is
16 estimated to be approximately \$2.4 million. Cost allocation to PSNH would occur
17 regardless of PSNH's (Newington's) participation in the program. PSNH has estimated
18 revenues of approximately \$2.8 million, for the three month period, resulting in a net
19 estimated benefit to ES customers of approximately \$0.4 million. Note, although FERC
20 has ordered ISO-NE to develop a market based solution to its winter reliability problems

1 for 2015-2016 and beyond, for purposes of ES Rate setting at this time, PSNH has
2 assumed the same program parameters that will be in place for Winter 2014-2015 will be
3 in place for Winter 2015-2016 when forecasting the Winter Reliability Program costs and
4 revenues for December, 2015.

5 **Q. Does PSNH plan to minimize cost deferrals through a mid-term adjustment?**

6 A. Yes. If a rate adjustment is deemed necessary, PSNH (or any interested party) could file
7 a petition in early June prior to the beginning of the second half of the Energy Service
8 Year requesting a change in the Default Energy Service for the remaining six months of
9 the year. PSNH would submit actual and estimated data on a date specified by the
10 Commission to allow the parties, Staff and Commission sufficient time to address the
11 need for an interim adjustment during the 2015 Energy Service Year, if necessary.

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

13 A. Attachment CJG-2 provides detailed cost and revenue components relating to PSNH's
14 generating costs, and also provides a breakdown of market purchases and sales. Page 3
15 of the attachment provides further detail relating to the PSNH generation and purchased
16 power for the period January 1, 2015 through December 31, 2015. Page 4 provides
17 further detail on the forecasted market value of IPP generation. Page 5 provides a
18 breakdown of Fossil/Hydro Operation and Maintenance costs. Page 6 provides a detailed
19 calculation of the return on Fossil/Hydro investment.

1 **Q. You mentioned earlier in your testimony that this would be the rate for all eligible**
2 **customers. Is PSNH proposing any changes to eligibility for the ES rate?**

3 A. Yes.

4 **Q. Could you describe the changes?**

5 A. PSNH has in place an alternative default energy service rate (Rate ADE), which has
6 certain eligibility requirements. Presently, Rate ADE is closed to new customers and any
7 customer taking default service from PSNH does so under the ES rate. In Docket No. DE
8 11-216 PSNH has, coincident with this filing, made a proposal to modify the eligibility
9 for Rate ADE, which, if approved, would change the eligibility for the ES rate as well.
10 Should the revised Rate ADE be approved, that rate would become the rate available to
11 nearly all large customers, while ES would be the rate available to the smaller customers,
12 including residential customers. The proposed revisions to Rate ADE are intended to
13 mitigate or eliminate under-recoveries driven by the high costs to serve certain customers
14 during the winter, which must then be reconciled through the ES rate.

15 **Q. Does PSNH require Commission approval of this rate by a specific date?**

16 A. Yes, PSNH needs final approval of the proposed ES rate by December 26, 2014, in order
17 to implement the new rate for service rendered on and after January 1, 2015. Therefore,
18 PSNH requests that the Commission commence a proceeding so that the procedural
19 schedule can be set to review this filing and approve the ES rate in a timely manner.

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

2 A. Yes, it does.