

THE STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
D/B/A EVERSOURCE ENERGY
PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING
Docket No. DE 15-415
2016 Default Energy Service Rate Change

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 Street,
3 Manchester, NH. I am employed by Eversource Energy Service Company as the Manager of New
4 Hampshire Revenue Requirements and in that position I provide service to Public Service Company
5 of New Hampshire d/b/a Eversource Energy (“Eversource” or the “Company”). For purposes of this
6 testimony, references to Eversource Energy will mean the parent company and references to
7 Eversource will mean PSNH.

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

9 A. Yes, I have.

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

11 A. I am currently responsible for the coordination and implementation of revenue requirements
12 calculations for Eversource, as well as the filings associated with Eversource’s Energy Service
13 (“ES”) rate, Stranded Cost Recovery Charge (“SCRC”), Transmission Cost Adjustment Mechanism
14 (“TCAM”), and Alternate Default Energy 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 the
3 necessary approvals to set the ES rate applicable to Eversource's customers who take service under
4 Rate DE that will take effect on January 1, 2016.

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

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

11 Historically, through January 31, 2006, all ES reconciliation amounts (over or under recoveries)
12 were applied against Part 3 stranded costs. With the elimination of Part 3 of the SCRC in June 2006,
13 all ES reconciliation amounts effective with ES recovery beginning February 1, 2006 were no longer
14 applied to Part 3 stranded costs. ES reconciliation amounts beginning in February 2006 are now
15 being deferred and are applied to future ES rate recoveries per the Commission's order and findings
16 in Docket No. DE 05-164, Order No. 24,579, dated January 20, 2006.

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

18 A. In this proceeding, Eversource is requesting the Commission determine an updated, single ES rate
19 for all eligible customers effective January 1, 2016, based on a forecast of Eversource's costs of
20 providing such power for the calendar year 2016.

1 The table below outlines ES rates in effect from May 1, 2001 to the present for residential, small
2 general service customers and large commercial and 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

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

5 In its initial decision in Docket No. DE 03-175 (Order No. 24,252), the Commission reiterated its
6 desire to avoid ES cost deferrals. As a way to minimize these deferrals, the Commission provided
7 any interested party the option of making an interim ES rate filing in July, with the objective of
8 setting a revised ES rate effective on August 1. This interim process has been used in recent years.
9 Beginning in 2007, the ES rate year was adjusted to coincide with the calendar year January –
10 December. In 2015, the current ES rate was adjusted effective July 1, 2015.

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

12 A. No, we are not. In prior ES proceedings, the Commission has required Eversource to utilize market
13 information that is most current as of the hearing date. In light of that precedent, at this time
14 Eversource is supplying preliminary market data and operational data for its owned generation, as
15 well as for existing power purchase obligations based on contracts with Independent Power
16 Producers ("IPPs"). Eversource will formally propose an ES rate, and provide a rate calculation
17 based on updated market information, prior to the anticipated hearing in December 2015.

18 **Q. Has Eversource performed a preliminary calculation of what its projected actual, prudent, and**
19 **reasonable costs of providing energy service will be from January 1, 2016 through December**
20 **31, 2016?**

21 A. Yes. As shown on Attachment CJG-1, for the period from January 1, 2016 through December 31,
22 2016, Eversource's preliminary calculation of a projected ES rate is 10.39 cents per kWh.

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

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

10 **Q. Does Eversource plan to minimize 2016 cost deferrals through a mid-term adjustment?**

11 A. Yes. If a rate adjustment is deemed necessary, Eversource (or any interested party) could file a
12 petition in early June prior to the beginning of the second half of the year requesting a change in the
13 ES rate for the remaining six months of the year. Eversource would submit actual and estimated data
14 on a date specified by the Commission to allow the parties, Staff and Commission sufficient time to
15 address the need for an interim adjustment during the year, if necessary.

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

18 A. Yes. Section III.2.D, of the Restructuring and Rate Stabilization agreement dated June 10, 2015, in
19 Docket No. DE 14-238, states that effective January 1, 2016, the Temporary Rate for recovery of
20 costs of the Scrubber shall be changed to reflect recovery of all costs of the Scrubber incurred by
21 PSNH (Eversource), along with its allowed return on those costs. It also states that the previously-
22 deferred costs resulting from the temporary rate level shall be included in rates based upon an

1 amortization period of seven years. In accordance with the agreement, the Temporary Scrubber Rate
2 has not been included in the calculation of this preliminary January 1, 2016 ES rate. Instead all 2016
3 costs of the Scrubber have been included. Also, \$17.612 million in scrubber deferral costs (one-
4 seventh of the estimated 12/31/15 Scrubber deferral balance of \$123.285 million) has been included
5 to amortize the first year of recovery of previously-deferred costs resulting from the temporary rate
6 level.

7 **Q. If the aforementioned changes to the scrubber recovery methodology were not made, what**
8 **would the ES rate be?**

9 A. If the ES rate filing were calculated as in recent prior dockets (that is, including the temporary
10 Scrubber rate, and excluding current Scrubber costs and the recovery of previously-deferred
11 Scrubber costs), the ES rate would be 9.65 cents/kWh.

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 level of
14 forecasted migration assumed in Eversource's filing for September through December 2015 is
15 53.4%. The level of forecasted migration assumed in Eversource's filing for 2016 is 53.6%, which is
16 the average forecasted migration level on Eversource's system for January through December 2016.

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

19 A. Eversource includes IPP generation as a source of power to meet Eversource's load requirements,
20 and that power is valued based on projected market costs (energy and capacity). The over-market
21 portion of purchases from the IPPs are treated as a stranded cost and recovered through the SCRC.
22 This treatment is consistent with the Restructuring Settlement and the Commission's Order in

1 Docket No. DE 02-166. As market prices drop, the value of IPP purchases recovered through the ES
2 rate drops. 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 and there is a
4 corresponding decrease to the SCRC rate for the same time period. To properly match the recovery
5 of IPP costs, Eversource is also concurrently filing for a change in the SCRC rate effective January
6 1, 2016.

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

8 A. Attachment CJG-1 provides a summary of the total energy service cost and the calculation of the
9 preliminary January 1, 2016 ES rate. Attachment CJG-2 provides detailed cost and revenue
10 components relating to Eversource's 2016 generating costs, and also provides a breakdown of
11 market purchases and sales. Page 3 of the attachment provides further detail relating to Eversource
12 generation and purchased power for the period January 1, 2016 through December 31, 2016. Page 4
13 provides further detail on the forecasted market value of IPP generation. Page 5 provides a
14 breakdown of Fossil/Hydro Operation and Maintenance costs. Page 6 provides a detailed calculation
15 of the return on Fossil/Hydro. Attachments CJG-3 and CJG-4 provide the detailed cost and revenue
16 components relating to the preliminary 2015 ES reconciliation.

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

18 A. Yes, Eversource needs final approval of the proposed ES rate by December 28, 2015, in order to
19 implement the new rate for service rendered on and after January 1, 2016. Therefore, Eversource
20 requests that the Commission commence a proceeding so that the procedural schedule can be set to
21 review this filing and approve the ES rate in a timely manner.

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

2 **A.** Yes, it does.