

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 15-415

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY

Petition to Set 2016 Default Energy Service Rate

Order Approving Petition

ORDER NO. 25,853

December 22, 2015

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; the Office of the Consumer Advocate by Susan W. Chamberlin, Esq., on behalf of residential ratepayers; and Suzanne Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves Eversource's proposed adjustment to the default energy service rate. For services rendered on and after January 1, 2016, Eversource's permanent default energy service rate will be 8.27 cents per kWh.

In separate orders, the Commission also approved an increase from 0.98 cents per kWh to 1.72 cents per kWh in the temporary rate recovering costs associated with the Scrubber and an adjustment to Eversource's stranded cost recovery charge (SCRC). With the changes to the energy service and temporary rates, the energy rate for Eversource's residential default energy service customers (i.e., those who have not elected to receive electricity service from a competitive supplier) will increase to 9.99 cents per kWh. With all changes approved today, their monthly bills will increase on average by 4.7%, compared to rates currently in effect. The typical residential customer taking energy service from Eversource uses 625 kWh per month. This typical customer's monthly bill will increase from \$110.59 to \$115.79.

I. BACKGROUND AND PROCEDURAL HISTORY

Pursuant to RSA 369-B:3, IV(b)(1)(A), customers taking default energy service from Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) are billed an energy service rate equal to Eversource's actual, prudent, and reasonable costs of providing power, as approved by the Commission. Eversource's energy service rate is a fixed rate that is in effect for a calendar year, although Eversource may request a mid-year adjustment to the rate.

On September 28, 2015, Eversource filed a proposal to increase its default energy service rate from 8.98 cents to 10.39¹ cents per kilowatt hour (kWh) for services rendered on and after January 1, 2016. With its petition, Eversource filed the supporting testimony and exhibits of Christopher J. Goulding, Manager of Revenue Requirements for Eversource, and Daniel J. Ludwig, a Senior Load Forecasting Analyst employed by Eversource Energy Service Company. Eversource Energy Service Company provides services to Eversource Energy subsidiaries, including the petitioner. According to Eversource, the proposed recovery of Scrubber costs is consistent with a Settlement Agreement filed in Docket No. DE 14-238, *Determination of PSNH Generation Resources*.² Eversource said it would update its calculation of the energy service rate prior to the merits hearing.

Eversource updated its estimated rate on December 11, 2015. On December 17, 2015, Eversource filed a response to a record request made at hearing. The request asked for a description of each rate element comprising a customer's monthly bill.

¹ The rate of 8.98 cents per kWh includes an 8.00 cent permanent rate and a 0.98 cent temporary rate for recovery of the wet flue gas desulphurization (Scrubber) unit at Merrimack Station pursuant to Order No. 25,346 (April 10, 2012). The rate of 10.39 cents proposed by Eversource on September 28 included recovery of Scrubber costs; however, Eversource did not propose separate permanent rate and temporary Scrubber cost recovery rate components at that time.

² On November 2, 2015, Eversource filed a motion in Docket DE 11-250 to adjust the temporary rate for recovery of Scrubber costs from the current rate of 0.98 cents per kWh to 1.72 cents per kWh, consistent with the 2015 Settlement Agreement. Concurrent with its issuance of this order, the Commission issued a separate order in Docket DE 11-250 approving Eversource's requested adjustment to the temporary rate for recovery of Scrubber costs. Accordingly, the issue of a temporary rate for Scrubber cost recovery is not addressed in this order.

The Office of Consumer Advocate (OCA) filed a letter of participation on October 19, 2015, pursuant to RSA 363:28.

II. POSITIONS OF THE PARTIES

A. EVERSOURCE

The current energy service rate of 8.98 cents per kWh was set by the Commission in Order No. 25,792 (June 25, 2015). That rate consists of 8.00 cents per kWh in energy service costs, and a temporary rate of 0.98 cents per kWh to recover costs related to the Scrubber.

The major cost categories comprising Eversource's energy service costs are revenue requirements for owned generation assets, the cost of purchased power obligations, the fuel costs associated with Eversource's generation assets, the costs of supplemental energy and capacity purchases, certain Independent System Operator-New England ancillary service charges, and the cost of compliance with RSA 362-F, the N. H. Renewable Portfolio Standard (RPS) and RSA 125-O:19 *et seq.*, the Regional Greenhouse Gas Initiative (RGGI). The generation revenue requirements consist of non-fuel costs of generation, including non-fuel operation and maintenance costs, allocated administrative and general costs, depreciation, property and payroll taxes, and a return on the net fossil hydro investment.

Eversource includes Independent Power Producer (IPP) generation as a source of power to meet Eversource's load requirements. According to Eversource, the IPP power costs are based on projected market costs for energy and capacity. Eversource explained that over-market costs of purchases from the IPPs are recovered through Part 2 of the stranded cost recovery charge (SCRC). As market prices change, the value of IPP purchases recovered through energy service rates changes. In addition, there is a corresponding change to the SCRC for the above-

market value of IPP purchases. To properly match the recovery of IPP costs, PSNH separately filed a change in the SCRC rate, also for effect on January 1, 2016 (Docket No. DE 15-416).

Eversource's calculation of the 2016 default energy service rate included estimated costs of \$36.202 million associated with the Burgess BioPower wood-fueled plant pursuant to a purchase power agreement approved by the Commission in Order No. 25,213 (April 18, 2011). Under that agreement, Eversource purchases certain energy, capacity, and renewable energy certificates produced by the Burgess BioPower plant. Eversource recovers the costs of those purchases through the energy service rate.

On December 11, 2015, Eversource updated its calculation of its 2016 default energy service rate. In the update, Eversource separately accounted for the costs that make up the temporary Scrubber cost-recovery rate and focused on the energy cost component of the rate. Based on updated estimates and actual expenses and revenues for September and October 2015, Eversource calculated a default energy service rate of 8.27 cents per kWh, a decrease of 0.40 cents per kWh from the initial estimate of 8.67 cents. Eversource said that the decrease in the energy service rate is attributable to a net decrease in actual and forecasted costs of \$88.9 million.

Eversource said that the projected decrease of 12.9% in forward electricity market prices forecast in the December filing had a major influence on a number of elements that comprise energy service costs. The lower prices resulted in a reduction in projected coal generation and generation of power from Newington, and costs associated with congestion, capacity, and other ancillary costs. In addition, Eversource updated its forecast of customer migration to competitive supply and increased the forecast by 1.0%. This increase in projected migration is due to lower estimates of the future price of electricity. In addition, the reduced generation from

the coal plants had the additional effect of reducing costs needed to comply with RGGI. Finally, Eversource said that RPS expense decreased by \$12.8 million from the initial filing due to a decrease in the Class III RPS requirements as provided in Order No. 25,844 (December 2, 2015).

With the inclusion of the proposed temporary Scrubber recovery rate of 1.72 cents per kWh, Eversource said that the overall energy service rate would be 9.99 cents per kWh.³ Eversource requested approval of the rate proposed in its December 11, 2015 update.

B. OCA

The OCA expressed support for Eversource's proposed adjustment to its default energy service rate.

C. STAFF

Staff determined that Eversource developed the proposed energy service rate consistent with Commission order. Staff also determined that the resulting rates are consistent with RSA 369-F:3, IV(b)(1)(A) and are just and reasonable.

III. COMMISSION ANALYSIS

Pursuant to RSA 369-F:3, IV(b)(1)(A), the price of Eversource's energy service shall be its "actual, prudent and reasonable costs of providing such power, as approved by the commission." Because Eversource is entitled to recover its actual costs of providing power and those costs cannot be known prior to providing that power, the Commission has adopted a two-step process for setting energy service rates. The first step, which is determined in this docket, sets rates based on an estimate of future costs for the following calendar year. The second step,

³ Eversource's calculation assumed our approval of its proposed temporary Scrubber cost recovery rate, which we approve today in a separate order in Docket DE 11-250. In this order, we approve a permanent energy service rate of 8.27 cents per kWh, to which Eversource will add the temporary rate of 1.72 cents per kWh for Scrubber cost recovery approved in DE 11-250.

which occurs after the power has been produced, or purchased and delivered, involves reconciling the estimated rate with the actual costs, and reviewing the prudence of those costs.

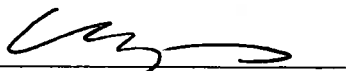
Eversource has requested an energy service rate of 8.27 cents per kWh for effect with services rendered on and after January 1, 2016. We find that Eversource appropriately calculated the rate, and that the rate is just and reasonable as required by RSA 378. We also find that the rates appear to be cost-based as required by law.

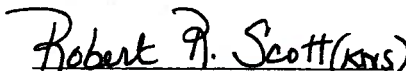
Based upon the foregoing, it is hereby


ORDERED, that the request of Public Service Company of New Hampshire d/b/a Eversource Energy to adjust its default energy service rate to 8.27 cents per kWh for effect with services rendered on and after January 1, 2016, is hereby APPROVED; and it is

FURTHER ORDERED, that Eversource shall file tariffs conforming to this Order within 20 days consistent with N.H. Code Admin. Rules Puc 1600.

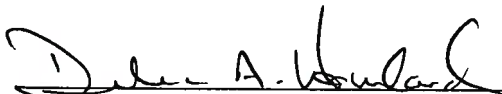
By order of the Public Utilities Commission of New Hampshire this twenty-second day of December, 2015.


Martin P. Honigberg
Chairman


Robert R. Scott
Commissioner


Kathryn M. Bailey
Commissioner

Attested by:


Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov
allen.desbiens@nu.com
amanda.noonan@puc.nh.gov
christopher.goulding@nu.com
david.bidmead@eversource.com
donna.weronik@eversource.com
elizabeth.nixon@puc.nh.gov
james.brennan@oca.nh.gov
kristi.davie@nu.com
leszek.stachow@puc.nh.gov
matthew.fossum@eversource.com
ocalitigation@oca.nh.gov
richard.chagnon@puc.nh.gov
susan.chamberlin@oca.nh.gov
suzanne.amidon@puc.nh.gov
tom.frantz@puc.nh.gov

Docket #: 15-415-1 Printed: December 22, 2015

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.