

THE STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ERIC H. CHUNG
PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A EVERSOURCE
ENERGY FOR APPROVAL OF A POWER PURCHASE AGREEMENT

Docket No. DE 16-XXX

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

2 A. My name is Eric H. Chung. My business address is 247 Station Drive, Westwood, Massachusetts
3 02090. I am the Director of Revenue Requirements and Regulatory Projects at Eversource
4 Energy (“Eversource” or “the Company”).

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

6 A. Yes, I have testified before the Commission on numerous occasions, including in Docket Nos.
7 DE 13-274, DE 13-275, DE 13-108, DE 11-250, and DE 14-238.

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

9 A. I am currently responsible for all regulatory activity affecting the financial requirements of
10 Eversource’s operations in New Hampshire, plus special enterprise-wide regulatory initiatives
11 across Eversource’s operating businesses in the states of Connecticut, Massachusetts, and New
12 Hampshire.

13 **Q. Please describe your educational background.**

14 A. I have a Bachelor of Arts in physics with honors from Harvard College, as well as a Master of
15 Business Administration in finance and economics from the University of Chicago Booth School
16 of Business.

1 **Q. Please describe your professional experience.**

2 A. I was appointed to my current position at Eversource Energy in February 2015. From August
3 2013 to January 2015, I was Director of Revenue Requirements for Eversource's operating
4 companies in Massachusetts and New Hampshire. From May 2011 to August 2013, I was a
5 Senior Manager in the Power and Utilities Advisory practice at Ernst and Young LLP. From July
6 2009 to April 2011, I worked for PacifiCorp, a vertically-integrated electric utility based in
7 Portland, Oregon serving approximately 1.7 million customers across six states in the Western
8 United States. At PacifiCorp, my primary role was Director of Environmental Policy and
9 Strategy, and I also held leadership roles in PacifiCorp's Transmission and Corporate Finance
10 departments. I have also served as an Associate Partner in the Utilities practice at Oliver Wyman,
11 a Senior Engagement Manager in the Power practice at Strategic Decisions Group (a boutique
12 strategy consulting firm), and a Senior Programmer Analyst at Goldman Sachs. I have
13 approximately eighteen years of relevant management consulting and industry experience, with
14 most of my career dedicated to the power and utilities sectors.

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

16 A. The purpose of my testimony is to describe how the financial impacts of the 20-year Power
17 Purchase Agreement ("PPA") between Public Service Company of New Hampshire d/b/a
18 Eversource Energy ("PSNH") and Hydro Renewable Energy Inc. will be captured in customer
19 rates. Although the PPA is designed to avoid stranded costs over the life of the contract, PSNH is
20 requesting that the net financial impacts of this PPA be recovered via the Stranded Cost Recovery
21 Charge ("SCRC") rate as a means to offset stranded costs.

22 **Q. Please describe the current components of the SCRC and their application to this request.**

23 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F and 369-
24 B. The 1999 PSNH Restructuring Settlement, approved in Order No. 23,549, defined PSNH's

1 stranded costs and categorized them into three different parts (i.e., Part 1, 2 and 3). Part 1 costs
2 were composed of the RRB Charge, which was calculated to recover the principal, net interest,
3 and fees related to Rate Reduction Bonds (the “RRBs”). These RRBs were fully recovered as of
4 May 1, 2013. Part 2 costs are “ongoing” stranded costs consisting primarily of the over-market
5 value of energy purchased from independent power producers (“IPPs”) and the amortization of
6 payments previously made for IPP buy-downs and buy-outs as approved by the Commission.
7 Part 3 costs, which were primarily the amortization of non-securitized stranded costs, were fully
8 recovered as of June 2006. Additionally, the SCRC rate billed to customers now includes the
9 Regional Greenhouse Gas Initiative (“RGGI”) refund as required by RSA 125-O:23, II and Order
10 No. 25,664 (May 9, 2014), directing PSNH to rebate RGGI auction revenue it receives through
11 the SCRC rate.

12 **Q. If approved, does the “2015 Public Service Company of New Hampshire Restructuring and**
13 **Rate Stabilization Agreement” (“2015 Settlement Agreement”) that is currently pending**
14 **Commission review in Docket No. DE 14-238 change the current SCRC structure?**

15 A. Not materially. If the 2015 Settlement Agreement is approved, and generation divestiture occurs,
16 any stranded costs that remain will be securitized with the costs of new Rate Reduction Bonds
17 recovered in Part 1 of the SCRC. Part 2 of the SCRC will recover ongoing IPP costs, net PPA
18 impacts, and all other non-securitized Stranded Costs as determined by the Commission.

19 **Q. Why is the SCRC the appropriate mechanism through which net benefits from the PPA**
20 **should flow to customers?**

21 A. Using the SCRC ensures that the net benefits of the PPA flow to all of PSNH’s distribution
22 customers, and not just customers taking default service energy from PSNH. Furthermore, to the
23 extent that the planned divestiture of the PSNH generating fleet may result in any stranded costs,

1 the PPA benefits will have a mitigating effect, and such a ratemaking methodology would be
2 consistent with the terms of the 2015 Settlement Agreement. Finally, the flow of net benefits
3 through the SCRC serves to eliminate any adverse effect to the competitive electric market that
4 might otherwise occur if such net benefits were to flow through PSNH's default energy service
5 rate.

6 As discussed in the testimony of James Daly, PSNH expects that the PPA will result in many
7 millions of dollars of benefits to customers via lower cost energy that will be available to PSNH
8 under the PPA's pricing provisions. If those revenues were credited to PSNH's default service
9 instead of the SCRC, the revenues might distort PSNH's default service price and the competitive
10 market, because competitive suppliers could find it difficult to compete with the default service
11 rate. Since the restructuring policy principles in RSA 374-F:3 call for full and fair competition,
12 as well as avoiding harm to competitive markets, it is PSNH's assessment that the net benefits of
13 the PPA should flow through the SCRC to avoid impacting the default energy service price either
14 positively or negatively.

15 **Q. Is there support in New Hampshire policy for using the SCRC as the mechanism for which**
16 **the net benefits from the PPA should flow to customers?**

17 A. Yes. Under RSA 374-F:3, XII, (c), PSNH is to take all reasonable measures to mitigate stranded
18 costs. Using the expected net benefits of the PPA to reduce stranded costs is consistent with this
19 policy principle.

20 **Q. Has PSNH previously discussed aspects of the PPA in a Commission proceeding?**

21 A. Yes. In the generation divestiture proceeding, Docket No. DE 14-238, PSNH made a filing on
22 October 7, 2015 with the Commission discussing a potential PPA and noting that:

- 1 - PSNH had already informed all of the parties in Docket No. DE 14-238 that if a PPA was
2 finalized, and if that PPA was approved by the Commission, it would NOT be used to supply
3 default energy service, but would be monetized by selling the entitlement bilaterally or into
4 the market with the monetary benefits flowing to customers to mitigate stranded costs;
- 5 - PSNH had already informed all of the parties to the 2015 Settlement Agreement that the
6 methodology set forth in the Settlement for obtaining default energy service post-divestiture
7 would NOT be impacted by any PPA;
- 8 - Nothing in the 2015 Settlement Agreement prohibits or eliminates the obligation for PSNH to
9 continue to take prudent actions as a utility operating in New Hampshire, including, e.g.,
10 compliance with RSA 378:37 (“The general court declares that it shall be the energy policy of
11 this state to meet the energy needs of the citizens and businesses of the state at the lowest
12 reasonable cost while providing for the reliability and diversity of energy sources”) and RSA
13 374-F:3, XII, (c) (“Utilities have had and continue to have an obligation to take all reasonable
14 measures to mitigate stranded costs.”)

15 The Commission noted these points in its “Order Denying NEPGA’s and RESA’s Motion to
16 Allow Additional Discovery and for Leave to File Supplemental Testimony,” Order No. 25,830
17 dated October 23, 2015 in Docket No. DE 14-238.

18 The items described in PSNH’s filing and Order No. 25,830 remain true today. The PPA at issue
19 will assist PSNH in meeting the energy and environmental goals set for the State of New
20 Hampshire, but it will not be used to supply default service, and the competitive procurement of
21 default service will not change as a result of the PPA. Therefore, PSNH expects that customers
22 will gain the benefits of the competitive markets, alongside the specific benefits of the PPA.

1 **Q. How will the net financial impacts be allocated across different rate classes?**

2 A. The net financial impacts of the PPA will be allocated according to the stranded cost allocation
3 that is ultimately approved in Docket No. DE 14-238. Assuming the stranded cost allocation in
4 the 2015 Settlement Agreement is approved, the same allocation should be used for the net
5 benefits of this PPA to help ensure that those stranded costs are mitigated in the same fair
6 manner.

7 **Q. Is Eversource currently proposing a specific PPA rate for inclusion in the SCRC rate?**

8 A. No, Eversource is proposing only a methodology for addressing the revenues and costs arising
9 from the PPA and not a specific rate. If the PPA is approved, Eversource will account for the
10 PPA using that methodology.

11 **Q. Please explain the methodology Eversource will use to capture the net revenues associated
12 with the PPA to be included in the SCRC rate.**

13 A. Consistent with the current timing of the filing of the SCRC rates for effect January 1 of each
14 year, Eversource will estimate the net revenue impact of the PPA for the upcoming year and
15 include the estimated difference as an offset to stranded cost. Following the end of the year, the
16 prior estimates of net revenues from the PPA will be updated to reflect actual net revenues and
17 included in a subsequent SCRC filing similar to how the current reconciliation of SCRC cost and
18 revenues are handled.

1 **Q. If the environmental attributes that Mr. Daly discusses in his testimony end up having**
2 **financial value, how will that value be captured in the SCRC rate?**

3 A. Since the environmental attributes associated with the PPA will have no cost basis, any financial
4 benefit resulting from the sale of the environmental attributes will be returned to customers
5 utilizing the same methodology discussed above.

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

7 A. Yes, it does.