

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING
2017 DEFAULT ENERGY SERVICE RATE CHANGE
MID-TERM ADJUSTMENT EFFECTIVE JULY 1, 2017
Docket No. DE 16-822

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

2 A. My name is Christopher J. Goulding. My business address is 780 North
3 Commercial Street, Manchester, NH. I am employed by Eversource Energy 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").

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

8 A. Yes, I have.

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

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

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide a detailed overview of Eversource's request for a mid-term adjustment to increase the current ES rate effective on July 1, 2017.

Q. What is Eversource requesting in this proceeding?

A. In this proceeding, Eversource is requesting the Commission approve a mid-term adjustment to the non-Scrubber portion of the ES rate for all customers effective July 1, 2017. This rate adjustment would increase the current ES non-Scrubber rate from 9.45 cents per kWh to 9.88 cents per kWh, based on actual results through March 2017 and the most current forecast of Eversource's costs of providing such power for the remainder of 2017. These updates indicate that Eversource would under-recover its ES costs as of December 31, 2017 absent a change to the rate. In addition, the temporary Scrubber rate of 1.72 cents per kWh approved in Docket No. DE 11-250 would continue unchanged resulting in the total ES rate changing from the current 11.17 cents per kWh to 11.60 cents per kWh. Eversource is proposing the ES rate change to take effect July 1, 2017 consistent with its concurrent proposal to change the SCRC. In addition, in early June 2017, Eversource will file its proposal to change the TCAM effective July 1, 2017 and will also file updated ES and SCRC rates. The detailed calculations supporting the proposed ES rate can be found in Attachments CJG-1 and CJG-2 to this testimony.

1 **Q. What caused the projected ES under-recovery?**

2 A. The primary causes of the projected ES under-recovery are lower energy service
3 revenues due to increased migration and a higher than forecasted prior year under-
4 recovery.

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

6 A. The table below outlines ES rates in effect from May 1, 2001 to the present for
7 residential, small general service customers and large commercial and industrial
8 customers.

9 **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

- (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 the temporary rates Order 25,854 in Docket No. DE 11-250.

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

6 **Q. Please provide an overview of how the ES cost recovery mechanism works.**

7 A. Eversource recovers the cost of supplying energy to customers who choose to
8 receive energy from Eversource through the ES rate. The ES rate is forecasted and
9 reconciled once actual costs are known. ES reconciliation amounts are deferred

1 and applied to future ES rate recoveries per the Commission's order and findings in
2 Docket No. DE 05-164, Order No. 24,579, dated January 20, 2006.

3 **Q. When will Eversource provide an update to the proposed ES rate?**

4 A. The values in this filing will be updated in about five weeks to reflect actual results
5 for April 2017. In addition, if there are any other significant changes, such as in the
6 forecasted forward market prices or customer migration, Eversource will update its
7 rate to account for those changes.

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

10 A. Yes, with the exception of the CSL settlement discussed below. ES costs contain
11 the generation asset revenue requirements, entitlements and purchased power
12 obligations, including the cost of fuel used in generation. In addition, ES costs
13 include the costs and revenues from market purchases and sales, ISO-NE expenses
14 and revenues, RPS, RGGI, and IPP power values at market prices. Finally, ES
15 costs include non-fuel operation and maintenance costs ("O&M"), depreciation,
16 property taxes and payroll taxes, uncollectible costs attributable to ES, and a return
17 on the net generation investment. All of these costs exclude any impact of the
18 Merrimack Scrubber costs which are being recovered as part of the Scrubber rate
19 pursuant to Order No. 25,854 in Docket No. DE 11-250 dated December 22, 2015.

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

2 A. Not at this time, although the Scrubber rate is not currently recovering 100 percent
3 of ongoing Scrubber costs and 1/7 of the Scrubber deferral as designed.

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

6 A. The \$3.4M payment associated with the settlement paid in December 2016 has
7 been reflected in the December 31, 2016 carryover balance.

8 **Q. Has Eversource reflected the \$800,000 settlement adjustment approved in**
9 **Docket No. DE 16-542, by Order No. 26,011?**

10 A. Yes. The December 31, 2016 under recovery reflects an adjustment for the
11 \$800,000 plus interest for 2016.

12 **Q. Has Eversource reflected the results of its lead/lag analysis filed in this docket**
13 **on September 30, 2016?**

14 A. No, this filing includes 45 days of working capital on O&M. The completed
15 lead/lag analysis is currently being reviewed by Staff and Eversource anticipates
16 incorporating the results upon conclusion of the review into the updated ES filing
17 that the Company will be making in June.

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

2 A. As explained in the testimony of Daniel J. Ludwig, which is also included with this
3 filing, the level of forecasted migration assumed in Eversource's filing for April
4 through December 2017 is 59.9%. The level of forecasted migration to set the
5 2017 rate in December 2016, assumed forecasted migration of 58.1%.

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

8 A. Eversource includes IPP generation as a source of power to meet Eversource's load
9 requirements, and that power is valued based on projected market costs (energy and
10 capacity). The over-market portion of purchases from the IPPs are treated as a
11 stranded cost and recovered through the SCRC. This treatment is consistent with
12 the Restructuring Settlement and the Commission's Order in Docket No. DE 02-
13 166. As market prices decrease, the ES costs decrease and there is a corresponding
14 increase to the SCRC rate for the same time period. As market prices increase, the
15 ES costs increase and there is a corresponding decrease to the SCRC rate for the
16 same time period. To properly match the recovery of IPP costs, Eversource will
17 also concurrently file for a change in the SCRC rate effective July 1, 2017.

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

19 A. Attachment CJG-2 provides detailed cost and revenue components relating to
20 Eversource's generating costs, and also provides a breakdown of market purchases
21 and sales. Page 3 of the attachment provides further detail relating to the

1 Eversource generation and purchased power for the period January 1, 2017 through
2 December 31, 2017. Page 4 provides further detail on the forecasted market value
3 of IPP generation. Page 5 provides a breakdown of Fossil/Hydro Operation and
4 Maintenance costs and Page 6 provides a detailed calculation of the return on
5 Fossil/Hydro investment.

6 **Q. Please describe the inclusion of Winter Reliability Program revenues and costs**
7 **included in the calculation of the ES rate.**

8 A. The revenues and costs associated with the Winter Reliability Program are included
9 in Line 15 ISO-NE Ancillary on CJG-2, Page 1. These amounts are preliminary, as
10 adjustments and true-ups may occur in future months. The preliminary revenues of
11 \$1.7 million and preliminary costs of \$0.7 million are included in the ES rate
12 calculation.

13 **Q. Does the Commission need to make a determination at this time of the**
14 **prudence of the costs incurred since January 1, 2017?**

15 A. No. Prudence will be addressed in the reconciliation of ES and SCRC rates which
16 has traditionally been filed in early May following the calendar year when those
17 costs were incurred and collected.

18 **Q. Does Eversource propose to implement the new ES rate on a service-rendered**
19 **basis?**

20 A. Yes, consistent with the practice for similar past adjustments.

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

2 A. Yes. Due to the number of rate components that will change, Eversource requests
3 approval of the ES rate by Tuesday, June 27 to allow sufficient time to test
4 thoroughly and bill on our regular schedule without delaying billing for service
5 rendered as of July 1, 2017 (a Saturday). Therefore, Eversource requests that the
6 Commission reopen this proceeding so that the procedural schedule can be set to
7 review this filing and approve the ES rate in a timely manner.

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

9 A. Yes, it does.