

**STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION**

**Public Service Company of New Hampshire
d/b/a Eversource Energy
Reconciliation of Energy Service and Stranded Costs for
Calendar Year 2016**

**DIRECT TESTIMONY OF
Christopher J. Goulding**

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 Eversource Energy Service Company as the
4 Manager of New Hampshire Revenue Requirements and in that position I provide service
5 to Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource” or
6 the “Company”).

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 (“SCRC”),
13 Transmission Cost Adjustment Mechanism (“TCAM”), and Alternate Default Energy rate.

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

15 A. The primary purpose of my testimony is to provide an overview of this filing and to seek
16 approval of the reconciliation between the revenues and expenses contained within
17 Eversource’s ES and SCRC rate filings for the twelve-month reporting period January 1,
18 2016 through December 31, 2016 (“reporting period”).

1 **Q. Will anyone else be providing testimony in support of this filing?**

2 A. Yes. Elizabeth H. Tillotson, Manager of Regulatory and Environmental for Eversource
3 will review the performance of Eversource's fossil-hydro generation units and Frederick B.
4 White, Supervisor - Power Supply Analysis and Policy, will review how Eversource met its
5 energy and capacity requirements during this reporting period.

6 **Q. Have you calculated replacement power costs as a result of outages incurred during**
7 **the period as discussed in Ms. Tillotson's testimony?**

8 A. Yes. Attachment CJG-2 summarizes the replacement power costs incurred as a result of
9 forced outages during the period.

10 **Q. Please describe the ratemaking framework that began on May 1, 2001.**

11 A. On May 1, 2001 (Competition Day), Eversource began to recover costs under the
12 Restructuring Settlement. Under the terms of the Restructuring Settlement, Eversource
13 continues to recover costs related to the generation and delivery of electricity, but the
14 specific rate structure now in place segments recovery into various components. The four
15 major components of that segmentation are the Delivery Charge, the TCAM, the SCRC,
16 and the ES rate. Two of the major interrelated rate components, the SCRC and the ES rate,
17 are the subject of this proceeding.

18 **Energy Service Charge**

19 **Q. Please describe the ES recovery mechanism.**

20 A. Under restructuring, customers have a choice regarding their energy supplier. Customers
21 may contract for and obtain energy on their own, or they may choose to continue to receive
22 their energy from Eversource.

23 Under the terms of the Restructuring Settlement and subsequent legislation, Eversource is
24 required to provide ES to those customers who request it. Initially, ES rates were set by

1 statute. Beginning in February 2003, the ES rate for large commercial and industrial
2 customers was based on Eversource’s forecast of “actual, prudent and reasonable costs.”
3 Beginning in February 2004, the ES rate for all retail customers was based on a forecast of
4 Eversource’s “actual, prudent, and reasonable cost of service.” The chart below shows the
5 ES rates per kWh which have been in effect since Competition Day.

Rate in Effect:	Rate Set By: Statute or Docket No.	Residential, Small Commercial/Industrial Customers (RSCI)	Large Commercial/ Industrial Customers (LCI)
May 1, 2001 – January 31, 2003	Statute	4.40 cents	4.40 cents
February 1, 2003 - January 31, 2004	RSCI – Statute LCI-DE 02-166	4.60 cents	4.67 cents
February 1, 2004 - July 31, 2004	DE 03-175	5.36 cents	5.36 cents
August 1, 2004 - January 31, 2005	DE 03-175	5.79 cents	5.79 cents
February 1, 2005 - July 31, 2005	DE 04-177	6.49 cents	6.49 cents
August 1, 2005 - January 31, 2006	DE 04-177	7.24 cents	7.24 cents
February 1, 2006 - June 30, 2006	DE 05-164	9.13 cents	9.13 cents
July 1, 2006 - December 31, 2006	DE 05-164	8.18 cents	8.18 cents
January 1, 2007 - June 30, 2007	DE 06-125	8.59 cents	8.59 cents
July 1, 2007 – December 31, 2007	DE 06-125	7.83 cents	7.83 cents
January 1, 2008 - June 30, 2008	DE 07-096	8.82 cents	8.82 cents
July 1, 2008 - December 31, 2008	DE 07-096	9.57 cents	9.57 cents

Rate in Effect:	Rate Set By: Statute or Docket No.	Residential, Small Commercial/Industrial Customers (RSCI)	Large Commercial/ Industrial Customers (LCI)
January 1, 2009 - July 31, 2009	DE 08-113	9.92 cents	9.92 cents
August 1, 2009 - December 31, 2009	DE 08-113	9.03 cents	9.03 cents
January 1, 2010 - June 30, 2010	DE 09-180	8.96 cents	8.96 cents
July 1, 2010 - December 31, 2010	DE 09-180	8.78 cents	8.78 cents
January 1, 2011 - June 30, 2011	DE 10-257	8.67 cents	8.67 cents
July 1, 2011 - December 31, 2011	DE 10-257	8.89 cents	8.89 cents
January 1, 2012 – April 15, 2012	DE 11-215	8.31 cents	8.31 cents
April 16, 2012 – June 30, 2012	DE 11-250	8.75 cents	8.75 cents
July 1, 2012 - December 31, 2012	DE 11-215	7.11 cents	7.11 cents
January 1, 2013 – June 30, 2013	DE 12-292	9.54 cents	9.54 cents
July 1, 2013 - December 31, 2013	DE 12-292.	8.62 cents	8.62 cents
January 1, 2014 – June 30, 2014	DE 13-275	9.23 cents	9.23 cents
July 1, 2014 – December 31, 2014	DE 13-275	9.87 cents	9.87 cents
January 1, 2015 – June 30, 2015	DE 14-235	10.56 cents	10.56 cents
July 1, 2015 – December 31, 2015	DE 14-235	8.98 cents	8.98 cents
January 1, 2016 – June 30, 2016	DE 15-415	9.99 cents	9.99 cents
July 1, 2016 – December 31, 2016	DE 15-415	10.95 cents	10.95 cents

1 **Q. Please describe the costs incurred in providing ES to customers during the**
2 **twelve-month reporting period.**

3 A. ES costs include the fuel costs associated with Eversource's generation as well as
4 costs and revenues from energy and capacity purchases and sales. Also included
5 are costs related to the New Hampshire Renewable Portfolio Standard ("RPS") and
6 the Regional Greenhouse Gas Initiative ("RGGI"). Finally, additional costs include
7 those associated with IPP power valued at market prices, revenue requirements of
8 generation such as: non-fuel O&M, depreciation, property taxes and payroll taxes,
9 and a return on the net generation investment. Detailed information on the cost of
10 generation is included in Attachment CJG-3 and Attachment CJG-4, page 6.

11 **Q. Are Scrubber costs included in the final results of the reporting period for**
12 **Energy Service?**

13 A. Yes. The Scrubber was operational and used and useful on September 28, 2011.
14 The Scrubber costs relate to the return on the Scrubber rate base, depreciation,
15 property tax and Scrubber-related O&M, fuel and avoided SO2 costs.

16 **Q. Has there been any recovery of Scrubber costs through ES rates for the period**
17 **January 1, 2016 through December 31, 2016?**

18 A. Yes, in Docket No. DE 11-250, Order No. 25,854 (December 22, 2015), the
19 Commission approved a temporary Scrubber rate of 1.72 cents per kWh to fully
20 recover Scrubber related costs, as well as to begin recovering one-seventh of the
21 previously deferred Scrubber costs, through the Energy Service Rate on January 1,
22 2016. That rate was converted to a permanent rate by operation of Order No.
23 25,920 (July 1, 2016) in Docket No. DE 14-238. Due primarily to increases in
24 customer migration, the 1.72 cents per kWh rate fell short of recovering all 2016
25 Scrubber related costs as well as one-seventh of previously deferred Scrubber costs.

1 **Q. What are the final results for ES in the 2016 reporting period?**

2 A. As shown on Attachment CJG-4, page 5, line 9, last column, the ES had a net
3 adjusted under-recovery balance of \$127.0 million at December 31, 2016. This net
4 adjusted under-recovery was due primarily to deferred Scrubber costs of \$112.9
5 million (i.e., Scrubber costs incurred in excess of the temporary rate recovery). The
6 \$14.2 million non-Scrubber under-recovery was due to \$2.7 million revenues lower
7 than forecasted primarily driven by migration, a \$3.4 million contract settlement
8 which is described in more detail in the testimony of Mr. White, \$8.9 fossil fuel
9 expenses higher than forecasted, Net Purchases \$2.3 million higher than forecasted,
10 Return on Rate Base \$1.3 million higher than forecasted and other expenses \$0.8
11 million higher than forecasted offset by O&M expenses (primarily Property Taxes)
12 \$4.4 million lower than forecasted and a \$0.8 million Settlement Agreement
13 adjustment from Docket No. DE 16-542.

14 **Q. Did Eversource file a summary of 2016 benefits for the Northern Wood Power
15 Project (NWPP)?**

16 A. Yes. Attachment CJG-4, page 10 provides the NWPP revenue target as well as the
17 projected incremental revenues based on Schiller Unit 5 generation, consisting of
18 Renewable Energy Certificates (RECs), Production Tax Credit (“PTCs”) and RGGI
19 avoided costs. These 2016 credits will be trued up to actual in the 2017 ES/SCRC
20 reconciliation filing.

21 **Q. Is the \$800,000 adjustment per the Settlement Agreement in Docket No. DE
22 16-542 included in the final results of the reporting period for Energy Service?**

23 A. Yes. On Attachment CJG-4, Page 5, the 01/01/16 Balance for Line 9 Net ES
24 (Over)/Under Recovery includes a reduction of \$800,000.

25 **Stranded Cost Recovery Charge**

26 **Q. Please describe the SCRC and its components in more detail.**

27 A. The SCRC recovers costs categorized as “stranded” by New Hampshire law in RSA
28 Chapters 374-F and 369-B. The initial SCRC average rate of 3.4 cents per kWh

1 was agreed to in the Restructuring Settlement which further defined what
2 Eversource's stranded costs were and categorized them into three different parts
3 (i.e. Parts 1, 2, and 3) based on their priority of recovery. Effective June 30, 2006,
4 Part 3 costs were fully recovered.

5 **Q. Please describe the costs that are recovered through the SCRC.**

6 A. The first tier, Part 1 stranded costs, had the highest priority for recovery. All Part 1
7 costs had been securitized through the issuance of rate reduction bonds ("RRBs").
8 Part 1 costs consisted of the over-market portion of Seabrook regulatory assets, a
9 portion of Eversource's share of Millstone 3, and certain financing costs that were
10 incurred (i.e. underwriters fees, legal fees, etc.) while obtaining the RRB financing.
11 RRB interest and RRB fees were also recovered as Part 1 costs.

12 The second tier, Part 2 stranded costs, includes "ongoing" costs consisting of the
13 over-market value of energy purchased from IPPs and the up-front payments made
14 for IPP buy-downs and buyouts previously approved by the Commission, and
15 Eversource's share of the present value of the savings associated with these buy-
16 down and buy-out transactions. Eversource is amortizing these up-front payments
17 over the respective terms of the original IPP rate orders, including a return on the
18 unrecovered costs.

19 In addition, Part 2 costs include a negative return on the credit for deferred taxes
20 related to the Part 1 securitized stranded costs and a return on the unpaid contract
21 obligations to Connecticut Yankee Atomic Power Co., Maine Yankee Atomic
22 Power Co., and Yankee Atomic Energy Corp., net of related deferred taxes. Page 4
23 of Attachment CJG-4 shows the detailed Part 2 costs by month.

24 **Q. What is your estimate of how long Eversource will continue to bill the SCRC?**

25 A. That depends on the type of cost. The original Part 1 costs were recovered through
26 the SCRC over the life of the corresponding terms of the rate reduction bonds. The

1 original Part 1 recovery ended in May 2013 since the RRBs were fully amortized as
2 of the end of April 2013.

3 The timing of Part 2 cost recovery through the SCRC is dependent on the type of
4 cost. There are several types of Part 2 costs: ongoing purchases from the IPPs; the
5 amortization of up-front payments associated with buyouts or buydowns of IPP rate
6 orders or contracts; and various returns, including (1) returns on Part 2 stranded
7 costs and the outstanding Yankee contract obligations, (2) the return on SCRC
8 deferred balance.

9 Ongoing IPP purchases are obligations that will end when the various rate orders or
10 contracts expire. The up-front payments associated with buyouts or buydowns of
11 IPP rate orders or contracts are also being amortized over the remaining lives of the
12 respective rate orders or contracts. The last such rate order or contract expires in
13 the early 2020s. However, most wood-burning IPP rate orders expired in late 2006
14 and the last rate order for a wood-fired IPP expired in 2008.

15 **Q. Please provide an overview of stranded cost recovery during the 2016**
16 **reporting period.**

17 A. During the reporting period, the total accumulated balance of Part 2 costs decreased
18 by \$13.1 million from \$6.5 million at the end of 2015 to (\$6.6) million at the end of
19 2016. See Attachment CJG-4, page 1.

20 **Q. What are the final results for the SCRC in the 2016 reporting period?**

21 A. For the SCRC, the net balance as of December 31, 2016 is an over-recovery of \$8.9
22 million as shown on Attachment CJG-4, page 1, line 4, 3rd column. This over-
23 recovery primarily relates to Department of Energy (“DOE”) Litigation Refund of
24 \$3.9 million received in December 2016 as well as a reduction in budgeted Yankee
25 Atomic Plant Obligations of \$4.8 million.

1 **Q. Please describe the DOE Litigation Refund.**

2 A. A credit to customers of \$3.9 million is included in the filing to reflect Eversource's
3 portion of refunds of decommissioning costs resulting from FERC settlements
4 regarding treatment of litigation proceeds between the Department of Energy and
5 the following nuclear plants: Connecticut Yankee and Maine Yankee. The refund
6 was provided to Eversource in December 2016.

7 **Q. Please describe the reduction to Yankee Obligation and Amortization.**

8 A. Periodically, Eversource receives updated Revenue Requirements Forecasts for
9 future decommissioning costs from Maine Yankee Atomic Power Company,
10 Connecticut Yankee Atomic Power Company, and Yankee Atomic Electric
11 Company. The \$4.780 million reduction in Yankee Obligation and Amortization
12 costs appearing on CJG-4, Page 4, Line 11, reflects a net reduction in these
13 forecasted decommissioning costs from the three aforementioned companies.

14 **Q. Was there activity through the Seabrook Power Contracts in 2016 that affected
15 the Seabrook net proceeds figure?**

16 A. Yes. There were credits to NAEC of \$0.2M in 2016 reported on Attachment CJG-
17 4, page 6. While there may be additional charges and credits in 2017 that will
18 further impact the net proceeds figure, we do not expect these amounts to be
19 significant. However, we are unable to quantify these charges and credits at this
20 time.

21 **Q. Will these Seabrook-related subsequent charges and credits be passed on to
22 Eversource?**

23 A. Yes, the Seabrook Power Contracts between Eversource and NAEC are still in
24 place for Seabrook sale reconciliation purposes.

25 **Q. Please summarize your request to the Commission.**

26 A. Eversource is requesting that the Commission approve the 2016 ES and SCRC
27 reconciliations and find that Eversource's generation and purchased power costs
28 were prudently incurred.

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

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